

What is a Financial Plan

A Financial Plan provides a “road map” for where the City wants to go financially and its plans to get there by combining financial forecasting with financial strategizing. The underlying goal being that the plan can be used as a tool to identify problems, opportunities, and provide an avenue for the City Commission, citizens and staff to discuss policy.

The Financial Plan will guide the City Commission toward:

- How the City government spends money
- What activities are funded
- How the City government pays for its activities
- How much revenue does it raise through different kinds of taxes, fees for services, or aid from the State and Federal governments
- Balancing the City’s budget

The City runs surpluses when revenues are greater than spending. Conversely, gaps are projected when spending is expected to exceed revenues. The City can raise revenues or cut spending to balance its budget. Sometimes, however, the City has used a surplus in one year to close a gap in a future year.

Why do we need a Financial Plan?

A Financial Plan is needed as a communication aide to citizens, staff and rating agencies. When the City Commission and staff receive questions from constituents, the Financial Plan will: i) help provide an answer, ii) provide documentation to support the answer and iii) provide consistency. The purpose of the financial plan is to evaluate current and future fiscal conditions to guide policy and programmatic decisions.

What are the Elements of a Financial Plan?

The elements of a financial plan can be broken down into four major phases:

1. The mobilization phase puts in place the cornerstones for financial planning: resources needed to undertake planning, preliminary financial analysis, definition of the underlying purpose of the planning process, the City’s service-level preferences, financial policies, and define the scope for the planning effort.
2. The analysis phase focuses on the City’s financial position, making long-term projections, and then analyzing the City’s probable future financial position.
3. The decision phase is where strategies, plans, and adjustments are created and agreed upon.

4. The execution phase carries the plan forward into action.

Who Benefits From Having a Financial Plan

Several groups benefit directly from seeing that the City of Newton has a Financial Plan:

- **Citizens:** Effective financial stewardship enhances the quality of life for a community, increasing the desirability of the community as a place to live.
- **City Commission:** Financial plans offer guidance to new Commission members with the City’s finances. The plan also serves as an ongoing context for Commission decisions, thereby providing consistency and quality control.
- **Potential Businesses/Industries:** Financial Plans increase the desirability of the community as a place to locate.
- **Department Heads & Staff:** Knowing that the City’s financial future is a priority with the Commission allows staff to focus on effective service delivery.

Fund Balances

A number of funds in the financial plan are projected to decrease below the minimum requirements. The revenues and expenditure assumptions do not take into account actions that the City Commission will take to ensure that this does not occur during any operating budget year.

Forecasting Methodology

The City uses a variety of forecasting models to develop a five-year revenue and expenditure plan. A combination of trend analysis, estimates from prior year activities and revisions of fees were taken into consideration while forecasting. The plan incorporates operating and capital budget data to determine the availability of resources to fund anticipated (and unanticipated) expenditures.

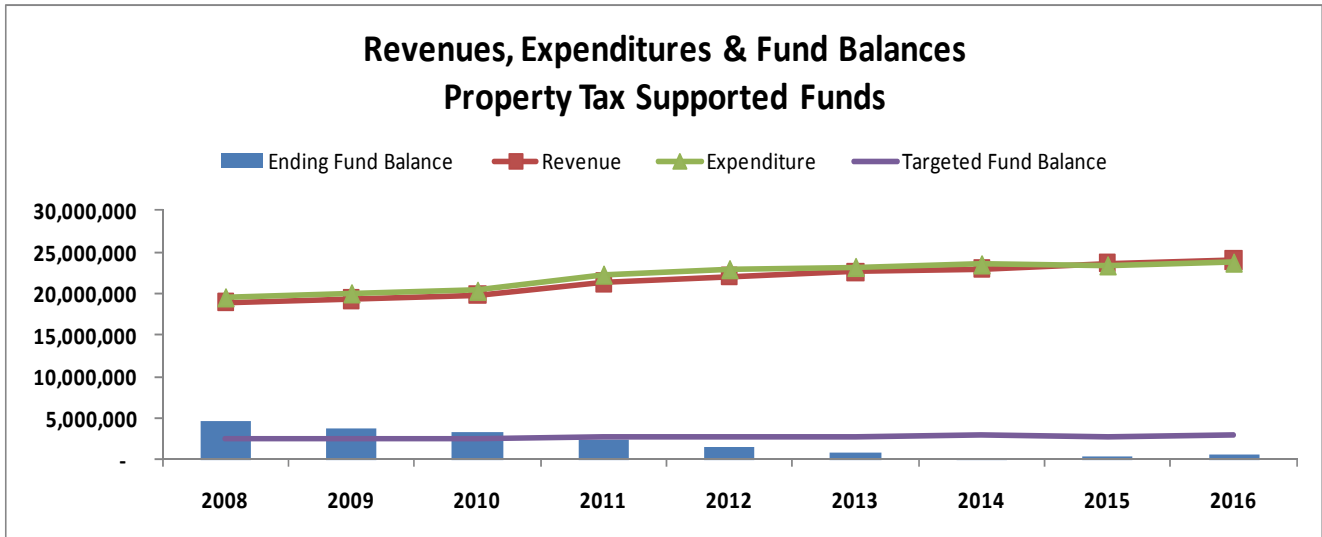
This financial plan has two sections:

1. Property Tax Supported Operations (General Fund, Debt Service Fund, Airport Fund, Library Fund and Special Liability Fund).
2. Enterprise Fund Operations (Water, Wastewater, Sanitation Utilities , Golf Course and Meridian Center).

In addition to the Five-Year Financial Plan, the City of Newton also has a Five-Year Capital Improvement Plan (CIP) that is included as part of this budget document.

FINANCIAL PLAN 2008-2016 City Wide Property Tax Supported Funds										
	ACTUAL 2008	ACTUAL 2009	ACTUAL 2010	ADOPTED 2011	ADOPTED 2012	PROJECTED 2013	PROJECTED 2014	PROJECTED 2015	PROJECTED 2016	
ALL PROPERTY TAX FUNDS										
Beginning Balance	5,273,410*	4,598,188*	3,793,389*	3,274,164	2,331,818	1,426,934	799,427	229,650	438,987	
OPERATING REVENUE										
Taxes										
Property Tax	4,549,632	4,655,227	4,551,890	4,698,104	5,064,068	5,269,647	5,520,494	5,773,880	6,060,433	
Motor Vehicle Tax	680,103	683,080	650,309	683,214	651,682	658,188	664,760	671,397	678,100	
Local Sales Tax	1,939,905	1,809,753	1,773,488	1,850,000	1,900,000	1,947,500	1,996,188	2,046,092	2,097,244	
Local Sales Tax - Special	2,810,606	2,627,850	2,577,596	2,650,000	2,700,000	2,767,500	2,836,688	2,907,605	2,980,295	
Franchise Tax	1,327,218	1,322,642	1,440,258	1,350,000	1,400,000	1,450,000	1,500,000	1,550,000	1,600,000	
Other Taxes	534,692	536,584	635,405	638,244	631,910	630,900	642,773	642,901	631,660	
Total Taxes	11,842,156	11,635,136	11,628,946	11,869,562	12,347,660	12,723,735	13,160,902	13,591,875	14,047,732	
Intergovernmental Revenue	32,620	32,576	32,598	32,000	32,000	32,000	32,000	32,000	32,000	
License & Permits	178,319	183,731	200,035	171,600	181,600	190,680	192,587	194,513	196,458	
Charges for Services	1,334,446	1,588,972	1,650,897	1,418,100	1,527,283	1,696,106	1,585,067	1,724,168	1,613,409	
Fines, Penalties & Forfeitures	517,655	507,763	491,690	540,350	500,250	505,250	510,300	515,401	520,552	
Uses of Money	183,012	27,278	19,899	26,050	20,300	75,300	150,300	250,300	300,300	
Other Revenue	573,311	530,137	436,591	504,100	432,575	432,775	467,977	468,181	468,387	
Sales & Rental	1,684,833	1,212,098	1,434,508	1,416,870	1,470,700	1,486,685	1,509,057	1,531,822	1,554,988	
Charges & Other Revenues	8,420	4,226	5,043	3,250	3,250	3,250	3,250	3,250	3,250	
Special Receipts	717,255	1,006,132	790,891	958,496	1,047,431	1,056,421	1,065,501	1,074,672	1,083,935	
Transfer In	1,916,878	2,605,137	3,200,545	4,431,475	4,522,505	4,470,184	4,420,184	4,420,184	4,420,184	
Total Operating Revenue	18,988,905	19,333,186	19,891,643	21,371,853	22,085,554	22,672,386	23,097,124	23,806,365	24,241,195	
OPERATING EXPENDITURES										
Personnel Services	8,535,827	9,245,424	9,182,390	10,387,705	10,802,336	10,900,694	11,108,954	11,325,477	11,542,032	
Contractual Services										
Bond & Interest Payments	2,446,310	3,396,490	3,734,511	4,209,387	4,373,506	4,423,506	4,423,506	4,423,506	4,423,506	
Other Contractual Services	1,908,510	2,159,425	1,957,661	2,245,745	2,176,673	2,192,090	2,206,797	2,247,003	2,262,716	
Total Contractual Services	4,354,820	5,555,915	5,692,172	6,826,289	6,550,179	6,615,596	6,630,303	6,670,509	6,686,222	
Commodities & Supplies	1,609,360	1,232,120	1,537,048	1,437,011	1,225,813	1,243,543	1,274,632	1,306,498	1,339,160	
Vehicle Operating	476,097	429,521	467,307	513,750	565,090	559,980	573,979	588,329	603,037	
Capital Outlays	267,005	91,895	173,607	216,500	71,268	80,000	80,000	80,000	80,000	
Transfer Out	4,340,469	3,508,476	3,331,636	2,942,944	3,775,752	3,850,080	3,899,033	3,476,215	3,527,500	
Total Operating Expenditures	19,583,578	20,063,351	20,384,160	22,324,199	22,990,438	23,249,893	23,566,901	23,447,027	23,777,951	
Ending Balance	4,598,188*	3,793,389*	3,274,164*	2,321,818	1,426,934	849,427	329,650	588,987	902,231	
City Assessed Valuation	106,714,865	112,258,466	100,591,288	110,466,537	115,191,488	118,647,233	122,206,650	125,872,849	129,649,035	
Mill Levy	43.027	43.097	43.157	43.880	45.447	45.447	45.447	45.447	45.447	
*Audited Balances from Comprehensive Annual Financial Report										

