CITY OF NEWTON, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

PREPARED BY
CITY OF NEWTON FINANCE DEPARTMENT

NEWTON, NORTH CAROLINA

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CITY OF NEWTON, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

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INTRODUCTORY SECTION

- Letter of Transmittal
- GOFA Certificate of Achievement
- Organizational Chart
- List of Principal Officials

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CITY OF NEWTON
P.O. Box 550 · Newton, N.C. 28658 · phone 828.695.4300 · fax 828.465.7405

October 16, 2015

The Honorable Mayor, Members of the
City Council and the Citizens of the
City of Newton, North Carolina

The Comprehensive Annual Financial Report (CAFR) of the City of Newton, North Carolina for the fiscal year ended June 30, 2015 is hereby submitted. North Carolina General Statutes require that every local government publish within four months after the close of each fiscal year a complete set of audited financial statements presented in conformity with generally accepted accounting principles. This report is published to fulfill that requirement for the fiscal year ended June 30, 2015.

Management of the City of Newton, North Carolina, assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that management has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The City of Newton's financial statements have been audited by Martin Starnes and Associates, CPAs, P.A. The objective of the independent audit was to provide reasonable assurance that the financial statements of the City of Newton for the fiscal year ended June 30, 2015, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the financial statements of the City of Newton for the fiscal year ended June 30, 2015 are presented in conformity with Generally Accepted Accounting Principles (GAAP). The report of the independent auditors is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This Letter of Transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Newton's MD&A is presented immediately following the independent auditors' report.

Profile of the City

The City of Newton, founded in 1843 and incorporated in 1855, is the County seat of Catawba ("the County"). It is located in the western part of the Piedmont section of the State, approximately 39 miles northwest of Charlotte and 10 miles southeast of Hickory. Evidence of our long and distinguished history abounds throughout the stately streets of the City. The State of North Carolina has erected several historical markers to honor some of the important events, landmarks, and distinguished people in Newton's past. The City currently occupies approximately thirteen square miles and serves a population of 13,018.

The City is empowered by State Statute to levy an ad valorem property tax on the appraised value of all real and tangible personal property located within the City. The City is also empowered to extend its corporate limits by annexation.

The Council is required by State Statute to adopt a budget by July 1 of each year. The City is empowered to levy a property tax on both real and personal property located within its boundaries. The City's budget ordinance creates a legal limit on spending authorizations and serves as the foundation for the City's financial planning and control. The budget is prepared by fund and department. Appropriations are authorized by department totals. The Finance Director is authorized to reallocate departmental appropriations among line item objects of expenditures as necessary during the budget year.

Form of Government

The City of Newton is one of several incorporated municipalities in the County and operates under the Council-Manager form of government. The Mayor is elected at large for a four-year term. The Council is composed of seven members including the Mayor. The Mayor votes only to break tie votes. The City Council has policy making and legislative authority. Members are elected at large on a staggered basis in a city-wide election. Three members of the City Council are elected every two years, serving four year terms. The City Council is responsible for the City's annual budget and any amendments thereto, approving economic development plans and incentives, zoning and

planning issues, and other matters related to the health and welfare of the City. The City Council also appoints the City Manager and City Attorney. The City Manager works at the pleasure of the City Council and is responsible for implementing Council policies and City ordinances, managing daily operations, and acts on all recommendations of employment for the City.

Quality of Life

The gently rolling terrain blends into the foothills of the Blue Ridge Mountains offering residents and visitors an abundance of scenic attractions, a wealth of recreational options, and a temperate climate with four seasons that are as distinct as they are mild.

The City has a wide array of advantages – large range of employment opportunities, low cost of living, diverse cultures, a vast array of recreational opportunities, arts and culture, and an unparalleled lifestyle.

The City of Newton provides a full range of services, including planning and zoning, police and fire protection, solid waste and recycling services, the construction and maintenance of streets, curbs, gutters, sidewalks, and other infrastructure, parks, recreation and cultural activities, electric, water and sewer services. This report includes all of the City's activities in delivering and administering these services. The City also extends financial support to certain boards, agencies, and commissions to assist in their efforts in serving citizens of the City of Newton. Among these are the Catawba Arts Council, the Catawba County Library, the Newton-Conover Auditorium Authority, The Green Room (Old Post Office Playhouse), the Historical Association, and the Newton Depot Authority. Because City allocations do not constitute a major portion of their revenue, and because the City has no authority to designate their management, none of these organizations have been included in this report.

The City of Newton can point to a variety of elements that contribute to and enhance the desirability and livability of its citizens. Examples of cultural amenities are The Green Room (Old Post Office Playhouse) in downtown which provides a modern venue for the performing arts, the Newton-Conover Auditorium provides a place for artists to thrive in terms of music, sculpture, painting and the theatrical arts, and the Catawba County Museum of History located in downtown provides a significant collection of the county's history from early settlers, to the furniture, textile, and telecommunications industries that have thrived

in the area. The City has six parks, two recreation centers, a large pool, one and one-half miles of greenway, two and one-half miles of mountain bike trails and an amphitheater in terms of recreation facilities.

Soldiers Reunion

The most popular event each and every year is the Soldiers Reunion Parade. The annual Soldiers Reunion celebration is believed to be the longest-running patriotic celebration not based on a holiday. Soldiers Reunion is a week-long event which includes Cruisin' and Car Show, Gospel Music Night, Beach Music Night, two patriotic services, 5K/one-Mile Fun Run, 30-60-100 Mile Century Bike Ride and of course the ever popular Soldiers Reunion Parade which typically runs for about one and one-half hours through the downtown area. This year marked the 126th anniversary of the Soldiers Reunion which was celebrated with even more patriotic events and activities.

Newton Downtown Historic District

On May 11, 2012 the Newton Downtown Historic District was officially listed in the National Register of Historic Places by the National Park Service. The Newton Downtown Historic District is anchored by the 1924 Courthouse, which now serves as the home of the Catawba County Museum of History, and is comprised of 58 buildings. Newton also is home to the North Main Avenue Historic District, which was listed in 1986, and to eight other historic properties listed on the National Register.

Wi-Fi

The City provides free outdoor Wi-Fi Internet Service in the downtown business district, City facilities and City parks in an effort to attract more customers to the downtown business district, to encourage the use of public parks and facilities, and to enable citizens to access City services online.

Heritage Trail Greenway

The Heritage Trail Greenway, approximately one and one-half miles in length, was planned and created for the purpose of exercise, a mode of alternative travel, and connectivity of neighborhoods. The Greenway allows residents to enjoy the sounds and beauty of nature while spending time outdoors with family and friends.

Woodland Loop Trail

The Woodland Loop Trail at Jacob Fork Park offers fun and adventure for hikers, trail runners and mountain bikers alike. The intermediate level trail is two and one-half (2.5) miles long. The trail which was completed in 2013 was a collaborative effort between the City of Newton, Catawba Valley Heritage Alliance and Lightning Cycles with financial support from North Carolina Division of Parks & Recreation and Specialized Bikes. Trail Dynamics designed the trail to have minimal impact on the local ecosystem. The Western Piedmont Council of Governments organized volunteer groups to help build the trail. The Woodland Loop Trail complements the 100-acre park that marks the convergence of the Jacob Fork and Henry Fork Rivers into the South Fork River. The park serves as an example of a state of the art, environmentally sensitive, low-maintenance park facility.

In July 2014 the Catawba Valley Heritage Alliance completed phase II of the bike park master plan which was the construction of the pump track. This new track which combines cycling with coordination, fitness, balance and control is complimentary to the Woodland Loop Trail.

Future phases include the development of a mini PBR (Pumps, Berms and Rollers) flow trail, surfaced return trail and woodland skills loop which include wood features and a rock garden.

Newton Depot

The Newton Depot, constructed in 1924, was relocated to its present site, restored and opened to the public in September 2006 and houses a railroad museum and model railroad club, as well as a banquet room available for public and civic rentals. On September 5, 2012, the Newton Depot Authority held a groundbreaking ceremony which took place to symbolize the start of construction on a $750,000 outdoor museum, the Southeastern Narrow Gauge and Shortline Museum. The Newton Depot is the only railroad museum in the S.E. United States that focuses on narrow gauge and shortline aspects of railroad history. As a result, this project has become key to the local economy as it will entice railroad enthusiasts around the U.S. and beyond to visit Newton.

Renovations to a Welcome Center, which will house model railroad displays, are located in one of several recently purchased historic buildings is largely complete. Work continues on the outdoor museum which is anchored by a covered car barn and is currently home to a locomotive and rolling stock collection. The outdoor museum is expected to be complete near the end of 2015.

Electric Vehicle Charging Station

The City of Newton in partnership with Catawba County offers an electric charging station at the Newton Branch of the Catawba County Public Library. The electric charging station should prove to be an incentive to draw people to downtown Newton to shop and dine while they charge their vehicle.

Business and Economic Development

Business Advisory Committee

Newton City Council established a Business Advisory Committee (BAC) in the fall of 2011 to encourage and cultivate commercial economic development in all areas of Newton, including but not limited to the downtown area. The BAC has initiated meetings between developers, property owners, architects, and regulators to facilitate new business development and real estate investment. The BAC has been instrumental in developing an incentive plan for new and expanding small businesses, initiating a study of the City's branding and marketing efforts, and developing a database of existing business to be used for retail leakage (supply/demand) studies and for recruiting new businesses.

Downtown Newton Development Association

The Downtown Newton Development Association (DNDA) has been active in promoting interest and investment in downtown Newton. The DNDA worked with the City on public outreach concerning the Streetscape Master Plan and the Strategic Growth Plan initiatives. The DNDA has supported five downtown façade renovations through the City's Façade Grant Program.

The City of Newton is one of sixty-one North Carolina Main Street Communities, an organization within the North Carolina Department of Commerce entrusted with the revitalization of the downtown areas of member communities. North Carolina Main Street Center provides education and guidance to help member communities maintain and grow a thriving downtown economy in the context of historic preservation.

Strategic Initiatives for Economic Development

The City continues to develop and implement strategic initiatives to attract industrial and small business development. These initiatives include the following:

- The designation of the Newton Corporate Center as a N.C. Department of Commerce Certified Site;

- The development of the City's Strategic Plan which will enable the City to create a future vision;

- The implementation of a Wayfinding Project that demonstrates the City's renewed desire to generate interest in the City's core business district, where we can showcase the City's assets, including shopping, dining, entertainment, and other amenities characteristic of a community with a high quality of living; and

- Marketing efforts targeted outside our corporate boundaries to direct businesses, visitors and potential new citizens to our community.

Local Economy

Over the past several years, the City has sought to diversify and balance its threatened traditional manufacturing base. A productive partnership with the County and regional Economic Development Corporation has produced a comprehensive methodology for identifying and recruiting new business and industry, both manufacturing and non-manufacturing. The City has transitioned from a traditional manufacturing economy to a more sustainable, diversified structure.

Major industries located within the City and its environs include manufacturers of consumables for the field of medicine and research, automotive suspension components, baked foods, primary metal products, defense related communications equipment as well as traditional furniture and textiles. Upholstered furniture manufacturers are still a significant part of the Newton employment base, with Bassett Furniture and Lee Industries employing over 1,100 people.

The City's list of diversified industries include Bassett Furniture, a manufacturer of quality, customer furniture; Flowers Baking Company, a large-scale baker and distributor of fresh bread, hotdog and hamburger buns; General Dynamics, manufacturer of a variety of satellite technology, including U.S. Government contract work; Lee Industries, an innovative upholstered furniture manufacturer;

Renwood Mills, producer of Southern Biscuit flour and Tenda-Bake corn meal; Sarstedt, producer of medical, diagnostic, and laboratory supplies; Special Metal Welding Products, which offers the most complete range of high-nickel alloy welding consumables on the market; Technibilt, producer of metal shopping carts, shelving, and more; ZF Lemforder, manufacturer of driveline and chassis technology for BMW, Jaguar, Mercedes-Benz, General Motors, Dodge, Aston Martin, and Ford; and Target Distribution Center, a 1.6 million square foot facility which serves approximately 70 Target stores within a 300- to 400-mile radius.

The City has very favorable water, sewer and electrical rate structures as well as an aggressive and innovative approach to economic development incentives which has enabled the City to be competitive and attractive to prospective industries seeking to build new facilities. In addition to its manufacturing sector, the City enjoys a diversity of non-industrial employers including the Catawba County Administrative and Justice Center Complex, administrative offices of the Newton-Conover and the Catawba County School systems, United Church Homes and Services, Target Distribution Center, and the North American headquarters of Sarstedt Corporation.

The City actively works with the County Economic Development Corporation to recruit and retain significant business assets in terms of employment, tax base and utility usage. As a testament to the City Council's desire to enhance the business climate of Newton it recently appointed a Business Advisory Committee to guide and direct non-industrial business growth in the City.

Unemployment

The Nation, as well as North Carolina, is slowly showing signs of economic recovery following the recession. Economists claim this to be the slowest recovering recession since World War II. The county, State, and national unemployment rates as of June 30, 2015 were 6.1%, 5.8%, and 5.3%, respectively. A year earlier, June 30, 2014, the rates were 7.1%, 6.4%, and 6.1%, respectively. Even though North Carolina's unemployment rate is above the national level, North Carolina seems to be minimizing the unemployment gap at a faster rate.

Long-term Financial Planning and Major Initiatives

The City seeks to consistently maintain a strong financial position. A key financial goal of the City for many years has been the maintenance of a 21% undesignated fund balance level in the General Fund which is above the required 8 percent established by the State of North

Carolina. Another goal of the City is to avoid budgeting recurring expenses with one-time revenue sources. Implementing a mix of pay-as-you-go with long-term debt funding for capital needs is yet another goal of the City.

5-Year Capital Improvement Plan (CIP)

The City adopted a 5-Year Capital Improvement Plan for fiscal years 2016 - 2020 which encompasses $9.6 million in long-range capital improvements over a five year period and coordinates community infrastructure needs with the financial capacity of the City.

- The City completed construction of a new Fire Station Headquarters with a project cost of $3.6 million, including the purchase of land. The new Fire Station Headquarters is approximately 21,000 square feet and will house five fire engine bays, training space and administrative offices.

- The City, in collaboration with Catawba County, will be completing a $2.6 million project to extend 42,000 linear ft. of 12" water line from South Highway 16 to Buffalo Shoals Road. Once completed this project will improve water quality in that area as well as provide a second source of water supply. Right-of-way acquisition has begun, and the first phase will be bid in November 2016.

- In FY 2015 the City of Newton began a $3.5 million Smart Grid project that will modernize the City's electric and water grids using the latest Advanced Metering Infrastructure (AMI) technology. The Smart Grid system will increase accuracy, reduce operating costs, improve efficiency, and enhance customer service. Like all major assets, the electric and water systems must be maintained and improved to ensure our customers receive the best service and value. The Smart Grid will include the installation of more than 10,000 smart meters at every home and business in the city. The City will have the ability to instantly read, disconnect or reconnect meters without having to send an employee to the service location. The same system would also pin point outages, leaks, tampering, and other events. This leads to faster restoration of service and improved customer satisfaction.

- Due to mandatory requirements established by the FCC for radio frequency, all public safety organizations were required to reband their radio systems to 12.5 KHz by January 1, 2013. The FCC has also mandated an additional rebanding to 6.25 KHz by January 1, 2017. The inability to communicate from one public

safety organization to another at the national, state and local levels in real-time has caused this mandate. The most cost effective solution to meet the 2017 requirements for the City is to upgrade the Police Department's radio system in FY 2015 to an 800 MHz system. This $526,750 project was 85% complete as of 06/30/15.

- The City has completed $576,000 in stormwater infrastructure improvements from fiscal years 2010 through 2015 to replace deteriorated infrastructure. The City's 5-Year Capital Improvement Plan includes improvements to South Caldwell Street Culvert which will entail replacing approximately 80' of metal culvert with a box culvert, improvements to West 1st Street Culvert which will entail replacement of concrete box culvert and wing wall, and replacement of 72" metal culvert to Young Drive Culvert. These three projects are estimated at $633,000.

- The City has completed $4.6 million in water and wastewater infrastructure improvements from fiscal year 2010 through 2015 to replace deteriorated infrastructure due to age. These improvements will provide better water flows and water pressure to specific areas and reduce infiltration and inflow into the sewer system. The City will continue infrastructure improvements in other areas of the City over the next 5 years in the amount of $716,250.

- The City is in the 4th year of a 5 year plan to replace HPS (High-Pressure Sodium) lighting to new LED energy efficiency lighting for all street lights. The City has completed $167,400 of this $367,000 project.

- The City has future plans to invest $1.5 million in a back-up transformer for the Jacob Fork Electric Substation which will provide redundancy in the event of an emergency in that specific area and for industrial development in the area of the Highway 10 and Highway 321 intersection.

Downtown Streetscape Master Plan

The citizens and leaders in Newton are planning for growth and success by beginning the community revitalization process in the historic heart of the City. In the Square, a beautiful Beaux Arts Courthouse building is surrounded on four sides with distinguished historic commercial buildings. Providing widened and enhanced sidewalks offers the amenities that attract new businesses and the environment that younger generations demand in order to consider Newton home. The creation of a destination in the downtown will help

market the community to employers, new residents, and new businesses. Additional recommendations for improvements to entry corridors and enhanced parking and downtown alleys will all work together to make this vision a reality for Newton.

The Streetscape Master Plan is intended to begin the revitalization process not just for the downtown, but for the entire community. By focusing on the heart of the City, people in Newton and in the surrounding areas will begin to take notice, visit, shop, dine and take pride in the community. Sidewalk widening and open space improvements, accompanied by wayfinding signs, improvements to the corridors approaching the downtown, and increased marketing, will bring new businesses and restaurants to the Square to take advantage of opportunities for outdoor dining and improved community image.

Improvements to the Square include:

- Widened sidewalks, bike lanes, two rows of parking and two moving lanes;

- Improved open spaces, including a redesigned and expanded Yount Park and suggestions for enhancements to the Courthouse grounds; and

- The addition of an outdoor stage on the west side of the Square to allow outdoor concerts and other events.

Green Challenge

The City is a recognized leader in terms of going green by virtue of receiving the highest award of the NC League of Municipalities for being at an Advanced level in the organization's Green Challenge, with the award of two state grants which funded energy efficiency projects at city facilities, by offering a Rebate Program to Commercial and Industrial electric customers to make energy efficient lighting improvements to their facilities and by providing peak-shaving and standby generators at eight industrial customer sites.

Awards

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Newton for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. This marked the thirtieth consecutive year that the City has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report that satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City has earned the national honor of being named a Tree City USA community for its commitment to urban forestry for the fourth consecutive year by the Arbor Day Foundation, the nation's largest nonprofit organization dedicated to planting trees.

The City was recognized by ElectriCities for the fifth consecutive year for four Public Power Awards of Excellence in the following areas: Competitive Business Environment, Energy Efficiency, Financial Stability, and Service Excellence.

The City has been honored for the thirteenth consecutive year with the Area Wide Optimization Program Award (AWOP) presented by the North Carolina Department of Environment and Natural Resources (NCDENR). The Area-Wide Optimization Program enhances public health protection by encouraging superior performance and operations at water treatment facilities across the country. Facilities that adopt the program aim to reach sustainable water quality standards far more stringent than those required by government regulators.

The City was also the recipient of various awards from the N.C. Department of Labor that are indicative of safety for our citizens and employees.

On September 15, 2015 ElectriCities recognized the City's Electric Division with the Municipal Electric Safety Award for "No Lost-Time Injuries" while performing electric system operations in calendar year 2014.

Acknowledgements

The preparation of this report could not have been accomplished without the efficient and dedicated efforts of the City of Newton Finance Department and our independent auditors, Martin Starnes and Associates, CPAs, P.A. We wish to express our appreciation to all who assisted and contributed to the preparation of this report.

