

PRELIMINARY OFFICIAL STATEMENT DATED MAY 14, 2012

Subject to compliance by the Issuer with certain covenants, in the opinion of Ahlers & Cooney, P.C., Bond Counsel, under present laws, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes. Interest is not an item of tax preference in computing the federal alternative minimum tax for individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax for certain corporations, as described in the section "Tax Exemption and Related Considerations". Interest on the Bonds paid to the owners thereof is not included in gross income for purposes of some Iowa State personal and corporate (but not franchise) income taxes, as described in the section "Tax Exemption and Related Considerations".

REFUNDING ISSUES

DTC BOOK ENTRY

RATING: Moody's Application Made



CITY OF NEWTON, IOWA

\$9,470,000* GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012

DATED: June 27, 2012 (expected date of delivery)

DUE: June 1, as shown below

The \$9,470,000* General Obligation Refunding Bonds, Series 2012 (the "Bonds") described above are issued as fully registered Bonds in the denomination of \$5,000 or any integral multiple thereof and, when issued, will be registered in the name of Cede & Co., as Bondholder and nominee of the Depository Trust Company, New York, NY ("DTC"). DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form. Purchasers of the Bonds will not receive certificates representing their interest in the Bonds purchased. So long as DTC or its nominee, Cede & Co., is the Bondholder, the principal of, premium, if any, and interest on the Bonds will be paid by Bankers Trust Company, Des Moines, Iowa as Registrar and Paying Agent (the "Registrar"), or its successor, to DTC, or its nominee, Cede & Co. Disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants as more fully described herein. Neither the Issuer nor the Registrar will have any responsibility or obligation to such DTC Participants, indirect participants or the persons for whom they act as nominee with respect to the Bonds.

Interest on the Bonds is payable beginning on December 1, 2012 and semiannually thereafter on the 1st day of June and December in each year until maturity to the registered owners thereof.

SERIES 2012 BONDS

<u>Year (June 1)</u>	<u>* Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>Year (June 1)</u>	<u>* Amount</u>	<u>Interest Rate</u>	<u>Price</u>
2015	\$805,000			2021	\$865,000		
2016	810,000			2022	885,000		
2017	820,000			2023	900,000		
2018	830,000			2024	920,000		
2019	840,000			2025	940,000		
2020	855,000						

REDEMPTION:

The Series 2012 Bonds maturing after June 1, 2018 are subject to redemption on said date or any date thereafter upon terms of par plus accrued interest to date of call

MINIMUM BID:

\$9,384,770 [99.1%]

GOOD FAITH DEPOSIT:

Required of Purchaser Only

***PRINCIPAL ADJUSTMENT:**

The City may increase or decrease each maturity in increments of \$5,000. The total par amount of the Bonds will not exceed \$9,525,000 in the event of any adjustments to annual principal amounts. The purchase price will be adjusted as reflected in the Terms of Offering herein.

The Bonds are being issued by the City of Newton, Iowa (the "City" or "Issuer") pursuant to Chapter 384 of the Code of Iowa, as amended, and in conformity with the resolution adopted by the City Council. The Bonds are being issued in order to pay costs of aiding in the planning, undertaking and carrying out of an urban renewal project, including crossover advance refunding, on June 1, 2014, the 2015 through 2025 maturities of the Series 2006B General Obligation Capital Loan Notes, dated May 16, 2006, (the "Series 2006B Notes") to achieve savings (all proceeds of the Series 2006B Notes were used to fund urban renewal projects, consisting of street, water and sanitary and storm sewer improvements).

The Bonds are general obligations of the City for which the City will pledge its power to levy direct ad valorem taxes for the repayment of the Bonds. Taxes have been levied by the resolutions for the payment of the Bonds and the Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Bonds to the extent the necessary funds are not provided from other sources.

The Bonds are offered when, as and if issued and subject to receipt of the approving legal opinion of Ahlers & Cooney, P.C., Des Moines, Iowa, which opinion will be furnished at closing. The Bonds are expected to be available for delivery on or about June 27, 2012.

BID OPENING

Monday, May 21, 2012, 10:30 A.M., Central Time
Office of the City Clerk
City Hall, 101 West 4th Street South
Newton, Iowa 50208
Phone: 641/792-2787; Fax: 641/792-9248

PARITY® Bidding Available

AWARD

Monday, May 21, 2012, 6:00 P.M., Central Time

RUAN SECURITIES
 A Division of **D.A. Davidson & Co.**
 member SIPC

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without notice. The Bonds may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the applicable securities laws of any such jurisdiction.

NOTICE OF BOND SALE

Time and Place of Sealed Bids: Bids for the sale of General Obligation Refunding Bonds, Series 2012, of the City of Newton, State of Iowa, will be received at the office of the City Administrator, City Hall, 101 W. 4th Street South, Newton, Iowa (the "Issuer") at 10:30 o'clock A.M., on the 21st day of May, 2012. The bids will then be publicly opened and referred for action to the meeting of the City Council in conformity with the TERMS OF OFFERING.

The Bonds: The bonds to be offered are the following:

GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012, in the amount of \$9,470,000*, to be dated June 27, 2012 (the "Bonds")

*Principal adjustment language: The City may increase or decrease each maturity in increments of \$5,000. The total par amount of the Bonds will not exceed \$9,525,000 in the event of any adjustments to annual principal amounts. The purchaser price will be adjusted as provided in the Terms of Offering herein.

Manner of Bidding: Open bids will not be received. Bids will be received in any of the following methods:

- Sealed Bidding: Sealed bids may be submitted and will be received at the office of the City Administrator at City Hall, 101 W. 4th Street South, Newton, Iowa 50208.
- Electronic Internet Bidding: Electronic internet bids will be received at the office of the City Administrator at City Hall, 101 W. 4th Street South, Newton, Iowa. The bids must be submitted through the PARITY® competitive bidding system.
- Electronic Facsimile Bidding: Electronic facsimile bids will be received at the office of the City Administrator at City Hall, 101 W. 4th Street South, Newton, Iowa (facsimile number: 641-792-9248). Electronic facsimile bids will be sealed and treated as sealed bids.

Consideration of Bids: After the time for receipt of bids has passed, the close of sealed bids will be announced. Sealed bids will then be publicly opened and announced. Finally, electronic internet bids will be accessed and announced.

Sale and Award: The sale and award of the Bonds will be held at the Council Chambers, City Hall, 101 W. 4th Street South, Newton, Iowa at a meeting of the City Council on the above date at 6:00 o'clock P.M.

Official Statement: The Issuer has issued an Official Statement of information pertaining to the Bonds to be offered, including a statement of the Terms of Offering and an Official Bid Form, which is incorporated by reference as a part of this notice. The Official Statement may be obtained by request addressed to the City Clerk, City Hall, 101 W. 4th Street South, Newton, Iowa or the Issuer's Financial Consultant, Ruan Securities, a division of D.A. Davidson & Co., 515 East Locust Street, Suite 200, Des Moines, Iowa 50309; Telephone: 515-471-2700.

Terms of Offering: All bids shall be in conformity with and the sale shall be in accord with the Terms of Offering as set forth in the Official Statement.

Legal Opinion: The bonds will be sold subject to the opinion of Ahlers & Cooney, P.C., Attorneys of Des Moines, Iowa, as to the legality and their opinion will be furnished together with the printed bonds without cost to the purchaser and all bids will be so conditioned. Except to the extent necessary to issue their opinion as to the legality of the bonds, the attorneys will not examine or review or express any opinion with respect to the accuracy or completeness of documents, materials or statements made or furnished in connection with the sale, issuance or marketing of the bonds.

Rights Reserved: The right is reserved to reject any or all bids, and to waive any irregularities as deemed to be in the best interests of the public.

By order of the City Council of the City of Newton, State of Iowa.

City Clerk, City of Newton, State of Iowa

TERMS OF OFFERING

In addition to the provisions of the official Notice of Bond Sale, this section sets forth the description of certain of the terms of the Bonds as well as the terms of offering with which all bidders and bid proposals are required to comply, as follows:

The \$9,470,000* GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012 (the “Bonds”) are to be dated date of delivery (June 27, 2012) in the denomination of \$5,000 or multiples thereof, and to mature as follows:

<u>Principal Amount</u>	<u>Maturity June 1</u>	<u>Principal Amount</u>	<u>Maturity June 1</u>
\$805,000	2015	\$865,000	2021
\$810,000	2016	\$885,000	2022
\$820,000	2017	\$900,000	2023
\$830,000	2018	\$920,000	2024
\$840,000	2019	\$940,000	2025
\$855,000	2020		

* **Adjustments to Principal Amount After Determination of Best Proposal.** The aggregate principal amount of the Bonds, and each scheduled maturity thereof, are subject to adjustment by the City or its designee after the determination of the successful bidder. The City may increase or decrease each maturity in increments of \$5,000. The total par amount of the Bonds will not exceed \$9,525,000 in the event of any adjustments to annual principal amounts.

The dollar amount of the purchase price proposed by the successful bidder will be changed if the aggregate principal amount of the Bonds is adjusted as described above. Any premium offered or discount taken will be increased or reduced by a percentage equal to the percentage by which the principal amount of the Bonds is increased or reduced; provided that the City’s financial advisor will make every effort to ensure that the net compensation to the successful bidder as a percentage of the adjusted par amount does not increase or decrease from what it would have been if no adjustment had been made to the principal amounts shown in the maturity schedule above. The adjustment will be made by dividing (i) the aggregate difference between the offering price of the Bonds to the public and the price to be paid to the City (not including accrued interest), by (ii) the principal amount of the Bonds. The successful bidder may not withdraw or modify its bid as a result of any post bid adjustment. Any adjustment shall be conclusive, and shall be binding upon the successful bidder.

Optional Redemption: All of the Bonds due after June 1, 2018 will be subject to call prior to maturity in whole or from time to time in part, in any order of maturity and within a maturity by lot on said date or on any date thereafter at the option of the Issuer, upon terms of par plus accrued interest to date of call.

Interest: Interest on said Bonds will be payable on December 1, 2012 and semiannually on the 1st day of June and December thereafter. Principal and interest will be payable at Bankers Trust Company, Des Moines, Iowa.

Book Entry System: The Bonds will be issued in fully registered form in denominations of \$5,000 each or multiples thereof and, when issued, will be registered in the name of Cede & Co. as Bondholder and nominee of the Depository Trust Company, New York, NY (“DTC”). DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form. Purchaser of the Bonds will not receive certificates representing their interest on the Bonds purchased. So long as DTC or its nominee, Cede & Co., is the Bondholder, the principal of, premium, if any, and interest on the Bonds will be paid by Bankers Trust Company, Des Moines, Iowa, as Registrar and Paying Agent (the “Registrar”), or its successors, to DTC, or its nominee, Cede & Co. Disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants as more fully described herein. Neither the Issuer nor the Registrar will have any responsibility or obligation to such DTC participants, indirect participants or the persons for whom they act as nominee with respect to the Bonds.

Bid Security: A Good Faith Deposit (“Deposit”) in the amount of one percent (1%) of the par amount is required of the lowest bidder. The lowest bidder is required to submit such Deposit payable to the order of the City in the form of either (i) a cashier’s check provided to the City or its Financial Advisor prior to the opening of bids or (ii) a wire transfer as instructed by the City’s Financial Advisor not later than 12:30 P.M. Central Time on the day of sale of the Bonds. If not so received, the bid of the lowest bidder will be rejected and the City may direct the second lowest bidder for the Bonds to submit a Deposit and thereafter may award the sale of the Bonds to the same. No interest on a Deposit will accrue to a successful bidder (the “Purchaser”). The Deposit will be applied to the purchase price of the Bonds. In the event a Purchaser fails to honor its accepted bid proposal, the Deposit will be retained by the City.

Sealed Bidding: Sealed bids may be submitted and will be received at the office of the City Administrator, City Hall, 101 W. 4th Street South, Newton, IA 50208.

Facsimile Bidding: Bids may be submitted via facsimile at (641)792-9248. Electronic facsimile bids will be sealed and treated as sealed bids. Neither the Issuer nor its agents will assume liability for the inability of the bidder to reach the above named fax number prior to the time of sale specified above. Transmission received after the deadline will be rejected. Bidders electing to submit bids via facsimile transmission bear full and complete responsibility for the transmission of such bid. Neither the Issuer nor its agents will assume responsibility for the inability of the bidder to reach the above specified fax number prior to the time of sale. Time of receipt shall be the time recorded by the facsimile operator.

Internet Bidding: Internet bids must be submitted through PARITY® (“the Internet Bid System”). Information about the Internet Bid System may be obtained by calling (212)849-5000.

Each bidder shall be solely responsible for making necessary arrangements to access the Internet Bid System for purposes of submitting its internet bid in a timely manner and in compliance with the requirements of the Terms of Offering. The Issuer is permitting bidders to use the services of the Internet Bid System solely as a communication mechanism to conduct the internet bidding and the Internet Bid System is not an agent of the Issuer. Provisions of the Notice of Sale, Terms of Offering or Official Bid Form shall control in the event of conflict with information provided by the Internet Bid System.

Bidding Parameters: All bids shall be unconditional for an entire issue of Bonds for a price not less than \$9,384,770 (99.1%) of par, plus accrued interest, and shall specify the rate or rates of interest in conformity to the limitations of the following paragraph. Bids must be submitted on or in substantial compliance with the official bid form provided by the Issuer. The Bonds will be awarded to the bidder offering the lowest true interest rate to be determined on a true interest cost basis (TIC).

Rates of Interest: The rates of interest specified in the bidder's proposal must conform to the limitations following:

1. All Bonds of each annual maturity must bear the same interest rate.
2. Rates bid must be in multiples of one-eighth or one-twentieth of one percent.
3. Each rate of interest for the specified Bonds of any maturity shall not exceed 5.00%.

Delivery: The Bonds will be delivered to the purchaser through DTC in New York, New York, against full payment in immediately available cash or federal funds. The Bonds are expected to be delivered within thirty days after the sale. Should delivery be delayed beyond sixty days from date of sale for any reason except failure to performance by the purchaser, the purchaser may withdraw his bid and thereafter his interest in and liability for the Bonds will cease. (When the Bonds are ready for delivery, the Issuer may give the successful bidder five working days' notice of the delivery date and the Issuer will expect payment in full on that date, otherwise reserving the right at its option to determine that the bidder has failed to comply with the offer of purchase.)

Certificate of Purchaser: The Purchaser of the Bonds will be required as a condition of the sale to execute and submit to the Issuer within 15 days after the date of sale, a Certificate in a form satisfactory to the Issuer as to the initial offering price of the Bonds to the public (not including bond houses and brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Bonds (not less than 10% of each maturity) were in fact sold, and certifying that the prices are not greater than as shown on the Certificate and that the prices are not unreasonably low.