5 YEAR EXPENDITURE HIGHLIGHTS					
	2012	2013	2014	2015	2016
Personnel Services					
<i>Fire Department</i>					
Training Officer	-	63,427			
3 Operational Positions				132,507	
P/T Billing Receptionist	-	13,687			
<i>Police Department</i>					
5 Certified Police Officer	-	44,172	44,172	44,172	44,172
Records Personnel	-	38,727			
<i>Street Department</i>					
Sweeper Operator	-	30,000	-		
Traffic Control Supervisor		33,000			
Total Personnel Services	-	223,013	44,172	176,679	44,172
Contractual Services					
<i>Parks Cemetery</i>					
Leveling head stones	5,000	5,000			
Total Contractual Services	5,000	5,000	-	-	-
Commodities & Supplies					
<i>Police Department</i>					
Equipment & Uniform	10,000				
<i>IT Department</i>					
Software Licenses	47,012	38,613	44,124	26,715	26,715
Hardware Replacement	19,306	18,306	19,306	19,306	19,306
Information Technology Director					
<i>Law Department</i>					
Technology Upgrade		20,000			
Total Commodities & Supplies	76,318	76,919	63,430	46,021	46,021
Vehicle Operating					
Total Vehicle Operating	-	-	-	-	-
Capital Outlay					
<i>Street Department</i>					
Bridge Lights	5,000	5,000	5,000	5,000	-
<i>Sanitation Department</i>					
Single Stream Bin	93,000	93,000			
<i>City-County Airport</i>					
Underground Storage Tanks	15,000	15,000	15,000	15,000	15,000
Total Capital Outlay	113,000	113,000	20,000	20,000	15,000
Transfer Out					
<i>Fire Department</i>					
Pump Test Pit (\$35,000)	11,000	11,000	13,000	-	
<i>Street Department</i>					
Street Sweeper	20,000	20,000	20,000	20,000	-
Total Transfer Out	31,000	31,000	33,000	20,000	-
Grand Total	225,318	448,932	160,602	262,700	105,193



REVENUE ANALYSIS

The City of Newton collects revenues from a variety of sources. For tax-supported funds, of the total revenue collections and transfers from other funds, 90% is collected from 9 distinct revenue sources. The discussion on revenue projections will focus on these 9 revenue sources.

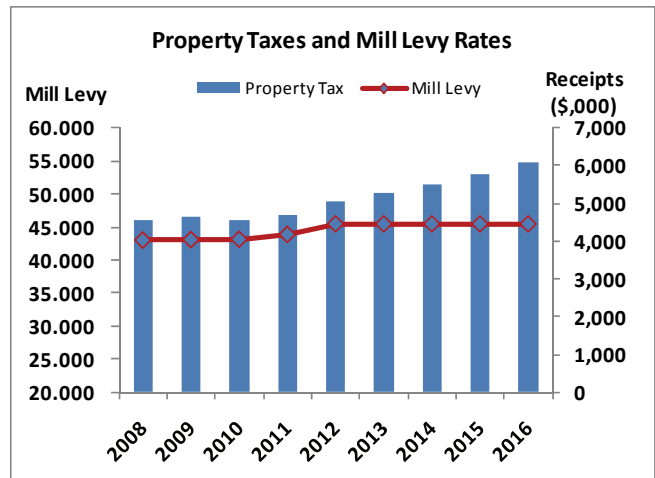
1. Property Tax
2. Transfer In
3. Original 1% Local Sales & Use Tax
4. Additional 1% Local Sales & Use Tax
5. Charges for Services
6. Sales & Rental
7. Franchise Tax
8. Special Receipts
9. Motor Vehicle Tax

Property Tax

Property tax is the largest revenue source for property tax-supported funds. The General Fund receives 75% of all property taxes collected by the City. These revenues are used to fund the majority of City services that are not able to self-finance their operations. 9% of property tax revenue is allocated for debt service and 12% is designated for funding the library operation budget. In 2006, the residents approved an additional 1% sales tax in exchange for a mill levy reduction. 50% of the additional sales tax is for economic development and infrastructure and the remainder is for operating expenses.

In 2011 the City Commission approved a 1.6 mill increase to compensate for declining revenues and loss in interest earning for the City's idle fund investments. The 2012 mill levy remains lower than the 2006 mill levy. Projected Property tax revenues are based on the following assumptions:

- No property tax increase during the planning period
- Increase in assessed valuation as result of assessment values and increase in construction activity.



Transfer In

Transfer In reflects funds transferred within funds and from other funds. Items included are transfers into the General Fund for capital improvement reserves and transfers from the enterprise funds (solid waste, wastewater & water). The Enterprise Fund transfers are to account for citywide administrative support for those operations. Additional transfers include transfers from the Special Highway Fund. Projected Transfer In revenues are based on the following assumptions:

- Maintaining current transfer levels and schedules

Original 1% Local Sales & Use Tax

This is one of the two local sales taxes levied in Harvey County for a total of 2%. The tax combines sales and use tax. Sales tax is paid on purchases made within Harvey County while the local use tax is paid on tangible personal property purchased from other states and used, stored, or consumed in Kansas where no sales tax was paid. The City receives a share of the 1% local sales assessed in Harvey County. The distribution formula is based on the City's population. Currently the City's share is 44.14%. In 2011, the State of Kansas increased the Statewide sales tax from 5.3% to 6.3%, this increase has not impacted local sales tax revenue receipts.

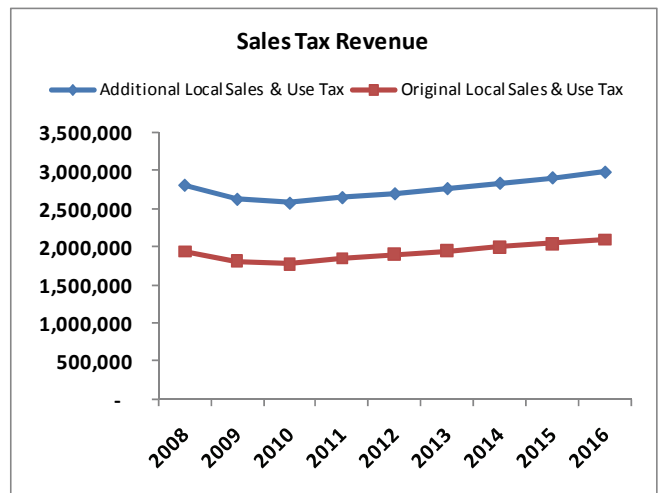
points of sale, in 2011 the City of Newton received 66.17% of sales tax collected in Harvey County.

City	Distribution of Additional 1% Sales Tax
Burrton	1.5870%
Halstead	4.4839%
Hesston	6.2997%
Newton	66.1766%
North Newton	2.7048%
Sedgwick	2.8841%
Walton	0.4100%
Harvey Unincorporated	15.4538%
	<u>100.000%</u>

City	Distribution of Original 1% Sales Tax
Burrton	2.0750%
Halstead	5.8646%
Hesston	8.2395%
Newton	44.1452%
North Newton	3.5377%
Sedgwick	3.7722%
Walton	0.5363%
Harvey Unincorporated	31.8288%
	<u>100.00%</u>

Projections for both sales and use tax revenues are based on:

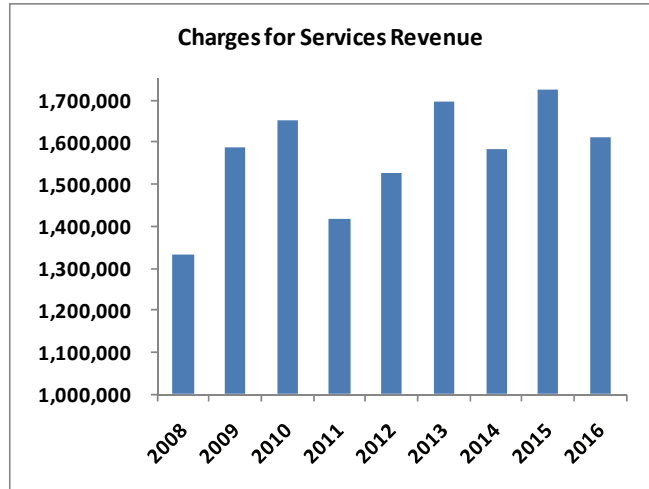
- Increase in taxable retail sales
- Increase in population of the City leading to an increased share of distribution
- Sales tax rate remaining the same during the planning period