In closing, we would like to express our appreciation to the Mayor and City Council for their leadership, interest, and unfailing support for maintaining the highest standards of professionalism in the management of the City of Newton's finances.

Respectfully submitted,

E. Todd Clark
City Manager

Serina T. Hinson
Finance Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Newton

North Carolina

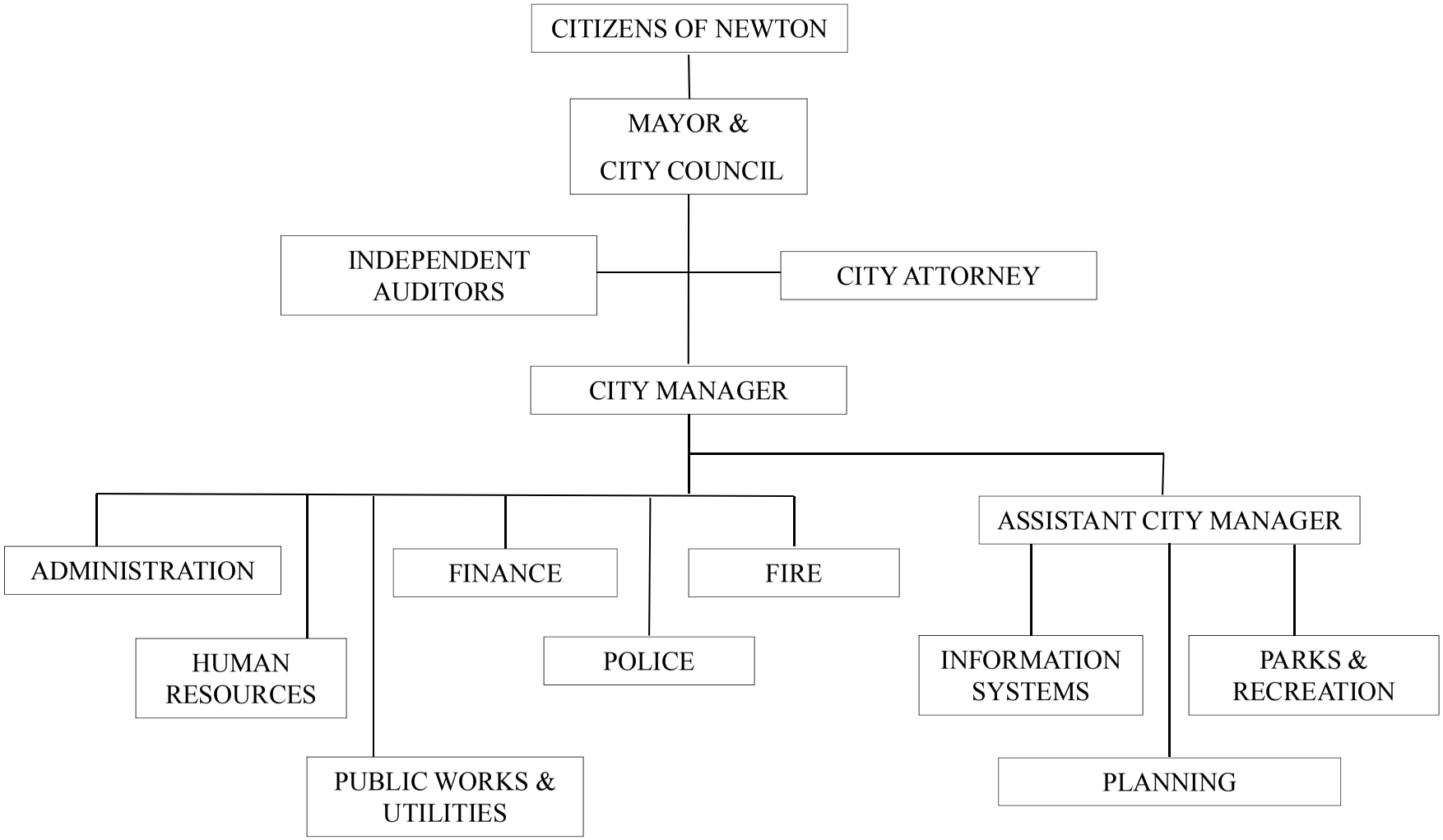
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

CITY OF NEWTON

ORGANIZATIONAL CHART



CITY OF NEWTON, NORTH CAROLINA

LIST OF PRINCIPAL OFFICIALS

CITY COUNCIL

ANNE P. STEDMAN
Mayor

WAYNE DELLINGER

WES WEAVER

H. TOM ROWE

MARY BESS LAWING
Mayor Pro Tem

JOHN STIVER

ROBERT C. ABERNETHY JR.

CITY OF NEWTON, NORTH CAROLINA

LIST OF PRINCIPAL OFFICIALS

CITY ADMINISTRATION

E. TODD CLARK
City Manager

DONALD G. BROWN II
Police Chief

KEVIN L. YODER
Fire Chief

SEAN A. HOVIS
Assistant City Manager

SERINA T. HINSON
Finance Director

TERESA B. LAFFON
Human Resources Director

AMY S. FALOWSKI
City Clerk

JAMES (DUSTY) B. WENTZ
Public Works/Utilities Director

NIKKI GREGORY-PRUETT
Information Systems Director

JOHN CILLEY IV
City Attorney

RANDOLPH (RANDY) WILLIAMS
Planning Director

SANDRA A. WATERS
Parks and Recreation Director

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FINANCIAL SECTION

- Independent Auditor's Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Notes to the Financial Statements
- Required Supplementary Information
- Combining, Individual Fund Financial Statements and Schedules

NEWTON, NORTH CAROLINA

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Newton
Newton, North Carolina

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures

that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newton, North Carolina, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance and the Other Post-Employment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions, and the Local Government Employees' Retirement System Schedules of the Proportionate Share of the Net Pension Asset and Contributions, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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. The introductory information, combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and statistical tables, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by U.S. Office and Management and Budget Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations* and the State Single

Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures; including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2015 on our consideration of the City of Newton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Newton's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 16, 2015

NEWTON, NORTH CAROLINA

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Management's Discussion and Analysis

As management of the City of Newton, we offer readers of the City of Newton's financial statements this narrative overview and analysis of the financial activities of the City of Newton for the fiscal year ended June 30, 2015. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements which follow this narrative.

Financial Highlights

- The assets and deferred outflows of the City of Newton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by $51,772,182 (net position). Of this amount, $11,654,768 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

- The government's total net position increased by $2,177,180 due to increases in both governmental activities and business-type activities net position.

- As of the close of the current fiscal year, the City of Newton's governmental funds reported combined ending fund balances of $7,962,987 with a net change of $(543,453) in fund balance. Approximately, 48.44 percent of this total amount, or $3,857,629, is non-spendable or restricted.

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $4,130,932, or 33.21 percent, of total General Fund expenditures and transfers out for the fiscal year.

- The City of Newton's total debt increased by $522,425 or 2.0%, which includes unfunded law enforcement officers' pension liability, other post-retirement benefits and compensated absences liabilities required to be included in this report by GASB Statement 34. The City's total indebtedness is $26,487,133.

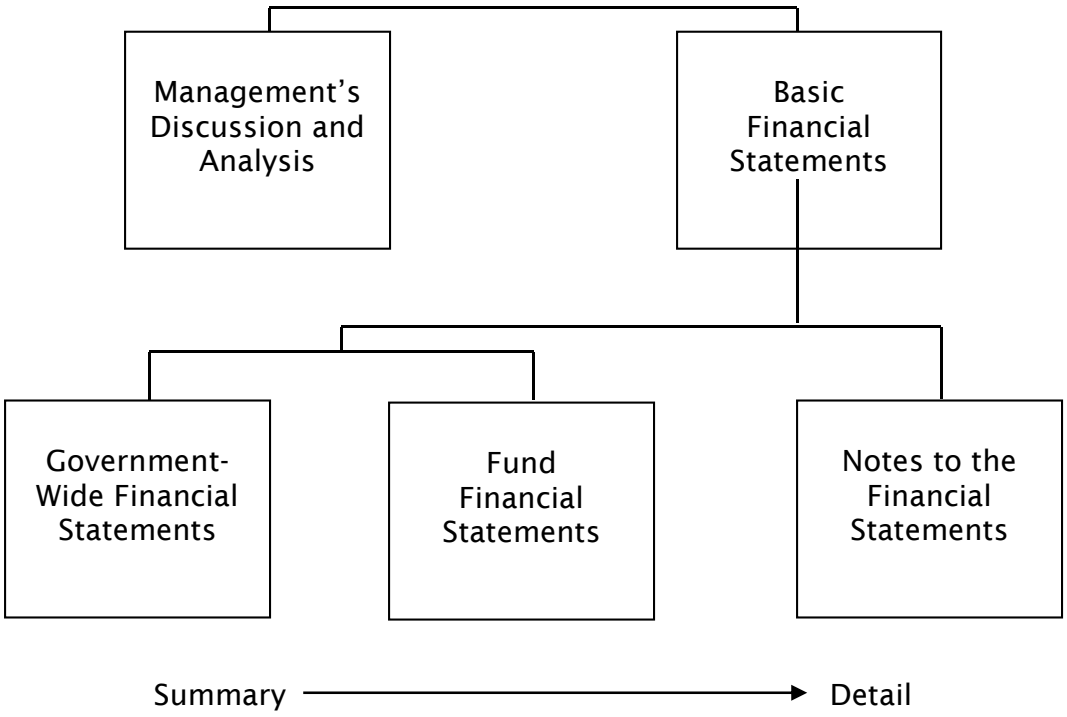
- The City's legal debt limit is $88,886,220 (8 percent of assessed valuation), and the City's legal debt margin is $63,379,050. The total legal indebtedness of the City is $25,507,170, which represents 2.30% of assessed valuation.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Newton's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Newton.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits A and B) in the basic financial statements are the **Government-Wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (Exhibits C through I) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the fund financial statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes.** The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Following the notes is the **required supplemental information**. This section contains funding information about the City's pension plans.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net position and how it has changed. Net position is the difference between the City's total assets and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and federal and State grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water, wastewater and electric utility services offered by the City of Newton.

The government-wide financial statements are on Exhibits A and B of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Newton, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City of Newton can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Newton adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the City Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds. The City of Newton has two different kinds of proprietary funds: Enterprise Funds and an Internal Service Fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Newton uses enterprise funds to account for its water and wastewater activities and for its electric operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of the City of Newton. The City uses an Internal Service Fund to account for one activity – health insurance. Because this operation benefits predominantly governmental rather than business-type activities, the Internal Service Fund has been included within the governmental activities in the government-wide financial statements.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 43-85 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Newton's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees. Required supplementary information can be found beginning on page 86 of this report.

The individual and combining statements of the General Fund, the other governmental funds, the enterprise funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 90-107 of this report.

Interdependence with Other Entities: The City depends on financial resources flowing from, or associated with, the State of North Carolina. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to State laws and State appropriations.

Government-Wide Financial Analysis

City of Newton's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets:						
Current and other assets	$10,786,834	$10,597,649	$13,326,638	$ 9,219,342	$24,113,472	$19,816,991
Capital assets	14,834,894	12,592,400	43,892,917	45,204,584	58,727,811	57,796,984
Total assets	25,621,728	23,190,049	57,219,555	54,423,926	82,841,283	77,613,975
Deferred Outflows of Resources	403,656	382,749	127,042	120,868	530,698	503,617
Liabilities:						
Long-term liabilities	6,832,968	6,743,388	16,030,202	14,052,389	22,863,170	20,795,777
Other liabilities	2,175,763	2,015,279	4,543,024	4,055,639	6,718,787	6,070,918
Total liabilities	9,008,731	8,758,667	20,573,226	18,108,028	29,581,957	26,866,695
Deferred Inflows of Resources	1,533,606	1,258,986	484,236	396,909	2,017,842	1,655,895
Net Position:						
Net investment in capital assets	7,984,441	8,097,287	29,007,878	29,665,815	36,992,319	37,763,102
Restricted	3,125,095	2,814,243	-	-	3,125,095	2,814,243
Unrestricted	4,373,511	2,643,615	7,281,257	6,374,042	11,654,768	9,017,657
Total net position	$15,483,047	$13,555,145	$36,289,135	$36,039,857	$51,772,182	$49,595,002

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Newton exceeded liabilities and deferred inflows by $51,772,182 as of June 30, 2015. The City's net position increased by $2,177,180 for the fiscal year ended June 30, 2015. However, the largest portion is $36,992,319 or 71.45% which reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City of Newton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Newton's net position, $3,125,095 or 6.04% represents resources that are subject to external restrictions on how they may be used. The remaining balance of $11,654,768 is unrestricted.

Also, the City of Newton implemented GASB Statement 68 this year. With the new reporting change, the City allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by $1,150,170. Decisions regarding the allocations are made by the administrators of the pension plan, not by the City of Newton's management.

For the fiscal year ended June 30, 2015, the City of Newton is able to report positive balances in all three categories of net position which includes the government as a whole, governmental activities and business-type activities. This would be true for the prior fiscal year as well.

Several particular aspects of the City's financial operations positively influenced the total unrestricted governmental net position:

- Property tax revenues increased by $188,393 or 3.4% mainly due to a 3% property tax increase, as well as an improved collection rate for registered motor vehicles attributable to a change in State law.
- The collection of property taxes increased from 95.86% to 97.59% compared to the prior year.
- Local option sales tax increase of $223,255 due to economic growth in the City.
- Expenses decreased $182,760 or 1.7%, primarily for culture and recreation due to fulfilled economic development incentives.

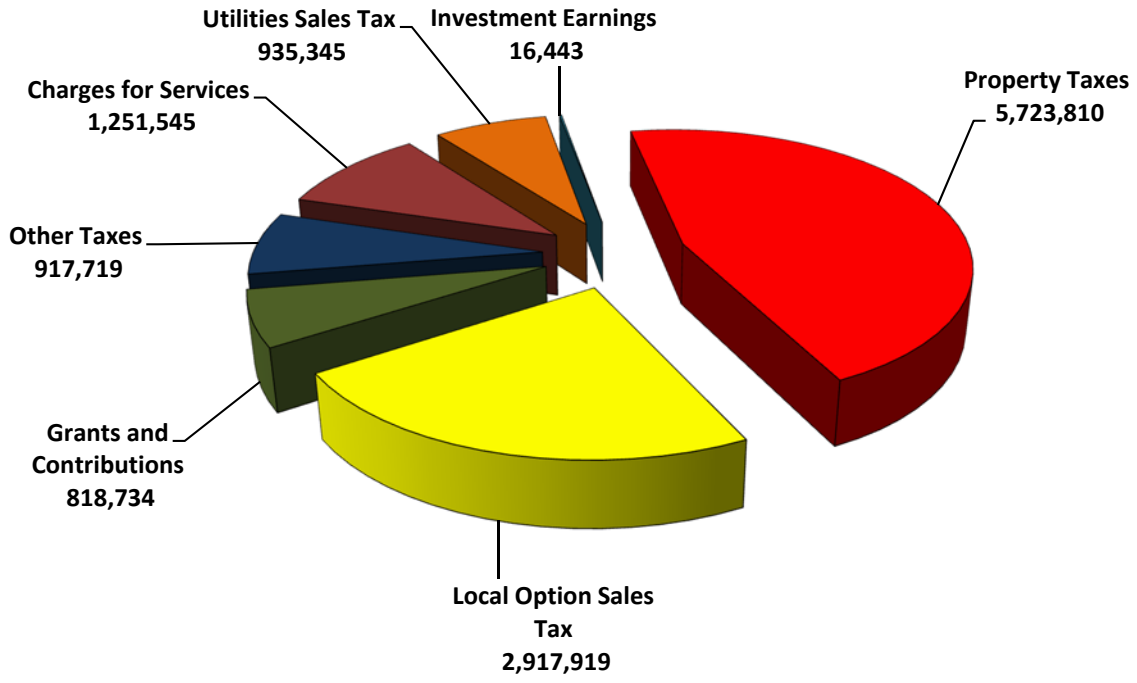
City of Newton's Changes in Net Position
Figure 3

	2015			2014		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues:						
Program revenues:						
Charges for services	$ 1,251,545	$ 21,429,562	$ 22,681,107	$ 1,301,755	$ 21,409,175	$ 22,710,930
Operating grants and contributions	524,449	240,491	764,940	624,303	1,441	625,744
Capital grants and contributions	294,285	19,865	314,150	125,805	195,592	321,397
General revenues:						
Property taxes	5,723,810	-	5,723,810	5,535,417	-	5,535,417
Other taxes	4,770,983	735,702	5,506,685	4,318,816	319,537	4,638,353
Miscellaneous	-	4,728	4,728	-	31,870	31,870
Unrestricted investment earnings	16,443	8,758	25,201	7,922	5,081	13,003
Total revenues	12,581,515	22,439,106	35,020,621	11,914,018	21,962,696	33,876,714
Expenses:						
General government	1,389,614	-	1,389,614	1,280,351	-	1,280,351
Public safety	1,162,092	-	1,162,092	1,162,093	-	1,162,093
Transportation	1,043,820	-	1,043,820	1,051,744	-	1,051,744
Environmental protection	5,316,433	-	5,316,433	5,245,701	-	5,245,701
Culture and recreation	1,551,277	-	1,551,277	1,906,260	-	1,906,260
Economic development	-	-	-	50,000	-	50,000
Operations	-	21,713,351	21,713,351	-	21,001,889	21,001,889
Interest on long-term debt:						
Governmental	190,377	-	190,377	140,224	-	140,224
Water and wastewater	-	303,370	303,370	-	266,345	266,345
Electric	-	173,107	173,107	-	168,300	168,300
Total expenses	10,653,613	22,189,828	32,843,441	10,836,373	21,436,534	32,272,907
Increase in net position before transfers and capital contributions	1,927,902	249,278	2,177,180	1,077,645	526,162	1,603,807
Capital contributions	-	-	-	-	28,033	28,033
Transfers	-	-	-	4,000	(4,000)	-
Increase in net position	1,927,902	249,278	2,177,180	1,081,645	550,195	1,631,840
Net Position:						
Beginning of year - July 1	14,429,274	36,315,898	50,745,172	13,347,629	35,765,703	49,113,332
Restatement	(874,129)	(276,041)	(1,150,170)	-	-	-
Beginning of year, restated	13,555,145	36,039,857	49,595,002	13,347,629	35,765,703	49,113,332
End of year - June 30	$ 15,483,047	$ 36,289,135	$ 51,772,182	$ 14,429,274	$ 36,315,898	$ 50,745,172

Governmental Activities. Governmental activities increased the City's net position by $1,927,902, accounting for an 88.55% increase in the net position of the City of Newton. Key elements of this increase are as follows:

- The collection of property taxes increased from 95.86% to 97.59% compared to the prior year.
- Ad valorem tax revenues increased by $188,393 or 3.4% mainly due a 3% tax rate increase and an improved collection rate for registered motor vehicles attributable to a change in State law.
- Local option sales tax increase of $223,255 due to economic growth in the City.
- The City received a $281,785 capital contribution in cultural and recreational activities.
- Expenses decreased $182,760 or 1.7%, primarily for culture and recreation due to fulfilled economic development incentives.