Official Statement: The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts, and interest rates of the Bonds, and any other information required by law or deemed appropriate by the Issuer, shall constitute a “Final Official Statement” of the Issuer with respect to the Bonds, as that term is defined in Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”). By awarding the Bonds to any underwriter or underwriting syndicate submitting an Official Bid Form therefor, the Issuer agrees that, no more than seven (7) business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded up to 10 copies of the Official Statement and the addendum described in the preceding sentence to permit each “Participating Underwriter” (as that term is defined in the Rule) to comply with the provisions of such Rule. The Issuer shall treat each senior managing underwriter of the syndicate to which the Bonds are awarded as its designated agent for purposes of distributing copies of the Final Official Statement to each participating Underwriter. Any underwriter executing and delivering an Official Bid Form with respect to the Bonds agrees thereby that if its bid is accepted by the Issuer, (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

CUSIP Numbers: It is anticipated that CUSIP numbers will be printed on the Bonds and the purchaser must agree in the bid proposal to pay the cost thereof. In no event will the Issuer be responsible for or Bond Counsel review or express any opinion of the correctness of such numbers, and incorrect numbers on said Bonds shall not be cause for the purchaser to refuse to accept delivery of said Bonds.

OFFICIAL BID FORM

**TO: Mayor and City Council
City of Newton, Iowa**

**Due: May 21, 2012
10:30 A.M. C.T.**

**RE: \$9,470,000* General Obligation Refunding Bonds, Series 2012
Dated: Date of Delivery (June 27, 2012)**

For all or none of the above Bonds, in accordance with the Notice of Sale and Terms of Offering, we will pay you \$_____ [not less than \$9,384,770 (99.1% of par)] and accrued interest to date of delivery for Bonds bearing interest rates and maturing on June 1 in each of the stated years as follows:

_____ % for \$805,000 due in 2015	_____ % for \$865,000 due in 2021
_____ % for \$810,000 due in 2016	_____ % for \$885,000 due in 2022
_____ % for \$820,000 due in 2017	_____ % for \$900,000 due in 2023
_____ % for \$830,000 due in 2018	_____ % for \$920,000 due in 2024
_____ % for \$840,000 due in 2019	_____ % for \$940,000 due in 2025
_____ % for \$855,000 due in 2020	

* The City may increase or decrease each maturity in increments of \$5,000. The total par amount of the Bonds will not exceed \$9,525,000 in the event of any adjustments to annual principal amounts. The purchaser price will be adjusted as provided in the Terms of Offering herein.

This bid is for prompt acceptance and for delivery of said Bonds to us in compliance with the official Notice of Sale and Terms of Offering of the General Obligation Refunding Bonds, Series 2012 which is made a part of the proposal by reference.

According to our computations (the correct computation being controlling in the award), we compute the following:

NET INTEREST COST	\$ _____
TRUE INTEREST COST	_____ % (based on dated date of June 27, 2012)

Respectfully submitted,

Account Manager: _____ Account Members: _____

By: _____

Phone No. _____

The foregoing offer is hereby accepted by and on behalf of the City of Newton, Iowa, this 21st day of May, 2012.

BY: _____ ATTEST: _____
Mayor City Administrator

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), this document as the same may be supplemented or corrected by the City from time to time (collectively the “Official Statement”) may be treated as an Official Statement with respect to the Bonds described herein that is deemed final as of the date hereof (or of any such supplement or correction) by the City.

The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts and interest rates of the Bonds, together with any other information required by law, shall constitute a “Final Official Statement” of the City with respect to the Bonds as that term is defined in the Rule. Any such addendum shall, on and after the date thereof, be fully incorporated herein and made a part hereof by reference.

No broker, dealer, salesman, or other person has been authorized by the Issuer to give any information or to make any representations with respect to the Bonds other than as contained in the Official Statement of the Final Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City.

Certain information contained in the Official Statement and the Final Official Statement may have been obtained from sources other than records of the City and, while believed to be reliable, is not guaranteed as to completeness. The information and expressions of opinion in the Official Statement are subject to change, and neither the delivery of the Official Statement nor any sale made under such document shall create any implication that there has been no change in the affairs of the City since the date thereof.

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CITY OF NEWTON, IOWA

CITY HALL

101 West Fourth Street South
P.O. Box 399
Newton, IA 50208-0399
641/792-2787
Fax 641/792-9248

ELECTED CITY OFFICIALS

Charles “Chaz” Allen, Mayor..... Term expires December 31, 2013
Jeff Price, Council Member-First Ward Term expires December 31, 2015
Michael Hansen, Council Member-Second Ward Term expires December 31, 2013
Craig Trotter, Council Member-Third Ward Term expires December 31, 2015
Steve Mullan, Council Member-Fourth Ward..... Term expires December 31, 2013
Noreen Otto, Council Member-At-Large Term expires December 31, 2015
D.J. Julius, Council Member-At-Large Term expires December 31, 2013

CITY ADMINISTRATION

Robert L. Knabel, City Administrator
Candice Van Zee, Director of Administrative Services
Bryan Friedman, Community Development Director

CITY ATTORNEY

Darrin T. Hamilton

BOND COUNSEL

Ahlers & Cooney, P.C.
100 Court Avenue, Suite 600
Des Moines, IA 50309
515/243-7611

FINANCIAL CONSULTANT

Ruan Securities
a Division of D.A. Davidson & Co.
515 East Locust Street, Suite 200
Des Moines, IA 50309
515/471-2700
Fax 515/471-2702

*Copies of this Official Statement may be obtained from Candice Van Zee, Director of Administrative Services
or from the Financial Consultant for the City*

OFFICIAL STATEMENT

CITY OF NEWTON, IOWA

\$9,470,000* GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012

INTRODUCTION

This Official Statement, including the cover page and any and all appendices, is provided to set forth certain information with respect to the issuance of \$9,470,000* General Obligation Refunding Bonds, Series 2012 (the “Bonds”) of the City of Newton, Jasper County, Iowa (the “City” or “Issuer”). None of the references to or summaries of the laws of the State of Iowa or any documents referred to in this Official Statement purport to be complete, and all such references are qualified in their entirety by reference to the complete provisions thereof.

DESCRIPTION OF BONDS

The Bonds are dated June 27, 2012 (expected date of delivery) and will be issued as fully registered Bonds in the denomination of \$5,000 or any integral multiple thereof and, when issued, will be registered in the name of Cede & Co., as Bondholder and nominee of the Depository Trust Company, New York, NY (“DTC”). DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form. Purchasers of the Bonds will not receive certificates representing their interest in the Bonds purchased. So long as DTC or its nominee, Cede & Co., is the Bondholder, the principal and interest on the Bonds will be paid by Bankers Trust Company, Des Moines, Iowa as Registrar and Paying Agent (the “Registrar”), or its successor, to DTC, or its nominee, Cede & Co. Disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants as more fully described herein.

The Bonds will bear interest from their date at such rates and mature on the dates and in the amounts set forth on the cover page hereof, said interest being payable semiannually on June 1 and December 1 of each year beginning December 1, 2012 until maturity or early redemption. Interest will be computed on the basis of a 360-day year of twelve 30-day months. Payments of principal and interest shall be made to the registered holder thereof or to their designated Agent as the same appear on the books of the Registrar on the 15th day preceding the payment date.

PURPOSE AND AUTHORITY

The Bonds are being issued by the City pursuant to Iowa Code Section 403.12 of the Code of Iowa, as amended, and in conformity with resolutions to be adopted by the City Council.

The Bonds are being issued for an essential corporate purpose in order to provide funds to pay costs of carrying out of an urban renewal project, including crossover advance refunding, on June 1, 2014, the 2015 through 2025 maturities (the “Refunded Notes”) of the Series 2006B General Obligation Capital Loan Notes, dated May 16, 2006, (the “Series 2006B Notes”) to achieve savings (all proceeds of the Series 2006B Notes were used to fund urban renewal projects, consisting of street, water and sanitary and storm sewer improvements). The proceeds of the Bonds will be applied toward the expense of the refunding and to establish an escrow account to be held by Bankers Trust Company, Des Moines, Iowa. Amounts in the escrow account will be invested in non-callable direct obligations of the Department of Treasury of the United State of America and which shall mature in such amounts and at such times to (i) pay interest falling due on the Bonds through and including June 1, 2014 (the “Crossover Date”); and (ii) prepay the principal amount of the Refunded Notes called for redemption on the Crossover Date. Details of the Series 2006B Notes to be refunded are set forth below.

<u>Name of Issue to be Refunded</u>	<u>Call</u>	<u>Call Price</u>	<u>Maturities to be Refunded</u>	<u>Principal Amount</u>	<u>Coupon</u>
Series 2006B Notes	June 1, 2014	100.000	June 1, 2015	\$660,000	4.500%
	June 1, 2014	100.000	June 1, 2016	685,000	4.500%
	June 1, 2014	100.000	June 1, 2017	715,000	4.500%
<i>Crossover Advance Refunding</i>	June 1, 2014	100.000	June 1, 2018	750,000	4.500%
	June 1, 2014	100.000	June 1, 2019	780,000	4.500%
	June 1, 2014	100.000	June 1, 2020	815,000	4.625%
	June 1, 2014	100.000	June 1, 2021	850,000	4.750%
	June 1, 2014	100.000	June 1, 2022	890,000	4.750%
	June 1, 2014	100.000	June 1, 2023	930,000	4.750%
	June 1, 2014	100.000	June 1, 2024	975,000	4.750%
	June 1, 2014	100.000	June 1, 2025	<u>1,015,000</u>	5.000%
				\$9,065,000	

* Preliminary; Subject to change

SECURITY

The Bonds are general obligations of the City and the unlimited taxing powers of the City are irrevocably pledged for their payment. Upon issuance of the Bonds, the City will levy taxes for the years and in amounts sufficient to provide 100% of annual principal and interest due. The City is required to levy ad valorem taxes upon all taxable property in the City without limit as to rate or amount sufficient to pay the debt service except to the extent that other monies are deposited in the debt service fund for such purposes, including U.S. Treasury obligations and investment earnings thereon. The resolution authorizing the issuance of the Bonds requires that the U.S. Treasury obligations be held in escrow for the purpose of paying the refunded principal amount of the Refunded Notes on the Crossover Date and for the purpose of paying the interest on the Bonds through the Crossover Date. It is anticipated that debt service on the Bonds will be paid by tax increment revenues from the City's Speedway Urban Renewal Area. To the extent available, the tax increment revenues will be applied each year to the debt service levy, which will be reduced accordingly.

VERIFICATION

A public accounting firm will verify the accuracy of the amount of cash and securities placed in escrow to accomplish the refunding as indicated above, and will perform certain yield calculations upon which the Bond Counsel will rely in the determination that the Bonds are not arbitrage bonds.

OPTIONAL REDEMPTION

The Series 2012 Bonds maturing after June 1, 2018 may be called for redemption by the Issuer and paid before maturity on said date or any date thereafter, from any funds regardless of source, in whole or from time to time in part, in any order of maturity and within an annual maturity by lot. The terms of redemption shall be par, plus accrued interest to date of call.

Thirty days' notice of redemption shall be given by written notice to the registered owner of the Series 2012 Bonds. Failure to give such notice by mail to any registered owner of the Bonds or any defect therein shall not affect the validity of any proceedings for the redemption of the Bonds. The Bonds or portions thereof called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment. If selection by lot within a maturity is required, the Registrar shall designate the Bonds to be redeemed by random selection of the names of the registered owners of the entire annual maturity until the total amount of the Bonds to be called has been reached.

UNDERWRITING

The Underwriter, _____, has agreed, subject to certain conditions, to purchase all, but not less than all, of the Bonds at an aggregate purchase price of \$_____ plus accrued interest to the closing date.

The Underwriter intends to offer the Bonds to the public initially at the offering prices or bond yields as set forth in the cover page of this Official Statement, which may be changed, from time to time, by the Underwriters without any requirement of public notice. The Underwriter may offer and sell the Bonds to certain dealers at prices lower than the initial public offering prices stated on the cover page. The Underwriter may engage in secondary market trading of the Bonds, subject to applicable securities laws, but are not obligated, however, to repurchase any of the Bonds at the request of the holder thereof.

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BOOK ENTRY ONLY SYSTEM

The information contained in the following paragraphs of this subsection “Book-Entry Only System” has been extracted from a schedule prepared by Depository Trust Company (“DTC”) entitled “SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY ONLY ISSUANCE”. The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

The Depository Trust Company (“DTC”), New York, NY will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity specified on the cover page hereof in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual Purchaser of each Obligation (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of Direct Participants to whose accounts such Bonds are credited, which may or may not be Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds within an issue are being redeemed DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of redemption premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the Issuer or Paying Agent, on payable date in accordance with their respective holding

shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Issuer or Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its service as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the certificates will be printed and delivered.

NEITHER THE ISSUER NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE BONDS UNDER THE MASTER RESOLUTIONS; (III) THE SELECTION BY DTC OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS OF A SERIES; (IV) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE BONDS; OR (VI) ANY OTHER MATTER.

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CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 (the “Rule”), pursuant to the Resolutions the Issuer has covenanted and agreed for the benefit of the holders of the Bonds to provide certain financial information and operating data relating to the Issuer to certain information repositories annually, and to provide notices of the occurrence of certain events enumerated in the Rule to the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the annual report or the notices of material events is set forth in the Continuing Disclosure Certificates to be executed and delivered by the Issuer at closing in substantially the forms attached hereto as Appendix C.

A failure by the Issuer to comply with any provision of the Continuing Disclosure Certificate will not constitute an event of default on the Bonds (although holders will have any available remedy at law or in equity). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

FUTURE FINANCING

During the remainder of calendar year 2012, the City anticipates issuing no further debt.

TAX EXEMPTION AND RELATED CONSIDERATIONS

Federal tax law contains a number of requirements and restrictions that apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of the Bonds proceeds and facilities financed with the Bonds proceeds, and certain other matters. The Issuer has covenanted to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Subject to the Issuer’s compliance with the above-referenced covenants, under present law, in the opinion of Bond Counsel, interest on the Bonds is excluded from gross income for federal income tax purposes and interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, with respect to corporations (as defined for federal income tax purposes), such interest is included in adjusted current earnings for the purpose of determining the alternative minimum tax imposed on such corporations. Bond Counsel expresses no opinion regarding other federal income tax consequences caused by the receipt or accrual of interest on the Bonds.

Bond Counsel is of the opinion that, under existing laws of the State of Iowa and the current rules of the Iowa Department of Revenue and Finance, the interest on the Series 2012A Bonds will not be subject to the taxes imposed by Division II, “Personal Net Income Tax” and Division III, “Business Tax on Corporations” of Chapter 422 of the Iowa Code, but the interest thereon will be subject to the franchise tax imposed by Division V, “Financial Institutions” of Chapter 422 of the Iowa Code. Interest on the Series 2012A Bonds will be required to be included in “adjusted current earnings” to be used in computing “state alternative minimum taxable income” of corporations and financial institutions for purposes of Sections 422.23 and 422.60 of the Iowa Code, as amended.”

Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Bonds Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Bonds should consult their tax advisors as to collateral federal income tax consequences.

Qualified Tax-Exempt Obligations

The Bonds are deemed as qualified tax-exempt obligations under the exception provided in Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), which affords banks and certain other financial institutions more favorable treatment of their deduction for interest expense than would otherwise be allowed under Section 265(b)(2) of the Code.

Tax Accounting Treatment of Discount and Premium on Certain Bonds

The initial public offering price of certain Bonds (the “Discount Bonds”) may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above under “Tax Exemption”. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an original purchaser in a different amount from the amount of the payment denominated as interest actually received by the original purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with “subchapter C” earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Bonds (the “Premium Bonds”) may be greater than the amount of such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser’s yield to maturity.

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

Related Tax Matters

The Internal Revenue Service (the “Service”) has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service may treat the Issuer as a taxpayer and the bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

There are or may be pending in the Congress of the United States, legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to in this section or affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal or state tax legislation.

Opinions

Bond Counsel's opinion is not a guarantee of a result, or of the transaction on which the opinion is rendered, or of the future performance of parties to the transaction, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Issuer described in this section. No ruling has been sought from the Service with respect to the matters addressed in the opinion of Bond Counsel and Bond Counsel's opinion is not binding on the Service. Bond Counsel assumes no obligation to update its opinion after the issue date to reflect any further action, fact or circumstance, or change in law or interpretation, or otherwise.

DEBT PAYMENT HISTORY

The Issuer is not aware of any instance in which it has defaulted on the payment of principal and interest debt payments.

LITIGATION

There is no litigation now pending or, to the knowledge of Officials of the Issuer, threatened which questions the validity of the Bonds or of any proceedings of the Issuer taken with respect to the issuance or sale thereof.

RATING

The City has requested a rating on the Bonds from Moody's Investors Service, Inc. The outstanding general obligation debt of the City is currently rated "Aa3" by Moody's. All fees relating to this rating will be paid by the Issuer. Any explanation of the significance of the rating may be obtained only from the rating agency. There is no assurance that such rating will continue for any given period of time or that such rating will not be revised or withdrawn if, in the judgment of the rating agency, circumstances so warrant. Any such change in or withdrawal of the rating could have an adverse effect on the market price of the Bonds.

PENSION AND RETIREMENT BENEFITS

The City is a participating employer in the Municipal Fire and Police Retirement System of Iowa and the Iowa Public Employees Retirement System. For details on the City's historical contributions to both retirement programs, see Appendix A, Note 6 of the Financial Statements.

OTHER POSTEMPLOYMENT BENEFITS

The City operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 103 active and eight retired members in the plan. Participants must be age 55 or older at retirement. The medical/prescription drug and dental coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug and dental benefit as active employees, which results in an implicit subsidy and an OPEB liability. Upon retirement, the retired participant is assumed to pay 100% of the required premium. For the year ended June 30, 2011, the City contributed \$23,655 to the medical plan. Plan members eligible for benefits contributed \$0. For more details of the plan, see Appendix A, Note 7 of the Financial Statements.

FINANCIAL CONSULTANT

The Issuer has retained Ruan Securities, a division of D.A. Davidson & Co., as financial advisor (the "Financial Consultant") in connection with the issuance of the Bonds. In preparing the Official Statement, the Financial Consultant has relied upon governmental officials, and other sources who have access to relevant data to provide accurate information for the Official Statement, and the Financial Consultant has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Financial Consultant is not a public accounting firm and has not been engaged by the Issuer to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards.

THE ISSUER

NEWTON, the county seat of Jasper County, is located in central Iowa on Interstate 80, the busiest interstate highway in the United States, and is just 25 miles from the Des Moines metropolitan area and Interstate 35. The City was first organized in 1857 and covers an area of 10.4 square miles.

The City of Newton has operated under a Mayor-Council form of government with an appointed City Administrator since 1982. Policy-making and legislative authority are vested in the governing Council that consists of a mayor and six-member council. The City Council is responsible for adopting ordinances, policy resolutions, the annual budget and six-year Capital Improvements Program, appointing committees, and hiring the City Administrator, Director of Administrative Services (City Clerk) and City Attorney. The City Administrator is responsible for overseeing the day-to-day operations of the government and for appointing and supervising the City's department directors. The City Council is elected on a non-partisan basis to four-year staggered terms with three council members elected every two years. The Mayor is elected to a two-year term. Four of the council members are elected within their respective wards, and the Mayor and the two remaining council members are elected at-large.

The City provides a full range of services including police and fire protection; sanitation services; the construction and maintenance of roads, streets and infrastructure; inspection and licensing functions; maintenance of grounds and buildings; municipal airport; library; cemetery and parks and recreation activities. In addition to general government activities, the municipality owns and operates enterprises for a regional landfill, water pollution control facility, parking facilities, and golf course. Transportation facilities are provided by the Iowa Interstate Railroad, and a network of paved county roads. Newton Municipal Airport provides both private and commercial charter air service. The Des Moines International Airport provides commercial air service to residents of Newton.

Educational services are provided to the community through the Newton Community School District that has a district population of 21,712 and estimated enrollment of 3,112. The District operates one high school, one alternative school, one middle school, and five elementary schools, all located within the City. Continuing education opportunities are available through the Des Moines Area Community College Polytechnic Campus. The Newton Polytechnic Campus offers a wide selection of academic courses that lead to a two-year degree, as well as a unique partnership with business and industry in the area of employee training. They have also recently formed a partnership with Buena Vista University, which allows students to obtain four-year degrees. Additional post-secondary education within commuting distance of the City is provided by Drake University and Grand View College in Des Moines, Central College in Pella, Grinnell College in Grinnell, Simpson College in Indianola, Iowa State University in Ames, Marshalltown Community College in Marshalltown and the University of Iowa in Iowa City.

POPULATION TREND

	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>
City of Newton	15,292	14,799	15,579	15,254
Jasper County	36,425	34,795	37,213	36,842
State of Iowa	2,913,808	2,776,831	2,926,324	3,046,355

FINANCIAL SERVICES

The City of Newton is served by Bank Iowa (branch location), Community Bank (branch location), First Newton National Bank, Great Southern Bank (branch location), Great Western Bank (branch location), U.S. Bank, N.A. (branch location). Deposits for individual branch offices are not available. Individual deposit information reported for First Newton National Bank is as follows:

<u>Year</u>	<u>Deposits</u>
6/30/11	\$67,445,000
6/30/10	\$76,251,000
6/30/09	\$72,323,000
6/30/08	\$70,130,000
12/31/07	\$71,536,000
12/31/06	\$66,496,000
12/31/05	\$67,286,000

SOURCE: American Financial Directory

TAXABLE RETAIL SALES TREND

<u>Year Ended March 31</u>	<u>No. Returns</u>	<u>City of Newton Retail Sales</u>	<u>Taxes Collected</u>
2011	550	\$248,809,709	\$14,892,838
2010	587	\$263,156,958	\$15,750,728
2009	581	\$267,927,014	\$16,039,311
2008	544	\$273,010,760	\$13,650,498
2007	545	\$272,478,136	\$13,623,907
2006	510	\$262,725,036	\$13,136,347
2005	529	\$266,345,713	\$13,311,444

SOURCE: Iowa Department of Revenue and Finance, Iowa Retail Sales and Use Tax Report.

UNEMPLOYMENT STATISTICS

<u>Year</u>	<u>Jasper County</u>	<u>State of Iowa</u>
2012 (March)	8.5%	5.2%
2011	7.9%	5.9%
2009	8.0%	6.0%
2008	7.6%	4.1%
2007	6.4%	3.7%
2006	5.2%	3.8%
2005	5.9%	4.3%

SOURCE: Iowa Workforce Development
Statistics listed by annual averages

LARGER EMPLOYERS

Larger employers in the City are as follows.

<u>Employer</u>	<u>Product/Service</u>	<u>Approximate No. of Employees</u>
Newton Community Schools	Education	493
Skiff Medical Center	Health care	355
Jasper County	Government	200
Iowa Department of Corrections	Government	328
Windstream Communications	Telecommunications	563
Hy-Vee Food Store	Grocery	283
Wal-Mart Super Center	Retail	257
TPI	Wind Blade manufacturing	300
Rock Communications	Commercial printing	200
CGB Printing	Commercial printing	200
Vernon Company	Specialty advertising	179
Trinity Structural Towers	Wind Tower manufacturing	175
Progress Industries	Human Services	150
Caleris	Technical phone support	135

PROPERTY VALUATIONS AND TAX COLLECTION PROCEDURES

All property subject to taxation is valued in compliance with State law every two years subject to an equalization action of the State Department of Revenue. All property except utility property is assessed at the local level. The State Department of Revenue assesses utility property.

The Assessor establishes the actual valuation (100%) as of January 1 in a calendar year for taxes payable in the succeeding fiscal year, i.e. valuations made in 2011 are for taxes payable in the fiscal year 2012/13. The actual value of parcels is provided by the assessor to the county auditor who then determines the taxable value. The taxable value is computed by adjusting the actual value of various classes of real property, principally residential property, by percentages (roll back rates) determined by the State Department of Revenue. The roll back percentages for residential property values for the years shown are:

<u>Fiscal Year</u>	<u>Percentage</u>
2012/13	50.7518%
2011/12	48.5299%
2010/11	46.9094%
2009/10	45.5893%
2008/09	44.0803%
2007/08	45.5596%
2006/07	45.9960%
2005/06	47.9642%

LEGISLATION – PROPERTY TAX MATTERS

It can be anticipated that, from time to time, legislative proposals may be considered by the Iowa General Assembly that would, if enacted, alter or amend one or more of the tax matters described herein. It cannot be predicted whether or in what forms any of such proposals may be enacted, and there can be no assurance that such proposals will not apply to valuation, assessment or levy procedures for the levy of taxes by the Issuer.

Iowa Code section 76.2 provides that when an Iowa political subdivision issues general obligation bonds, “The governing authority of these political subdivisions before issuing bonds shall, by resolution, provide for the assessment of an annual levy upon all the taxable property in the political subdivision sufficient to pay the interest and principal of the bonds within a period named not exceeding twenty years. A certified copy of this resolution shall be filed with the county auditor or the auditors of the counties in which the political subdivision is located; and the filing shall make it a duty of the auditors to enter annually this levy for collection from the taxable property within the boundaries of the political subdivision until funds are realized to pay the bonds in full.”

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DEBT LIMIT CALCULATION

The amount of general obligation debt a political subdivision of the State of Iowa can incur is controlled by constitutional debt limit which is an amount equal to 5% of the value of taxable property within its limits as ascertained by the last state and county tax lists. The Issuer's debt limit, based upon 2010 property valuations, is illustrated below, as well as the 2011 valuations which will become effective July 1, 2012:

	<u>Current</u>	<u>Effective 7/1/12</u>	
Actual Valuation	\$ 828,347,808	\$ 841,936,808	
Less: Military Exemption	<u>1,872,372</u>	<u>\$ 1,811,256</u>	
	\$ 826,475,436	\$ 840,125,552	
	<u>x 5%</u>	<u>x 5%</u>	
Debt Limit	\$ 41,323,771	\$ 42,006,278	
Less: Debt Subject to Debt Limit			
General Obligation Debt	\$ 19,110,000	\$ 19,110,000	
TIF Rebate Obligation (Synergy)	1,200,000	1,200,000	(estimate)
TIF Rebate Obligation (Iowa Speedway)	<u>1,659,807</u>	<u>1,659,807</u>	(estimate)
Total Debt Subject to Debt Limit	\$ <u>21,969,807</u>	\$ <u>21,969,807</u>	
Amount of Debt Capacity Remaining	\$ 19,353,965	\$ 20,036,471	
Percent of Debt Capacity Remaining	46.83%	47.70%	

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GENERAL OBLIGATION DEBT

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Amount Obligated as of 6/27/12</u>
5/06B	\$9,700,000	Various Improvements	^[1] 6/14	\$635,000
6/07A	\$740,000	Urban Renewal Projects (Taxable)	6/20	\$570,000
8/09A	\$1,115,000	Street Improvements & Refunding	6/18	\$775,000
8/09B	\$6,300,000	Economic Development & Refunding (Tax.)	6/25	\$4,915,000
11/10A	\$3,095,000	Advance Refunding	6/19	\$2,440,000
11/10B	\$515,000	Current Refunding	6/15	\$305,000
6/12	\$9,470,000	Advance Crossover Refunding of 2006B	6/25	<u>\$9,470,000</u>
			Total	\$19,110,000

[1] The Series 2012 Bonds will advance crossover refund the 2015 through 2025 maturities of the Series 2006B Notes on June 1, 2014

Fiscal Year General Obligation Debt Payments

<u>Fiscal Year</u>	<u>Current Outstanding G.O. Debt</u>		<u>Series 2012 Bonds</u>		<u>Total Outstanding Principal and Interest</u>
	<u>Outstanding Principal</u>	<u>Outstanding Interest</u>	<u>Principal</u>	<u>[1] (Estimated) Interest</u>	
2012/13	\$1,230,000	\$758,733		\$146,403	\$2,135,136
2013/14	2,120,000	733,380		157,800	3,011,180
2014/15	1,050,000	243,951	\$805,000	157,800	2,256,751
2015/16	970,000	217,326	810,000	151,763	2,149,089
2016/17	805,000	188,731	820,000	143,663	1,957,394
2017/18	805,000	161,141	830,000	134,643	1,930,784
2018/19	540,000	131,031	840,000	123,853	1,634,884
2019/20	325,000	107,430	855,000	111,253	1,398,683
2020/21	325,000	91,068	865,000	96,718	1,377,785
2021/22	340,000	74,818	885,000	80,283	1,380,100
2022/23	360,000	57,648	900,000	62,140	1,379,788
2023/24	375,000	39,468	920,000	42,790	1,377,258
2024/25	<u>395,000</u>	<u>20,343</u>	<u>940,000</u>	<u>22,090</u>	<u>1,377,433</u>
Total	\$9,640,000	\$2,825,066	\$9,470,000	\$1,431,196	\$22,366,262

[1] Interest due on the Series 2012 Bonds from December 1, 2012 through and including June 1, 2014 will be paid by the Escrow Fund established with proceeds of the Series 2012 Bonds.