Additional 1% Local Sales & Use Tax

In 2006 the voters of Harvey County approved an additional 1% sales & use tax. The purpose of the sales tax was to provide property tax relief to citizens. As a result of the tax, the mill levy fell from 54.476 mills to 43.047 mills. Based on a predetermined distribution formula partly associated with the population and

Property Tax Supported Funds Revenues		
	2012 Budget	% of Total
Property Tax	5,064,068	22.9%
Transfer In	4,522,505	20.5%
Additional Local Sales & Use Tax	2,700,000	12.2%
Original Local Sales & Use Tax	1,900,000	8.6%
Charges for Services Revenue	1,527,283	6.9%
Sales & Rental Revenue	1,470,700	6.7%
Franchise Tax Revenue	1,400,000	6.3%
Special Receipts Revenue	1,047,431	4.7%
Motor Vehicle Tax Revenue	651,682	3.0%
Other Tax Revenue	631,910	2.9%
Fines, Penalties & Forfeitures	500,250	2.3%
Other Revenue	432,575	2.0%
License & Permits Revenue	181,600	0.8%
Intergovernmental Revenue	32,000	0.1%
Uses of Money	20,300	0.1%
Charges & Other Revenues	3,250	0.0%
	22,085,554	100%



Sales & Rental

Sales and rental revenue is entirely generated from the operations of the City-County Airport. The largest share of this revenue is from sale of aviation fuel at the airport and the lease of buildings at the airport facility. There are several hangars at the facility that are leased to private entities.

Projections for sales & rental revenues are based on:

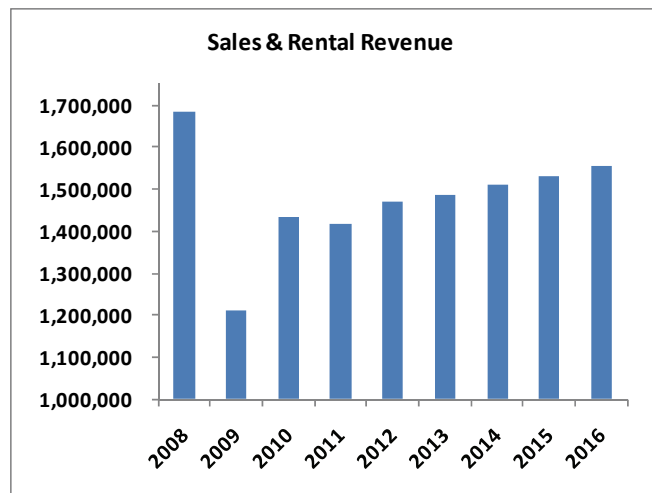
- Increase in volume and services offered

Charges for Services

Charges for Services include fees the City charges for use of its services. Some of the fees the City charges include ambulance fees, administrative fees, building inspection fees, cemetery services, engineering services, rural ambulance services and rural fire services. Some of these services are paid directly by the recipients of services and some, such as ambulance service fees, are paid by third parties such as Medicare/Medicaid and health insurance companies. The City also contracts with other jurisdictions for services.

Projections for charges for service revenues are based on:

- Revising fee schedules
- Increased billing and collection activity
- Increased volume of services offered

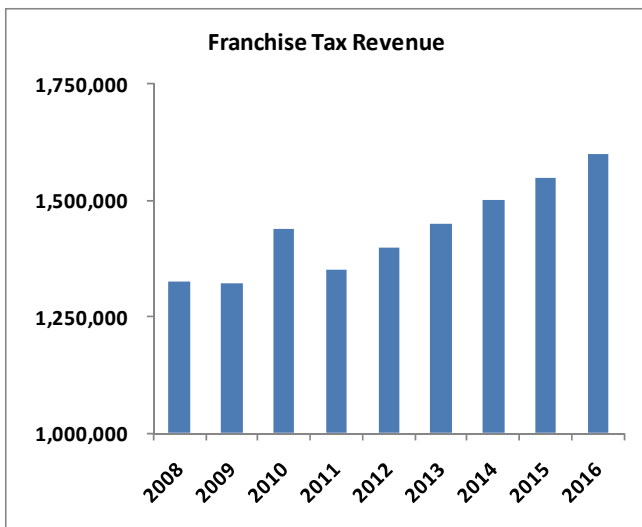


Franchise Tax

Cities charge a franchise fee whenever public easements and rights-of-way are used for private business. Franchise fees are calculated as a percentage of each company’s total utility revenues. The City has franchise requirements for cable television, telecommunications, electric power utility services and the transportation, distribution and sale of natural gas. These apply to the extent they utilize the public rights of way for their systems. The current authorized franchisees are:

- Cox Communications (cable TV) – under a State franchise
- Westar Energy
- Kansas Gas Service
- Southwestern Bell
- Prairie Stream Communications

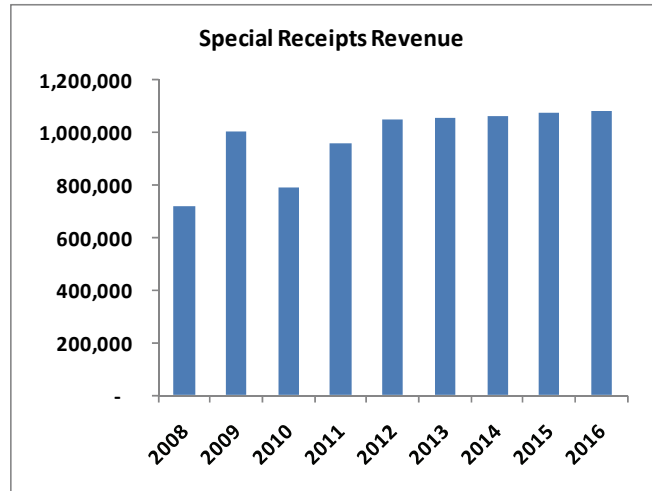
Additionally, the City requires that any natural gas reseller operating in the City through someone else’s transportation lines or distribution system and any telecommunication provider or reseller operating in the City must also have a franchise license.



Special Receipts

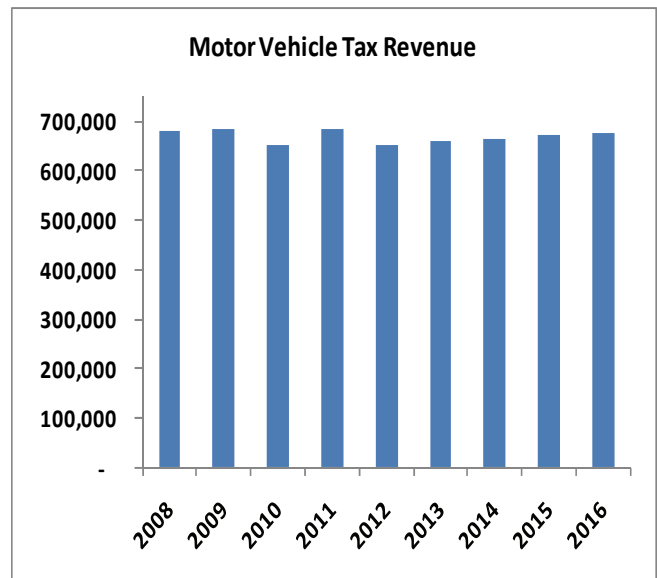
Special receipts are revenues related to the issues of bonds for project financing. The largest component of special receipts are special assessments. A Special Assessment is a fee collected by the City for

improvements to new housing additions. Typically the improvements are for water, sewer and street developments. The revenue collected from special assessments is used to repay debt incurred to make these improvements.



Motor Vehicle Tax

All motor vehicles subject to taxation are classified into 20 vehicle classes based on their value. The tax rate is based on the average county-wide mill levy, which is defined as the amount of general property taxes levied within the County by all taxing authorities. The distribution of the taxes is based on the residency of the owner and the ratio of levied taxes by the taxing authority to the total taxes levied.



EXPENDITURE ANALYSIS

Budgeted expenditures are grouped into 6 expenditures categories. Personnel Services, Contractual Services, Commodities & Supplies, Vehicle Operating, Capital Outlay & Transfer Out.

Personnel services is the largest expenditure category, accounting for 47% of property tax-supported expenditure. Contractual services is the second-largest expenditure category, accounting for 28% of property tax-supported expenditure. The General Fund accounts for 73% of property tax-supported expenditures while the Debt Service Fund accounts for 19% of property tax supported expenditures.