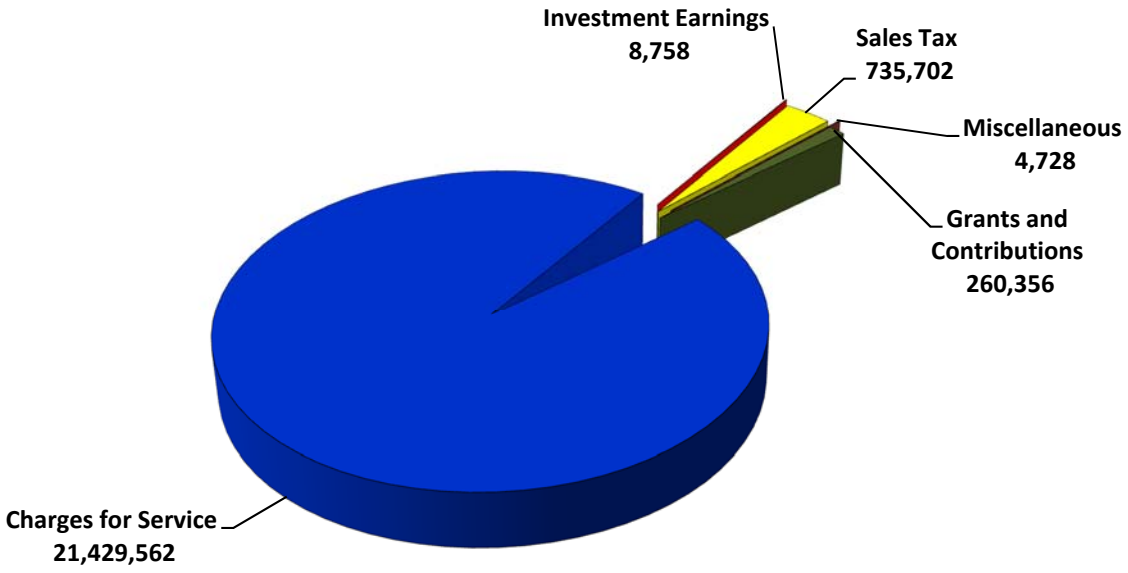
Revenues by Source - Governmental Activities



Business-Type Activities. Business-type activities increased the City of Newton's net position by $249,278, accounting for an 11.45% increase of the total growth in the net position of the City of Newton. Key elements of this increase are as follows:

- Charges for services for business-type activities within the Water and Wastewater Fund increased $198,881, primarily due to a 5% rate increase.
- Controlled spending within the business-type activities.

Revenues by Source - Business-Type Activities



Financial Analysis of the City's Funds

As noted earlier, the City of Newton uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Newton's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Newton's financing requirements. Specifically, available fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the City of Newton. At the end of the current fiscal year, available fund balance of the General Fund was $6,550,691, while total fund balance was $7,932,593. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 52.67 percent of the total General Fund expenditures and transfers out, while total fund balance represents 63.78 percent of that same amount.

At June 30, 2015, the governmental funds of the City of Newton reported a combined fund balance of $7,962,987 with a net decrease in fund balance of $543,453. Included in this change is an increase of $1,510,404 in fund balance in the General Fund and a decrease of $2,053,857 in fund balance in the Special Revenue Funds and the Capital Project Funds. Key factors in these changes are as follows:

- Ad valorem taxes increased by $298,488 above the prior fiscal year primarily due to a 3% tax rate increase and an improved collection rate for registered motor vehicles attributable to a change in State law.
- Local option sales tax increased by $223,255 due to economic growth in the City.
- $281,785 contribution for the purpose of recreation capital expenditures.
- Controlled spending also contributed to the increase in net position.

General Fund Budgetary Highlights. During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

During the year there was a $1,301,600 increase in appropriations between the original budget and the final amended budget. The most significant reason for the budget amendments was due to incomplete capital projects at year end that required transferring the prior year budget into the fiscal year 2015 budget. Other budget amendments reflected grant matches, infrastructure improvements and new projects and programs.

Proprietary Funds. The City of Newton's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Water and Wastewater Fund at the end of the fiscal year amounted to $706,504, and for the Electric Fund amounted to $6,282,262. The total change in net position for the Water and Wastewater Fund and the Electric Fund was $(2,140,089) and $2,359,377, respectively. The primary change in net position is a result of a $2 million transfer from the Water and Wastewater Fund into the Electric Fund due to the Water and Wastewater Fund's proportionate share of the Smart Grid Infrastructure Project. Controlled spending was another major contributor within the Electric Fund.

Capital Asset and Debt Administration

Capital Assets. The City of Newton's investment in capital assets for its governmental and business-type activities as of June 30, 2015 totals $58,727,811 (net of accumulated depreciation). These assets include buildings and system improvements, land, machinery and equipment, park facilities, roads, highways, and bridges.

Major capital asset transactions during the fiscal year included the following:

- Various equipment and vehicle replacement purchases for governmental and business-type activities of $810,186 and $96,575, respectively.
- Completed Oakland Circle and Snow Creek wastewater infrastructure projects with total costs of $1,193,953 to replace deteriorated infrastructure.
- Construction related to Shannonbrook Phase III water infrastructure project and improvements to the Water Distribution System were completed with total costs of $401,081in an effort to provide better water flows and water pressure to those specific areas.
- Completion of 7 Circuit Reconfiguration of the electrical system with total costs of $265,954.
- Construction in progress for governmental-type activities of $4,011,236, is largely in part due to the new Fire Headquarters Project which was completed in August 2015.
- Construction in progress for business-type activities includes $491,952 for water and wastewater infrastructure improvements, and $334,708 electric infrastructure.

Additional information on the City's capital assets can be found beginning on page 59 of this report.

City of Newton's Capital Assets
(net of depreciation)
Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	$ 1,509,571	$ 1,509,571	$ 215,332	$ 215,332	$ 1,724,903	$ 1,724,903
Buildings and improvements	3,295,324	3,425,731	6,637,090	7,131,015	9,932,414	10,556,746
Disribution systems	-	-	31,917,802	31,590,683	31,917,802	31,590,683
Public domain infrastructure	3,622,222	3,706,674	-	-	3,622,222	3,706,674
Equipment	887,673	970,353	3,437,973	3,699,145	4,325,646	4,669,498
Vehicles	1,508,868	1,467,411	858,060	1,074,540	2,366,928	2,541,951
Construction in progress	4,011,236	1,512,660	826,660	1,493,869	4,837,896	3,006,529
Total	$ 14,834,894	$ 12,592,400	$ 43,892,917	$ 45,204,584	$ 58,727,811	$ 57,796,984

Long-Term Debt. Gross debt obligations of the City are $25,507,170 as of June 30, 2015 which solely consists of notes payable.

City of Newton's Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Loans payable	$ 7,346,731	$ 7,148,803	$ 18,160,439	$ 16,068,940	$ 25,507,170	$ 23,217,743
Compensated absences	475,430	461,614	104,029	122,711	579,459	584,325
Other post-employment benefits	52,143	137,247	17,122	49,154	69,265	186,401
Net pension liability (LGERS)	-	1,256,878	-	396,909	-	1,653,787
Net pension benefit obligation (LEO)	331,239	322,452	-	-	331,239	322,452
Total	$ 8,205,543	$ 9,326,994	$ 18,281,590	$ 16,637,714	$ 26,487,133	$ 25,964,708

The City of Newton's total debt increased by $522,425 or 2.0% due to $3,168,510 reduction of existing debt due to principal payments and new debt acquired during the past fiscal year in the amount of $5,457,937. New debt resulted from installment purchase agreements for equipment; replacement vehicles; wastewater infrastructure and smart grid infrastructure and from State Revolving Funds issued by North Carolina Department of Energy and Natural Resources for wastewater infrastructure.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Newton is $63,379,050.

Additional information regarding the City of Newton's long-term debt can be found beginning on page 76 of this report.

Economic Factors and Next Year's Budgets and Rates

The City of Newton continuously strives to provide a high level of municipal service to our citizens and utility customers. Management has taken great care to evaluate a number of conditions and variables when developing the Fiscal Year 2015-2016 budget. These include a review of local and national economic conditions, forecasted economic changes over the course of the next fiscal year, inflation, and intergovernmental revenues.

- The budget will enable the City to continue providing a high level of service to our citizens.
- Due to the general reappraisal of real property for the City of Newton, the City's property tax rate increased from .51¢ to .54¢ per $100 of assessed property tax value.
- There is a 3% increase in water and wastewater rates.
- There is no retail electric rate increase to the City's customers.

- Funds are included in Fiscal Year 2015-2016 to encourage economic development in the City through new marketing efforts. The City has begun marketing efforts directed at showing Newton as a highly desirable place to live, work and play outside Charlotte's northwest corridor. Also, North Carolina Department of Transportation is currently working on the last segment of a multi-lane project connecting Charlotte to Newton which will establish Newton as a geographically accessible market within the Charlotte Metro area.

- The City will modernize the electric and water utility systems by implementing the latest Advanced Metering Infrastructure (AMI) technology with a budget of $3.7 million.

- The implementation of a healthy outcomes initiative in fiscal year 2013 contributed once again to the City having no increase for insurance premiums in fiscal year 2016.

- The City of Newton periodically reviews the employee pay and classification plan to ensure compensation rates are established in a manner that is sufficient to maintain a competent and qualified staff of workers. The budget includes $410,550 to implement the first phase of a Pay and Class Study which was conducted in fiscal year 2015.

- $18,600 to continue the City's Service Excellence Project.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any information found in this report or requests for additional information should be directed to the Finance Director, City of Newton, P.O. Box 550, Newton, North Carolina 28658. You can also call (828) 695-4258, visit our website www.newtonnc.gov or send an email to shinson@newtonnc.gov for more information.

NEWTON, NORTH CAROLINA

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BASIC FINANCIAL STATEMENTS

The Basic Financial Statements present a condensed overview of the financial position and results of operations of the City as a whole. They also serve as an introduction to the more detailed statements and schedules that follow.

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CITY OF NEWTON, NORTH CAROLINA

Exhibit A

STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Current assets:			
Cash and short-term investments	$ 6,314,039	$ 5,861,390	$ 12,175,429
Taxes receivable, net	566,650	-	566,650
Accounts receivable, net	698,446	2,138,281	2,836,727
Interest receivable, net	2,826	1,191	4,017
Due from other governments	178,915	99,754	278,669
Prepaids	194,572	296,223	490,795
Internal balances	(292,491)	292,491	-
Inventories	41,363	556,964	598,327
Restricted cash and cash equivalents	2,458,924	3,883,421	6,342,345
Total current assets	10,163,244	13,129,715	23,292,959
Non-current assets:			
Net pension asset	623,590	196,923	820,513
Capital assets:			
Land, non-depreciable assets, and construction in progress	5,520,807	1,041,992	6,562,799
Other capital assets, net of depreciation	9,314,087	42,850,925	52,165,012
Total capital assets	14,834,894	43,892,917	58,727,811
Total non-current assets	15,458,484	44,089,840	59,548,324
Total assets	25,621,728	57,219,555	82,841,283
Deferred Outflows of Resources:			
Contributions to pension plan in current fiscal year	403,656	127,042	530,698
Liabilities:			
Current liabilities:			
Accounts payable and other current liabilities	725,967	1,643,421	2,369,388
Due to other governments	-	40,235	40,235
Liabilities to be paid from restricted assets	77,221	607,980	685,201
Compensated absences	308,178	104,029	412,207
Current portion of long-term liabilities	1,064,397	2,147,359	3,211,756
Total current liabilities	2,175,763	4,543,024	6,718,787
Long-term liabilities:			
Compensated absences, non-current	167,252	-	167,252
Unfunded pension obligation	331,239	-	331,239
Unfunded other post-employment benefits	52,143	17,122	69,265
Due in more than one year	6,282,334	16,013,080	22,295,414
Total long-term liabilities	6,832,968	16,030,202	22,863,170
Total liabilities	9,008,731	20,573,226	29,581,957
Deferred Inflows of Resources:			
Prepaid taxes	192	-	192
Pension deferrals	1,533,414	484,236	2,017,650
Total deferred inflows of resources	1,533,606	484,236	2,017,842
Net Position:			
Net investment in capital assets	7,984,441	29,007,878	36,992,319
Restricted for stabilization by State statute	1,222,486	-	1,222,486
Restricted for transportation	386,635	-	386,635
Restricted for public safety	10,742	-	10,742
Restricted for cultural and recreational	1,498,469	-	1,498,469
Restricted for economic and physical development	6,763	-	6,763
Unrestricted	4,373,511	7,281,257	11,654,768
Total net position	$ 15,483,047	$ 36,289,135	$ 51,772,182

The accompanying notes are an integral part of the financial statements.

CITY OF NEWTON, NORTH CAROLINA

Exhibit B

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General government	$ 1,389,614	$ 179,212	$ 44,022	$ 12,500	$ (1,153,880)	$ -	$ (1,153,880)
Transportation	1,162,092	24,975	393,650	-	(743,467)	-	(743,467)
Environmental protection	1,043,820	886,194	-	-	(157,626)	-	(157,626)
Public safety	5,316,433	79,765	85,795	-	(5,150,873)	-	(5,150,873)
Cultural and recreation	1,551,277	81,399	-	281,785	(1,188,093)	-	(1,188,093)
Economic and physical development	-	-	982	-	982	-	982
Interest on long-term debt	190,377	-	-	-	(190,377)	-	(190,377)
Total governmental activities	10,653,613	1,251,545	524,449	294,285	(8,583,334)	-	(8,583,334)
Business-Type Activities:							
Water and wastewater	6,590,574	6,342,485	117,127	-	-	(130,962)	(130,962)
Electric	15,599,254	15,087,077	123,364	19,865	-	(368,948)	(368,948)
Total business-type activities	22,189,828	21,429,562	240,491	19,865	-	(499,910)	(499,910)
Total primary government	$ 32,843,441	$ 22,681,107	$ 764,940	$ 314,150	(8,583,334)	(499,910)	(9,083,244)
	General Revenues:						
	Taxes:						
	Property taxes				5,723,810	-	5,723,810
	Local option sales tax				2,917,919	-	2,917,919
	Utilities sales tax				935,345	-	935,345
	Other taxes				917,719	735,702	1,653,421
	Miscellaneous revenues, unrestricted				-	4,728	4,728
	Investment earnings, unrestricted				16,443	8,758	25,201
	Total general revenues				10,511,236	749,188	11,260,424
	Change in net position				1,927,902	249,278	2,177,180
	Net Position:						
	Beginning of year - July 1				14,429,274	36,315,898	50,745,172
	Restatement				(874,129)	(276,041)	(1,150,170)
	Beginning of year - July 1, as restated				13,555,145	36,039,857	49,595,002
	End of year - June 30				$ 15,483,047	$ 36,289,135	$ 51,772,182

The accompanying notes are an integral part of the financial statements.

CITY OF NEWTON, NORTH CAROLINA

Exhibit C

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	Major Funds		Nonmajor Funds	
	General Fund	General Capital Projects Fund	Other Governmental Funds	Total
Assets:				
Cash and short-term investments	$ 4,806,096	$ -	$ 17,505	$ 4,823,601
Taxes receivable, net	566,650	-	-	566,650
Accounts receivable, net	698,446	-	-	698,446
Interest receivable	2,533	-	-	2,533
Due from other funds	62,464	-	-	62,464
Due from other governments	111,196	66,643	1,076	178,915
Prepaids	194,572	-	-	194,572
Inventories	41,363	-	-	41,363
Restricted cash and cash equivalents	2,391,977	66,947	-	2,458,924
Total assets	$ 8,875,297	$ 133,590	$ 18,581	$ 9,027,468
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and other current liabilities	$ 357,954	$ -	$ -	$ 357,954
Due to other funds	-	62,464	-	62,464
Liabilities to be paid from restricted assets	17,908	59,313	-	77,221
Total liabilities	375,862	121,777	-	497,639
Deferred Inflows of Resources:				
Unavailable revenue - property taxes	566,650	-	-	566,650
Prepaid taxes	192	-	-	192
Total deferred inflows of resources	566,842	-	-	566,842
Fund Balances:				
Non-spendable - inventory	41,363	-	-	41,363
Non-spendable - prepaids	194,572	-	-	194,572
Restricted - stabilization by State statute	1,145,967	75,443	1,076	1,222,486
Restricted	2,374,069	7,634	17,505	2,399,208
Assigned	45,690	-	-	45,690
Unassigned	4,130,932	(71,264)	-	4,059,668
Total fund balances	7,932,593	11,813	18,581	7,962,987
Total liabilities, deferred inflows of resources, and fund balances	$ 8,875,297	$ 133,590	$ 18,581	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	14,834,894
Net pension asset	623,590
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	403,656
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	566,650
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.	928,749
Long-term liabilities, compensated absences, unfunded pension obligations, accrued interest, and unfunded other post-employment benefits are not due and payable in the current period and, therefore, are not reported in the funds.	(8,304,065)
Pension related deferrals	(1,533,414)
Net position of governmental activities	$ 15,483,047

The accompanying notes are an integral part of the financial statements.

CITY OF NEWTON, NORTH CAROLINA

Exhibit D

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2015

	Major Funds		Nonmajor Funds	
	General Fund	General Capital Projects Fund	Other Governmental Funds	Total
Revenues:				
Ad valorem taxes	$ 5,820,879	$ -	$ -	$ 5,820,879
Other taxes and licenses	3,374,238	-	-	3,374,238
Unrestricted intergovernmental	1,396,745	-	-	1,396,745
Restricted intergovernmental	494,045	-	11,809	505,854
Permits and fees	77,621	-	-	77,621
Sales and services	987,234	-	-	987,234
Investment earnings	14,160	109	9	14,278
Miscellaneous	498,588	-	982	499,570
Total revenues	12,663,510	109	12,800	12,676,419
Expenditures:				
Current:				
General government	1,424,326	-	-	1,424,326
Transportation	1,205,132	-	-	1,205,132
Environmental protection	987,293	-	-	987,293
Public safety	5,934,798	-	-	5,934,798
Cultural and recreational	1,605,676	-	-	1,605,676
Capital outlay	-	2,066,766	-	2,066,766
Debt service:				
Principal retirement	1,086,464	-	-	1,086,464
Interest and fees	193,809	-	-	193,809
Total expenditures	12,437,498	2,066,766	-	14,504,264
Revenues over (under) expenditures	226,012	(2,066,657)	12,800	(1,827,845)
Other Financing Sources (Uses):				
Issuance of debt	1,284,392	-	-	1,284,392
Net change in fund balances	1,510,404	(2,066,657)	12,800	(543,453)
Fund Balances:				
Beginning of year - July 1	6,422,189	2,078,470	5,781	8,506,440
End of year - June 30	$ 7,932,593	$ 11,813	$ 18,581	$ 7,962,987

The accompanying notes are an integral part of the financial statements.

CITY OF NEWTON, NORTH CAROLINA

Exhibit E

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

Amounts reported for governmental activities in the Statement of Activities are different because:		
Net changes in fund balances - total governmental funds (Exhibit D)		$ (543,453)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes		(97,069)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay expenditures which were capitalized	$ 3,444,841	
Depreciation expense for governmental assets	(1,181,621)	2,263,220
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities		403,656
In the Statement of Activities, only the gain or loss on the reduction of capital assets is reported; whereas, in governmental funds, the proceeds of the sale increase the financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets less any depreciation.		
Disposal of capital assets		(20,726)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
New long-term debt issued	(1,284,392)	
Principal payments on long-term debt	1,086,464	
Change in accrued interest payable	3,432	(194,496)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	(13,816)	
Pension asset (LGERS)	(35,695)	
Net pension obligation (LEO)	(8,787)	
Other post-employment benefits	85,104	26,806
The net revenue of the internal service funds are reported with governmental activities.		89,964
Total changes in net position of governmental activities (Exhibit B)		$ 1,927,902

The accompanying notes are an integral part of the financial statements.