OTHER CITY DEBT

Tax Increment Revenue Debt/Obligations. The City has revenue debt payable solely from tax increment revenues as follows:

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Amount Obligated as of 6/27/12</u>
12/06	\$1,200,000	Urban Renewal Revenue Rebate Agreement		<u>\$1,200,000</u>
			Total	\$1,200,000

Sewer Revenue Debt. The City has revenue debt payable solely from net revenues of the sewer enterprise fund as follows:

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding as of 6/27/12</u>
5/02	\$2,261,000	Improvements (SRF Loan)	6/23	\$1,513,000
2/07	\$2,800,000	Improvements (SRF Loan)	6/27	\$2,163,000
1/10	\$469,000	Improvements (SRF Loan)	6/30	<u>\$434,000</u>
			Total	\$4,110,000

Water Revenue Debt. The Municipal Waterworks Utility of the City has revenue debt payable solely from net revenues of the municipal waterworks system as follows:

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding as of 6/27/12</u>
2/01	\$1,156,000	System Improvements	2020	\$568,000
			Total	

INDIRECT GENERAL OBLIGATION DEBT

<u>Taxing District</u>	<u>1/1/10 Taxable Valuation</u>	<u>Percent in City</u>	<u>G.O. Debt</u> ^[1]	<u>City's Proportionate Share</u>
Jasper County	\$1,457,953,901	35.12%	\$17,075,000	\$5,998,277
Newton Community School District	\$757,644,010	67.60%	\$7,430,000	\$5,022,653
Des Moines Area Community College	\$36,478,169,487	1.40%	\$4,050,000	<u>\$56,863</u>
City's total share of overlapping debt				\$11,077,793

[1] Excludes self-supporting debt including DMACC New Jobs Training Certificates and Housing Revenue Bonds (Dormitory)

DEBT RATIOS

	<u>G.O. Debt</u>	<u>Debt/Actual Market Value (\$826,475,436)</u>	<u>Debt/Taxable Market Value (\$510,841,569)</u>	<u>Debt/15,254 Population</u>
Total Direct General Obligation Debt	\$19,110,000	2.31%	3.74%	\$1,252.77
City's Share of Overlapping Debt	\$11,077,793	1.34%	2.17	\$726.25

TAX COLLECTION TREND (All Funds)

<u>Levy Year</u>	<u>Collection Year</u>	<u>Amount Levied</u>	<u>Amount Collected*</u>	<u>Percent Collected</u>
2011	2012/13	\$6,832,774	N/A	
2010	2011/12	\$6,704,635	\$3,709,661	(as of March 31, 2012)
2009	2010/11	\$6,434,266	\$6,293,014	97.80%
2008	2009/10	\$6,129,590	\$6,120,909	99.86%
2007	2008/09	\$5,763,683	\$5,697,554	98.85%
2006	2007/08	\$5,982,574	\$5,984,330	100.03%

* Including delinquent taxes, if any

SCHEDULE OF RECEIPTS AND DISBURSEMENTS (General Fund) *

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Balance</u>
2011/12	\$3,483,778	\$5,316,999	\$6,523,813	\$2,281,777***
2010/11	\$3,608,290	\$8,462,919	\$8,587,431	\$3,483,778
2009/10	\$3,156,442	\$8,512,983	\$8,053,362	\$3,616,063
2008/09	\$3,350,042**	\$8,255,456	\$8,449,056	\$3,156,442
2007/08	\$2,394,327	\$9,562,646	\$8,583,690	\$3,373,283
2006/07	\$2,173,788	\$8,513,621	\$8,293,082	\$2,394,327

* Receipts include General Fund transfers in; Disbursements include General Fund transfers out.

** 2008/09 beginning balance reflects combining Parking Fund into General Fund

*** Ending balance as of March 31, 2012

CURRENT FUND BALANCES (as of March 31, 2012)

General Fund	\$2,314,905
Tort Liability	\$ (92,040)
Road Use Tax	\$ 549,777
Trust and Agency	\$ (300,836)
Tax Increment	\$ 364,277
Debt Service	\$ 506,862
Capital Improvement	\$ 56,229
Golf.....	\$ 39,400
Landfill	\$3,996,330
Wastewater	\$1,472,455
Perpetual Care	\$ 241,422
Fred Maytag Park Endowment.....	\$ 233,320
Landfill Post Closure.....	\$ 629,553
City Garage.....	\$ (4,088)

TAX RATE PER \$1,000 OF TAXABLE VALUATION (Combined Levy for all Taxing Districts)

Valuation Year:	2010	2009	2008	2007	2006
Collection Year:	<u>2011/12</u>	<u>2010/11</u>	<u>2009/10</u>	<u>2008/09</u>	<u>2007/08</u>
City of Newton	\$ 15.30305	\$ 15.34596	\$ 15.65613	\$ 15.65673	\$ 15.79100
Jasper County	\$ 8.62582	\$ 8.38776	\$ 8.99696	\$ 9.29114	\$ 9.17034
Newton CSD	\$ 16.23768	\$ 16.72645	\$ 16.56630	\$ 16.73813	\$ 16.48184
Co. Assessor	\$.41948	\$.42448	\$.40625	\$.40747	\$.38173
Ag Extension	\$.16758	\$.17318	\$.17240	\$.17218	\$.15230
State (Bruc./T.B.)	\$.00340	\$.00340	\$.00350	\$.00350	\$.00350
DMACC	\$ <u>.59018</u>	\$ <u>.56008</u>	\$ <u>.56778</u>	\$ <u>.84695</u>	\$ <u>.60276</u>
Total Levy	\$ 41.34719	\$ 41.62131	\$ 42.36932	\$ 43.11610	\$ 42.58347

BREAKDOWN OF CITY TAX LEVY

Valuation Year:	2010	2009	2008	2007	2006
Collection Year:	<u>2011/12</u>	<u>2010/11</u>	<u>2009/10</u>	<u>2008/09</u>	<u>2007/08</u>
General	\$ 8.10000	\$ 8.10000	\$ 8.10000	\$ 8.10000	\$ 8.10000
Outside \$8.1000	\$.71490	\$.74910	\$.74325	\$.75679	\$.66225
Employee Benefits	\$ 4.90407	\$ 4.52571	\$ 4.62091	\$ 4.51076	\$ 4.64077
Debt Service	\$ <u>1.58408</u>	\$ <u>1.97115</u>	\$ <u>2.19197</u>	\$ <u>2.28918</u>	\$ <u>2.38798</u>
Total Levy	\$ 15.30305	\$ 15.34596	\$ 15.65613	\$ 15.65673	\$ 15.79100
City Ag Land	\$ 3.00375	\$ 3.00375	\$ 3.00375	\$ 3.00375	\$ 3.00375

VALUATION BY PROPERTY CLASSIFICATION - City of Newton

The following table presents the January 1, 2010 100% Assessed and Taxable Valuations of the City by property classification (for Fiscal Year 2011/12 tax levies).

	100% Actual Value (1/1/10)	Taxable Value (1/1/10) (With Rollback)
Residential	\$584,923,647	\$283,850,258
Commercial	114,927,476	114,927,476
Industrial	19,740,710	19,740,710
Utilities w/o Gas & Electric	1,745,264	1,745,264
Railroads	<u>237,222</u>	<u>237,222</u>
Gross valuation	\$721,574,319	\$420,500,930
Less military exemption	<u>(1,872,372)</u>	<u>(1,872,372)</u>
Net valuation	\$719,701,947	\$418,628,558
TIF increment - (used to compute debt service levies and constitutional debt limit)	79,927,684	79,927,684
Taxed separately		
Ag Land/building	2,134,930	1,323,061
Gas & Electric	24,710,875	10,962,266

VALUATION TREND

Valuation Year	Payable Fiscal Year	100% Actual Valuation	Taxable Valuation (With Rollback)	Taxable TIF Increment Valuation	Total Taxable Valuation
2011*	2012/13	\$840,125,552	\$449,134,295	\$85,673,349	\$534,807,644
2010	2011/12	\$826,475,436	\$429,590,824	\$79,927,684	\$509,518,508
2009	2010/11	\$776,638,345	\$414,046,243	\$38,849,729	\$452,895,972
2008	2009/10	\$720,144,626	\$387,465,909	\$27,166,044	\$414,631,953
2007	2008/09	\$711,111,214	\$362,310,522	\$38,283,321	\$400,593,843
2006	2007/08	\$733,607,181	\$382,413,702	\$53,336,955	\$435,750,657

The 100% actual valuations, before rollback and after reduction of military exemption, include ag land and buildings, TIF increment, and gas and electric utilities and are used for calculating debt capacity. The taxable valuations, with the rollback and after the reduction of military exemption, include gas and electric utilities, exclude ag land and buildings and exclude taxable TIF increment value, which is shown separately. Iowa cities certify operating levies against taxable value excluding TIF increment. However, debt service levies are certified against taxable value including TIF increment.

*2011 Valuations are expected to be certified on or about July 1, 2012

LARGER TAXPAYERS

<u>Taxpayer</u>	<u>Type of Property/Business</u>	<u>1/1/10 Assessed Valuation Payable 2011-2012</u>	<u>1/1/10 Taxable Valuation Payable 2011-2012</u>
US Motorsport Corporation	Commercial	\$44,984,790	\$44,984,790
Interstate Power & Light Company	Utility	16,528,910	16,528,910
AG/IRG WPM Newton LLC	Industrial	15,347,090	15,347,090
SIR Properties Trust	Industrial	13,831,920	13,831,920
Wesley Retirement Services	Residential	11,643,180	12,570,350
Wal-Mart Real Estate Business	Commercial	6,687,580	6,687,580
Newton Village	Residential	6,604,830	6,604,830
Black Hills Energy Corp.	Utility	5,350,451	5,350,451
Newton Enterprises LLC	Commercial	4,518,350	4,518,350
Hy-Vee Inc	Commercial	4,403,410	4,403,410

BUILDING PERMIT TREND

	<u>2012 *</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Single Family Homes					
No. of New Homes	0	0	4	0	5
Valuation	0	0	\$522,800	\$0	\$1,183,000
<u>Multiple Family Dwellings</u>					
No. of New Buildings	0	0	3	0	1
Valuation	0	0	\$450,000	\$0	\$150,000
<u>Commercial/Industrial/Other</u>					
No. of New Buildings	0	1	7	1	5
Valuation	0	\$875,000	\$3,527,991	\$300,000	\$3,432,583
Additions/remodeling	14	64	73	35	97
Valuation	\$252,175	\$6,928,156	\$2,076,601	\$3,006,087	\$4,188,976
Total Permits	14	65	87	36	108
Total Valuations	\$252,175	\$7,803,156	\$6,577,392	\$3,306,087	\$8,954,559

* 2012 building permit information is year-to-date as of March 31, 2012

AGRICULTURE STATISTICS

	<u>Jasper County</u>	<u>State of Iowa</u>
Number of Farms (2010)	1,150	92,400
Average Farm size, acres	374	338
Farmland values, per acre	\$5,102	\$5,064
Corn/grain: Acres harvested	169,000	13,650,000
Yield per acre	152.7	171
Production (000 bu.)	25,810	2,334,150
Soybeans: Acres harvested	138,000	9,260,000
Yield per acre	48.3	50.5
Production (000 bu.)	6,666	467,630

FINANCIAL SUMMARY

City of Newton, Iowa
(as of June 27, 2012)

2010 100% Actual Valuation (excludes \$1,872,372 military exempt valuation)	\$	826,475,436.00
2010 Taxable Valuation (excludes \$1,323,061 ag valuation)	\$	510,841,569.00
General Obligation Debt (includes this issue of Bonds)	\$	19,110,000.00
Direct General Obligation Debt per Capita (15,254)	\$	1,252.79
Direct and Indirect Debt per Capita	\$	1,979.02
Ratio of Direct General Obligation Debt to 100% Valuation		2.31%
Ratio of Direct and Indirect Debt to 100% Valuation		3.65%
100% Valuation per Capita	\$	54,180.90
Tax Increment Revenue Debt/Obligations	\$	1,200,000.00
Sewer Revenue Debt	\$	4,110,000.00
Municipal Waterworks Revenue Debt	\$	568,000.00

Indirect Debt:

Jasper County

2010 100% Valuation	\$	2,429,900,492.00
2010 Taxable Valuation	\$	1,457,953,901.00
General Obligation Bonded Debt	\$	17,075,000.00
Percent Allocable to City		35.12%
Amount Allocable to City	\$	5,998,277.00
City's share of Debt per Capita	\$	393.23

Newton Community School District

2010 100% Valuation	\$	1,251,740,879.00
2010 Taxable Valuation	\$	757,644,010.00
General Obligation Bonded Debt:	\$	7,430,000.00
Percent Allocable to City		67.60%
Amount Allocable to City	\$	5,022,653.00
City's share of G.O. Debt per Capita	\$	329.27
Local Option Sales Tax Revenue Bonds	\$	2,000,000.00

Des Moines Area Community College (Merged Area XI)

2010 100% Valuation	\$	59,013,048,448.00
2010 Taxable Valuation	\$	36,478,169,487.00
Bonded Debt:		
Industrial New Jobs Training Certificates	\$	85,745,000.00 ⁽¹⁾
Capital Improvements	\$	4,050,000.00 ⁽²⁾
Percent Allocable to City (exclusive of New Jobs Training Certificates)		1.40%
Amount Allocable to City	\$	56,863.00
City's share of Debt per Capita	\$	3.73

(1) The Certificates were issued to finance projects which provide education and training of workers for new or expanding industry in the Merged Area. While secured by an annual levy of a standby tax upon all taxable property in the Merged Area, the debt service is payable from revenues of the respective projects and the standby tax will be collected only in the event such revenues are insufficient. The Certificates are currently self-supporting.

(2) The Capital Loan Notes are payable from a levy of tax in an amount not to exceed 20¼¢ per \$1,000 of taxable valuation in any one year. Taxes collected pursuant to such levy are irrevocably pledged by the college to the payment of principal of and interest on the Notes.

CERTIFICATION

We have examined this Official Statement prepared on behalf of the City by Ruan Securities, a Division of D. A. Davidson & Co. Various city officials, school officials, county officials and other government and private sources have contributed to the data presented herein. While this information is not guaranteed as to accuracy, it has been carefully compiled and checked and, to the best of our knowledge and belief, it is true and correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or projections will be realized.

City of Newton, Iowa

/s/ Robert L. Knabel
City Administrator

APPENDIX “A”

AUDITED FINANCIAL STATEMENTS

*For fiscal year ended June 30, 2011
as prepared by*

NOLTE, CORNMAN & JOHNSON, PC
Certified Public Accountants
Newton, IA

The auditors have not performed any additional review and have not consented to the inclusion of the report or extracts from the report in this Official Statement.
The consent of the auditors was not sought by the Issuer.

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December 22, 2011

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

I am pleased to submit the annual financial report for the City of Newton, Iowa, for the fiscal year ended June 30, 2011, and to also provide information about the City organization and community. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation including all disclosures rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial statements on a cash basis of accounting. All disclosures necessary to enable the reader to gain an understanding of the government's financial activities have been included.