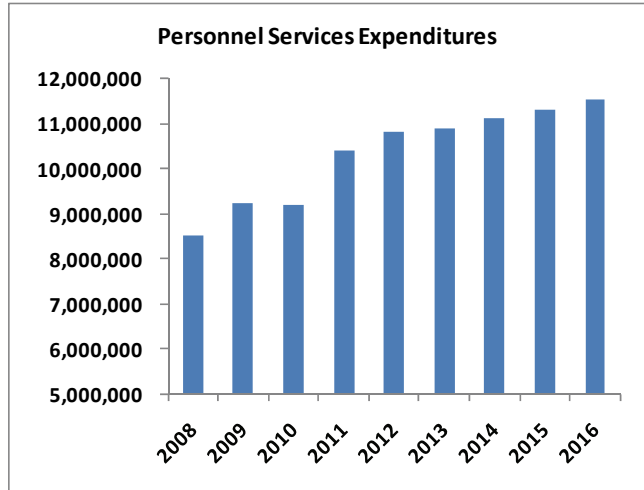
Budgeted Expenditures Property Tax Supported Funds		
	2012 Budget	% of Total
Personnel Services	10,802,336	47%
Contractual Services	6,550,179	28%
Commodities & Supplies	1,225,813	5%
Vehicle Operating	565,090	2%
Capital Outlay	71,268	0%
Transfer Out	3,775,752	16%
	22,990,438	100%

Personnel Services

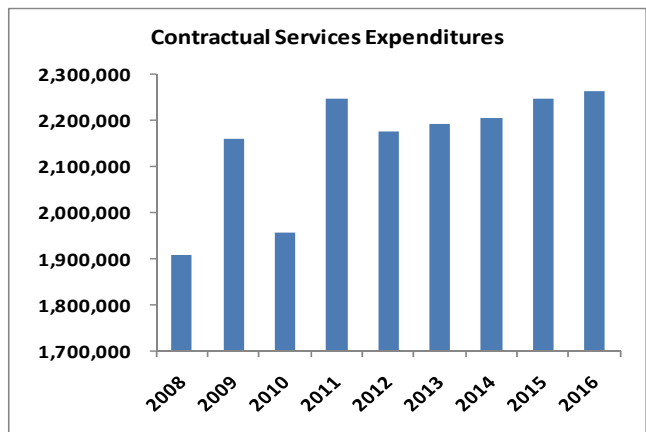
Most of these costs are for full-time personnel, with the remainder being temporary help costs. All employee benefits, including Social Security, Medicare, pension, health and dental insurance, worker’s compensation, etc., are included in Personnel Services. The City offers a health insurance plan for eligible employees. City health plan costs continue to escalate, but have been under national percentage increases. The City periodically reviews the plan providers to assess their competitiveness in the current market. The personnel services projections include an annual 2.5% Cost of Living Adjustment increase and a step increase for eligible employees. Additionally, a number of departmental position increases are included in the financial plan.

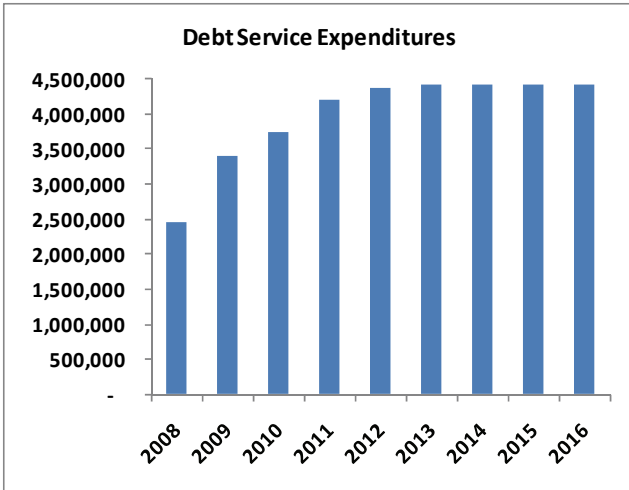
Contractual Services

Contractual services include services purchased and delivered by external entities. Included in this category are payments of debt service. The debt service



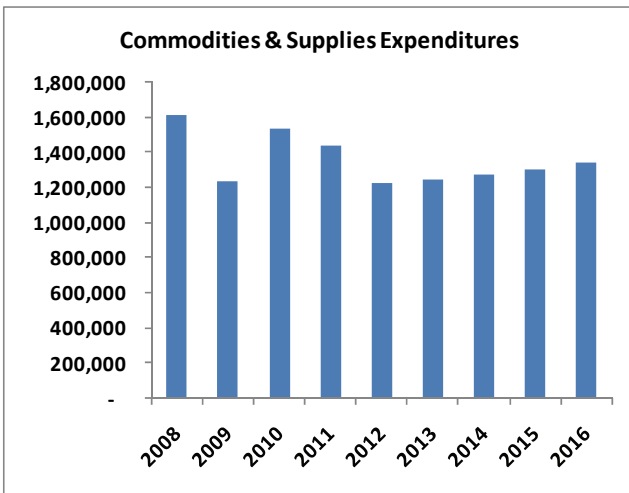
projection has been split to provide a better understanding of the City’s cost of debt issuance. As a component of Contractual Services, Debt Service increased 39% in 2009. As part of the City’s economic development plan, the City built a municipal Golf Course. The debt service for the course began in 2009. Additionally the City has issued debt for land acquisition and public improvements to finance the Kansas Logistics Park. This is a 400-acre industrial park site. Tindall Corporation will build a 150-200K sq. ft state-of-the-art facility, their 6th and largest facility in the United States. The facility will manufacture concrete wind tower bases and employ 405. This is a \$66 million capital investment. Colorado-based New Millennium Wind Energy has also chosen the Kansas Logistics Park for its first manufacturing facility. The new facility is projected to employ about 70 people in the first year of operations, and more than 350 in the next three to four years. Other contractual services have typically increased 2% annually mainly as a result of price inflation.





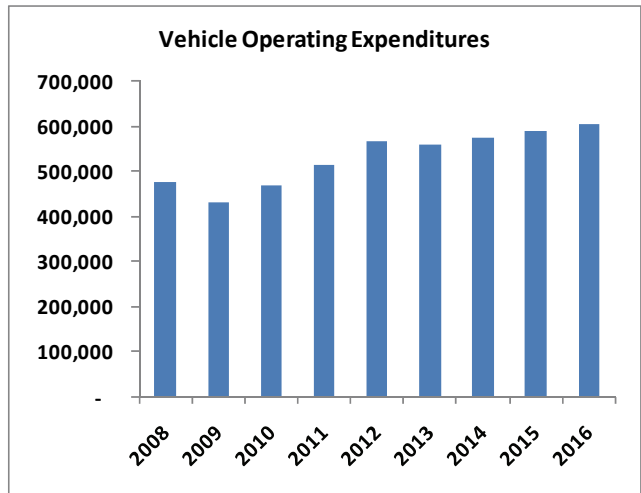
Commodities & Supplies

Commodities & Supplies include purchases of tangible items and tools required for effective day to day operation. Items under this category are typically not long term. The largest single expenditure item in this category is aviation fuel. The Airport purchases aviation fuel for resale. In 2012, Aviation fuel is budgeted at \$560,000, in 2008 aviation fuel expenditures were \$885,787. This item is heavily influenced by world fuel prices and fluctuates accordingly.



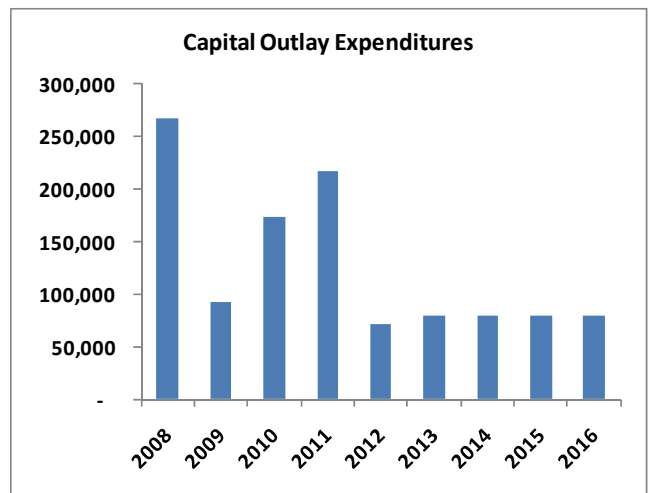
Vehicle Operating

Vehicle operating accounts for expenditures related to the operations of City vehicles. The Departments with the largest vehicle operating expense in the property tax supported funds are Fire, Police, Street and Parks. Future projections are based on price inflation and as vehicles age, the cost of operating them typically increases.



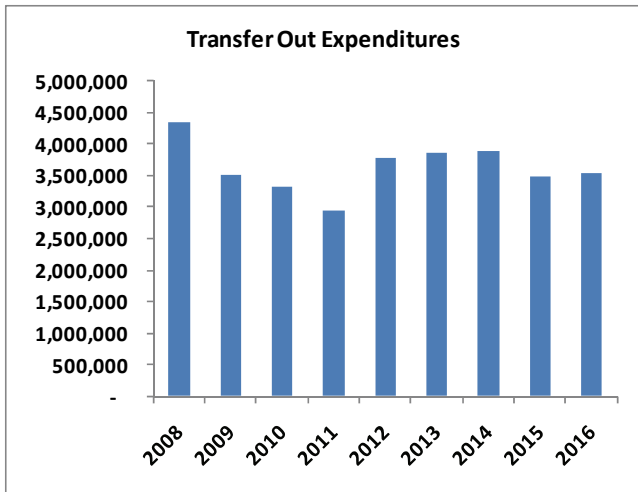
Capital Outlay

Capital outlay are expenses that add a fixed asset to the City. Purchases are normally considered a capital outlay if they benefit the City for more than one year. The City has an aggressive equipment reserve program. Most capital outlays are purchased through the equipment reserve programs. When an item is bought, the City determines the lifespan of that item and then sets aside funds each year for the life of the equipment and pays cash for its replacement. This allows the City to pay cash for most items rather than finance them.



Transfer Out

Within statutory limits, the City is allowed to transfer funding from property tax-supported funds to other funds to finance equipment purchases and other capital improvements. Transfers are typically scheduled. The most common transfer is the transfer to the equipment reserve. In 2010 and 2011 the City reduced the scheduled equipment reserve transfers by 50% as a short-term measure to fund City operations. This measure will not impact any scheduled purchases in 2010 and 2011, and by 2013 the City will be “caught up” and resume the scheduled equipment reserve transfers. The projection in the financial plan reflects these activities.