CITY OF NEWTON, NORTH CAROLINA

Exhibit F

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund			
	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over/Under
Revenues:				
Ad valorem taxes	$ 5,361,150	$ 5,361,150	$ 5,820,879	$ 459,729
Other taxes and licenses	3,226,100	3,226,100	3,374,238	148,138
Unrestricted intergovernmental	1,235,750	1,235,750	1,396,745	160,995
Restricted intergovernmental	419,050	475,350	494,045	18,695
Permits and fees	78,400	78,400	77,621	(779)
Sales and services	966,500	966,500	987,234	20,734
Investment earnings	11,500	11,500	14,160	2,660
Miscellaneous	133,300	161,100	498,588	337,488
Total revenues	11,431,750	11,515,850	12,663,510	1,147,660
Expenditures:				
Current:				
General government	1,683,550	1,717,950	1,424,326	293,624
Transportation	1,208,050	1,492,150	1,205,132	287,018
Environmental protection	1,013,700	1,029,300	987,293	42,007
Public safety	5,699,700	6,652,650	5,934,798	717,852
Cultural and recreation	1,661,400	1,675,950	1,605,676	70,274
Debt service:				
Principal retirement	1,086,750	1,086,750	1,086,464	286
Interest and fees	194,100	194,100	193,809	291
Total expenditures	12,547,250	13,848,850	12,437,498	1,411,352
Revenues over (under) expenditures	(1,115,500)	(2,333,000)	226,012	2,559,012
Other Financing Sources (Uses):				
Issuance of debt	975,950	1,284,500	1,284,392	(108)
Appropriated fund balance	139,550	1,048,500	-	(1,048,500)
Total other financing sources (uses)	1,115,500	2,333,000	1,284,392	(1,048,608)
Net change in fund balance	$ -	$ -	1,510,404	$ 1,510,404
Fund Balance:				
Beginning of year - July 1			6,422,189	
End of year - June 30			$ 7,932,593	

The accompanying notes are an integral part of the financial statements.

CITY OF NEWTON, NORTH CAROLINA

Exhibit G

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Major			
	Water and Wastewater Fund	Electric Fund	Total	Internal Service Fund
Assets:				
Current assets:				
Cash and cash equivalents	$ 279,392	$ 5,581,998	$ 5,861,390	$ 1,490,438
Accounts receivable, net	731,359	1,406,922	2,138,281	-
Interest receivable	71	1,120	1,191	293
Due from other governments	51,818	47,936	99,754	-
Prepaids	46,390	249,833	296,223	-
Inventories	94,542	462,422	556,964	-
Restricted cash and cash equivalents	2,245,030	1,638,391	3,883,421	-
Total current assets	3,448,602	9,388,622	12,837,224	1,490,731
Non-current assets:				
Net pension asset	131,282	65,641	196,923	-
Capital assets:				
Non-depreciable capital assets	702,284	339,708	1,041,992	-
Depreciable capital assets, net	31,696,613	11,154,312	42,850,925	-
Total capital assets, net	32,398,897	11,494,020	43,892,917	-
Total non-current assets	32,530,179	11,559,661	44,089,840	-
Total assets	35,978,781	20,948,283	56,927,064	1,490,731
Deferred Outflows of Resources:				
Contributions to pension plan	84,636	42,406	127,042	-
Liabilities:				
Current liabilities:				
Accounts payable and other current liabilities	112,373	1,271,615	1,383,988	269,491
Accrued interest payable	151,267	108,166	259,433	-
Due to other government	40,235	-	40,235	-
Accrued compensated absences - current	73,860	30,169	104,029	-
Installment loans payable - current	1,420,592	726,767	2,147,359	-
Liabilities to be paid from restricted assets	338,321	269,659	607,980	-
Total current liabilities	2,136,648	2,406,376	4,543,024	269,491
Non-current liabilities:				
Long-term installment loans payable	10,351,934	5,661,146	16,013,080	-
Other post-employment benefits obligation	12,454	4,668	17,122	-
Total non-current liabilities	10,364,388	5,665,814	16,030,202	-
Total liabilities	12,501,036	8,072,190	20,573,226	269,491
Deferred Inflows of Resources:				
Pension deferrals	322,824	161,412	484,236	-
Net Position:				
Net investment in capital assets	22,533,053	6,474,825	29,007,878	-
Unrestricted	706,504	6,282,262	6,988,766	1,221,240
Total net position	$ 23,239,557	$ 12,757,087	35,996,644	$ 1,221,240
Internal balance due from (to) governmental activities due to consolidation of Internal Service Fund			292,491	
Business-type activities net position (Exhibit A)			$ 36,289,135	

The accompanying notes are an integral part of the financial statements.

CITY OF NEWTON, NORTH CAROLINA

Exhibit H

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2015

	Major			
	Water and Wastewater Fund	Electric Fund	Total	Internal Service Fund
Operating Revenues:				
Charges for services	$ 5,872,855	$ 14,452,331	$ 20,325,186	$ 1,592,256
Other operating revenues	377,061	564,440	941,501	-
Total operating revenues	6,249,916	15,016,771	21,266,687	1,592,256
Operating Expenses:				
Administration	816,542	802,070	1,618,612	10,411
Power for resale	-	11,442,366	11,442,366	-
Operations	2,567,884	2,513,099	5,080,983	1,464,056
Maintenance	946,753	-	946,753	-
Depreciation	1,971,020	683,607	2,654,627	-
Total operating expenses	6,302,199	15,441,142	21,743,341	1,474,467
Operating income (loss)	(52,283)	(424,371)	(476,654)	117,789
Non-Operating Revenues (Expenses):				
Sales tax	-	735,702	735,702	-
Investment earnings	1,140	7,618	8,758	2,165
Interest expense	(303,370)	(173,107)	(476,477)	-
Rental income and other non-operating items	92,569	70,306	162,875	-
Non-capital contributions	117,127	123,364	240,491	-
Proceeds from sale of capital assets	4,728	-	4,728	-
Total non-operating revenues (expenses)	(87,806)	763,883	676,077	2,165
Income (loss) before transfers and capital contributions	(140,089)	339,512	199,423	119,954
Transfers to other funds	(2,000,000)	-	(2,000,000)	-
Transfers from other funds	-	2,000,000	2,000,000	-
Capital contributions	-	19,865	19,865	-
Change in net position	(2,140,089)	2,359,377	219,288	119,954
Net Position:				
Beginning of year - July 1	25,563,673	10,489,724		1,101,286
Restatement	(184,027)	(92,014)		-
Beginning of year - July 1, as restated	25,379,646	10,397,710		1,101,286
End of year - June 30	$ 23,239,557	$ 12,757,087		$ 1,221,240
Internal service activities allocated to business-type activities			29,990	
Change in net position-business type activities (Exhibit B)			$ 249,278	

The accompanying notes are an integral part of the financial statements.

CITY OF NEWTON, NORTH CAROLINA

Exhibit I

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Major			
	Water and Wastewater Fund	Electric Fund	Total	Internal Service Fund
Cash Flows from Operating Activities:				
Cash received from customers and users	$ 6,547,429	$ 15,110,716	$ 21,658,145	$ 1,592,256
Cash paid for goods and services	(2,453,934)	(14,080,007)	(16,533,941)	(1,381,440)
Cash paid to or on behalf of employees for services	(1,726,029)	(752,203)	(2,478,232)	-
Net cash provided (used) by operating activities	2,367,466	278,506	2,645,972	210,816
Cash Flows from Non-Capital Financing Activities:				
Non-capital contributions	117,127	123,364	240,491	-
Transfers to (from) other funds	(2,000,000)	2,000,000	-	-
Net cash provided (used) by non-capital financing activities	(1,882,873)	2,123,364	240,491	-
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(697,447)	(645,513)	(1,342,960)	-
Capital contributions - grants	-	19,865	19,865	-
Proceeds from sale of capital assets	4,728	-	4,728	-
Sales tax	-	735,702	735,702	-
Payments of installment loans payable	(1,251,372)	(830,674)	(2,082,046)	-
Interest paid on general obligation bonds and loans payable	(274,902)	(167,467)	(442,369)	-
Proceeds from issuance of general obligation bonds and loans payable	2,673,545	1,500,000	4,173,545	-
Net cash provided (used) by capital and related financing activities	454,552	611,913	1,066,465	-
Cash Flows from Investing Activities:				
Interest on investments	1,231	7,044	8,275	2,045
Net Increase (Decrease) in Cash and Cash Equivalents	940,376	3,020,827	3,961,203	212,861
Cash and Cash Equivalents:				
Beginning of Year - July 1	1,584,046	4,199,562	5,783,608	1,277,577
End of Year - June 30	$ 2,524,422	$ 7,220,389	$ 9,744,811	$ 1,490,438
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	$ (52,283)	$ (424,371)	$ (476,654)	$ 117,789
Adjustments to reconcile operating income (loss) to:				
Depreciation	1,971,020	683,607	2,654,627	-
Pension expense	7,515	3,757	11,272	-
Rental income and other non-operating revenues	92,569	70,306	162,875	-
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(28,738)	(8,603)	(37,341)	-
(Increase) decrease in due from other governmental agencies	413,702	2,504	416,206	-
(Increase) decrease in inventories	1,591	(2,930)	(1,339)	-
(Increase) decrease in prepaid items	(46,390)	(249,833)	(296,223)	-
(Increase) decrease in deferred outflows of resources for pension	(84,636)	(42,406)	(127,042)	-
Increase (decrease) in due to other governmental agencies	2,234	-	2,234	-
Increase (decrease) in accounts payable and accrued expenses	141,480	234,511	375,991	93,027
Increase (decrease) in unearned revenue	(11,050)	-	(11,050)	-
Increase (decrease) in accrued vacation pay	(18,706)	24	(18,682)	-
Increase (decrease) in other post-employment benefits	(26,467)	(5,565)	(32,032)	-
Increase (decrease) in customer deposits	5,625	17,505	23,130	-
Net cash provided (used) by operating activities	$ 2,367,466	$ 278,506	$ 2,645,972	$ 210,816

Supplemental Schedule of Non-Cash Financing Activities:

Water Fund disposed of capital assets with historical cost of $24,271 and accumulated depreciation of $24,271 during the year ended June 30, 2015.
General Fund transferred capital assets to Water Fund with cost of $29,196 and accumulated depreciation of $29,196 at June 30, 2015. NBV was $-0-.

The accompanying notes are an integral part of the financial statements.

NEWTON, NORTH CAROLINA

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NOTES TO THE FINANCIAL STATEMENTS

These notes are intended to communicate information necessary for a fair presentation of financial position and results of operations that are not readily apparent from, or cannot be included in, the financial statements themselves. The notes supplement the financial statements, are an integral part thereof, and are intended to be read in conjunction with the financial statements.

NEWTON, NORTH CAROLINA

COPIA IN DIEM

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1. Summary of Significant Accounting Policies

The accounting policies of the City of Newton (the "City") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The City is a municipal corporation which is governed by an elected Mayor and a six-member Council.

B. Basis of Presentation

Government-Wide Statements. The Statement of Net Position and the Statement of Activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses. However, interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and non-exchange transactions. Business-type activities are financed, in whole or in part, by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The effects of interfund activity have been eliminated from the government-wide financial statements.

Fund Financial Statements. The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

General Capital Projects Fund. This fund is used to account for the acquisition or construction of major capital facilities (other than those financed by enterprise funds).

The City reports the following nonmajor governmental funds:

Emergency Telephone Systems Fund. This special revenue fund is used to account for 911 revenues received by the State 911 Board to enhance the State's 911 system.

Special Revenue Fund. The Special Revenue Fund - General is used to account for the proceeds of specific revenue sources that are legally restricted to specified purposes.

The City reports the following major enterprise funds:

Electric Enterprise Fund. This fund is used to account for the City's electric fund operations.

Water and Wastewater Fund. This fund is used to account for the City's water and wastewater operations.

The City reports the following fund type:

Internal Service Fund. The Health Insurance Fund is used to account for the payment of medical claims of the City's employees and their covered dependents.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting.

Government-Wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the City, are recognized as revenue. Sales taxes are considered a shared revenue for the City of Newton because the tax is levied by Catawba County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Emergency Telephone Systems Special Revenue Fund and the enterprise funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the capital projects' funds, special revenue fund - general, and the enterprise capital projects' funds, which are consolidated with the operating funds for reporting purposes. The City's Health Insurance Fund, an Internal Service Fund, operates under a financial plan that was adopted by the governing board at the time the City's budget ordinance was approved, as is required by the General Statutes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for

the multi-year funds. Amendments are required for any revisions that alter the total expenditures of any fund. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted. Budget transfers are approved by the City Council as follows:

1) The Director of Finance is hereby authorized to approve transfers of appropriations between line items within a division budget.
2) In accordance with G.S. 159-13(b)(3), each expenditure to be charged against a contingency appropriation shall be authorized only by Resolution of the City Council. In an emergency situation, the City Manager may approve an expenditure to be charged to a contingency account provided that such emergency expenditure is reported to the City Council at its next meeting.
3) The City Manager is hereby authorized to approve budget transfers within a department from one division to another.
4) The Director of Finance shall prepare forms necessary to document each budget transfer and comply with the reporting of the budget transfers as specified hereinabove.

E. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant areas where estimates are made are allowance for doubtful accounts and depreciation lives.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

Deposits and Investments

All deposits of the City are made in Board-designated official depositories and are secured or required by State law [G.S. 159-31]. The City may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30 (c)] authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust ("NCCMT").

The City's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

Cash and Cash Equivalents

The City pools monies from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered to be cash and cash equivalents.

Restricted Assets

The unexpended loan proceeds plus interest in the Governmental Funds and Enterprise Funds are classified as restricted assets, because their use is completely restricted to the purpose for which the financing was originally issued. Customer deposits held by the General Fund, the Water/Wastewater Fund and the Electric Fund before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.4. In addition, funds for Cultural and Recreational activities held in the General Fund is classified as restricted assets because the contributor placed a restriction that the principal only be utilized for capital costs of recreational facilities.

	General Fund	General Capital Projects Fund	Total Restricted Cash
Governmental Activities:			
Unexpended debt proceeds plus interest	$ 488,965	$ 7,634	$ 496,599
Liabilities to be paid from restricted assets	17,908	59,313	77,221
Transportation	386,635	-	386,635
Cultural and recreational	1,498,469	-	1,498,469
Total governmental activities	$ 2,391,977	$ 66,947	$ 2,458,924

	Water and Wastewater Fund	Electric Fund	Total Restricted Cash
Business-Type Activities:			
Unexpended debt proceeds plus interest	$ 1,906,709	$ 1,368,732	$ 3,275,441
Liabilities to be paid from restricted assets	338,321	269,659	607,980
Total business-type activities	$ 2,245,030	$ 1,638,391	$ 3,883,421

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. These taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6th. Liens are placed on these taxes as of March 1st each year. These taxes are based on the assessed values as of January 1, 2014.

Allowance for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

Inventory

The inventories of the City are valued at cost (on a moving average basis), which approximates market. Inventories of governmental funds are recorded as expenditures when consumed, rather than when purchased.

The inventories of the City's enterprise funds consist of materials and supplies held for consumption. The cost of these inventories is recorded as an expense as the inventories are consumed or sold.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a $5,000 amount and an estimated useful life in excess of one year. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Life
Infrastructure	15-50 years
Buildings and improvements	20-50 years
Vehicles and equipment	5-20 years
Distribution system - electric	20-30 years
Distribution system - water and wastewater	20-40 years

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has one item that meets this criterion, contributions made to the pension plan in the 2015 fiscal year. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has several items that meet the criterion for this category – prepaid taxes, property taxes receivable, and deferrals of pension expense that result from the implementation of GASB Statement 68.

Long-Term Obligations

In the government-wide financial statements and proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

Compensated Absences

The vacation policies of the City provide for the accumulation of up to 240 hours earned vacation leave, with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences, and the salary related payments are recorded as the leave is earned on a first-in, first-out basis. The portion of time estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The City's sick leave policy provides for an unlimited amount of earned sick leave. Sick leave does not vest, but unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the City does not have any obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Non-Spendable Fund Balance. This classification includes amounts that cannot be spent, because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

	General Fund
Inventories - portion of fund balance that is not an available resource because it represents the year-end balance of inventories, which are not spendable resource.	$ 41,363
Prepaids - portion of fund balance that is not an available resource because it represents prepaid amounts, which are not spendable resources.	194,572
Total non-spendable fund balance(Exhibit C)	$ 235,935

Restricted Fund Balance. This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors or imposed by law. Restricted fund balance is summarized as follows:

	Major Funds		Nonmajor Funds	
	General Fund	Capital Projects	Other Governmental Funds	Total
Restricted for Stabilization by State Statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].	$ 1,145,967	$ 75,443	$ 1,076	$ 1,222,486
Restricted for Transportation - Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures.	$ 386,635	$ -	$ -	$ 386,635
Restricted for Public Safety - portion of fund balance that is restricted by revenue source for certain emergency telephone system expenditures.	-	-	10,742	10,742
Restricted for Public Safety - portion of fund balance that is restricted by revenue source (unspent debt proceeds plus interest) for police.	107,223	-	-	107,223
Restricted for Public Safety - portion of fund balance that is restricted by revenue source (unspent debt proceeds plus interest) for fire.	367,412	7,634	-	375,046
Restricted for Cultural and Recreational - portion of fund balance that is restricted by revenue source (unspent debt proceeds plus interest) for recreational building improvements.	14,330	-	-	14,330
Restricted for Cultural and Recreational - portion of fund balance that is restricted by revenue source for the Frank and Sue Jones Recreation Fund for capital improvements to recreational facilities.	1,498,469	-	-	1,498,469

	Major Funds		Nonmajor Funds	
	General Fund	Capital Projects	Other Governmental Funds	Total
Restricted for Economic and Physical Development - portion of fund balance that is restricted by revenue source for community development.	-	-	6,763	6,763
Total restricted fund balance (Exhibit C)	$ 2,374,069	$ 7,634	$ 17,505	$ 2,399,208

Restricted net position on Exhibit A varies from restricted fund balance on Exhibit C by the amount of unspent debt proceeds plus interest of $496,599 as of June 30, 2015.

Committed Fund Balance - portion of fund balance that can only be used for specific purpose imposed by majority vote of the City's governing body. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, any changes or removal of specific purposes requires majority action by the Council through another ordinance.

Assigned Fund Balance - portion of fund balance that the City of Newton has budgeted or earmarked to use for specific purposes. The City's governing body has the authority to assign fund balance. Assigned fund balance is summarized as follows:

	General Fund
Assigned for Cultural and Recreational - portion of fund balance that has been earmarked by the governing body for cemetery perpetual care. Utilization of these funds are made at the discretion of the City Manager.	$ 45,690

Unassigned Fund Balance - portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

Fund Balance Available for Appropriation

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation:

Total fund balance - General Fund	$ 7,932,593
Less:	
Inventories	(41,363)
Prepaids	(194,572)
Stabilization by State statute	(1,145,967)
Remaining fund balance	$ 6,550,691

The City has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-City funds, and City funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and, lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it's in the best interest of the City. The City has not adopted a formal fund balance policy.

The outstanding encumbrances represent amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year end. Encumbrances in the General Fund and General Capital Projects Fund at June 30, 2015 were $271,328 and $8,800, respectively.

Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Newton's employer contributions are recognized when due and the City of Newton has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

2. Detail Notes On All Funds

A. Assets

Deposits

All of the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agent in the respective unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agent in their name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2015, the City's deposits had a carrying amount of $10,844,383 and a bank balance of $10,833,976. The City also had petty cash and cash on hand of $815. Of the bank balance, $750,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method.

Investments

At June 30, 2015, the City's investment balances were as follows:

Investment Type	Fair Value	Maturity	Rating
NC Capital Management Trust - Cash Portfolio	$ 2,611,107	N/A	AAAm
NC Capital Management Trust - Term Portfolio	5,061,469	0.19 years	Unrated
	$ 7,672,576		

Interest Rate Risk. The City has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City purchases certificates of deposit with an average maturity of 120 days. Also, the City purchases certificates of deposit to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than two years.