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

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

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

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

ECONOMIC CONDITION AND OUTLOOK

The City of Newton serves as the Jasper County seat and as a local employment center. It is a regional retail hub, with a full range of shopping and services. The 2010-2011 fiscal year saw the 2010 census figures made available. The official population now stands at 15,254 which, while lower, shows remarkable stability.

In 2010-2011 in Newton, the community's economy had the following highlights:

- Continued increases in hiring in the wind industry, helping to lower the unemployment rate in the county over the course of the fiscal year.
- Hosting by the Iowa Speedway of two NASCAR Nationwide series races, along with several other big races, helping to draw over 200,000 fans to the track.
- Multi-million dollar investments in new business facilities for Farm Credit Services and the Walter G. Anderson carton factory.

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

The overall outlook for Newton is positive. Though slowed by the national economic situation, Newton is still well positioned for economic growth. The community is located along major transportation routes near an expanding metropolitan area and is intentionally diversifying its economic base. For these factors, Newton will continue to recover from the 2007 departure of Maytag and be poised for consistent future growth.

CITY OPERATIONS

The Mayor, City Council and City staff conduct goal setting activities on a regular basis in order to provide the City with a firm sense of direction about its future as well as to evaluate current activities. The City conducted a two-year goal setting workshop in September of 2010. Staff and the Council worked to achieve a very high percentage rate of completion of those goals and plan another two-year goal setting session in August of 2012.

FINANCIAL INFORMATION

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

Budgeting Controls

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

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

Debt Administration

At June 30, 2011 the City of Newton had a number of debt issues outstanding. These issues included \$20,175,000 of general obligation bonds, \$628,000 of revenue bonds, \$4,128,000 of sewer revenue capital loan notes, \$574,658 of capital leases and \$30,000 of other capital loan notes. The government has experienced an upgrade of its rating from Moody's Investors Service on general obligation bond issues to AA3. Under current state statutes, the government's general obligation debt issues are subject to a legal limitation based on 5 percent of total actual value of real property. The government's net general obligation debt of \$25,535,658 was below the legal limit of \$38,839,432.

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

Cash Management

Cash temporarily idle during the year was invested in demand deposits, and certificates of deposit. The investment policy adopted by the City Council stresses the importance of capital preservation. The policy directives intend to minimize credit and market risks while maintaining a competitive yield on the portfolio. Accordingly, deposits were either

covered by federal depository insurance or collateralized. All collateral on uninsured deposits was held either by the State Treasurer, the government, its agent, or a financial institution's trust department in the government's name. All of the investments subject to risk categorization were classified in the category of lowest credit risk as defined by the Governmental Accounting Standards Board.

Risk Management

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

OTHER INFORMATION

Independent Audit

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

Evaluation by Moody's Investors Service

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

Acknowledgments

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

Respectfully submitted,

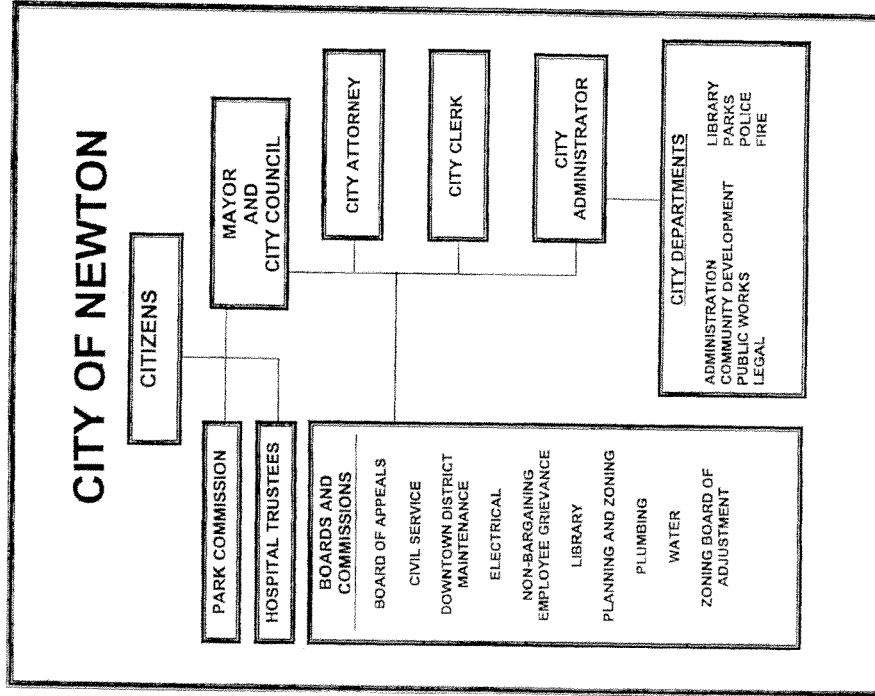


Thomas R. Wardlow
City Administrator

City of Newton, Iowa

Officials

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



NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Newton, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Newton. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Skiff Medical Center (the Medical Center), a major Proprietary Fund, or the Newton Municipal Waterworks (the Waterworks), a major Proprietary Fund, which represents a 44% and a 4% of the cash basis net assets respectively, and a 85% and 6% of the operating receipts of the business type activities respectively, of the City of Newton. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to amounts included for the Health Center, is based solely upon the report of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Newton at June 30, 2011, and the respective changes in financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated December 22, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Members American Institute of Certified Public Accountants

The Management's Discussion and Analysis and budgetary comparison information on pages 17 through 23 and 48 through 50 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Newton's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed an unqualified opinion on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedule 1 through 5, is presented for purposes of additional analysis and is not required parts of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is also presented for the purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section tables have not been subject to the auditing procedures applied by us in the audit of the financial statements, and accordingly we express no opinion on them.

Newton, Iowa
December 22, 2011

NOLTE, CORNMAN & JOHNSON, P.C.





CITY OF NEWTON, IOWA MANAGEMENT DISCUSSION AND ANALYSIS

The City of Newton provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The City's General Fund receipts of \$8,462,920 increased \$20,834 or 0.25% from the FY 2010 receipts of \$8,442,086.
- General Fund property taxes increased by \$259,397 or 7.79% to \$3,587,525 over the FY 2010 tax collections of \$3,328,128.
- The City's General Fund disbursements of \$8,605,928 increased \$623,459 or 7.81% from the FY 2010 disbursements of \$7,982,467.
- The City's General Fund end of year cash balance of \$3,488,591 decreased \$143,006 or 3.94% from the FY 2010 cash balance of \$3,631,597.
- There were no significant changes in the City's operations.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consists of a statement of activities and changes in cash balances. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

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

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

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

REPORTING THE CITY AS A WHOLE

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

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

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

Fund Financial Statements

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

The City has two kinds of funds:

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Governmental Activities

The City's end of year cash balance for governmental activities of \$5,439,256 decreased \$914,228 or 14.38% from the FY 2010 end of year cash balance of \$6,353,754.

Changes in Cash Balance of Governmental Activities (Expressed in Thousands)				
	Governmental Activities		Total Change	
	2011	2010	2010-11	
Receipts and Transfers:				
Charges for service and sales	\$ 2,341	2,475	-5.41%	
Operating grants, contributions and restricted interest	1,603	2,052	-21.88%	
Capital grants, contributions and restricted interest	2,500	765	226.80%	
General revenues:				
Property tax	7,641	8,194	-6.75%	
Unrestricted investment earnings	36	35	2.86%	
Bond proceeds	3,610	5,171		
Other general receipts	2,946	2,642	11.51%	
Transfers	35	40	-12.50%	
Total receipts and transfers	20,712	21,374	-3.10%	
Disbursements				
Public safety	5,415	5,127	5.62%	
Health and social services	2,410	2,423	-0.54%	
Culture and recreation	1,962	1,696	15.68%	
Community and economic development	737	4,467	-83.50%	
General government	1,555	1,149	35.34%	
Debt service	5,915	2,191	169.97%	
Capital project	3,620	3,865	-6.34%	
Total disbursements	21,626	21,186	2.08%	
Increase/(Decrease) in cash balance	(914)	188	586.17%	
Cash Balance Beginning of Year	6,354	6,166	3.05%	
Cash Balance End of Year	\$ 5,440	6,354	-14.38%	

Changes in Cash Balance of Business-Type Activities (Expressed in Thousands)			
	Business-Type Activities		Total Change
	2011	2010	2010-11
Receipts and Transfers:			
Program receipts:			
Charges for service and sales:			
Skiff Medical Center	\$ 31,520	32,733	-3.71%
Newton Municipal Waterworks	2,211	2,208	0.14%
Landfill	1,334	1,444	-7.62%
Sewer	1,777	1,792	-0.84%
Other	407	483	-15.73%
Operating Grants, contributions and restricted interest			
Other	58	8	625.00%
General receipts:			
Unrestricted investment earnings	946	481	96.67%
Bond proceeds	992	241	311.62%
Other general receipts	1,881	1,598	17.71%
Transfers	(35)	(40)	-12.50%
Total receipts and transfers	41,091	40,948	0.35%
Disbursements and Transfers:			
Skiff Medical Center	33,190	33,472	-0.84%
Newton Municipal Waterworks	3,107	2,224	39.70%
Landfill	1,324	920	43.91%
Sewer	2,320	2,193	5.79%
Other	420	527	-20.30%
Total disbursements	40,361	39,336	2.61%
Increase in cash balance	730	1,612	54.71%
Cash Balance Beginning of Year, as restated	11,821	10,209	15.79%
Cash Balance End of Year	\$ 12,551	11,821	6.18%

THE CITY'S INDIVIDUAL MAJOR FUNDS

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

Governmental Funds.

- The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the cash balance of the General Fund was \$3,488,591 a decrease of \$143,006 or 3.94% from the prior year ending cash balance of \$3,631,597.

Proprietary Funds.

- The Skiff Medical Center Fund end of year cash balance of \$6,565,807 increased \$815,518 or 14.18% from the FY 2010 end of year cash balance of \$5,750,289.
- The Newton Municipal Waterworks Fund end of year cash balance of \$380,705 decreased \$165,510 or 30.30% from the FY 2010 end of year cash balance of \$546,215.
- The Sewer Fund end of year cash balance of \$1,107,909 decreased \$83,175 or 6.98% from the FY 2010 end of year cash balance of \$1,191,084.
- The Landfill Fund end of year cash balance of \$3,698,383 increased \$23,616 or 0.64% from the FY 2010 end of year cash balance of \$3,674,767.

BUDGETARY HIGHLIGHTS

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

DEBT ADMINISTRATION

At FY2011 year-end, the City had \$25,535,658 in bonds and other long-term debt compared to \$26,660,660 last year as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	2011	2010
General obligation bonds	\$ 20,175	21,455
Special assessment bonds and notes	0	35
Sewer revenue capital loan notes	4,128	4,122
Skiff Medical Center capital leases	575	292
Newton Municipal Waterworks revenue bonds	628	685
Newton Municipal Waterworks capital loan notes	30	60
Newton Municipal Waterworks John Deere lease	0	12
Total	\$ 25,536	\$ 26,661

The City's general obligation bond rating continues to be AA3 rating as rated by Moody's. The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5 percent of the assessed value of

all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$25,535,658 is below the City's legal debt limit.

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

ECONOMIC FACTORS BEARING ON THE CITY'S FUTURE

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact Thomas R. Wardlow, City Administrator, 101 West 4th Street South, Newton, Iowa.

Sincerely,



Thomas R. Wardlow
City Administrator

CITY OF NEWTON, IOWA
STATEMENT OF ACTIVITIES AND CHANGES IN CASH BALANCES
YEAR ENDED JUNE 30, 2011

Functions/Programs	Program Receipts			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 5,414,479	1,161,806	177,552	0
Public works	2,410,052	955,170	1,409,150	0
Health and social services	12,083	0	0	0
Culture and recreation	1,961,802	150,555	0	0
Community and economic development	737,224	0	0	0
General government	1,555,017	73,390	15,906	0
Debt service	5,914,670	0	0	0
Capital projects	3,620,110	0	0	2,500,459
Total governmental activities	27,825,937	2,340,461	1,602,608	2,500,459
Business-type activities:				
Shif Medical Center	33,130,390	31,520,047	0	0
Newton Municipal Waterworks	2,476,549	2,210,639	0	0
Landfill	1,324,137	1,313,719	6,386	0
Sewer	2,315,675	1,777,277	5,900	0
Golf	426,331	497,434	45,652	0
Total business-type activities	39,733,322	37,279,156	57,948	0
Total	\$ 67,559,259	\$ 60,619,617	\$ 1,660,556	\$ 2,500,459

General Receipts:				
Property tax levied for:				
General purposes	\$ 3,587,525	0	3,587,525	0
Employee benefits	1,833,475	0	1,833,475	0
Debt service	872,597	0	872,597	0
Tax increment financing	1,347,281	0	1,347,281	0
Investment earnings	1,703,058	35,457	1,738,515	0
Payment to refunded bond across agent	36,127	945,750	981,877	0
Bond proceeds, net	3,610,000	0	3,610,000	0
Special assessments	982,384	0	982,384	0
Miscellaneous	1,177,252	0	1,177,252	0
Sale of capital assets	40,925	1,772,345	2,319,311	23,864
Transfers	35,457	(35,457)	115,231	0
Total general receipts and transfers	14,267,581	3,156,745	17,424,326	23,864
Changes in cash balances	(914,228)	730,317	(183,711)	0
Cash balances beginning of year	6,353,754	11,820,957	18,174,711	0
Cash balances end of year	\$ 5,439,526	\$ 12,551,474	\$ 17,991,000	\$ 23,864
Cash Basis Net Assets				
Restricted:				
Non-Spendable	0	0	0	0
Permanent Funds	0	0	0	0
Expendable	470,542	0	470,542	0
Streets	159,134	0	159,134	0
Employee Benefits	159,134	0	159,134	0
Tax Increment Financing	159,134	0	159,134	0
Debt Service	978,650	0	978,650	0
Capital Projects	67,402	15,976	83,378	0
Other Purposes	115,545	0	115,545	0
Unrestricted	236,244	0	236,244	0
Total cash basis net assets	\$ 5,439,526	\$ 12,551,474	\$ 17,991,000	\$ 23,864

SEE NOTES TO FINANCIAL STATEMENTS.