SUMMARY BY PROPERTY TAX FUNDS

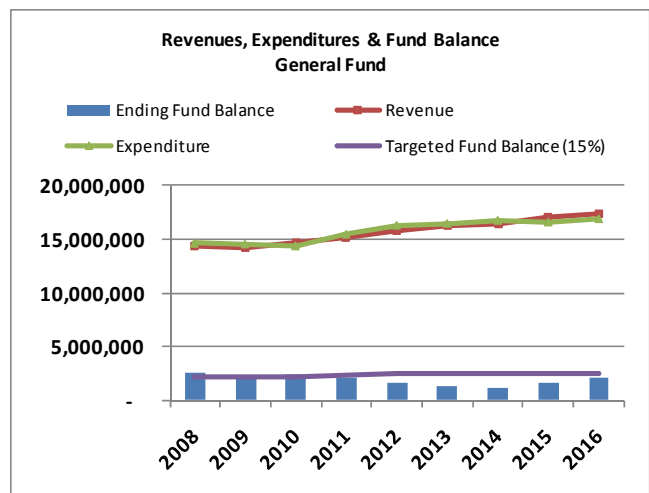
The following section will provide a brief discussion of each property tax-supported fund included in the Financial Plan, outline current and future fund balance projections, and discuss major fiscal challenges anticipated to impact the fund over the planning period.

General Fund

The City’s fund balance policy requires the General Fund to maintain a minimum balance equal to 15 percent of actual expenditures. Currently, the fund has built a balance exceeding this amount, but the fund is projected to fall below the minimum balance requirement, and policy decisions will need to be made during the planning period.

Major fiscal challenges:

- Absorbing over the next several years the impact of economic conditions on various key revenues, such as property taxes and retail sales tax and investment income.
- Maintaining current services and/or service levels as the availability of funding diminishes due to the economic environment.
- Limitations in the ability to address unplanned and emergency funding needs when they arise as the fund balances decline.

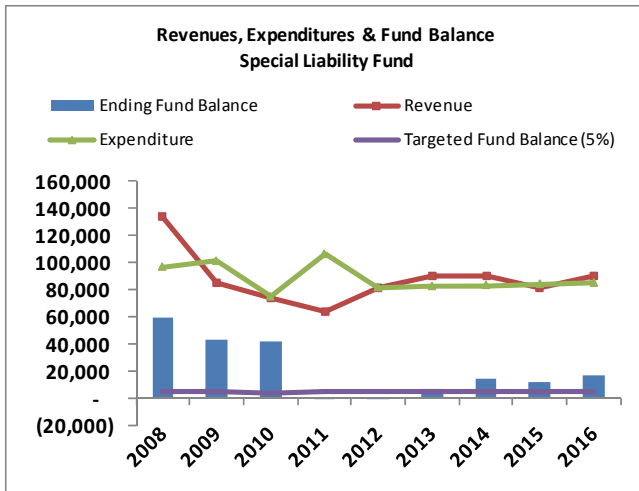


Special Liability Fund

Kansas Statutes allow municipalities to establish a special fund to meet the costs for the defense of the City and its employees in lieu of paying these costs out of the General Fund or other existing funds of the municipality. Governing bodies may create and establish a special liability expense fund for the payment of such costs and may place in this fund any moneys received by the municipality from any source whatsoever which may be lawfully utilized for such purpose including the proceeds of tax levies.

Major fiscal challenges:

- The impact of the economic downturn on property tax revenues.
- Projecting the financing needs of the fund remains a challenge.

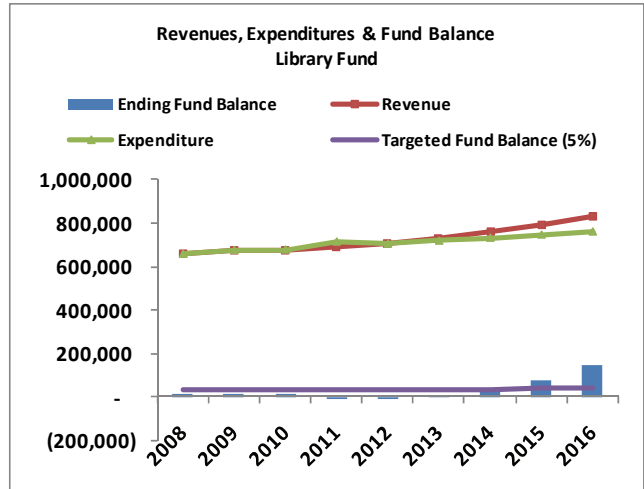


Library Fund

The Newton Public Library, although a separate legal entity, is governed by a Board, the appointees of which are approved by the City Commission. The Library is not a separate taxing entity under State Statutes and the City levies taxes for the library operation, which represent a significant portion of its total revenues.

Major fiscal challenges:

- The impact of the economic downturn on property tax revenues.
- The library facility needs more space in order to continue to provide needed library services. Financing these needs remains a challenge.

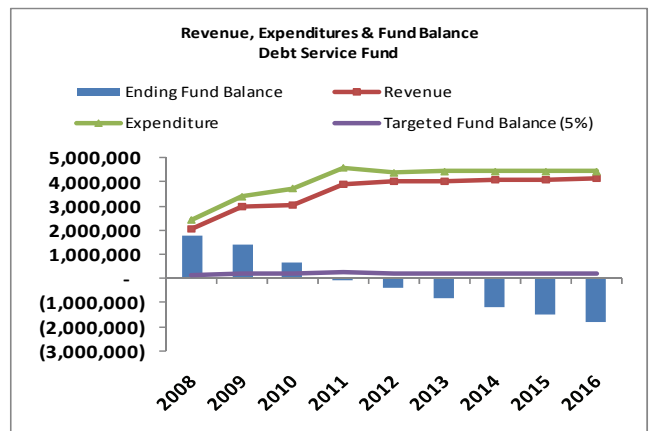


Debt Service Fund

Large capital improvements projects for the City of Newton require long-term financing through municipal bonds. The Bond and Interest Funds (Debt Service Fund) provides for the retirement of General Obligation, Public Building Commission (PBC) revenue bonds and special assessment bonds of the City of Newton. Each year, the City levies taxes that, together with special assessments credited to this Fund, are sufficient to pay the principal and interest payments due throughout the year.

Major fiscal challenges:

- The impact of the economic downturn on property tax revenues.
- The State of Kansas places strict limits on the amount of debt cities can incur in the course of improving capital infrastructure. As the City seeks to grow, so do the capital and infrastructure needs to meet that growth. The City continues to aggressively seek alternative sources of financing capital infrastructure.

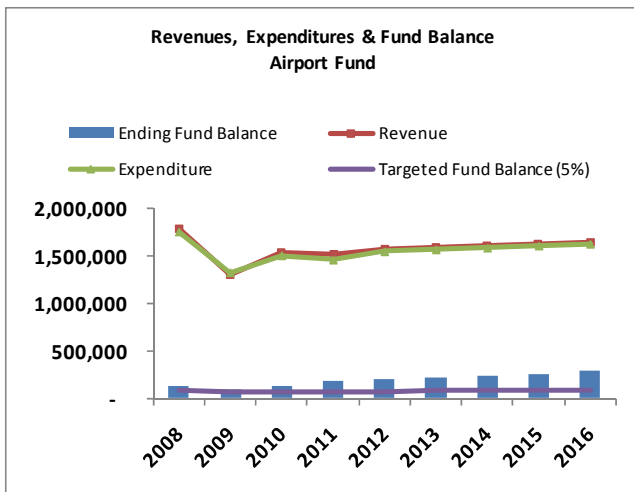


Airport Fund

The Newton City-County Airport is a vital asset to the community. Jointly owned by the City of Newton and Harvey County, the Airport is operated by the City. The facility is a reliever airport for Wichita Mid-Continent, thus allowing for infusion of federal funds over the years for a 7,000-foot, lighted runway, crosswind runway, and various automated services for handling flights. Industrial rental buildings, fuel sales, and tax revenues form the basis of financial support for the facility. Approximately \$160,000 in combined City and County taxes goes toward the Airport operation annually.

Major fiscal challenges:

- The impact of the economic downturn on property tax revenues.
- Fuel sales revenue, a major source of revenue, remains volatile with the ever-changing market and fuel prices.
- Ensuring the facilities at the airport remain rented is a challenge. The City finances the development of the facilities and passes on the debt services in terms of rent payments. When the facilities are vacant, the City incurs the debt payment costs.



ENTERPRISE FUNDS ANALYSIS

The City owns and operates the Water, Wastewater, Sanitation, Golf Course and the Meridian Conference Center. These are the essential elements of the City's enterprise funds. The enterprise funds give the City the flexibility to account separately for all financial activities associated with a broad range of these operations. Establishing a separate accounting and financial reporting system. Revenues and expenses of the service are segregated into these funds with financial statements separated from all other governmental activities.