Credit Risk. The City has no policy regarding credit risk, but has internal management procedures that limits the City's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City's investment in the NC Capital Management Trust Cash Portfolio carried a rating of AAAm by Standard and Poor's as of June 30, 2015. The City's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statute 159-30 as amended.

Receivables

Receivables at the government-wide level at June 30, 2015 were as follows:

	Accounts	Taxes	Due from Other Governments	Other	Total
Governmental Activities:					
General	$ 698,446	$ 600,650	$ 111,196	$ 2,826	$ 1,413,118
General capital projects	-	-	66,643	-	66,643
Other governmental	-	-	1,076	-	1,076
Total receivables	698,446	600,650	178,915	2,826	1,480,837
Allowance for doubtful accounts	-	(34,000)	-	-	(34,000)
Total governmental activities	$ 698,446	$ 566,650	$ 178,915	$ 2,826	$ 1,446,837
Business-Type Activities:					
Water and wastewater	$ 741,059	$ -	$ 51,818	$ 71	$ 792,948
Electric	1,421,422	-	47,936	1,120	1,470,478
Total receivables	2,162,481	-	99,754	1,191	2,263,426
Allowance for doubtful accounts	(24,200)	-	-	-	(24,200)
Total business-type activities	$ 2,138,281	$ -	$ 99,754	$ 1,191	$ 2,239,226

The total due from other governments consists of the following:

Governmental activities	$ 178,915
Business-type activities	99,754
Total due from other governments	$ 278,669
Sales tax reimbursement	$ 277,593
Emergency telephone system revenue	1,076
Total due from other governments	$ 278,669

Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balances July 1, 2014	Additions	Disposals	Adjust/ Transfers	Balances June 30, 2015
Governmental activities:					
Capital assets not being depreciated:					
Land	$ 1,509,571	$ 4,500	$ (4,500)	$ -	$ 1,509,571
Construction in progress	1,512,660	2,498,576	-	-	4,011,236
Total assets not being depreciated:	3,022,231	2,503,076	(4,500)	-	5,520,807
Capital assets being depreciated:					
Buildings and improvements	8,901,220	58,939	-	-	8,960,159
Equipment	3,163,140	284,536	(49,900)	-	3,397,776
Vehicles	7,002,579	525,650	(127,173)	(29,196)	7,371,860
Infrastructure	6,013,865	72,640	-	-	6,086,505
Total assets being depreciated:	25,080,804	941,765	(177,073)	(29,196)	25,816,300
Less accumulated depreciation:					
Buildings and improvements	(5,475,489)	(189,346)	-	-	(5,664,835)
Equipment	(2,192,787)	(367,216)	49,900	-	(2,510,103)
Vehicles	(5,535,168)	(467,967)	110,947	29,196	(5,862,992)
Infrastructure	(2,307,191)	(157,092)	-	-	(2,464,283)
Total accumulated depreciation	(15,510,635)	(1,181,621)	160,847	29,196	(16,502,213)
Total assets being depreciated, net	9,570,169	(239,856)	(16,226)	-	9,314,087
Governmental activities capital assets, net	$ 12,592,400	$ 2,263,220	$ (20,726)	$ -	$ 14,834,894

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

General government	$ 237,160
Public safety	466,925
Transportation	287,912
Environmental protection	87,274
Cultural and recreation	102,350
Total depreciation expense - governmental activities	$ 1,181,621

	Balances July 1, 2014	Additions	Disposals	Adjust/ Transfers	Balances June 30, 2015
Business-type Activities:					
Electric Fund:					
Capital assets not being depreciated:					
Land	$ 5,000	$ -	$ -	$ -	$ 5,000
Construction in progress	104,331	496,331	-	(265,954)	334,708
Total assets not being depreciated:	109,331	496,331	-	(265,954)	339,708
Capital assets being depreciated:					
Buildings and improvements	375,032	-	-	-	375,032
Equipment	7,863,998	96,575	-	-	7,960,573
Vehicles	942,493	-	-	-	942,493
Distribution systems	11,528,816	52,607	-	265,954	11,847,377
Total assets being depreciated:	20,710,339	149,182	-	265,954	21,125,475
Less accumulated depreciation:					
Buildings and improvements	(139,038)	(12,655)	-	-	(151,693)
Equipment	(4,876,415)	(260,770)	-	-	(5,137,185)
Vehicles	(511,982)	(87,714)	-	-	(599,696)
Distribution systems	(3,760,121)	(322,468)	-	-	(4,082,589)
Total accumulated depreciation	(9,287,556)	(683,607)	-	-	(9,971,163)
Total assets being depreciated, net	11,422,783				11,154,312
Electric Fund capital assets, net	11,532,114				11,494,020
Water and Wastewater Fund:					
Capital assets not being depreciated:					
Land	210,332	-	-	-	210,332
Construction in progress	1,389,538	697,447	-	(1,595,033)	491,952
Total assets not being depreciated:	1,599,870	697,447	-	(1,595,033)	702,284
Capital assets being depreciated:					
Buildings and improvements	22,881,373	-	-	98,557	22,979,930
Equipment	1,193,218	-	-	-	1,193,218
Vehicles	1,191,799	-	(24,271)	29,196	1,196,724
Distribution systems	38,364,892	-	-	1,496,476	39,861,368
Total assets being depreciated:	63,631,282	-	(24,271)	1,624,229	65,231,240
Less accumulated depreciation:					
Buildings and improvements	(15,986,352)	(594,206)	-	14,379	(16,566,179)
Equipment	(481,656)	(96,977)	-	-	(578,633)
Vehicles	(547,770)	(128,766)	24,271	(29,196)	(681,461)
Distribution systems	(14,542,904)	(1,151,071)	-	(14,379)	(15,708,354)
Total accumulated depreciation	(31,558,682)	$ (1,971,020)	$ 24,271	$ (29,196)	(33,534,627)
Total assets being depreciated, net	32,072,600				31,696,613
Water and Wastewater Fund capital assets, net	33,672,470				32,398,897
Business-type activities capital assets, net	$ 45,204,584				$ 43,892,917

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2015 is composed of the following elements:

	Governmental Activities	Business-Type Activities
Capital assets	$ 14,834,894	$ 43,892,917
Long-term debt	(8,205,543)	(18,281,590)
Accrued compensated absences, OPEB, LEO	858,812	121,151
Unspent debt proceeds	496,278	3,275,400
Net investment in capital assets	$ 7,984,441	$ 29,007,878

Construction Commitments

The government has active construction projects as of June 30, 2015. The government's commitments with contractors are as follows:

Project	Spent-to Date	Remaining Commitment
General Capital Projects:		
S. Caldwell Court Culvert	$ 15,440	$ 8,810
New Fire Headquarters	3,563,986	27,014
Water and Wastewater Capital Projects:		
Sewer Rehabilitation Projects	464,976	142,174
Electric Capital Projects:		
Catawba County Justice Center Expansion	28,622	528,778
Smart Grid	306,086	3,393,914
Total	$ 4,379,110	$ 4,100,690

B. Liabilities

Accounts Payable

Payables at the government-wide level at June 30, 2015 were as follows:

	Vendors	Salaries and Benefits	Accrued Interest	Total
Governmental Activities:				
General	$ 438,824	$ 188,621	$ 98,522	$ 725,967
Business-Type Activities:				
Water and wastewater	$ 78,971	$ 33,402	$ 151,267	$ 263,640
Electric	1,253,143	18,472	108,166	1,379,781
Total payables	$ 1,332,114	$ 51,874	$ 259,433	$ 1,643,421

Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. The City is a participating employer in the State-wide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The LGERS is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30

years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Newton employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Newton's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Newton were $530,698 for the year ended June 30, 2015.

Refunds of Contributions. City employees, who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By State law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the City reported an asset of $820,513 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing updated procedures incorporating the actuarial assumptions. The City's proportion of the net pension asset was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the City's proportion was 0.139%, which was an increase of 0.002% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of $46,967. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 89,655
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,910,138
Changes in proportionate and differences between City contributions and proportionate share of contributions	-	17,857
City contributions subsequent to the measurement date	530,698	-
Total	$ 530,698	$ 2,017,650

$530,698 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2016	$ (504,480)
2017	(504,480)
2018	(504,480)
2019	(504,210)
2020	-
Total	$ (2,017,650)

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital market data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward

yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	100%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8%, and Inflation Protection 3.4%.

Discount Rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Asset to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability (asset)	$ 2,785,179	$ (820,514)	$ (3,856,391)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

Law Enforcement Officers' Special Separation Allowance

Plan Description. The City administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to 0.85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2014, the Separation Allowance's membership consisted of:

Retirees receiving benefits	5
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	36
Total	41

A separate report was not issued for the plan.

Summary of Significant Accounting Policies

Basis of Accounting. The City has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- Contributions to the pension plan and earnings on those contributions are irrevocable
- Pension plan assets are dedicated to providing benefits to plan members
- Pension plan assets are legally protected from the creditors or employers, non-employer contributing entities, the plan administrator, and plan members.

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Contributions. The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. No contributions were made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) a 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.0%. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was determined using the market value of investments. The remaining amortization period at December 31, 2013 was 17 years.

Annual Pension Cost and Net Pension Obligation. The City's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	$ 81,718
Interest on net pension obligation	16,123
Adjustment to annual required contribution	(27,239)
Annual pension cost	70,602
Contributions made	(61,815)
Increase (decrease) in net pension obligation	8,787
Net pension obligation:	
Beginning of year - July 1	322,452
End of year - June 30	$ 331,239

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2013	$ 63,083	80.61%	$ 316,570
2014	56,191	89.53%	322,452
2015	70,602	87.55%	331,239

Funding Status and Funding Progress

As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was $651,562. The covered payroll (annual payroll of active employees covered by the plan) was $1,459,460, and the ratio of the UAAL to the covered payroll was 44.64 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing, over time, relative to the actuarial accrued liability for benefits.

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The City contributes to Supplemental Retirement Income Plans (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G. S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental

Retirement Income Plan for Law Enforcement Officers is included in the CAFR for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Comptroller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to their plan. Contributions for the year ended June 30, 2015 were $85,079, which consisted of $74,985 from the City and $10,094 from the law enforcement officers.

Other Post-Employment Benefits - Healthcare Benefits

Plan Description. The City administers a single-employer defined benefit Healthcare Benefits Plan. According to the City of Newton Personnel Policy, the City provides post-employment healthcare benefits up to age 65 to retirees of the City, whether or not they qualify for Medicare at that time, provided they meet the retirement qualifications outlined by the North Carolina Local Government Employees Retirement System, they are at least 55 years of age, and their last 20 full-time consecutive creditable years of service were with the City. This benefit will not be offered to any employee hired on or after July 1, 2006. Also, the City's retirees can purchase coverage for their dependents at the City's group rates. Currently ten retirees can purchase coverage for post-employment health benefits. For the fiscal year ended June 30, 2015, the City made payments for post-retirement health benefit premiums of $208,918. The City purchases insurance from a private carrier for healthcare coverage. A separate report was not issued for the Plan.

Membership of the HCB Plan consisted of the following at December 31, 2014, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	8	1
Terminated plan members entitled to, but not yet receiving, benefits	-	-
Active plan members	67	13
Total	75	14

Funding Policy. The City pays the full cost of coverage for the healthcare benefits paid to qualified retirees having 30 or more creditable years of service under a City resolution that can be amended by the City Council. The City's members pay the City's group rate for qualified retirees having 20 full-time consecutive creditable years of service. The City's members pay the City's group rates for dependent coverage, if enrolled in dependent coverage at the time of retirement. The City has chosen to fund the healthcare benefits on a pay-as-you-go basis.

The current ARC rate is 2.85% of annual covered payroll. For the current year, the City contributed $208,918, or 6.28% of annual covered payroll. The City's required contributions, under a City resolution, for employees not engaged in law enforcement and for law enforcement officers represented 1.5% and 0.2% of covered payroll, respectively. There were no contributions made by employees, except for dependent coverage in the amount of $247,035. Retirees are responsible for the difference between the amount charged for an active employee and the retiree rate, which is paid on a monthly basis. The City self-insures health and dental coverage for employees and retirees, which is administered by a third party administrator. The City's obligation to contribute to the HCB Plan is established and may be amended by the City Council.

Summary of Significant Accounting Policies. Post-employment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net Obligation. The City's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period

not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the healthcare benefits:

Annual required contribution	$ 94,691
Interest on net OPEB obligation	7,456
Adjustments to annual required contribution	(10,365)
Annual OPEB cost (expense)	91,782
Contributions made	(208,918)
Increase (decrease) in net OPEB obligation	(117,136)
Net OPEB obligation:	
Beginning of year - July 1	186,401
End of year - June 30	$ 69,265

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2015 were as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	$ 111,987	93.4%	$ 178,688
2014	111,872	93.1%	186,401
2015	91,782	227.6%	69,265

Funding Status and Funding Progress. As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was $957,931. The covered payroll (annual payroll of active employees covered by the plan) was $3,327,307, and the ratio of the UAAL to the covered payroll was 28.8 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations. In the December 31, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.5 to 5.00 percent annually. Both rates included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level dollar amount on an open basis. The remaining amortization period at December 31, 2014, was 30 years.

Other Employment Benefits

The City has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service, and have at least one year of contributing membership service in the System at the time of death, are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed $50,000 or be less than $25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The City considers these contributions to be immaterial.

The City has also elected to provide a city paid Employee Term Life Coverage and Accidental Death and Dismemberment Coverage for all regular full-time employees who have completed the employment-waiting period. The beneficiaries of those employees who die while employed are eligible for the life benefit payable from Prudential Life Insurance Company equal to 100% of the employee's annual earnings not to exceed $100,000. A limitation of 65% applies to employees 65 to 70 years in age, and 50% limitation at age 70 and above. Benefits payable for Accidental Death are equal to same, and benefits for dismemberment pay in accordance to the terms outlined in the purchased policy. The City has no liability beyond the payment of monthly contributions.

Deferred Outflows and Inflows of Resources

The City has one deferred outflow of resources. Deferred outflows of resources are comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	$ 530,698

The balance in deferred inflows of resources for the City at year-end are comprised of the following:

Source	Amount
Prepaid taxes (General Fund)	$ 192
Taxes receivable, (net) (General Fund)	566,650
Pension deferrals	2,017,650

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster for which the City carries commercial insurance. The City has workers' compensation coverage up to statutory limits, law enforcement officers' liability and public official liability of $1 million per occurrence, with a $2 million umbrella policy, auto liability of $1 million per accident, public entity general liability of $1 million per occurrence, $3 million aggregate; commercial inland marine of $1,557,459. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

In accordance with G.S. 159-29, the City's employees that have access to $100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The Finance Officer and the Tax Collector are each individually bonded for $250,000 and $150,000, respectively. The remaining employees that have access to funds are bonded under a blanket plan for $100,000 each.

The City's commercial property policy provides broad form flood coverage for specifically scheduled locations. These scheduled locations involve City physical assets located outside of any traditional 100-year flood zone. The City does have a limited number of physical assets located within 100-year flood zones. For these assets, the City has chosen to assume the risk of flood loss without the purchase of flood insurance either due to cost or the lack of availability of such insurance.

Claims, Judgments and Contingent Liabilities

At June 30, 2015, the City was a defendant to various lawsuits. In the opinion of the City's management and the City attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is available to participants in accordance with the Plan document. All amounts of compensation deferred under the Plan are held in trust for the exclusive benefit of Plan participants and their beneficiaries.

It is the opinion of the City's legal counsel that the City has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent administrator. The Plan is administered by the International City Management Association. Investments are managed by the plan trustee under several investment options, or a combination thereof. The choice of the investment option(s) is made by the participants.

Self-Insurance

The City is self-insured for health and dental coverage for all full-time employees. Funding is provided by charges to various funds of the City and employee contributions based upon estimated claims and employee participation. The claims administrator determines estimated claims annually. Aggregate and specific stop loss insurance coverage is provided annually by

Blue Cross Blue Shield of North Carolina, who also provides contracted third-party claims administration. The City has recognized a provision of $127,211 for claims incurred but not reported, in the accompanying financial statements. This provision is estimated upon analysis of historical claims experience reviewed by the City's third party administrator.

Changes in the balances of claims liability during the past two fiscal years are as follows:

	2015	2014
Claims liability, beginning of year	$ 176,464	$ 157,523
Claims incurred	1,273,145	1,048,672
Payments on claims	(1,180,118)	(1,029,731)
Claims liability, end of year	$ 269,491	$ 176,464

Long-Term Obligations

Loans Payable

The loans payable are for the acquisition of land, vehicles, equipment, and various capital, electric, and water and wastewater projects. Principal and interest requirements are appropriated when due.

Loans payable at June 30, 2015 are comprised of the following:

	Serviced by:		
	General Fund	Water / Wastewater Fund	Electric Fund
$475,000, 2009, 3.48% loan payable to bank in annual installments of a fixed payment of $67,857 plus interest for equipment due in 2015	$ 67,857	$ -	$ -
$316,000, 2011, 2.29% loan payable to bank in annual installments of a fixed payment of $63,200 plus interest for vehicles and equipment due in 2015	50,200	13,000	-
$550,000, 2006, 3.39% loan payable to bank in annual installments of $65,767 for equipment due in 2016	-	-	63,610
$469,000, 2012, 1.61% loan payable to bank in annual installments of a fixed payment of $94,079 plus interest for vehicles and equipment due in 2016	106,722	80,042	-
$213,393, 2006, Balls Creek Sewer noninterest loan payable to Catawba County, due in annual installments of $16,908 through January 2017	-	33,815	-
$131,000, 2008, 3.69% loan to bank in annual installments of $15,903 for a vehicle due in 2017	44,393	-	-
$264,824, 2010, 3.11% loan payable to bank in annual installments of a fixed payment of $37,832 plus interest for equipment due in 2017	31,329	-	44,335
$2,702,929, 2005, 2.59% loan payable to bank in annual installments of $239,684 for water and wastewater capital projects due in 2018	-	899,735	-
$250,000, 2011, 2.65% loan payable to bank in annual installments of a fixed payment of $35,714 plus interest for street/sidewalk infrastructure due in 2018	107,143	-	-

	Serviced by:		
	General Fund	Water / Wastewater Fund	Electric Fund
$432,763, 2013, 1.56% loan payable to bank in annual installments of a fixed payment of $86,553 plus interest for vehicles and equipment due in 2018	142,189	117,469	-
$370,000, 2005, 3.97% loan payable to bank in annual installments of $33,208 for fire truck due in 2019	147,963	-	-
$2,300,000, 2005, 2.63% loan payable to bank in annual installments of $193,614 for water and wastewater capital improvements due in 2019	-	896,140	-
$1,742,775, 2012, 1.91% loan payable to bank in annual installments of a fixed payment of $248,968 plus interest for vehicles and equipment due in 2019	588,765	353,310	53,796
$273,000, 2014, 1.57% loan payable to bank in annual installments of a fixed payment of $54,600 plus interest for vehicles and equipment due in 2019	218,400	-	-
$2,500,000, 2005, 2.73% loan payable to bank in annual installments of $214,606 for water and wastewater capital improvements due in 2020	-	990,456	-
$207,369, 2013, 1.78% loan payable to bank in annual installments of a fixed payment of $29,624.14 plus interest for an electrical vehicle due in 2020	-	-	148,121
$388,359, 2015, 1.60% loan payable to bank in annual installments of a fixed payment of $77,672 plus interest for vehicle and equipment due in 2020	388,359	-	-
$4,000,000, 2005, 2.97% loan payable to bank in annual installments of $344,788 for water and wastewater, electric and general capital improvements and equipment due in 2021	331,025	261,239	1,558,294