Functions/Programs	Net (Disbursements) Receipts			
	Governmental Activities	Business-Type Activities	Total	
Governmental activities:				
Public safety	(4,075,521)	0	(4,075,521)	0
Public works	(45,732)	0	(45,732)	0
Health and social services	(1,412,903)	0	(1,412,903)	0
Culture and recreation	(1,412,903)	0	(1,412,903)	0
Community and economic development	(737,224)	0	(737,224)	0
General government	(1,465,721)	0	(1,465,721)	0
Debt service	(5,914,670)	0	(5,914,670)	0
Capital projects	(3,119,651)	0	(3,119,651)	0
Total governmental activities	(15,181,809)	0	(15,181,809)	0
Business-type activities:				
Shif Medical Center	0	(1,670,343)	(1,670,343)	0
Newton Municipal Waterworks	0	(2,210,639)	(2,210,639)	0
Landfill	0	(6,386)	(6,386)	0
Sewer	0	(536,498)	(536,498)	0
Golf	0	32,205	32,205	0
Total business-type activities	0	(2,426,228)	(2,426,228)	0
Total	(15,181,809)	(2,426,228)	(17,608,037)	0
General Receipts:				
Property tax levied for:				
General purposes	\$ 3,587,525	0	3,587,525	0
Employee benefits	1,833,475	0	1,833,475	0
Debt service	872,597	0	872,597	0
Tax increment financing	1,347,281	0	1,347,281	0
Investment earnings	1,703,058	35,457	1,738,515	0
Payment to refunded bond across agent	36,127	945,750	981,877	0
Bond proceeds, net	3,610,000	0	3,610,000	0
Special assessments	982,384	0	982,384	0
Miscellaneous	1,177,252	0	1,177,252	0
Sale of capital assets	40,925	1,772,345	2,319,311	23,864
Transfers	35,457	(35,457)	115,231	0
Total general receipts and transfers	14,267,581	3,156,745	17,424,326	23,864
Changes in cash balances	(914,228)	730,317	(183,711)	0
Cash balances beginning of year	6,353,754	11,820,957	18,174,711	0
Cash balances end of year	\$ 5,439,526	\$ 12,551,474	\$ 17,991,000	\$ 23,864
Cash Basis Net Assets				
Restricted:				
Non-Spendable	0	0	0	0
Permanent Funds	0	0	0	0
Expendable	470,542	0	470,542	0
Streets	159,134	0	159,134	0
Employee Benefits	159,134	0	159,134	0
Tax Increment Financing	159,134	0	159,134	0
Debt Service	978,650	0	978,650	0
Capital Projects	67,402	15,976	83,378	0
Other Purposes	115,545	0	115,545	0
Unrestricted	236,244	0	236,244	0
Total cash basis net assets	\$ 5,439,526	\$ 12,551,474	\$ 17,991,000	\$ 23,864

CITY OF NEWTON, IOWA
STATEMENT OF CASH TRANSACTIONS AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	Special Revenue			
	General	Head Use Tax	Employee Benefits	Tax Increment Financing
Receipts:				
Property tax	\$ 3,587,525	0	1,833,415	0
Tax increment financing collections	0	0	0	1,347,281
Other city tax	1,328,086	0	356,056	0
Licenses and permits	155,019	0	0	0
Intergovernmental	36,410	0	0	4,748
Intergovernmental property	203,286	1,409,150	0	0
Charges for services	2,117,152	0	0	0
Special assessments	445,334	0	358,148	333,717
Miscellaneous	7,928,412	1,409,150	2,348,619	1,895,745
Total receipts	14,865,565	1,409,150	2,348,619	1,895,745
Disbursements:				
Governmental activities:				
Public safety	3,868,710	0	1,541,656	0
Public works	1,403,787	950,256	55,305	0
Health and social services	1,210,833	0	336,391	0
Culture and recreation	1,508,342	0	0	0
Community and economic development	1,046,719	0	504,862	165,011
General government	0	0	0	0
Debt service	0	0	0	0
Capital projects	0	0	0	0
Total disbursements	8,465,565	950,256	2,352,836	920,835
Excess(deficiency) of receipts over(funder) disbursements	(538,157)	458,894	(45,217)	764,891
Other financing sources(uses):				
Bond refunding, net	0	0	0	0
Sale of capital assets	38,525	0	0	0
Transfers in	495,983	0	18,231	0
Transfers out	(138,357)	(321,788)	0	(1,359,082)
Total other financing sources(uses)	396,151	(321,788)	18,231	(1,359,082)
Excess(deficiency) of revenues and other financing sources(uses) over(funder) expenditures and other financing uses	(142,006)	137,106	(64,094)	(794,191)
Cash balances beginning of year	3,631,587	22,028	94,556	1,772,853
Cash balances end of year	\$ 3,489,581	\$159,134	\$138,450	\$79,662
Cash Basis Fund Balances				
Nonrestricted:				
Capital Projects	0	0	0	0
Fund Mayfield Park Endowment	0	0	0	0
Restricted for:				
Streets	0	159,134	0	0
Employee Benefits	0	0	158,450	0
Tax Increment Financing	0	0	0	979,662
Debt Service	0	0	0	0
Capital projects	0	0	0	0
Other purposes	236,244	0	0	0
Unassigned	3,253,337	0	0	0
Total cash basis fund balances	\$ 3,489,581	\$159,134	\$158,450	\$79,662

SEE NOTES TO FINANCIAL STATEMENTS.

	Other Nonmajor Governmental Funds			
	Debt Service	Capital Projects	Governmental Funds	Total
	872,597	0	0	8,283,587
	0	0	0	1,347,281
	18,516	0	0	1,703,056
	0	0	0	155,019
	2,072	0	6,087	105,517
	0	2,490,631	0	4,103,067
	0	0	0	2,312,552
	23,864	0	0	23,864
	0	35,073	0	1,171,272
	317,449	2,529,304	6,087	17,025,227
	5,914,610	2,862,266	0	5,914,610
	5,914,610	2,862,266	0	21,877,528
	(4,997,223)	(332,582)	6,087	(4,592,225)
	3,810,000	0	0	3,610,000
	0	2,400	0	40,225
	1,450,000	311,406	0	2,115,880
	0	0	0	12,222,222
	5,060,000	313,846	0	5,304,318
	62,779	(118,716)	6,087	(784,847)
	8,453	234,261	464,455	6,221,373
	67,402	115,545	470,542	5,439,526
	67,402	115,545	470,542	5,439,526
	67,402	115,545	470,542	5,439,526

Exhibit C

CITY OF NEWTON, IOWA
RECONCILIATION OF THE STATEMENT OF CASH
RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
TO THE STATEMENT OF ACTIVITIES AND NET ASSETS -
GOVERNMENTAL FUNDS

Net change in cash balances (page 23) \$ (185,847)

Amounts reported for governmental activities in the Statement of Activities
and Net Assets are different because:

The Internal Service Fund is used by management to charge the costs of partial self
funding of the City's health insurance benefit to individual funds. The change in net
assets of the Internal Service Fund is reported with governmental activities.

(128,381)

Change in cash basis net assets of governmental activities (page 27)

\$ (94,228)

SEE NOTES TO FINANCIAL STATEMENTS.

CITY OF NEWTON, IOWA
STATEMENT OF CASH TRANSACTIONS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	Enterprise Funds			
	Skiff Center	Newton Medical Center	Municipal Waterworks	Landfill
Receipts:				
Charges for services	\$ 31,520,047	2,210,639	1,333,719	
Use of money and property	897,011	7,326	33,572	
Other city tax	0	0	0	
Intergovernmental	0	0	6,966	
Miscellaneous	1,589,790	95,124	1,310	
Total receipts	34,005,908	2,313,099	1,373,587	
Disbursements:				
Business-type activities:				
Operations	32,380,043	2,167,018	1,324,337	
Debt service	122,318	128,975	0	
Capital projects	688,029	182,606	0	
	33,190,390	2,478,599	1,324,337	
Governmental activities:				
Non-program	0	0	0	
Total disbursements	33,190,390	2,478,599	1,324,337	
Excess/(deficiency) of receipts over/(under) disbursements	815,518	(165,510)	49,250	
Other financing sources/(uses):				
Sale of capital assets	0	0	74,366	
Payment to refunded bond escrow agent	0	(628,000)	0	
Bond proceeds, net	0	628,000	0	
Transfers in	0	0	0	
Transfers out	0	0	(100,000)	
Total other financing sources/(uses)	0	0	(25,634)	
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	815,518	(165,510)	23,616	
Cash balances beginning of year, as restated	5,750,289	546,215	3,674,767	
Cash balances end of year	\$ 6,565,807	380,705	\$ 3,698,383	
Cash Basis Fund balances	\$ 0	15,976	0	
Restricted for debt service	6,565,807	364,729	3,698,383	
Unrestricted	0	0	0	
Total cash basis fund balances	\$ 6,565,807	380,705	\$ 3,698,383	

SEE NOTES TO FINANCIAL STATEMENTS.

	Sewer	Other Nonmajor Enterprise Funds	Total	Internal Service Fund Group Insurance
	1,777,271	407,474	37,249,156	0
	7,123	2,658	945,750	0
	0	35,457	35,457	0
	5,900	45,062	57,948	0
	81,816	5,205	1,772,245	0
	1,872,116	435,856	40,660,556	0
	1,520,686	420,331	37,812,415	0
	349,886	0	601,179	0
	449,103	0	1,319,738	0
	2,319,675	420,331	39,133,332	0
	0	0	0	8,385
	2,319,675	420,331	39,133,332	8,385
	(447,559)	75,525	327,224	(8,385)
	0	0	74,366	0
	0	0	(628,000)	0
	364,384	0	992,384	0
	0	100,000	100,000	0
	0	(35,457)	(135,457)	(119,996)
	364,384	64,543	403,293	(119,996)
	(83,175)	140,968	730,517	(120,381)
	1,191,084	658,602	11,820,957	120,381
	1,107,909	798,670	12,551,474	0
	0	0	15,976	0
	1,107,909	798,670	12,535,498	0
	1,107,909	798,670	12,551,474	0

CITY OF NEWTON, IOWA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 - Summary of Significant Accounting Policies

Nature of Operations

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

Reporting Entity

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

Based on the foregoing criteria, the Skiff Medical Center (Medical Center) and the Newton Municipal Waterworks (Waterworks) are considered to be a part of the primary government and, therefore, the financial information for the Medical Center and the Waterworks is included in the City's financial statements. The financial activities of the Medical Center and Waterworks are reported as Enterprise Funds. Certain disclosures about the Medical Center and Waterworks are not included because the Medical Center and Waterworks have been audited separately and a report has been issued under separate cover. The audited financial statements are available at the Skiff Medical Center and Newton Municipal Waterworks.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provides goods or services to the citizenry of the city but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the Poweshiek-Jasper County Task Force, the Jasper County Joint E911 Service Board, and the Jasper County Assessor's Conference Board.

Government-wide Financial Statements

The government-wide financial statement (i.e., the statement of activities and changes in cash balances) report information on all of the nonfundular activities of the City. For the most part, the effect

of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities and net assets presents the City's nonfundular net assets. Net assets are reported in the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

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

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

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

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

Basis of Accounting

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

The City reports the following major governmental funds:

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

Special Revenue Funds:

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

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

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

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

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

Additionally, the City reports the following major proprietary funds:

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

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

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

Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds, except permanent funds, the internal service fund, and agency funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

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

Property Taxes

By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. The levy or lien date is the date that the tax asking is certified by the

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

Note 2 - Cash and Investments

The City's deposits in banks at June 30, 2011, were entirely covered by federal depository insurance or by the State sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City had no assets that were classified as investments at June 30, 2011. Disclosures about the Skiff Medical Center's (Medical Center) are included in the Medical Center's financial statements.

Note 3 - Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Bonds		Sewer Revenues		Capital Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 1,100,000	\$ 328,073	\$ 230,000	\$ 123,840	\$ 1,080,000	\$ 953,199	\$ 1,080,000	\$ 953,199
2013	1,130,000	785,084	237,000	116,940	1,487,000	902,024	1,487,000	902,024
2014	2,110,000	787,965	244,000	109,330	2,384,000	857,785	2,384,000	857,785
2015	3,110,000	696,109	251,000	102,310	3,361,000	792,619	3,361,000	792,619
2016	1,655,000	620,794	260,000	94,890	1,915,000	715,774	1,915,000	715,774
2017	1,320,000	550,329	268,000	87,180	1,588,000	637,509	1,588,000	637,509
2018	1,555,000	485,118	275,000	79,140	1,830,000	564,258	1,830,000	564,258
2019	1,320,000	415,553	285,000	70,590	1,605,000	486,443	1,605,000	486,443
2020	1,140,000	359,787	294,000	62,340	1,434,000	422,127	1,434,000	422,127
2021	1,175,000	312,418	302,000	53,520	1,477,000	365,938	1,477,000	365,938
2022	1,230,000	255,793	312,000	44,660	1,542,000	300,253	1,542,000	300,253
2023	1,290,000	196,348	323,000	35,100	1,613,000	231,448	1,613,000	231,448
2024	1,350,000	131,993	180,000	25,410	1,530,000	155,403	1,530,000	155,403
2025	-	-	186,000	20,010	1,586,000	91,102	1,586,000	91,102
2026	-	71,092	193,000	14,130	1,530,000	14,430	1,530,000	14,430
2027	-	-	198,000	8,540	198,000	8,540	198,000	8,540
2028	-	-	29,000	2,700	29,000	2,700	29,000	2,700
2029	-	-	30,000	1,830	30,000	1,830	30,000	1,830
2030	-	-	31,000	930	31,000	930	31,000	930
Total	\$ 20,175,000	\$ 6,453,142	\$ 4,218,000	\$ 1,054,680	\$ 24,303,000	\$ 7,508,422	\$ 24,303,000	\$ 7,508,422

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

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

Skiff Medical Center (the Medical Center) Debt

The Medical Center leases various medical equipment and information system hardware and software under capital lease agreements. The property cost and the related liability under each capital lease was recorded at the present value of the future minimum payments due under the lease, as determined with imputed interest rates ranging from 4.4% to 5.0%.

Principal and interest maturities of the capital lease obligations at June 30, 2011 are summarized as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 146,537	24,325	170,862
2013	153,816	17,046	170,862
2014	161,458	9,404	170,862
2015	87,770	2,593	90,365
2016	25,077	371	25,448
Total	\$ 574,658	53,741	628,399

Capital Lease Commitments

The Medical Center has entered into a Master Lease Agreement with Phillips Medical Capital LLC committing to lease additional medical equipment in the amount of approximately \$2,700,000. The equipment will be placed in service over the next fiscal year.

Newton Municipal Waterworks Debt

A schedule of long-term debt obligations at June 30, 2011 for the Waterworks is as follows:

	Ending Balance
Revenue Bonds	\$ 628,000
Capital Loan Notes	30,000
Total	\$ 658,000

The Waterworks' revenue bonds have a fixed interest rate of 3.0% per annum. Annual principal and semi-annual interest payments will continue through June 2020.

The Waterworks' capital loan notes have a fixed interest rate of 5.3% per annum. The remainder of the debt outstanding will be repaid with one year.