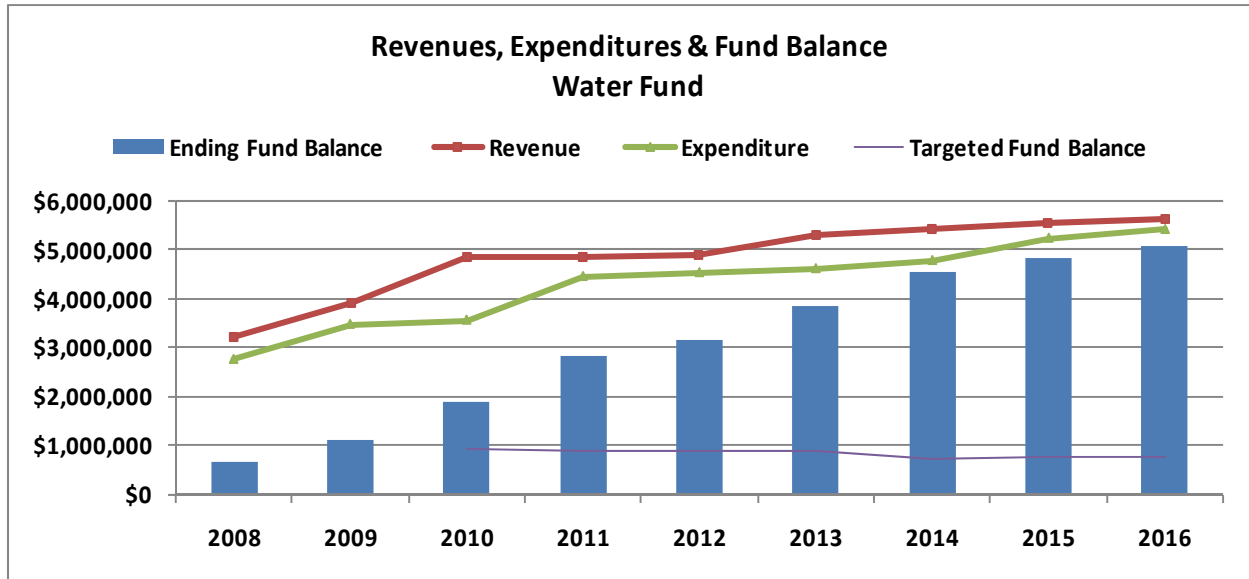
Why Adopt an Enterprise Fund

A community may account for certain services in the General Fund, special revenue or enterprise fund. Advantages of an enterprise fund include that it:

- Identifies a total service cost: Consolidating direct operating, direct capital, and indirect costs helps a community to readily identify a total service cost and determine funding sources. The total service cost may also include a subsidy from the General or other fund or a reimbursement from the enterprise fund to other funds for subsidized costs.
- Provides useful management information: Consolidating revenues, expenses and operating performance of the fund provides a community with useful decision-making information regarding user charges and fees and a subsidy if necessary. The community can also include the enterprise fixed assets and infrastructure as assets and recognize the annual depreciation of these assets in audited financial statements.
- Retains investment income and surplus: Most investment earnings and any operating surplus are retained in the enterprise fund rather than transferring all profits to the General Fund at fiscal year-end.

FINANCIAL PLAN 2008-2016									
Water Fund									
	ACTUAL			ADOPTED		PROJECTED			
	2008	2009	2010	2011	2012	2013	2014	2015	2016
Beginning Fund Balance	476,810*	663,052*	1,109,776*	2,398,434	2,816,122	3,169,346	3,864,339	4,524,386	4,834,681
Waterworks Revenue	3,197,938	3,866,558	4,769,629	4,839,805	4,854,805	5,276,304	5,407,371	5,510,589	5,620,801
Other Revenue	27,563	39,406	66,478	22,000	22,000	22,000	22,000	22,000	22,000
Total	3,225,501	3,905,964	4,836,107	4,861,805	4,876,805	5,298,304	5,429,371	5,532,589	5,642,801
Waterworks Admin/Billing									
Personnel Services	863,370	999,144	855,944	1,027,286	996,223	1,070,940	1,151,260	1,237,605	1,330,425
Contractual Services	313,451	349,387	414,952	503,874	512,427	522,676	533,129	543,792	554,667
Commodities & Supplies	12,812	10,037	7,260	14,500	14,500	15,225	15,986	16,786	17,625
Vehicle Operating	41,091	32,554	28,926	44,000	47,000	44,000	44,000	44,000	44,000
Capital Outlay	-	-	-	5,000	-	5,000	5,000	5,000	5,000
Transfer Out	184,783	789,379	1,022,098	1,170,350	1,242,099	1,150,327	1,175,060	1,474,690	1,474,690
Total	1,415,507	2,180,501	2,329,180	2,765,010	2,812,249	2,808,167	2,924,436	3,321,872	3,426,407
Waterworks Distribution/Transmission									
Personnel Services	380,966	404,630	377,511	438,245	436,057	468,761	503,918	541,712	582,341
Contractual Services	302,006	246,385	253,321	383,300	379,800	388,591	379,295	369,805	377,201
Commodities & Supplies	9,532	13,608	9,280	16,800	16,500	18,480	18,150	20,328	20,735
Vehicle Operating	38,074	13,067	17,195	9,000	19,000	20,900	22,990	25,289	25,795
Capital Outlay	14,472	12,796	-	20,000	20,000	20,000	20,000	20,000	20,000
Transfer Out	36,900	69,900	106,990	121,238	121,238	120,000	120,000	120,000	120,000
Total	781,950	760,386	764,297	988,583	992,595	1,036,732	1,064,353	1,097,134	1,146,071
Waterworks Production									
Personnel Services	126,302	142,581	128,564	154,826	157,939	169,784	182,518	196,207	210,923
Contractual Services	210,625	191,486	229,783	280,000	327,000	333,540	340,211	347,015	353,955
Commodities & Supplies	147,559	120,367	57,806	155,500	138,500	141,270	144,095	146,977	149,917
Vehicle Operating	17,932	10,269	7,483	20,000	15,100	20,000	20,000	20,000	20,000
Capital Outlay	38,188	40,039	-	40,000	40,000	40,000	40,000	40,000	40,000
Transfer Out	21,100	26,100	40,198	40,198	40,198	53,817	53,711	53,088	53,088
Total	561,706	530,842	463,834	690,524	718,737	758,411	780,535	803,288	827,883
Total Expenditure	2,759,163	3,471,729	3,557,311	4,444,117	4,523,581	4,603,311	4,769,324	5,222,294	5,400,362
Ending Fund Balance	663,052*	1,109,776*	2,398,434*	2,816,122	3,169,346	3,864,339	4,524,386	4,834,681	5,077,120

* Reflects audited & adjusted fund balance



WATER FUND

Newton has been blessed with high-quality supplies of groundwater from the Equus Beds aquifer, and the water requires very little treatment.

Newton is the sole supplier of potable water to City residents and businesses as well as a rural water district. In addition, Newton is a partner in Public Wholesale Water Supply District No. 17 along with three other municipalities. Newton treats and distributes water from the District to these neighboring communities under separate contract with each municipality. The City is also the sole provider of residential refuse and recycling collection services.

The entire water production system is modern and generally in sound condition. It was determined through testing in 1994 that treatment to prevent high levels of copper in the water was required. A total renovation was completed in 1998, resulting in a state-of-the-art treatment plant. Newton is in the process of constructing a wholesale water supply system with three neighboring communities. Newton began treating water for the members of the wholesale district during 2000.

The Water Fund is a self-supporting enterprise fund established to provide residents and businesses with uninterrupted water supply and services. In addition to the maintenance of existing lines, the Fund provides for major capital projects such as line extension and lift

station construction. Debt service for the water utility, as well as operational expenses are expected to be financed with water revenue.

Major fiscal challenges:

- Maintaining required debt coverage while keeping services affordable to citizens
- Keeping up with the rising costs of operational commodities and supplies
- Compliance with increased unfunded State mandates on water quality and water treatment
- Maintaining and upgrading dilapidated infrastructure

Water Fund Revenue Analysis

The primary source of revenue for the water fund is user fees. The Fund is self-supporting and therefore is required to generate sufficient revenue to meet its operating expenses. Since the fund also pays for debt service on water infrastructure improvement, the fund is required to maintain a minimum debt coverage ratio. The current debt coverage ratio requires that the ending balance each year be 1.25 times the following year's principal and interest payments. This ratio is maintained for the planning period. In 2010 the City Commission added an annual incremental increase in the base water rate.

FINANCIAL PLAN 2008-2016 Wastewater Fund									
	ACTUAL			ADOPTED		PROJECTED			
	2008	2009	2010	2011	2012	2013	2014	2015	2016
Beginning Fund Balance	548,620*	2,270,259*	2,850,294*	3,426,681	3,625,081	3,405,440	4,219,685	4,858,451	4,256,203
Wastewater Revenue	3,657,902	4,448,661	5,100,725	5,543,352	5,543,352	6,420,203	6,426,255	6,432,308	6,560,954
Total	3,657,902	4,448,661	5,100,725	5,543,352	5,543,352	6,420,203	6,426,255	6,432,308	6,560,954
Wastewater Admin/Billing									
Personnel Services	917,273	1,026,071	1,001,883	1,148,208	1,237,132	1,329,917	1,329,917	1,429,661	1,536,885
Contractual Services	434,884	510,537	477,189	593,702	599,255	575,000	575,000	575,000	575,000
Commodities & Supplies	62,539	52,684	35,371	65,750	60,250	63,500	65,000	65,000	65,000
Vehicle Operating	38,924	39,594	29,729	44,000	46,000	50,600	55,660	61,226	67,349
Capital Outlay	9,904	10,544	-	150,000	150,000	150,000	150,000	150,000	150,000
Transfer Out	1,456,754	1,676,072	2,341,806	2,248,240	2,548,937	2,307,661	2,450,032	3,558,295	3,558,295
Total	2,920,278	3,315,502	3,885,978	4,249,900	4,641,574	4,476,678	4,625,609	5,839,182	5,952,529
Wastewater Plant Operations									
Personnel Services	297,072	330,377	290,805	358,744	360,311	387,334	416,384	447,613	481,184
Contractual Services	243,007	287,393	304,345	358,450	380,750	388,365	396,132	404,055	412,136
Commodities & Supplies	31,466	40,288	23,052	67,575	67,075	39,681	33,373	25,417	25,418
Vehicle Operating	29,916	717	1,267	16,000	19,000	20,900	22,990	25,289	27,818
Capital Outlay	5,777	3,391	-	3,000	3,000	3,000	3,000	3,000	3,000
Transfer Out	45,403	236,776	274,443	291,283	291,283	290,000	290,000	290,000	290,000
Total	652,641	898,922	893,912	1,095,052	1,121,419	1,129,280	1,161,880	1,195,374	1,239,556
Total Expenditure	3,572,919	4,214,424	4,779,890	5,344,952	5,762,993	5,605,958	5,787,489	7,034,556	7,192,085
Ending Fund Balance	2,270,259*	2,850,294*	3,426,681*	3,625,081	3,405,440	4,219,685	4,858,451	4,256,203	3,625,073