	General Fund	Wastewater Fund	Electric Fund
$651,000, 2008, 2.97% loan to bank in annual installments of a fixed payment of $43,400 plus interest for real property improvements and equipment due in 2022	347,200	-	-
$4,940,000, 2009, 3.03% loan payable to bank in annual installments of a fixed payment of $329,333 plus interest for water and wastewater, electric and general capital improvements and equipment due in 2024	209,680	1,014,232	1,740,088
$290,000, 2014, 2.59% loan payable to bank in annual installments of a fixed payment of $29,000 plus interest for a fire truck refurbishment due in 2024	261,000	-	-
$896,033, 2015, 2.37% loan payable to bank in annual installments of a fixed payment of $89,603 plus interest for police radio communication system and a fire tanker due in 2025	896,033	-	-
$3,256,225, 2012, 3.11% loan payable to bank in annual installments of a fixed payment of $217,082 plus interest for water and wastewater, and electric capital improvements and equipment due in 2027	-	2,037,880	567,100
$403,790, 2013, 2.60% loan payable to bank in annual installments of a fixed payment of $26,919 plus interest for street and water capital improvements due in 2028	179,140	170,811	-
$1,340,265, 2013, 2.58% loan payable to bank in annual installments of a fixed payment of $89,351 plus interest for water and wastewater, and electric capital improvements due in 2028	-	635,661	525,902

	Serviced by:		
	General Fund	Water / Wastewater Fund	Electric Fund
$3,460,000, 2014, 2.91% loan payable to bank in annual installments of a fixed payment of $230,667 plus interest for construction of a Fire Department headquarters due in 2029	3,229,333	-	-
$592,200, 2014, 2.91% loan payable to bank in annual installments of a fixed payment of $39,480 plus interest for water and electric capital improvements due in 2029	-	366,053	186,667
$3,940,000, 2015, 2.78% loan payable to bank in annual installments of a fixed payment of $262,667 plus interest for water and electric smart grid AMI metering system due in 2029	-	2,440,000	1,500,000
$498,921, 2012, 2.22% loan payable to the State in annual installments of a fixed payment of $26,259 plus interest for wastewater capital improvements due in 2031	-	420,144	-
$1,097,409, 2014, 2.00% loan payable to the State in annual installments of a fixed payment of $54,870 plus interest for wastewater capital improvements due in 2034	-	1,042,539	-
	$ 7,346,731	$ 11,772,526	$ 6,387,913

Annual debt service requirements to maturity for the City's long term obligations are as follows:

Year Ended June 30	Loans Payable Principal	Loans Payable Interest
Governmental activities:		
2016	$ 1,064,397	$ 192,638
2017	948,440	166,372
2018	882,808	143,563
2019	786,896	121,932
2020	587,726	102,466
2021-2025	2,112,458	304,315
2026-2030	964,006	69,273
2031-2035	-	-
Total Governmental activities	7,346,731	1,100,559
Business-type activities:		
Water and Wastewater Fund:		
2016	1,420,592	315,502
2017	1,423,206	278,754
2018	1,383,219	241,945
2019	1,361,150	205,289
2020	1,050,682	168,788
2021-2025	3,038,615	517,542
2026-2030	1,849,323	150,973
2031-2035	245,739	11,558
Total Water and	11,772,526	1,890,351
Electric Fund:		
2016	726,767	184,536
2017	669,203	163,321
2018	653,260	144,084
2019	659,670	125,350
2020	652,821	106,427
2021-2025	2,256,980	272,821
2026-2030	769,212	56,251
2031-2035	-	-
Total Electric Fund	6,387,913	1,052,790
Total Business-type activities	18,160,439	2,943,141
Total All activities	$ 25,507,170	$ 4,043,700

At June 30, 2015, the City of Newton had a legal debt margin of $63,379,050.

Changes in Long-Term Liabilities

The following is a summary of changes in long-term debt for the year ended June 30, 2015.

	July 1, 2014	Increases	Decreases	June 30, 2015	Current Portion of Balance
Governmental activities:					
Loans payable	$ 7,148,803	$ 1,284,392	$ 1,086,464	$ 7,346,731	$ 1,064,397
Compensated absences	461,614	347,484	333,668	475,430	308,178
Other post employment benefits	137,247	69,094	154,198	52,143	-
Net pension liability (LGERS)	1,256,878	-	1,256,878	-	-
Net pension benefit obligation(LEO)	322,452	70,602	61,815	331,239	-
Total Governmental activities	$ 9,326,994	$ 1,771,572	$ 2,893,023	$ 8,205,543	$ 1,372,575
Business-type activities:					
Water and Wastewater Fund:					
Loans payable	$ 10,350,353	$ 2,673,545	$ 1,251,372	$ 11,772,526	$ 1,420,592
Compensated absences	92,566	74,309	93,015	73,860	73,860
Other post employment benefits	38,921	16,502	42,969	12,454	-
Net pension liability (LGERS)	264,606	-	264,606	-	-
Total Water and Wastewater Fund	10,746,446	2,764,356	1,651,962	11,858,840	1,494,452
Electric Fund:					
Loans payable	5,718,587	1,500,000	830,674	6,387,913	726,767
Compensated absences	30,145	36,280	36,256	30,169	30,169
Other post employment benefits	10,233	6,186	11,751	4,668	-
Net pension liability (LGERS)	132,303	-	132,303	-	-
Total Electric Fund	5,891,268	1,542,466	1,010,984	6,422,750	756,936
Total Business-type activities	$ 16,637,714	$ 4,306,822	$ 2,662,946	$ 18,281,590	$ 2,251,388

Compensated absences, OPEB, and net pension obligation for governmental activities typically have been liquidated in the General Fund.

The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

C. Interfund Balances and Activity

Interfund loans are summarized as follows:

Due to the General Fund for the allocation of costs from the:	
General Capital Projects Fund	$ 62,464
Due from Governmental Activities for Internal Service Fund activity allocation to Business-type Activities	$ 292,491

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers to/from other funds at June 30, 2015 consist of the following:

From the Water and Wastewater Fund to the Electric Fund for capital project expenditures	$ 2,000,000

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

D. Revenues, Expenditures and Expenses

On-Behalf Payments for Fringe Benefits and Salaries

The City has recognized as a revenue and an expenditure on-behalf payment for fringe benefits and salaries of $9,646 for the salary supplement and stipend benefits paid to eligible firefighters by the local Board of Trustees of the Firefighter's Relief Fund during the fiscal year ended June 30, 2015. Under State law, the local Board of Trustees for the Fund receives an amount each year, which the Board may use at its own discretion for eligible firefighters or their departments.

3. Jointly Governed Organization

North Carolina Municipal Power Agency Number 1 (NCMPA1)

The City, in conjunction with eighteen other local governments in the Piedmont and Foothills Region of North Carolina, is a member of the North Carolina Municipal Power Agency Number 1 (NCMPA1). The NCMPA1 has 75 percent ownership interest in Catawba Nuclear Station Unit 2, located in York County, South Carolina, which is operated by Duke Energy. It also has an agreement with Duke Energy that provides for electric power via McGuire Nuclear Station and Catawba Unit 1 should Catawba Nuclear Station Unit 2 be unavailable for service. NCMPA1 is governed by a Board of Commissioners, which consists of fourteen members elected throughout North Carolina. Each participating government appoints one Commissioner and an alternate Commissioner to the Board. The nineteen members, who receive power from the NCMPA1, have signed power

sales agreements to purchase a specified share of the power generated by the NCMPA1. NCMPA1 revenues derived from the Power Sales Agreement are pledged as security for the Power Agency bonds outstanding. The City's purchase of power for the fiscal year ended June 30, 2015 was $11,380,887.

Newton-Conover Auditorium Authority

The Newton-Conover Auditorium Authority was organized and incorporated by the Secretary of State of North Carolina as a non-profit corporation on December 27, 1990. It is composed of a Board of Directors including members appointed by the City of Newton (four members); Newton-Conover School Board (three members); and the Catawba County Board of Commissioners (three members). The Authority's responsibilities include the restoration and renovation of the former Newton-Conover High School auditorium for use as a civic auditorium for a wide range of community activities. This community auditorium is available for use by individuals, civic groups, the schools and the local community theater group. The City funded $25,000 to the Newton-Conover Auditorium Authority during fiscal year ended June 30, 2015.

Western Piedmont Council of Governments

The Western Piedmont Council of Governments (WPCOG) is a regional planning organization. It consists of twenty-four municipalities and four counties within western North Carolina. The WPCOG's governing board is comprised of one elected official from each of these local governments and seven at-large citizen members. Each local government has one vote. The City paid membership dues of $12,804 during fiscal year ended June 30, 2015.

Western Piedmont Regional Transit Authority

Western Piedmont Regional Transit Authority (WPRTA) is the first regional public transportation authority with consolidated urban-rural transit service in North Carolina. Alexander, Burke, Caldwell, and Catawba counties in conjunction with the municipalities of Conover, Hickory, and Newton each appoint one member to the governing board of the WPRTA. The City paid $31,627 to WPRTA during fiscal year ended June 30, 2015.

4. Related Party Transaction

The City entered into two transactions to rent a facility owned by a member of the City Council. Prior to the rental of the facility, the City adopted resolution numbers 19-2014 and 1-2015, exempting the City of Newton from North Carolina General Statute 14-234.

5. Summary Disclosure of Significant Contingencies

Federal and State-Assisted Programs

The City has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

6. Change in Accounting Principles/Restatement

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the City to record beginning net pension liability and the effects on net position of contributions made by the City during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by $874,129 and $276,041, respectively.

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REQUIRED SUPPLEMENTARY INFORMATION

This section contains additional information required by generally accepted accounting principles

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance.
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance.
- Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance.
- Schedule of Funding Progress for the Other Post-Employment Benefits.
- Schedule of Employer Contributions for the Other Post-Employment Benefits.
- Notes to the Required Schedules for the Other Post-Employment Benefits.
- Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System
- Schedule of Contributions for Local Government Employees' Retirement System

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CITY OF NEWTON, NORTH CAROLINA

Schedule A-1

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
12/31/2014	$ -	$ 651,562	$ 651,562	0.00%	$ 1,459,460	44.64%
12/31/2013	-	622,433	622,433	0.00%	1,361,173	45.73%
12/31/2012	-	588,037	588,037	0.00%	1,343,895	43.76%
12/31/2011	-	605,427	605,427	0.00%	1,386,990	43.65%
12/31/2010	-	603,280	603,280	0.00%	1,351,119	44.65%
12/31/2009	-	690,159	690,159	0.00%	1,487,330	46.40%
12/31/2008	-	596,166	596,166	0.00%	1,331,679	44.77%
12/31/2007	-	571,026	571,026	0.00%	1,289,622	44.28%
12/31/2006	-	553,357	553,357	0.00%	1,327,546	41.68%
12/31/2005	-	519,076	519,076	0.00%	1,290,773	40.21%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2015	$ 81,718	75.64%
2014	66,154	76.87%
2013	66,806	69.10%
2012	64,714	4.67%
2011	69,554	4.42%
2010	58,869	4.28%
2009	55,205	3.87%
2008	53,341	3.79%
2007	50,760	4.13%
2006	56,192	3.97%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2014
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	16 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25% to 7.85%
*Includes inflation at	3.00%
Cost of living adjustments	N/A

CITY OF NEWTON, NORTH CAROLINA

Schedule A-2

OTHER POST-EMPLOYMENT BENEFITS - RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2015

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
12/31/2014	$ -	$ 957,931	$ 957,931	0.00%	$ 3,327,307	28.79%
12/31/2013	-	1,037,619	1,037,619	0.00%	3,297,882	31.46%
12/31/2011	-	1,240,188	1,240,188	0.00%	4,214,285	29.43%
12/31/2010	-	1,124,469	1,124,469	0.00%	4,555,127	24.69%
12/31/2009	-	998,624	998,624	0.00%	5,112,117	19.53%
12/31/2008	-	1,789,597	1,789,597	0.00%	5,694,669	31.43%
12/31/2007	-	2,408,866	2,408,866	0.00%	6,077,871	39.63%

Note: The City of Newton implemented GASB Statement No. 45 for the fiscal year ended June 30, 2009. As the City has additional actuary valuations performed, information will be added to this schedule.

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2015	$ 94,691	220.63%
2014	114,661	90.84%
2013	114,661	91.25%
2012	102,543	137.30%
2011	95,458	115.25%
2010	187,915	47.32%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2014
Actuarial cost method	Projected unit credit
Amortization method	Level dollar amount, open
Remaining amortization period	30 years
Amortization factor	17.9837
Asset valuation method	Market value of assets
Actuarial assumptions	
Investment rate of return*	4.00%
Medical trend assumptions	
Pre-Medicare trend rate	7.50% - 5.00%
Year of ultimate trend rate	2020

* Includes inflation at 3.00%

CITY OF NEWTON, NORTH CAROLINA

Schedule A-3

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
LAST TWO FISCAL YEARS*

	2015	2014
Proportion of the net pension liability (asset) (%)	0.13913%	0.13720%
Proportion of the net pension liability (asset) ($)	$ (820,513)	$ 1,653,787
Covered-employee payroll	$ 7,082,583	$ 6,704,520
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-11.58%	24.67%
Plan fiduciary net position as a percentage of the total pension liability**	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

CITY OF NEWTON, NORTH CAROLINA

Schedule A-4

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
CONTRIBUTIONS
LAST TWO FISCAL YEARS

	2015	2014
Contractually required contribution	$ 530,698	$ 503,617
Contributions in relation to the contractually required contribution	530,698	503,617
Contribution deficiency (excess)	$ -	$ -
Covered-employee payroll	$ 7,169,996	$ 7,082,583
Contributions as a percentage of covered-employee payroll	7.40%	7.11%

GOVERNMENTAL ACTIVITIES
MAJOR FUNDS

GENERAL FUND

The General Fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

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GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			
	Final Budget	Actual	Variance Over/Under	2014 Actual
Revenues:				
Ad Valorem Taxes:				
Current year	$ 5,171,150	$ 5,538,243	$ 367,093	$ 5,267,703
Prior years	150,000	222,959	72,959	196,297
Penalties and interest	40,000	59,677	19,677	58,391
Total	5,361,150	5,820,879	459,729	5,522,391
Other Taxes and Licenses:				
Local option sales tax	2,775,000	2,917,919	142,919	2,694,664
Solid waste disposal tax	8,000	8,409	409	7,919
Other taxes and licenses	5,000	9,842	4,842	8,316
Rural fire district tax	438,100	438,068	(32)	351,704
Total	3,226,100	3,374,238	148,138	3,062,603
Unrestricted Intergovernmental Revenues:				
Payments in lieu of taxes	399,250	399,250	-	389,100
Utilities sales tax	782,000	935,345	153,345	810,418
Beer and wine tax	54,500	62,150	7,650	56,695
Total	1,235,750	1,396,745	160,995	1,256,213
Restricted Intergovernmental Revenues:				
Federal grants	56,300	86,411	30,111	267,240
Federal asset seizure allocation	-	2,160	2,160	963
Other	-	2,178	2,178	1,825
On-behalf payments - fire	25,000	9,646	(15,354)	22,437
Powell Bill State street aid allocation	394,050	393,650	(400)	392,320
Total	475,350	494,045	18,695	684,785
Permits and Fees:				
Licenses	400	260	(140)	410
Local franchise - cable tv	78,000	77,361	(639)	77,125
Total	78,400	77,621	(779)	77,535
Sales and Services:				
Supportive court services	5,000	3,713	(1,287)	4,150
Refuse collection fees	851,500	859,618	8,118	851,321
Recreation fees and concessions	63,000	51,611	(11,389)	57,431
Other	47,000	72,292	25,292	155,843
Total	966,500	987,234	20,734	1,068,745
Investment Earnings	11,500	14,160	2,660	6,825
Miscellaneous:				
Rentals and sale of property	70,850	67,735	(3,115)	62,563
Other	90,250	430,853	340,603	104,188
Total	161,100	498,588	337,488	166,751
Total revenues	11,515,850	12,663,510	1,147,660	11,845,848

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			
	Final Budget	Actual	Variance Over/Under	2014 Actual
Expenditures:				
General Government:				
Governing body:				
Salaries and employee benefits	50,700	40,420		45,281
Other operating expenditures	16,700	12,423		25,095
Interdepartmental charges	(42,550)	(42,550)		(48,900)
Total	24,850	10,293	14,557	21,476
Administration:				
Salaries and employee benefits	401,250	352,715		340,371
Other operating expenditures	147,100	114,393		119,298
Interdepartmental charges	(304,300)	(304,300)		(298,500)
Total	244,050	162,808	81,242	161,169
Finance:				
Salaries and employee benefits	467,900	460,654		449,711
Other operating expenditures	216,700	206,263		178,959
Interdepartmental charges	(555,750)	(555,750)		(558,200)
Total	128,850	111,167	17,683	70,470
Purchasing/Warehouse:				
Salaries and employee benefits	110,300	109,374		105,007
Other operating expenditures	15,000	13,211		8,800
Interdepartmental charges	(108,850)	(108,850)		(109,900)
Total	16,450	13,735	2,715	3,907
Technology/MIS:				
Salaries and employee benefits	137,150	126,049		135,011
Other operating expenditures	146,700	136,800		149,754
Capital outlay	99,300	99,270		-
Interdepartmental charges	(181,750)	(181,750)		(184,300)
Total	201,400	180,369	21,031	100,465
Human Resources:				
Salaries and employee benefits	288,350	263,156		297,591
Other operating expenditures	176,350	150,654		160,537
Interdepartmental charges	(82,950)	(82,950)		(83,550)
Total	381,750	330,860	50,890	374,578
Planning:				
Salaries and employee benefits	188,200	178,343		177,307
Other operating expenditures	239,700	160,054		43,116
Capital outlay	4,500	4,500		-
Interdepartmental charges	(45,600)	(45,600)		(55,100)
Total	386,800	297,297	89,503	165,323
Municipal Building:				
Other operating expenditures	146,700	141,109		191,034
Capital outlay	-	-		42,199
Total	146,700	141,109	5,591	233,233

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			
	Final Budget	Actual	Variance Over/Under	2014 Actual
Public Works Administration:				
Salaries and employee benefits	162,850	162,466		148,715
Other operating expenditures	67,850	60,608		59,183
Interdepartmental charges	(159,050)	(159,050)		(153,500)
Total	71,650	64,024	7,626	54,398
Garage:				
Salaries and employee benefits	112,100	110,767		106,896
Other operating expenditures	52,900	51,624		49,454
Capital outlay	-	-		8,509
Interdepartmental charges	(55,750)	(55,750)		(57,800)
Total	109,250	106,641	2,609	107,059
Downtown Public Parking:				
Other operating expenditures	6,200	6,023	177	5,561
Total general government	1,717,950	1,424,326	293,624	1,297,639
Transportation:				
Streets:				
Salaries and employee benefits	302,650	298,702		293,424
Other operating expenditures	135,650	128,364		374,616
Capital outlay	313,450	313,382		33,387
Total	751,750	740,448	11,302	701,427
Powell Bill:				
Salaries and employee benefits	141,300	138,400		134,890
Other operating expenditures	599,100	326,284		95,850
Total	740,400	464,684	275,716	230,740
Total transportation	1,492,150	1,205,132	287,018	932,167
Environmental Protection:				
Sanitation:				
Salaries and employee benefits	637,600	615,772		554,588
Other operating expenditures	391,700	371,521		401,445
Capital outlay	-	-		38,787
Total	1,029,300	987,293	42,007	994,820
Total environmental protection	1,029,300	987,293	42,007	994,820
Public Safety:				
Police Department:				
Salaries and employee benefits	2,606,800	2,547,083		2,423,464
Other operating expenditures	486,250	439,141		470,802
Capital outlay	569,500	463,160		430,513
Interdepartmental charges	(2,550)	(2,550)		(2,800)
Total	3,660,000	3,446,834	213,166	3,321,979