Future payments of principal and interest on the long-term debt obligations are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 90,000	20,430	110,430
2013	62,000	17,040	79,040
2014	64,000	15,180	79,180
2015	67,000	13,260	80,260
2016	69,000	11,250	80,250
2017	72,000	9,180	81,180
2018	75,000	7,020	82,020
2019	78,000	4,770	82,770
2020	81,000	2,430	83,430
Total	\$ 658,000	100,560	758,560

Note 4 - Employer Incentives Agreement

During the year ended June 30, 2009 the City entered into an agreement with Jasper County to pay one-half of the interest payments on the Counties 2007 General Obligation, Urban Renewal Bonds during fiscal years 2009-2010 through and including 2012-2013. These payments will total \$263,842, and are summarized as follows:

Year Ending June 30,	Employer Incentives Agreement November 13, 2007 Amount
2012	\$ 131,921
2013	131,921
	\$ 263,842

Note 5 - Advance Refunding of General Obligation Bonds

In December 2010, the City issued \$3,615,000 of general obligation refunding bonds. The City used the proceeds of the refunding bonds to retire the remaining outstanding balance of the 2001A general obligation notes, 2003A general obligation notes, 2004A general obligation refunding notes, 2004B general obligation notes, and 2006C general obligation refunding notes. The net present value savings over the life of the bonds was \$230,917.

Note 6 - Employment Retirement Systems

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

Retirement System of Iowa, 7155 Lake Drive, West Des Moines, IA 50263.

Plan members are required to contribute 9.40% of earnable compensation and the City's contribution rate, based upon an actuarially determined normal contribution rate, cannot be less than 19.9% of earnable compensation. Contribution requirements are established by state statute. The City's contributions to the plan for the years ended June 30, 2011, 2010 and 2009 were \$505,959, \$443,950, and \$519,538, respectively, which (met) exceeded the required contribution for each year.

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

Plan members are required to contribute 4.50% of their annual covered salary, and the City is required to contribute 6.95% of covered salary. The City's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$236,584, \$223,404, and \$211,869, respectively, equal to the required contributions for each year. The Medical Center's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$1,098,744, \$1,079,219 and \$1,206,065, respectively, equal to the required contributions for each year. The Waterworks' contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$54,143, \$50,389, and \$43,401, respectively, equal to the required contributions for each year.

Nota 7 - Other Postemployment Benefits

City

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

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

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

Projected claim costs of the medical plan range from \$428.19 for single to \$1,314.12 for family under Plan \$350/\$750 deductible, \$405.14 for single to \$1,243.37 for family under Plan \$500/\$1,000 deductible, \$384.13 for single to \$1,179.89 for family under Plan \$750/\$1,500 deductible and \$450.73 for single to \$769.49 for family under Plan \$2,500/\$5,000 deductible. Upon retirement, the retired participant is assumed to pay 100% of the required premium. For the year ended June 30, 2011, the City contributed \$23,635 to the medical plan. Plan members eligible for benefits contributed \$0.

Health Center

Plan Description - The Medical Center operates a single-employer retiree benefit plan which provides medical benefits/prescription drug benefits for retirees and their spouses. There are 271 active and 7 retired members in the plan. Participants must be age 55 or older at retirement. The medical/prescription drug coverage is provided through a self-insured plan. Retirees under age 65 pay the same contribution for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

Details of the OPEB plan are available in the Skiff Medical Center's audit report for the year ended June 30, 2011. The report may be obtained by writing to the Skiff Medical Center, 204 N. 4th Ave. East, Newton, Iowa 50208.

Waterworks

Plan Description - The Waterworks operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 15 active and no retired members in the plan. Participants must be age 55 or older at retirement.

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

Details of the OPEB plan are available in the Newton Municipal Waterworks audit report for the year ended June 30, 2011. The report may be obtained by writing to the Newton Municipal Waterworks, Newton, Iowa 50208.

Nota 8 - Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2011, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 691,843
Upon termination, retirement, or death, City employees are not paid for unused sick leave.	
This liability has been computed based on rates of pay in effect at June 30, 2011.	

Note 9 -- Landfill Closure and Postclosure Care

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

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

Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City has estimated a total liability for the closure and postclosure of the landfill of approximately \$4,846,200. This amount is based upon the current use of 30% of the estimated total capacity at full build-out. The remaining \$1,307,800 of closure and postclosure costs will be recognized as the remaining capacity is filled.

These amounts are based upon what it would cost to perform all closure and postclosure care in 2011. The City expects to close the existing active area of the landfill in 2014. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

As specified in the 28E agreement, the City of Newton is responsible for only 57.43%, or \$2,783,173, of the total closure and postclosure cost of the landfill. The City's proportionate share is updated annually in accordance with Section 2.2(b) of the Landfill Intergovernmental Agreement.

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

Note 10 -- Transfers

The details of transfers for the year ended June 30, 2011, is as follows:

	Transfers in				
	General Fund	Employee Benefits Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Enterprise Funds
Transfers out					
General fund	\$ -	\$ -	\$ 15,316	\$ 123,821	\$ -
Tax Increment Financing fund	54,199	18,251	1,395,007	87,625	-
Road use tax	321,188	-	-	-	-
Insurance fund	119,896	-	-	-	-
Landfill fund	-	-	-	-	100,000
Nonmajor enterprise funds	-	-	35,457	-	-
Total	\$ 695,283	\$ 18,251	\$ 1,440,800	\$ 211,446	\$ 100,000
					\$ 2,275,600

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

The transfer to the General Fund from the Tax Increment Financing (TIF) Fund represents the reimbursement of disbursements of the TIF administration.

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

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

The transfers to the Debt Service Fund are for the payment of debt and for a corrective transfer for special assessment taxes that was posted twice.

The transfer to the Capital Projects Fund represent the General Fund and Tax Increment Financing (TIF) Fund reimbursing for the payment of the city center roof, RDG bowl, tennis courts, and bike & hiking trail.

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

Note 11 -- Commitments and Contingencies

The City's corporate counsel reported that as of June 30, 2011, various claims and lawsuits were on file against the City. The corporate counsel estimated that all potential settlements against the City not covered by insurance would not materially affect the financial position of the City. The City has authority to levy additional taxes (outside the regular limit) to cover uninsured judgments against the City.

Note 12 -- Risk Management

City

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

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion

of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2011 were \$167,881.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

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

The City also carries commercial insurance purchased from other insurers for coverage associated with the Newton Municipal Airport for aviation ground operations liability insurance in the amount of

\$13,171. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Medical Center

The Medical Center has a self-insurance program for hospitalization and medical coverage for its employees. The Medical Center limits its losses through the use of stop-loss policies from reinsurers.

Specific individual losses for claims are limited to \$60,000 per year. The Medical Center's aggregate annual loss limitation is limited to 120% of estimated claims each year. The Medical Center's expense under the self-insurance program for the years ended June 30, 2011 and 2010 was \$2,608,634 and \$2,262,598, respectively.

Cumulative amounts estimated to be payable by the Medical Center with respect to pending and potential claims for all years in which the Medical Center is liable under its self-insurance program have been accrued as liabilities. Such accrued liabilities are necessarily based on estimates; thus, the Medical Center's ultimate liability may exceed or be less than amounts accrued.

During the year ended June 30, 2010, the Board of Trustees designated \$300,000 as assets whose use is limited for the payment of claims incurred under the self-insurance program.

Waterworks

The Newton Municipal Waterworks is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 13 - Accounting Change/Restatement

During the 2011 fiscal year the City began reporting the Skiff Medical Center and the Newton Municipal Waterworks as Enterprise Funds in accordance with Chapter 392 of the Code of Iowa and Attorney General's opinion dated January 15, 1987. The effect of this reclassification is as follows:

	Skiff Medical Center	Newton Municipal Waterworks
Balances June 30, 2010, as previously reported	\$ 0	0
Change in balances due to reclassification	5,750,289	546,215
Balances July 1, 2010, as restated	\$ 5,750,289	546,215

CITY OF NEWTON, IOWA
BUDGETARY COMPARISON OF SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN BALANCES -
BUDGET TO ACTUAL - ALL GOVERNMENTAL FUNDS AND
AND PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 6,293,597	0	0
Tax increment financing collections	1,347,281	0	0
Other city tax	1,703,058	35,457	0
Licenses and permits	155,019	0	0
Use of money and property	189,517	945,750	0
Intergovernmental	4,103,067	57,948	0
Charges for services	2,112,552	37,249,156	0
Special assessments	23,864	0	0
Miscellaneous	1,177,272	1,772,245	0
Total receipts	17,025,227	40,060,556	0
Disbursements:			
Public safety	5,410,336	0	0
Public works	2,409,348	0	0
Health and social services	12,083	0	0
Culture and recreation	1,960,709	0	0
Community and economic development	737,015	0	0
General government	1,553,181	0	0
Debt service	5,914,670	0	0
Capital projects	3,620,110	0	0
Business-type	0	39,733,332	0
Non-program	0	8,385	8,385
Total disbursements	21,617,452	39,741,717	8,385
Excess (Deficiency) of receipts over (under) disbursements	(4,592,225)	318,839	(8,385)
Other financing sources (uses), net	3,806,378	283,297	(119,996)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(785,847)	602,136	(129,381)
Balance beginning of year	6,225,373	11,949,338	128,381
Balance end of year	\$ 5,439,526	12,551,474	0

SEE NOTES TO FINANCIAL STATEMENTS.

Net	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
6,293,597	6,258,941	6,258,941	34,656
1,347,281	1,560,440	1,562,402	(215,121)
1,738,515	1,746,028	1,746,028	(7,513)
155,019	171,750	139,600	15,419
1,035,267	256,062	227,062	828,205
4,161,015	1,793,963	4,152,448	8,567
39,361,708	39,471,852	43,041,384	(3,679,676)
23,864	500	500	23,364
2,949,517	621,477	737,139	2,212,378
57,085,783	51,981,013	57,865,504	(779,721)
5,410,336	5,524,550	5,592,550	182,214
2,409,348	2,663,329	2,668,329	258,981
12,083	33,683,899	24,620	12,537
1,960,709	2,065,576	2,083,583	122,874
737,015	868,711	900,711	163,696
1,553,181	1,502,841	1,654,841	101,660
5,914,670	2,326,600	6,026,600	111,930
3,620,110	370,000	3,980,800	360,690
39,733,332	6,796,643	43,584,936	3,851,604
0	0	0	0
61,350,784	55,808,149	66,516,970	5,166,186
(4,265,001)	(3,827,136)	(8,651,466)	4,386,465
4,209,671	747,100	3,930,784	278,887
(55,330)	(3,080,036)	(4,720,682)	4,665,352
18,046,330	18,069,325	18,069,325	(326,697)
17,951,000	14,989,289	13,348,643	4,338,655

CITY OF NEWTON, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds, except permanent funds, the internal service fund, and agency funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major class disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type activities and non-program. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, and the capital projects fund. Although the budgeted document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. During the year, the budget was amended increasing budgeted disbursements by \$10,708,821. This budget amendment was reflected in the final budgeted amounts.

CITY OF NEWTON, IOWA
COMBINING SCHEDULE OF CASH TRANSACTIONS AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	Permanent		
	Central Perpetual	Fred Maytag Part Endowment	Total
Receipts:			
Use of money and property	\$ 6,087	0	6,087
Total receipts	6,087	0	6,087
Excess of receipts over disbursements	6,087	0	6,087
Cash balances beginning of year	231,135	233,320	464,455
Cash balances end of year	\$ 237,222	233,320	470,542

CITY OF NEWTON, IOWA
COMBINING SCHEDULE OF CASH TRANSACTIONS AND CHANGES IN CASH BALANCES
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2011

	Landfill	
	Post Closure	Golf
Receipts:		
Charges for services	\$ 0	407,474
Use of money and property	2,658	0
Other city tax	0	35,457
Intergovernmental	0	45,062
Miscellaneous	0	5,205
Total receipts	2,658	488,198
Disbursements:		
Business-type activities:		
Operations	0	420,331
Total disbursements	0	420,331
Excess of receipts over disbursements	2,658	72,867
Other financing sources(uses):		
Transfers in	100,000	0
Transfers out	0	(35,457)
Total other financing sources(uses)	100,000	(35,457)
Excess of revenues and other financing sources over expenditures and other financing uses	102,658	37,410
Cash balances beginning of year	524,376	134,226
Cash balances end of year	\$ 627,034	171,636

CITY OF NEWTON, IOWA
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2011

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
City:									
General Obligation Bonds:									
2001A Series, Public Improvements and equipment	5/24/2001	4.50-5.00	\$ 2,040,000	\$ 985,000	\$ 0	\$ 985,000	\$ 0	\$ 46,320	\$ -
2003A Series, Public Improvements and equipment	3/1/2003	2.65-4.25	1,515,000	880,000	0	880,000	0	34,750	-
2004A Series, Refunding	1/1/2004	2.45-3.75	1,660,000	500,000	0	500,000	0	6,800	-
2004B Series, Public Improvements and equipment	9/15/2004	3.00-4.10	1,665,000	1,300,000	0	1,300,000	0	49,036	-
2006B Series, Iowa Speedway Infrastructure	5/16/2006	4.25-5.00	9,700,000	9,700,000	0	0	9,700,000	450,119	-
2006C Series, Refunding	4/28/2006	3.60-3.80	1,290,000	415,000	0	415,000	0	15,670	-
2007A Series, Urban Renewal	6/20/2007	5.55-5.75	740,000	695,000	0	60,000	635,000	39,053	-
2009A Series, Refunding	8/25/2009	2.00-3.13	1,115,000	995,000	0	115,000	880,000	25,875	-
2009B Series, Refunding	8/25/2009	1.75-5.15	6,380,000	5,985,000	0	530,000	5,455,000	235,909	-
2010A Series Refunding	12/30/2010	0.75-2.80	3,095,000	0	3,095,000	0	3,095,000	18,249	-
2010B Series Refunding	12/30/2010	0.50-1.45	515,000	0	515,000	105,000	410,000	2,037	-
Total				\$ 21,455,000	\$ 3,610,000	\$ 4,890,000	\$ 20,175,000	\$ 926,418	\$ -
Sewer Revenue Capital Loan Notes:									
2002 Sewer	4/3/2002	3.00 %	\$ 2,111,497	\$ 1,616,000	\$ 0	\$ 103,000	\$ 1,513,000	\$ 48,480	\$ -
2007 Sewer	4/15/2007	3.00	2,561,000	2,265,000	0	102,000	2,163,000	67,950	-
2010 Sewer	1/13/2010	3.00	240,616	240,616	228,384	17,000	452,000	11,456	-
Total				\$ 4,121,616	\$ 228,384	\$ 222,000	\$ 4,128,000	\$ 127,886	\$ -
Special Assessment Capital Loan Notes:									
2001D Series	5/24/2001	7.70 %	\$ 245,000	\$ 25,000	\$ 0	\$ 25,000	\$ 0	\$ 1,925	\$ -
2001E Series	5/24/2001	5.35	75,000	10,000	0	10,000	0	535	-
Total				\$ 35,000	\$ 0	\$ 35,000	\$ 0	\$ 2,460	\$ -
Skiff Medical Center:									
Capital Leases:									
Equipment									
Newton Municipal Waterworks:									
Revenue Bonds				\$ 292,052	\$ 383,066	\$ 100,460	\$ 574,658	\$ 21,858	\$ -
Capital Loan Notes				\$ 685,000	\$ 0	\$ 57,000	\$ 628,000	\$ 26,646	\$ -
John Diers Lease				60,000	0	30,000	30,000	3,180	-
				11,992	0	11,992	0	157	-
Total				\$ 756,992	\$ 0	\$ 98,992	\$ 658,000	\$ 29,983	\$ -