* Reflects audited & adjusted fund balance

Water Fund Expenditure Analysis

Operationally, the Water Utility is divided into three sections. Water Administration & Billing, Water Distribution & Transmission and Water Production. Personnel and Transfers account for 66.2% of total expenditures. Because City staff from other departments support and provide oversight to the

utility, the personnel expenditures also account for indirect support provided to the utility by other non-utility staff. Transfer Out expenditures include transfers to the Water Bond & Interest Fund for debt service, transfer for equipment replacement and transfers to the General Fund.

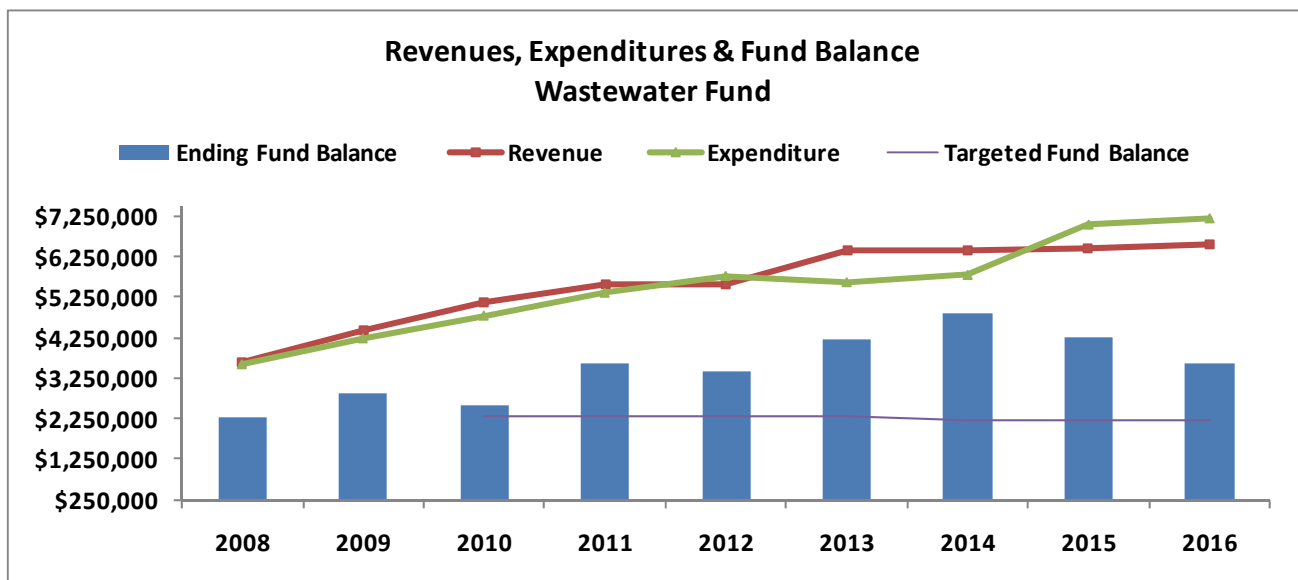
WASTEWATER FUND

Newton owns and operates a regional wastewater treatment plant licensed by the Kansas Department of Health and Environment. A major renovation of over \$5 million was completed in 1994. A new disinfection process was completed in 1998, funded by cash reserves. Rates for wastewater service were increased in 2003 to cover inflation of costs, and incremental increases were enacted in 2010.

The Wastewater Fund is a self-supporting enterprise fund established to provide residents and businesses with uninterrupted water supply and services. In addition to the maintenance of existing lines, the fund provides for major capital projects such as line extension and lift station construction. Debt service for the wastewater utility, as well as operational expenses, is expected to be financed with wastewater revenue.

Major fiscal challenges:

- Maintaining required debt coverage while keeping services affordable to citizens
- Keeping up with the rising costs of operational commodities and supplies
- Complies with increased unfunded State mandates on wastewater quality and water treatment
- Maintaining and upgrading dilapidated infrastructure



Wastewater Fund Expenditure Analysis

Similar to the Water Fund, the primary source of revenue for the Wastewater Fund is user fees. The Fund is self-supporting and therefore is required to generate sufficient revenue to meet its operating expenses. Since the fund also pays for debt service on wastewater infrastructure improvement, the fund is required to maintain minimum debt coverage. The current debt coverage ratio requires that the ending balance each year be 1.25 times the following year’s principal and interest payments. This ratio is maintained for the planning period.

Wastewater Fund Expenditure Analysis

Operationally, the Wastewater Utility is divided into two sections. Wastewater Administration & Billing and Wastewater Plant Operations. Personnel and Transfers account for 77% of total expenditures. Because City staff from other departments support and provide oversight to the utility, the personnel expenditures also account for indirect support provided to the utility by other non-utility staff. Transfer Out expenditures include transfers to the Wastewater Bond & Interest Fund for debt service, transfer for equipment replacement and transfers to the General Fund.

SANITATION FUND

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

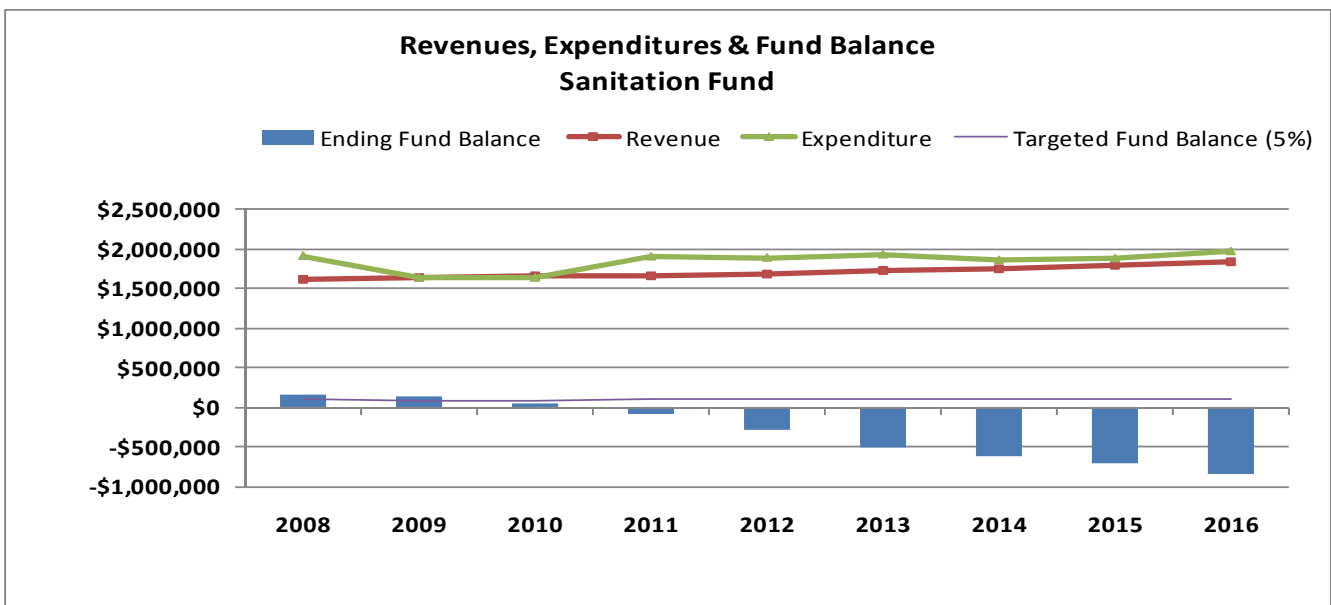
and therefore does not have any debt coverage requirements. However, the fund targets to have a fund balance of 5% of annual operating expenditures.

Sanitation Fund Expenditure Analysis

Personnel Services account for 56% of operational expenditures. Contractual Services is the second-largest expenditure category, which accounts for 21% of operational expenditures. The largest component of the contractual expenditures are landfill disposal fees. The department is implementing a single-stream recycling program, and included in this financial plan is a three-year allocation plan in Capital Outlays for replacement and purchase of new recycle bins for all residential customers.