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			
	Final Budget	Actual	Variance Over/Under	2014 Actual
Fire Department:				
Salaries and employee benefits	1,843,300	1,770,772		1,695,142
Other operating expenditures	498,200	445,704		343,537
Capital outlay	764,600	384,938		170,861
Interdepartmental charges	(113,450)	(113,450)		(109,450)
Total	2,992,650	2,487,964	504,686	2,100,090
Total public safety	6,652,650	5,934,798	717,852	5,422,069
Cultural and Recreational:				
Administration:				
Salaries and employee benefits	589,900	586,528		560,055
Other operating expenditures	180,450	158,756		132,025
Capital outlay	45,050	44,580		-
Total	815,400	789,864	25,536	692,080
Central Recreation Center:				
Salaries and employee benefits	27,150	21,633		22,345
Other operating expenditures	37,100	35,489		31,493
Total	64,250	57,122	7,128	53,838
Swimming Pool:				
Salaries and employee benefits	35,250	29,829		28,892
Other operating expenditures	32,700	30,920		35,311
Total	67,950	60,749	7,201	64,203
Parks:				
Salaries and employee benefits	48,350	48,072		38,935
Other operating expenditures	81,150	77,460		133,879
Capital outlay	60,000	59,997		30,331
Total	189,500	185,529	3,971	203,145
Cemeteries:				
Salaries and employee benefits	168,500	164,541		160,054
Other operating expenditures	23,050	21,019		21,223
Capital outlay	8,250	8,249		-
Total	199,800	193,809	5,991	181,277
Special Appropriations:				
Other operating expenditures	339,050	318,603	20,447	504,914
Total cultural and recreational	1,675,950	1,605,676	70,274	1,699,457
Debt Service:				
Principal paid on installment purchase	1,086,750	1,086,464		768,247
Interest and fees	194,100	193,809		101,897
Total debt service	1,280,850	1,280,273	577	870,144
Total expenditures	13,848,850	12,437,498	1,411,352	11,216,296

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			
	Final Budget	Actual	Variance Over/Under	2014 Actual
Revenues over (under) expenditures	(2,333,000)	226,012	2,559,012	629,552
Other Financing Sources (Uses):				
Issuance of debt	1,284,500	1,284,392	(108)	563,000
Transfers from General Capital Projects Fund	-	-	-	132,676
Transfers from Electric Fund	-	-	-	4,000
Transfers to General Capital Projects Fund	-	-	-	(131,000)
Appropriated fund balance	1,048,500	-	(1,048,500)	-
Total other financing sources (uses)	2,333,000	1,284,392	(1,048,608)	568,676
Net change in fund balance	$ -	1,510,404	$ 1,510,404	$ 1,198,228
Fund Balance:				
Beginning of year - July 1		6,422,189		
End of year - June 30		$ 7,932,593		

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GOVERNMENTAL ACTIVITIES
OTHER MAJOR FUNDS

CAPITAL PROJECTS FUND

Capital Projects Funds account for funds to be used for the acquisition or construction of major capital facilities other than those financed by propriety funds.

General Capital Projects Fund – This fund is used to account for financial resources to be used for the acquisition or construction of general capital projects not accounted for by an individual fund.

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CITY OF NEWTON, NORTH CAROLINA

Schedule 2

GENERAL CAPITAL PROJECTS FUND - MAJOR
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Revenues:				
Interest earned	$ -	$ 130	$ 109	$ 239
Expenditures:				
Capital Outlay:				
S. Caldwell Court Culvert	24,250	15,440	-	15,440
New fire headquarters	3,591,000	1,497,220	2,066,766	3,563,986
Total expenditures	3,615,250	1,512,660	2,066,766	3,579,426
Revenues over (under) expenditures	(3,615,250)	(1,512,530)	(2,066,657)	(3,579,187)
Other Financing Sources (Uses):				
Issuance of long-term debt	3,484,250	3,460,000	-	3,460,000
Transfers from General Fund	131,000	131,000	-	131,000
Total other financing sources (uses)	3,615,250	3,591,000	-	3,591,000
Net change in fund balance	$ -	$ 2,078,470	$ (2,066,657)	$ 11,813

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GOVERNMENTAL ACTIVITIES
NONMAJOR FUNDS

SPECIAL REVENUE FUND

Special Revenue Funds account for the proceeds of special revenue sources that are legally restricted to the expenditure for special purposes.

Emergency Telephone System Fund – Established in accordance with North Carolina law to account for the revenues received by the Communication Center for the 911 charges and the expenditure of those funds for the emergency telephone systems.

Special Revenue Fund – General – This fund is used to account for financial resources that are legally restricted for special purposes not accounted for by an individual fund.

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CITY OF NEWTON, NORTH CAROLINA

Schedule 3

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015

	Special Revenue Funds		
	Special Revenue Fund - General	Emergency Telephone System Fund	Total Nonmajor Governmental Funds
Assets:			
Current assets:			
Cash and investments	$ 6,763	$ 10,742	$ 17,505
Due from other governments	-	1,076	1,076
Total assets	$ 6,763	$ 11,818	$ 18,581
Fund Balances:			
Restricted - stabilization by State statute	-	1,076	1,076
Restricted	6,763	10,742	17,505
Total fund balances	$ 6,763	$ 11,818	$ 18,581

CITY OF NEWTON, NORTH CAROLINA

Schedule 4

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue Funds		
	Special Revenue Fund - General	Emergency Telephone System Fund	Total Nonmajor Governmental Funds
Revenues:			
Restricted intergovernmental	$ -	$ 11,809	$ 11,809
Interest earned	-	9	9
Miscellaneous	982	-	982
Total revenues	982	11,818	12,800
Net change in fund balances	982	11,818	12,800
Fund Balances:			
Beginning of year - July 1	5,781	-	5,781
End of year - June 30	$ 6,763	$ 11,818	$ 18,581

CITY OF NEWTON, NORTH CAROLINA

Schedule 5

SPECIAL REVENUE FUND - GENERAL
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental revenue	$ 80,830	$ 50,000	$ -	$ 50,000
Miscellaneous	2,750	6,781	982	7,763
Total revenues	83,580	56,781	982	57,763
Expenditures:				
Economic and physical development				
Main Street Solutions Fund Grant	80,830	50,000	-	50,000
CDBG Rehabilitation	2,750	1,000	-	1,000
Total expenditures	83,580	51,000	-	51,000
Net change in fund balance	$ -	$ 5,781	$ 982	$ 6,763

CITY OF NEWTON, NORTH CAROLINA

Schedule 6

EMERGENCY TELEPHONE SYSTEM FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Final Budget	Actual	Variance Over/Under
Revenues:			
Restricted intergovernmental revenue	$ -	$ 11,809	$ 11,809
Interest earned	-	9	9
Total revenues	-	11,818	11,818
Change in net position	$ -	11,818	$ 11,818
Fund Balance:			
Beginning of year - July 1		-	
End of year - June 30		$ 11,818	

BUSINESS-TYPE ACTIVITIES

ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the government's governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the government's governing body has decided that periodic determination of net income is appropriate for accountability purposes.

Water and Wastewater Fund - This fund is used to account for the activities associated with the production, distribution and transmission of potable water by the City to its users and for the operation and maintenance of the City's sewer and surface drainage systems.

Electric Fund - This fund is used to account for the activities associated with the distribution and transmission of electricity by the City to its users.

INTERNAL SERVICE FUND

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis.

Health Insurance Fund – This fund is used to account for the medical claims of the City's employees and their covered dependents.

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CITY OF NEWTON, NORTH CAROLINA

WATER AND WASTEWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015

	Budget	Actual	Variance Over/Under
Revenues:			
Operating revenues:			
Charges for services	$ 5,878,150	$ 5,872,855	$ (5,295)
Other	398,500	377,061	(21,439)
Total operating revenues	6,276,650	6,249,916	(26,734)
Non-operating revenues:			
Other non-operating revenue	95,100	92,569	(2,531)
Federal grant	-	117,127	117,127
Interest earned	2,000	1,128	(872)
Total non-operating revenues	97,100	210,824	113,724
Total revenues	6,373,750	6,460,740	86,990
Expenditures:			
Operations	2,754,450	2,577,642	176,808
Maintenance	1,089,800	982,168	107,632
Administration	892,400	893,663	(1,263)
Capital outlay	52,900	6,976	45,924
Debt principal	1,303,200	1,251,372	51,828
Interest and fees	276,050	274,902	1,148
Total expenditures	6,368,800	5,986,723	382,077
Revenues over (under) expenditures	4,950	474,017	469,067
Other Financing Sources (Uses):			
Issuance of long-term debt	2,000,000	2,000,000	-
Proceeds from sale of capital assets	2,000	4,728	2,728
Intrafund transfers from - Water and Wastewater Capital Project Fund	49,350	49,325	(25)
Intrafund transfers to - Water and Wastewater Capital Project Fund	(87,600)	(87,600)	-
Transfers to - Electric Fund	(2,000,000)	(2,000,000)	-
Appropriated fund balance	31,300	-	(31,300)
Total other financing sources (uses)	(4,950)	(33,547)	(28,597)
Revenues and other financing sources over (under) expenditures and other financing uses	$ -	$ 440,470	$ 440,470

WATER AND WASTEWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015

	Budget	Actual	Variance Over/Under
Reconciliation from Budgetary Basis (Modified Accrual to Full Accrual):			
Revenues and other financing sources over (under) expenditures and other financing uses		$ 440,470	
Reconciling items:			
Capital project income		12	
Capital project expenditures		690,471	
Capital project expenditures capitalized to CIP		(690,471)	
Transfers to (from) - capital project funds		38,275	
Depreciation		(1,971,020)	
Capital outlay capitalized		6,976	
Payment of debt principal		1,251,372	
Deferred outflows of resources for contributions made to pension plan in current fiscal year		84,636	
Pension expense		(7,515)	
(Increase) decrease in accrued interest payable		(28,468)	
(Increase) decrease in other post-employment benefit accrual		26,467	
(Increase) decrease in compensated absences		18,706	
Issuance of long-term debt		(2,000,000)	
Change in net position		$ (2,140,089)	

CITY OF NEWTON, NORTH CAROLINA

Schedule 8

WATER AND WASTEWATER CAPITAL PROJECTS FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP) FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

		Actual			
	Project Authorization	Prior Years	Current Year	Closed Projects	Total to Date
Revenues:					
Capital contribution	$ 661,500	$ -	$ -	$ -	$ -
Interest earned	-	15	12	-	27
Total revenues	661,500	15	12	-	27
Expenditures:					
Capital outlay:					
Water rehabilitation projects:					
Shannonbrook Phase III	302,500	300,775	1,748	(302,523)	-
Water extension projects:					
S Hwy 16- Buffalo Shoals	2,646,000	-	-	-	-
Sewer rehabilitation projects:					
Highway 10 Pump Station	527,600	-	456,786	-	456,786
Oakland Circle to Outfall	82,300	10,800	71,492	(82,292)	-
Ashe Avenue and 1st Street	79,550	-	8,190	-	8,190
Water Filtration Plant Improvements	98,550	98,558	-	(98,558)	-
Total expenditures	3,736,500	410,133	538,216	(483,373)	464,976
Revenues over (under) expenditures	(3,075,000)	(410,118)	(538,204)	483,373	(464,949)
Other Financing Sources (Uses):					
Issuance of long-term debt	2,816,700	392,200	440,000	(312,650)	519,550
Transfers from - Water and Wastewater Fund	298,600	211,000	87,600	(211,000)	87,600
Transfers to - Water and Wastewater Fund	(40,300)	-	(40,277)	40,277	-
Total other financing sources (uses)	3,075,000	603,200	487,323	(483,373)	607,150
Revenues and other financing sources over (under) expenditures and other financing uses	$ -	$ 193,082	$ (50,881)	$ -	$ 142,201

CITY OF NEWTON, NORTH CAROLINA

Schedule 9

WATER AND WASTEWATER CAPITAL PROJECT FUND
SNOW CREEK SEWER OUTFALL REHABILITATION
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

		Actual			
	Project Authorization	Prior Years	Current Year	Closed Projects	Total to Date
Expenditures:					
Capital outlay:					
Administration	$ 38,300	$ 29,497	$ 6,255	$ (35,752)	$ -
Engineering	134,500	114,303	11,197	(125,500)	-
Construction	955,850	815,606	134,803	(950,409)	-
Contingency	48,250	-	-	-	-
Total expenditures	1,176,900	959,406	152,255	(1,111,661)	-
Other Financing Sources (Uses):					
Issuance of long-term debt - CWSRF	1,162,650	863,864	233,545	(1,097,409)	-
Transfers from - Water and Wastewater Fund	23,300	23,300	-	(23,300)	-
Transfers out - Water and Wastewater Fund	(9,050)	-	(9,048)	9,048	-
Total other financing sources (uses)	1,176,900	887,164	224,497	(1,111,661)	-
Revenues and other financing sources over (under) expenditures	$ -	$ (72,242)	$ 72,242	$ -	$ -

CITY OF NEWTON, NORTH CAROLINA

ELECTRIC ENTERPRISE FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015

	Budget	Actual	Variance Over/Under
Revenues:			
Operating revenues			
Charges for services	$ 14,889,000	$ 14,452,331	$ (436,669)
Other	444,550	564,440	119,890
Total operating revenues	15,333,550	15,016,771	(316,779)
Non-operating revenues:			
Contributions	85,500	90,500	5,000
Other non-operating revenue	68,400	70,306	1,906
Federal grant	-	32,864	32,864
Interest earned	2,900	7,618	4,718
Sales tax	771,750	735,702	(36,048)
Total non-operating revenues	928,550	936,990	8,440
Total revenues	16,262,100	15,953,761	(308,339)
Expenditures:			
Power for resale	11,377,000	11,380,887	(3,887)
Renewable energy	61,500	61,479	21
Operations	3,100,050	2,557,289	542,761
Administration	802,150	802,070	80
Capital outlay	151,600	149,182	2,418
Debt principal	830,700	830,674	26
Interest and fees	167,500	167,467	33
Total expenditures	16,490,500	15,949,048	541,452
Revenues over (under) expenditures	(228,400)	4,713	233,113
Other Financing Sources (Uses):			
Proceeds from sale of capital assets	1,000	-	(1,000)
Intrafund transfers from - Electric Capital Project	36,200	36,180	(20)
Intrafund transfers to - Electric Capital Project	(100,000)	(100,000)	-
Appropriated fund balance	291,200	-	(291,200)
Total other financing sources (uses)	228,400	(63,820)	(292,220)
Revenues and other financing sources over (under) expenditures and other financing uses	$ -	$ (59,107)	$ (59,107)

ELECTRIC ENTERPRISE FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015

	Budget	Actual	Variance Over/Under
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and other financing sources over (under) expenditures and other financing uses		$ (59,107)	
Reconciling items:			
Capital project income		19,865	
Capital project expenditures		(496,331)	
Capital project expenditures capitalized to CIP		496,331	
Transfers to (from) - capital project fund		63,820	
Transfers to (from) - Water and Wastewater Fund		2,000,000	
Capital outlay capitalized		149,182	
Payment of debt principal		830,674	
Depreciation		(683,607)	
Deferred outflows of resources for contributions made to pension plan in current fiscal year		42,406	
Pension expense		(3,757)	
(Increase) decrease in accrued interest payable		(5,640)	
(Increase) decrease in other post-employment benefit accrual		5,565	
(Increase) decrease in compensated absences		(24)	
Change in net position		$ 2,359,377	

CITY OF NEWTON, NORTH CAROLINA

Schedule 11

ELECTRIC FUND CAPITAL PROJECTS
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

		Actual			
	Project Authorization	Prior Years	Current Year	Closed Projects	Total to Date
Revenues:					
Restricted intergovernmental	$ 468,550	$ -	$ 19,865	$ -	$ 19,865
Capital contributions	100,650	100,634	-	(100,634)	-
Total revenues	569,200	100,634	19,865	(100,634)	19,865
Expenditures:					
Smart Grid Implementation	3,700,000	-	306,086	-	306,086
Catawba County Justice Center	557,400	8,360	20,262	-	28,622
Circuit Reconfiguration	265,950	95,971	169,983	(265,954)	-
Total expenditures	4,523,350	104,331	496,331	(265,954)	334,708
Revenues over (under) expenditures	(3,954,150)	(3,697)	(476,466)	165,320	(314,843)
Other Financing Sources (Uses):					
Issuance of long-term debt	1,500,000	-	1,500,000	-	1,500,000
Transfers from - Electric Fund	390,350	290,350	100,000	(201,500)	188,850
Transfers from - Water and Wastewater Fund	2,100,000	100,000	2,000,000	-	2,100,000
Transfers to - Electric Fund	(36,200)	-	(36,180)	36,180	-
Total other financing sources (uses)	3,954,150	390,350	3,563,820	(165,320)	3,788,850
Revenues and other financing sources over (under) expenditures and other financing uses	$ -	$ 386,653	$ 3,087,354	$ -	$ 3,474,007

CITY OF NEWTON, NORTH CAROLINA

Schedule 12

HEALTH INSURANCE INTERNAL SERVICE FUND
SCHEDULE OF REVENUES AND EXPENDITURES - PLAN AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015

	Plan	Actual	Variance Over/Under
Operating Revenues:			
Charges for services	$ 1,632,550	$ 1,592,256	$ (40,294)
Operating Expenditures - Group Insurance:			
Claims paid	1,337,200	1,180,118	157,082
Claims incurred but not reported	-	10,566	(10,566)
Stop-loss insurance fees	273,400	273,372	28
Administrative charges	23,950	10,411	13,539
Total operating expenditures	1,634,550	1,474,467	160,083
Operating income (loss)	(2,000)	117,789	119,789
Non-Operating Revenues:			
Investment earnings	2,000	2,165	165
Revenues over expenditures	$ -	$ 119,954	$ 119,954

OTHER SCHEDULES

This section contains additional information required on property taxes and transfers.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

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CITY OF NEWTON, NORTH CAROLINA

Schedule 13

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2015

Fiscal Year	Uncollected Balance July 1, 2014	Additions	Collections and Credits	Uncollected Balance June 30, 2015
2014-2015	$ -	$ 5,674,945	$ 5,538,243	$ 136,702
2013-2014	227,446	-	110,546	116,900
2012-2013	141,057	-	46,440	94,617
2011-2012	86,931	-	28,350	58,581
2010-2011	56,704	-	14,956	41,748
2009-2010	45,151	-	10,519	34,632
2008-2009	40,023	-	6,244	33,779
2007-2008	31,307	-	1,292	30,015
2006-2007	35,454	-	866	34,588
2005-2006	19,575	-	487	19,088
2004-2005	18,071	-	18,071	-
Total	$ 701,719	$ 5,674,945	$ 5,776,014	600,650
Less allowance for uncollectible ad valorem taxes receivable				34,000
Ad Valorem Taxes Receivable, Net				
General Fund				$ 566,650
Reconcilement with Revenues:				
Ad valorem taxes - General Fund				$ 5,820,879
Amounts written off per statute limitations				17,665
Miscellaneous				(2,853)
Interest and penalties collected				(59,677)
Total collections and credits				$ 5,776,014