CITY OF NEWTON, IOWA
BONDS AND NOTE MATURITIES
JUNE 30, 2011

CITY OF NEWTON, IOWA
BONDS AND NOTE MATURITIES
JUNE 30, 2011

Year Ending June 30,	General Obligation Bonds					
	2006B Series			2007A Series		
	Issued Interest Rates	Amount	Issued Interest Rates	Amount	Issued Interest Rates	Amount
2012	4.25 %	\$ 0	5.75 %	\$ 65,000	2.00 %	\$ 105,000
2013	4.25	0	5.75	65,000	2.00	105,000
2014	4.25	635,000	5.75	70,000	2.50	100,000
2015	4.50	660,000	5.50	75,000	2.75	150,000
2016	4.50	685,000	5.50	75,000	3.00	150,000
2017	4.50	715,000	5.50	85,000	3.00	150,000
2018	4.50	750,000	5.55	90,000	3.13	120,000
2019	4.50	780,000	5.60	95,000	-	0
2020	4.63	815,000	5.75	15,000	-	0
2021	4.75	850,000	-	0	-	0
2022	4.75	890,000	-	0	-	0
2023	4.75	930,000	-	0	-	0
2024	4.75	975,000	-	0	-	0
2025	5.00	1,015,000	-	0	-	0
		<u>\$ 9,700,000</u>		<u>\$ 635,000</u>		<u>\$ 880,000</u>

Year Ending June 30,	Total
2012	\$ 1,470,000
2013	1,230,000
2014	2,120,000
2015	1,710,000
2016	1,655,000
2017	1,520,000
2018	1,555,000
2019	1,320,000
2020	1,140,000
2021	1,175,000
2022	1,230,000
2023	1,290,000
2024	1,350,000
2025	1,410,000
	<u>\$ 20,175,000</u>

Year Ending June 30,	General Obligation Bonds					
	2008B Series			2010B Series		
	Issued Interest Rates	Amount	Issued Interest Rates	Amount	Issued Interest Rates	Amount
2012	2.50 %	\$ 540,000	0.75 %	\$ 655,000	0.75 %	\$ 105,000
2013	2.80	525,000	0.90	430,000	0.90	105,000
2014	3.40	785,000	1.15	430,000	1.15	100,000
2015	3.70	285,000	1.45	440,000	1.45	100,000
2016	4.10	295,000	1.75	450,000	-	0
2017	4.30	305,000	2.00	265,000	-	0
2018	4.70	320,000	2.30	275,000	-	0
2019	4.88	295,000	2.60	150,000	-	0
2020	5.00	310,000	-	0	-	0
2021	5.00	325,000	-	0	-	0
2022	5.05	340,000	-	0	-	0
2023	5.05	360,000	-	0	-	0
2024	5.10	375,000	-	0	-	0
2025	5.15	395,000	-	0	-	0
		<u>\$ 5,455,000</u>		<u>\$ 3,095,000</u>		<u>\$ 410,000</u>

(continued)

(continued)

CITY OF NEWTON, IOWA
BONDS AND NOTE MATURITIES
JUNE 30, 2011

Year Ending June 30	Sewer Revenue Capital Loan Notes			
	Issued April 15, 2007	Issued April 3, 2002	Issued January 13, 2010	
	Interest Rates	Amount	Interest Rates	Amount
2012	3.00 %	\$ 105,000	3.00 %	\$ 10,000
2013	3.00	109,000	3.00	18,000
2014	3.00	112,000	3.00	19,000
2015	3.00	116,000	3.00	19,000
2016	3.00	120,000	3.00	20,000
2017	3.00	124,000	3.00	21,000
2018	3.00	127,000	3.00	21,000
2019	3.00	131,000	3.00	22,000
2020	3.00	135,000	3.00	23,000
2021	3.00	140,000	3.00	23,000
2022	3.00	145,000	3.00	24,000
2023	3.00	150,000	3.00	25,000
2024	3.00	154,000	3.00	26,000
2025	3.00	159,000	3.00	27,000
2026	3.00	163,000	3.00	28,000
2027	3.00	170,000	3.00	28,000
2028	-	0	-	29,000
2029	-	0	-	30,000
2030	-	0	-	31,000
		<u>\$ 2,165,000</u>		<u>\$ 452,000</u>

Year Ending June 30	Sewer Revenue Capital Loan Notes	
	Amount	
2012	230,000	
2013	237,000	
2014	244,000	
2015	251,000	
2016	260,000	
2017	268,000	
2018	275,000	
2019	285,000	
2020	284,000	
2021	302,000	
2022	312,000	
2023	323,000	
2024	180,000	
2025	186,000	
2026	193,000	
2027	198,000	
2028	29,000	
2029	30,000	
2030	31,000	
	<u>\$ 4,126,000</u>	

CITY OF NEWTON, IOWA
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST EIGHT YEARS

	2011	2010	2009	2008	2007	2006	2005	2004
Receipts:								
Property tax	\$ 6,293,597	5,551,760	5,493,609	5,484,130	5,230,066	5,894,989	5,654,988	5,794,479
Traffic increment financing collections	1,347,281	2,042,523	1,891,542	2,034,141	1,460,065	1,691,755	1,408,311	871,463
Other city tax	1,703,024	1,657,637	1,655,392	1,675,823	285,958	228,477	314,347	327,489
Licenses and permits	155,019	157,653	158,506	156,304	206,556	226,130	161,495	171,658
Fee of way and property	108,517	102,156	171,015	230,094	346,163	344,662	332,123	218,008
Intergovernmental	4,181,657	4,871,754	4,534,963	4,306,820	6,171,033	1,793,776	2,793,008	2,194,778
Charges for services	2,112,552	2,040,062	2,221,544	2,038,383	1,957,417	1,947,775	1,905,465	1,807,917
Special assessments	23,864	22,407	24,383	45,262	77,706	15,647	7,123	70,655
Miscellaneous	1,177,272	876,158	695,760	1,040,444	457,221	960,438	440,812	548,492
Total receipts	\$ 17,025,277	16,008,502	16,718,708	16,797,307	18,637,325	13,203,395	12,388,548	12,118,371
Disbursements:								
Governmental activities:								
Public safety	\$ 5,410,236	5,093,366	5,334,662	5,134,441	5,108,187	5,024,945	4,977,875	4,885,164
Public works	2,495,348	2,415,594	2,321,493	2,344,358	2,106,396	2,109,548	2,282,465	2,158,562
Health and social services	12,483	205,544	12,022	13,664	12,599	34,721	48,177	387,589
Culture and recreation	1,960,789	1,489,233	1,774,809	1,723,088	1,544,606	1,456,483	1,325,354	1,237,987
Community and economic development	757,075	4,462,306	3,321,221	3,451,583	4,044,040	7,677,471	1,453,078	995,778
General government	1,553,181	1,175,415	1,190,467	1,248,716	1,136,429	1,314,948	985,365	1,084,877
Debt service	5,814,670	2,198,425	2,161,937	2,711,173	3,025,150	3,569,891	2,194,650	2,449,321
Capital projects	1,620,110	3,844,984	286,856	430,141	548,459	1,892,201	2,315,109	175,263
Total disbursements	\$ 21,817,453	21,182,277	21,544,816	21,716,344	21,965,703	21,608,708	16,125,451	13,588,547

APPENDIX “B”

PRELIMINARY LEGAL OPINION

as furnished by
Ahlers & Cooney, P.C., Attorneys
Des Moines, Iowa 50309

AHLERS & COONEY, P.C.

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We hereby certify that we have examined a certified transcript of the proceedings of the City Council and acts of administrative officers of the City of Newton, State of Iowa (the "Issuer"), relating to the issuance of General Obligation Refunding Bonds, Series 2012, by said City, dated June 27, 2012, in the denomination of \$5,000 or multiples thereof, in the aggregate amount of \$_____.

We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion as bond counsel.

As to questions of fact material to our opinion, we have relied upon representations of the Issuer contained in the Resolution authorizing issuance of the Bonds (the "Resolution") and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

We have not been engaged to or undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering material relating to the Bonds and we express no opinion relating thereto.

Based on our examination and in reliance upon the certified proceedings and other certifications described above, we are of the opinion, under existing law, as follows:

1. The Issuer is duly created and validly existing as a body corporate and politic and political subdivision of the State of Iowa with the corporate power to adopt and perform the Resolution and issue the Bonds.
2. The Bonds are valid and binding general obligations of the Issuer.
3. All taxable property in the territory of the Issuer is subject to ad valorem taxation without limitation as to rate or amount to pay the Bonds. Taxes have been levied by the Resolution for the payment of the Bonds and the Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Bonds to the extent the necessary funds are not provided from other sources.

4. The interest on the Bonds is excluded from gross income for federal income tax purposes and interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, with respect to corporations (as defined for federal income tax purposes), such interest is included in adjusted current earnings for the purpose of determining the alternative minimum tax imposed on such corporations. We express no opinion regarding other federal income tax consequences caused by the receipt or accrual of interest on the Bonds.

5. Interest on the Bonds is exempt from the taxes imposed by Division II (Personal Net Income Tax) and Division III (Business Tax on Corporations) of Chapter 422 of the Code of Iowa, as amended (the "Iowa Code"); it should be noted, however, that interest on the Bonds is required to be included in adjusted current earnings to be used in computing the "state alternative minimum taxable income" of corporations and financial institutions for purposes of Sections 422.33 and 422.60 of the Iowa Code. Interest on the Bonds is subject to the taxes imposed by Division V (Taxation of Financial Institutions) of Chapter 422 of the Iowa Code. We express no opinion regarding other State tax consequences arising with respect to the Bonds.

For the purpose of rendering the opinion set forth in paragraph numbered 4 above, we have assumed compliance by the Issuer with requirements of the Internal Revenue Code of 1986, as amended, that must be met subsequent to the issuance of the Bonds in order that interest thereon be and remain excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with such requirements.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

APPENDIX "C"

CONTINUING DISCLOSURE CERTIFICATE

as furnished by
Ahlers & Cooney, P.C., Attorneys
Des Moines, Iowa

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Newton, State of Iowa (the "Issuer"), in connection with the issuance of \$_____ General Obligation Refunding Bonds, Series 2012 (the "Bonds") dated June 27, 2012. The Bonds are being issued pursuant to a Resolution of the Issuer approved on _____, 2012 (the "Resolution"). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Business Day" shall mean a day other than a Saturday or a Sunday or a day on which banks in Iowa are authorized or required by law to close.

"Dissemination Agent" shall mean the Issuer or any Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"Holders" shall mean the registered holders of the Bonds, as recorded in the registration books of the Registrar.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"Municipal Securities Rulemaking Board" or "MSRB" shall mean the Municipal Securities Rulemaking Board, 1900 Duke Street, Suite 600, Alexandria, VA 22314.

"National Repository" shall mean the MSRB's Electronic Municipal Market Access website, a/k/a "EMMA" (emma.msrb.org).

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of Iowa.

SECTION 3. Provision of Annual Reports.

- (a) The Issuer shall, or shall cause the Dissemination Agent to, not later than two hundred forty (240) days after the end of the Issuer's fiscal year (presently June 30th), commencing with the report for the 2011/2012 fiscal year, provide to the National Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report must be submitted in such format as is required by the MSRB (currently in "searchable PDF" format). The Annual Report may be submitted as a single document or as separate documents comprising a package. The Annual Report may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).
- (b) If the Issuer is unable to provide to the National Repository an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the Municipal Securities Rulemaking Board, if any, in substantially the form attached as Exhibit A.

- (c) The Dissemination Agent shall:
 - (i) each year file the Annual Report with the National Repository; and
 - (ii) (if the Dissemination Agent is other than the Issuer), file a report with the Issuer certifying that the Annual Report has been filed pursuant to this Disclosure Certificate, stating the date it was filed.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

- (a) The last available audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board as modified in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under State law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with generally accepted accounting principles, noting the discrepancies therefrom and the effect thereof. If the Issuer's audited financial statements for the preceding years are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.
- b) A table of the type contained in the final Official Statement under the captions "Valuation Trend", "Valuation by Property Classification", "Tax Rate per \$1,000", "Debt Limit Calculation" and "General Obligation Debt".

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been filed with the National Repository. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

- (a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with

respect to the Bonds in a timely manner not later than 10 Business Days after the day of the occurrence of the event;

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements relating to the Bonds reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Series Bonds, or material events affecting the tax-exempt status of the Bonds;
- (7) Modifications to rights of Holders of the Bonds, if material;
- (8) Bond calls (excluding sinking fund mandatory redemptions), if material, and tender offers;
- (9) Defeasances of the Bonds;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes on the Bonds;
- (12) Bankruptcy, insolvency, receivership or similar event of the Issuer;
- (13) The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the

termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (b) Whenever the Issuer obtains the knowledge of the occurrence of a Listed Event, the Issuer shall determine if the occurrence is subject to notice only if material, and if so shall as soon as possible determine if such event would be material under applicable federal securities laws.
- (c) If the Issuer determines that knowledge of the occurrence of a Listed Event is not subject to materiality, or determines such occurrence is subject to materiality and would be material under applicable federal securities laws, the Issuer shall promptly, but not later than 10 Business Days after the occurrence of the event, file a notice of such occurrence with the Municipal Securities Rulemaking Board through the filing with the National Repository.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds or upon the Issuer's receipt of an opinion of nationally recognized bond counsel to the effect that, because of legislative action or final judicial action or administrative actions or proceedings, the failure of the Issuer to comply with the terms hereof will not cause Participating Underwriters to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the Issuer.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) If the amendment or waiver relates to the provisions of Section 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;
- (b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made will present a comparison or other discussion in narrative form (and also, if feasible, in quantitative form) describing or illustrating the material differences between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. Direct, indirect, consequential and punitive damages shall not be recoverable by any person for any default hereunder and are hereby waived to the extent permitted by law. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: _____ day of _____, 2012.

CITY OF NEWTON, STATE OF IOWA

By: _____
Mayor

ATTEST:

By: _____
City Clerk

EXHIBIT A

NOTICE TO NATIONAL REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Newton, Iowa.

Name of Bond Issue: \$_____ General Obligation Refunding Bonds,
Series 2012

Dated Date of Issue: June 27, 2012

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate delivered by the Issuer in connection with the Bonds. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____ day of _____, _____.

CITY OF NEWTON, STATE OF IOWA

By: _____

Its: _____