Sanitation Fund Revenue Analysis

The primary source of revenue for the Sanitation Fund is refuse collection fees. The Fund is self-supporting and therefore it is required to generate sufficient revenue to meet its operating expenses. The Sanitation Fund currently does not have any debt service requirements



FINANCIAL PLAN 2008-2016									
Solid Waste Fund									
	ACTUAL			ADOPTED		PROJECTED			
	2008	2009	2010	2011	2012	2013	2014	2015	2016
Beginning Fund Balance	481,625*	160,109*	126,160*	149,321	(97,246)	(297,973)	(506,605)	(609,685)	(700,526)
Solid Waste	1,610,654	1,632,801	1,649,448	1,658,322	1,688,138	1,721,901	1,756,339	1,791,466	1,827,295
Total	1,610,654	1,632,801	1,649,448	1,658,322	1,688,138	1,721,901	1,756,339	1,791,466	1,827,295
Solid Waste Operations									
Personnel Services	953,180	975,525	959,573	1,094,168	1,049,236	1,025,000	1,035,000	1,045,000	1,123,375
Contractual Services	301,303	318,811	339,620	370,639	400,195	408,199	416,363	424,690	433,184
Commodities & Supplies	33,327	28,665	19,672	52,083	50,410	35,000	35,000	35,000	35,001
Vehicle Operating	166,033	157,800	156,263	134,925	219,200	223,584	228,056	232,617	237,269
Capital Outlay	-	-	-	93,750	-	93,750			
Transfer Out	460,000	145,000	152,200	159,324	169,824	145,000	145,000	145,000	145,001
Total	1,913,843	1,625,801	1,627,328	1,904,889	1,888,865	1,930,533	1,859,419	1,882,307	1,973,830
Ending Balance	160,109*	126,160*	149,321*	(97,246)	(297,973)	(506,605)	(609,685)	(700,526)	(847,062)

GOLF FUND

The Sand Creek Station Golf Course has established a reputation as the premier golfing destination in the Greater Wichita Area, including both private and public facilities. The ability to give a great product at a very competitive rate gives the course leverage in retaining customers and building new relationships. No other golf course, including world-renowned Prairie Dunes, has hosted more competitive events over the past few years in conjunction with the Kansas Golf Association, than Sand Creek Station.

Golf Fund Revenue Analysis

Due to several factors, including the national economy, a non-growth in new players, and an oversaturated market, most golf courses are struggling to make ends meet. Many golf public courses in this market and even semi-private courses have cut fees and offered numerous incentives for new members. Facilities are virtually cutting their fees in half, just so they can generate short-term cash flow. After several discussions among City staff, for the first time since its opening, Sand Creek Station Golf Course raised its fees by two dollars in Spring 2010. Even with the increase, customers remained willing to pay the increase and with all the value-added amenities, still felt it was worth the price.

Despite a hard winter, floods in the early summer, and the extreme heat, Sand Creek Station Golf Course will meet its budgetary goals.

Golf Fund Expenditure Analysis

Personnel Services account for 42% of operational expenditures. Capital Outlays account for 30% and Contractual Services accounts for 28% of operational expenditures. Capital Outlay expenditures account for budget improvements in the course capital outlays.

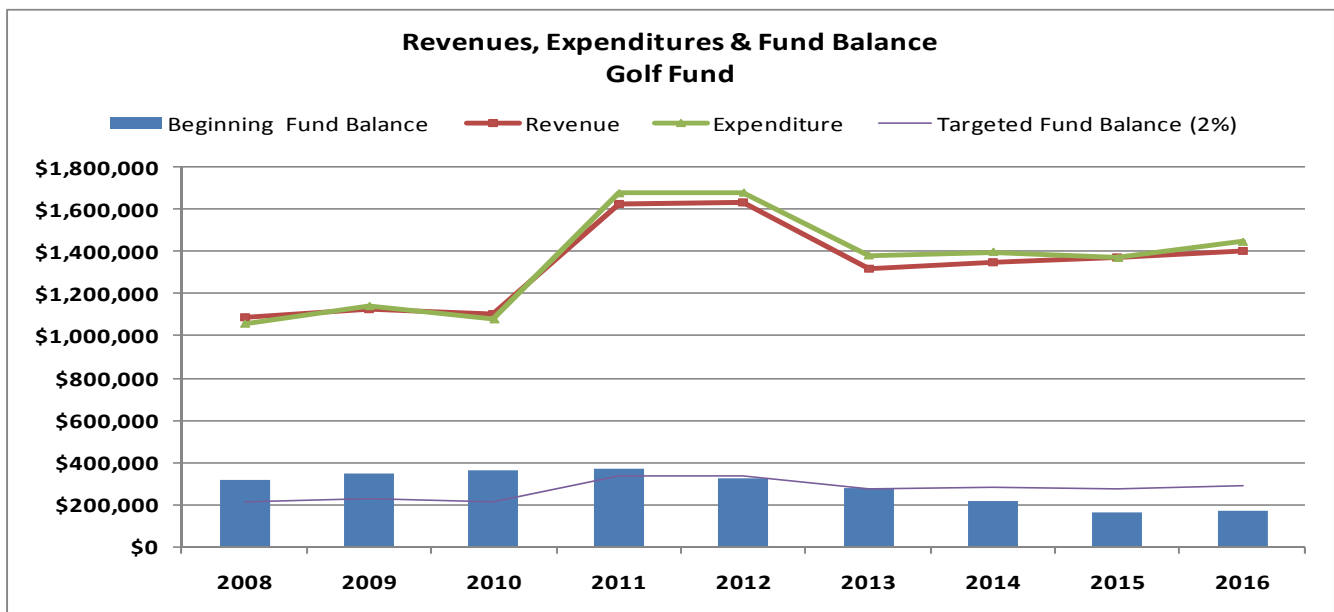
Golf Fund Debt Service

Debt service on the golf course and the revenue from the assessed valuation of the improvements are accounted for in the Bond & Interest Fund. Details of the debt service are discussed in the Bond & Interest section of the budget. The revenue source for the debt service is derived from the property taxes generated in the Sand Creek Station subdivision and one special assessment for infrastructure improvements.

MERIDIAN CENTER FUND

The vision of the Meridian Center is to be the premier conference and event center in the greater Newton, Kansas market and to support the overall economic development of the Newton area. The center will support both local and outside visitors with a professional experience unmatched in the Newton or Wichita markets. The vision of the center is to appeal to a variety of audiences through its ideal location, size, amenities and service offerings. The staff at the center will provide a friendly, professional and comfortable atmosphere that will enable patrons to complete successful conferences and events time and time again.

FINANCIAL PLAN 2008-2016									
Sand Creek Station Golf Course									
	ACTUAL			ADOPTED		PROJECTED			
	2008	2009	2010	2011	2012	2013	2014	2015	2016
Beginning Fund Balance	318,241*	344,791*	362,223*	372,341	323,907	281,579	219,408	166,858	169,960
Golf Course Revenue	1,085,984	1,124,669	1,101,809	1,627,114	1,636,209	1,318,933	1,345,312	1,372,218	1,399,662
Total	1,085,984	1,124,669	1,101,809	1,627,114	1,636,209	1,318,933	1,345,312	1,372,218	1,399,662
Golf Operations									
Personnel Services	612,772	702,959	659,878	721,222	712,659	766,108	823,567	885,334	951,734
Contractual Services	443,780	437,590	417,489	454,326	455,878	464,996	474,295	483,781	493,457
Commodities & Supplies	-	-	-	-	-	-	-	-	-
Vehicle Operating	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	500,000	500,000	150,000	100,000	-	-
Transfer Out	-	-	-	-	10,000	-	-	-	-
Total	1,056,552	1,140,549	1,077,367	1,675,548	1,678,537	1,381,104	1,397,862	1,369,115	1,445,191
Ending Balance	206,317*	362,223*	372,341*	323,907	281,579	219,408	166,858	169,960	124,431



Meridian Center Fund Revenue Analysis

The center anticipates an increase in local real estate development with positive industrial growth in Newton. Also anticipated is growth within the Kansas Logistics Park which will increase the number of middle to upper class families in Newton. This growth will result in an influx of corporate clients to the Meridian Center. Other target groups to support the center include commercial trade associations, corporate and government entities, social, military, educational, religious and fraternal associations, sports organizations and motor coach groups, all of which exist in the greater local area and are anticipated to grow in the upcoming years.

Meridian Center Fund Expenditure Analysis

Personnel Services account for 60% of operational expenditures with the balance of expenditures being Contractual Services. As the center continues to grow, a better expenditures and revenue forecast will be established.

Meridian Fund Debt Service

The total cost of the conference center is \$3.6. Its construction will be paid for by the new property tax revenues generated from the Holiday Inn Express Hotel and the other commercial lots, as well as the hotel's total transient guest tax revenues and citywide revenues from a 1 percent increase in the guest tax that went into effect in 2008. The Conference Center is situated in a special Tax Increment Finance (TIF) district that includes a Holiday Inn Express hotel and a restaurant.

FINANCIAL PLAN 2008-2016								
Meridian Conference Center								
	ACTUAL		ADOPTED			PROJECTED		
	2008	2009	2010	2011	2012	2013	2014	2015
Beginning Fund Balance					-	-	-	-
Meridian Center Revenue					273,180	334,000	400,500	430,500
Transfer In					206,385	159,771	132,312	121,040
Total					479,565	493,771	532,812	551,540
Meridian Center								
Personnel Services					215,474	224,500	232,630	243,369
Contractual Services					264,091	269,271	300,182	308,171
Commodities & Supplies								
Vehicle Operating								
Capital Outlay								
Transfer Out					479,565	493,771	532,812	551,540
Total								
Ending Balance					-	-	-	-