CITY OF NEWTON, NORTH CAROLINA

Schedule 14

ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2015

	City-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Total property taxed at current year's rate	$ 970,280,311	$ 0.51	$ 4,948,430	$ 4,948,430	$ -
Registered motor vehicles taxed at current year's tax rate	147,571,471	0.51	752,615	-	752,615
Penalties	-		4,318	4,318	-
Total	1,117,851,782		5,705,363	4,952,748	752,615
Discoveries:					
Current year taxes	7,499,298		38,246	38,246	-
Prior year taxes	1,092,002		5,242	5,242	-
Penalties	-		3,914	3,914	-
Total	8,591,300		47,402	47,402	-
Releases:					
Property:					
Current year taxes	(1,754,896)		(8,950)	(8,950)	-
Prior year taxes	(3,236,485)		(15,535)	(15,535)	-
Motor Vehicles:					
Current year taxes	(9,868,455)		(50,329)	-	(50,329)
Prior year taxes	(505,491)		(2,405)	-	(2,405)
Penalties	-		(601)	(601)	-
Total	(15,365,327)		(77,820)	(25,086)	(52,734)
Total property valuation	$ 1,111,077,755				
Net Levy			5,674,945	4,975,064	699,881
Less uncollected taxes at June 30, 2015			136,702	135,412	1,290
Current Year's Taxes Collected			$ 5,538,243	$ 4,839,652	$ 698,591
Current Levy Collection Percentage			97.59%	97.28%	99.82%

STATISTICAL SECTION
(Unaudited)

This part of the City of Newton's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

NEWTON, NORTH CAROLINA

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CITY OF NEWTON, NORTH CAROLINA

Table 1

Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental Activities:										
Net investment in capital assets	$ 4,926,632	$ 5,716,932	$ 6,427,305	$ 6,559,160	$ 7,025,672	$ 7,130,316	$ 7,704,679	$ 7,819,537	$ 8,097,287	$ 7,984,441
Restricted	292,458	131,234	250,152	159,090	393,488	1,127,790	2,141,848	2,365,037	2,814,243	3,125,095
Unrestricted	4,034,295	4,675,329	4,200,628	4,136,962	3,381,059	2,640,730	2,783,144	3,163,055	3,517,744	4,373,511
Total governmental activities net position	$ 9,253,385	$ 10,523,495	$ 10,878,085	$ 10,855,212	$ 10,800,219	$ 10,898,836	$ 12,629,671	$ 13,347,629	$ 14,429,274	$ 15,483,047
Business-type Activities:										
Net investment in capital assets	$ 25,061,497	$ 25,436,728	$ 28,311,430	$ 28,914,131	$ 29,030,185	$ 29,078,708	$ 30,854,510	$ 30,063,136	$ 29,665,815	$ 29,007,878
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	2,935,057	2,636,122	1,012,074	1,620,541	3,128,651	4,403,843	4,137,292	5,702,567	6,650,083	7,281,257
Total business-type activities net position	$ 27,996,554	$ 28,072,850	$ 29,323,504	$ 30,534,672	$ 32,158,836	$ 33,482,551	$ 34,991,802	$ 35,765,703	$ 36,315,898	$ 36,289,135
Primary Government:										
Net investment in capital assets	$ 29,988,129	$ 31,153,660	$ 34,738,735	$ 35,473,291	$ 36,055,857	$ 36,209,024	$ 38,559,189	$ 37,882,673	$ 37,763,102	$ 36,992,319
Restricted	292,458	131,234	250,152	159,090	393,488	1,127,790	2,141,848	2,365,037	2,814,243	3,125,095
Unrestricted	6,969,352	7,311,451	5,212,702	5,757,503	6,509,710	7,044,573	6,920,436	8,865,622	10,167,827	11,654,768
Total primary government net position	$ 37,249,939	$ 38,596,345	$ 40,201,589	$ 41,389,884	$ 42,959,055	$ 44,381,387	$ 47,621,473	$ 49,113,332	$ 50,745,172	$ 51,772,182

CITY OF NEWTON, NORTH CAROLINA

Change in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses:										
Governmental activities:										
General government	$ 1,424,397	$ 1,385,640	$ 1,661,543	$ 1,678,411	$ 1,591,739	$ 1,946,752	$ 1,313,202	$ 1,016,494	$ 1,280,351	$ 1,389,614
Transportation	681,982	857,363	976,990	1,004,258	839,025	975,976	954,979	1,047,081	1,162,093	1,162,092
Environmental protection	781,433	874,193	901,985	935,190	927,344	917,124	938,935	1,006,970	1,051,744	1,043,820
Public Safety	4,731,304	4,626,004	4,714,227	4,982,326	4,770,652	4,776,714	4,917,591	5,124,114	5,245,701	5,316,433
Cultural and recreational	1,465,194	1,312,900	1,451,556	1,526,225	2,108,551	2,076,673	2,089,168	2,076,132	1,906,260	1,551,277
Economic and physical development	2,206	-	3,000	271,659	105,699	42,698	-	1,000	50,000	-
Interest on long-term debt	105,513	97,610	170,515	173,087	150,324	98,794	151,154	102,178	140,224	190,377
Total governmental activities expenses	9,192,029	9,153,710	9,879,816	10,571,156	10,493,334	10,834,731	10,365,029	10,373,969	10,836,373	10,653,613
Business-type activities:										
Water and Wastewater	4,504,122	5,200,144	5,748,155	5,695,133	5,696,945	5,751,998	6,165,378	6,279,211	6,762,583	6,590,574
Electric	10,457,559	11,514,375	11,701,113	12,039,436	12,055,754	13,080,453	13,419,024	13,804,985	14,673,951	15,599,254
Total business-type activities expenses	14,961,681	16,714,519	17,449,268	17,734,569	17,752,699	18,832,451	19,584,402	20,084,196	21,436,534	22,189,828
Total primary government expenses	$ 24,153,710	$ 25,868,229	$ 27,329,084	$ 28,305,725	$ 28,246,033	$ 29,667,182	$ 29,949,431	$ 30,458,165	$ 32,272,907	$ 32,843,441
Program Revenues:										
Governmental activities:										
Charges for services										
General government	$ 609,335	$ 488,684	$ 520,456	$ 499,368	$ 505,982	$ 219,066	$ 208,600	$ 273,757	$ 169,502	$ 179,212
Transportation	12,749	19,437	13,494	4,514	488	-	-	2,104	-	24,975
Environmental protection	366,593	487,772	476,222	587,051	578,162	574,846	575,067	757,023	881,425	886,194
Public safety	95,949	117,418	120,337	205,268	178,450	86,706	119,909	102,231	75,350	79,765
Cultural and recreational	86,369	92,469	87,959	119,893	110,732	83,628	68,561	68,544	175,478	81,399
Economic and physical development	18,517	17,355	20,883	14,889	14,273	-	-	-	-	-
Operating grants and contributions	432,563	425,414	477,979	479,868	447,973	30,879	482,714	486,590	624,303	524,449
Capital grants and contributions	704,064	722,633	13,938	31,508	105,522	448,357	1,364,849	36,089	125,805	294,285
Total governmental activities program revenues	2,326,139	2,371,182	1,731,268	1,942,359	1,941,582	1,443,482	2,819,700	1,726,338	2,051,863	2,070,279

continued

CITY OF NEWTON, NORTH CAROLINA

Change in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Business-type activities:										
Charges for services-Water and Wastewater	3,890,343	4,352,866	4,433,887	5,094,620	5,699,745	6,094,148	5,970,545	6,010,519	6,143,604	6,342,485
Charges for services - Electric	9,654,266	10,819,757	11,323,152	11,796,063	12,536,124	13,721,107	13,801,529	14,529,294	15,265,571	15,087,077
Operating grants and contributions	-	-	-	-	-	-	-	161	1,441	240,491
Capital grants and contributions	289,500	277,115	2,050,276	1,179,515	(3,868)	52,815	1,039,758	23,667	195,592	19,865
Total business-type activities program revenues	13,834,109	15,449,738	17,807,315	18,070,198	18,232,001	19,868,070	20,811,832	20,563,641	21,606,208	21,689,918
Total primary government program revenues	$ 16,160,248	$ 17,820,920	$ 19,538,583	$ 20,012,557	$ 20,173,583	$ 21,311,552	$ 23,631,532	$ 22,289,979	$ 23,658,071	$ 23,760,197
Net revenue (expense)										
Governmental activities	$ (6,865,890)	$ (6,782,528)	$ (8,148,550)	$ (8,628,797)	$ (8,551,752)	$ (9,391,248)	$ (7,545,329)	$ (8,647,631)	$ (8,784,510)	$ (8,583,334)
Business-type activities	(1,127,572)	(1,264,781)	358,046	335,628	479,303	1,035,619	1,227,430	479,445	169,674	(499,910)
Total primary government net expense	$ (7,993,462)	$ (8,047,309)	$ (7,790,504)	$ (8,293,169)	$ (8,072,449)	$ (8,355,629)	$ (6,317,899)	$ (8,168,186)	$ (8,614,836)	$ (9,083,244)
General Revenues and Other Changes in Net Position:										
Governmental activities:										
Ad valorem taxes	$ 3,720,668	$ 4,113,459	$ 4,472,139	$ 4,768,707	$ 5,080,456	$ 5,175,540	$ 5,091,914	$ 5,201,384	$ 5,535,417	$ 5,723,810
Local option sales tax	2,640,648	2,906,030	2,979,005	2,717,347	2,457,645	2,566,400	2,580,288	2,595,442	2,694,664	2,917,919
Utilities sales tax	676,425	707,527	735,324	768,977	776,181	785,773	781,701	759,087	810,418	935,345
Other taxes and licenses	291,783	295,132	332,767	354,549	390,137	948,139	811,413	788,672	813,734	917,719
Unrestricted investment earnings	151,292	211,644	144,014	37,402	6,913	9,013	7,498	11,004	7,922	16,443
Miscellaneous	77,979	98,748	(16,610)	173,943	252,347	-	-	-	-	-
Transfers	(201,650)	(279,900)	(143,500)	(215,000)	(466,921)	5,000	3,350	10,000	4,000	-
Total governmental activities	7,357,145	8,052,640	8,503,139	8,605,925	8,496,758	9,489,865	9,276,164	9,365,589	9,866,155	10,511,236

continued

CITY OF NEWTON, NORTH CAROLINA

Change in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

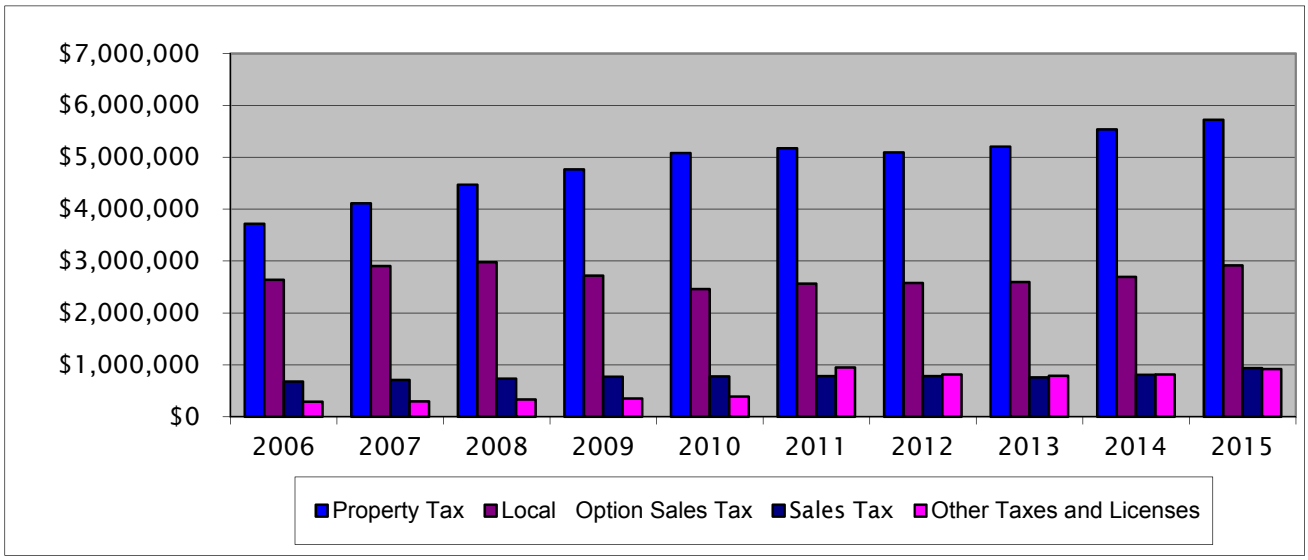
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Business-type activities:										
Other taxes and licences	272,619	302,426	293,824	285,311	293,352	286,181	277,993	297,967	319,537	735,702
Unrestricted investment earnings	122,910	156,135	91,899	20,600	8,464	6,915	7,177	6,490	5,081	8,758
Miscellaneous	289,739	602,615	363,383	354,628	376,124	-	-	-	31,870	4,728
Capital contributions	-	-	-	-	-	-	-	-	28,033	-
Transfers	201,650	279,900	143,500	215,000	466,921	(5,000)	(3,350)	(10,000)	(4,000)	-
Total business-type activities	886,918	1,341,076	892,606	875,539	1,144,861	288,096	281,820	294,457	380,521	749,188
Total primary government	$ 8,244,063	$ 9,393,716	$ 9,395,745	$ 9,481,464	$ 9,641,619	$ 9,777,961	$ 9,557,984	$ 9,660,046	$ 10,246,676	$ 11,260,424
Change in Net Position:										
Governmental activities	$ 491,256	$ 1,270,110	$ 354,589	$ (22,873)	$ (54,993)	$ 98,617	$ 1,730,835	$ 717,958	$ 1,081,645	$ 1,927,902
Business-type activities	(240,654)	76,296	1,250,654	1,211,168	1,624,165	1,323,715	1,509,250	773,902	550,195	249,278
Total primary government	$ 250,602	$ 1,346,406	$ 1,605,243	$ 1,188,295	$ 1,569,172	$ 1,422,332	$ 3,240,085	$ 1,491,860	$ 1,631,840	$ 2,177,180

CITY OF NEWTON, NORTH CAROLINA

Table 3

Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

Fiscal Year	Property Tax	Local Option Sales Tax	Utilities Sales Tax	Other Taxes and Licenses	Total
2006	$ 3,720,668	$ 2,640,648	$ 676,425	$ 291,783	$ 7,329,524
2007	4,113,459	2,906,030	707,527	295,132	8,022,148
2008	4,472,139	2,979,005	735,324	332,767	8,519,235
2009	4,768,707	2,717,347	768,977	354,549	8,609,580
2010	5,080,456	2,457,645	776,181	390,137	8,704,419
2011	5,175,540	2,566,400	785,773	948,139	9,475,852
2012	5,091,914	2,580,288	781,701	811,413	9,265,316
2013	5,201,384	2,595,441	759,087	788,672	9,344,584
2014	5,535,417	2,694,664	810,418	813,734	9,854,233
2015	5,723,810	2,917,919	935,345	917,719	10,494,793



CITY OF NEWTON, NORTH CAROLINA

Table 4

Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Basis of Accounting)
(Unaudited)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund:										
Reserved	$1,282,401	$1,070,027	$1,482,789	$ 804,056	$1,388,536					
Unreserved										
Designated	129,350	23,300	275,500	323,250	415,000					
Undesignated	2,262,782	2,842,104	2,353,432	2,694,337	1,872,934					
Non-Spendable - inventory	-	-	-	-	-	$ 47,797	$ 46,555	$ 62,836	$ 56,653	$ 41,363
Non-Spendable - prepaids	-	-	-	-	-	-	-	-	-	194,572
Restricted - Stabilization by State Statute	-	-	-	-	-	633,240	672,248	735,016	1,114,520	1,145,967
Restricted	-	-	-	-	-	413,353	2,368,989	1,763,479	2,017,530	2,374,069
Assigned	-	-	-	-	-	-	-	47,490	42,750	45,690
Unassigned	-	-	-	-	-	2,871,206	2,636,336	2,615,140	3,190,736	4,130,932
Total General Fund	$3,674,533	$3,935,431	$4,111,721	$3,821,643	$3,676,470	$3,965,596	$5,724,128	$5,223,961	$6,422,189	$7,932,593
All other Governmental Funds:										
Unreserved, reported in										
Special revenue funds	$ (6,175)	$ 60	$ 115,667	$ (4,758)	$ 10,587					
Capital projects funds	1,261,978	947,145	1,132,305	562,662	3,696					
Restricted - Stabilization by State Statute										
Special revenue funds	-	-	-	-	-	$ 6,864	$ 893	$ -	$ -	$ 1,076
Capital projects funds	-	-	-	-	-	3,303	280	127,364	27,619	75,443
Restricted										
Special revenue funds	-	-	-	-	-	-	1,369	1,734	5,781	17,505
Capital projects funds	-	-	-	-	-	-	-	-	2,302,634	7,634
Committed										
Special revenue funds	-	-	-	-	-	14,919	2,595	-	-	-
Capital projects funds	-	-	-	-	-	35,724	87,538	97,930	-	-
Unassigned										
Special revenue funds	-	-	-	-	-	(6,748)	(893)	-	(251,783)	-
Capital projects funds	-	-	-	-	-	-	-	-	-	(71,264)
Total expenditures	$1,255,803	$ 947,205	$1,247,972	$ 557,904	$ 14,283	$ 54,062	$ 91,782	$ 227,028	$2,084,251	$ 30,394

CITY OF NEWTON, NORTH CAROLINA

Table 5

Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Basis of Accounting)
(Unaudited)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues:										
Ad valorem taxes	$ 3,670,356	$ 4,050,291	$ 4,438,510	$ 4,778,068	$ 5,055,130	$ 5,122,713	$ 5,045,726	$ 5,136,073	$ 5,522,391	$ 5,820,879
Other taxes and licenses	2,932,431	3,201,162	3,311,772	3,078,204	2,857,098	2,930,535	2,969,847	2,961,194	3,062,603	3,374,238
Unrestricted intergovernmental	1,185,506	1,164,637	1,118,050	1,191,910	1,204,608	1,369,777	1,203,555	1,182,007	1,256,213	1,396,745
Restricted intergovernmental	724,477	679,678	529,144	513,078	597,264	474,851	667,112	495,228	734,785	505,854
Permits and fees	81,692	99,347	96,389	93,689	93,514	89,953	85,022	120,130	77,535	77,621
Sales and services	499,619	590,302	585,753	695,115	678,966	688,134	668,236	869,564	1,068,745	987,234
Investment earnings	151,292	211,644	144,014	37,581	6,934	7,244	6,751	10,271	6,955	14,278
Miscellaneous	511,270	462,232	165,048	219,541	134,051	190,544	1,399,330	241,416	170,798	499,570
Total revenues	9,756,643	10,459,293	10,388,680	10,607,186	10,627,565	10,873,751	12,045,579	11,015,883	11,900,025	12,676,419
Expenditures:										
Current:										
General government	1,347,987	1,340,147	1,653,311	1,509,016	1,473,652	1,421,950	1,226,079	1,190,651	1,297,639	1,424,326
Transportation	597,820	759,744	872,692	893,155	705,417	860,236	990,918	1,106,278	932,167	1,205,132
Environmental protection	716,224	790,997	819,716	848,560	853,462	853,954	899,515	1,276,480	994,820	987,293
Public safety	4,376,593	4,251,032	4,317,743	4,613,889	4,512,692	4,607,757	5,377,827	4,942,898	5,422,069	5,934,798
Cultural and recreational	1,442,367	1,272,118	1,411,037	1,480,708	2,072,172	2,009,886	2,008,898	2,080,553	1,699,457	1,605,676
Economic and physical development	788,336	1,007,041	908,077	920,126	170,216	391,090	133,577	1,000	50,000	-
Capital Outlay	692,765	561,323	673,591	1,002,279	712,186	-	-	251,314	1,605,278	2,066,766
Debt service:										
Principal	449,670	486,407	566,692	792,708	748,659	772,042	777,353	878,663	768,247	1,086,464
Interest	102,507	106,265	125,270	161,982	178,738	133,930	136,849	122,930	101,897	193,809
Total expenditures	10,514,269	10,575,074	11,348,129	12,222,423	11,427,194	11,050,845	11,551,016	11,850,767	12,871,574	14,504,264
Revenues over (under) expenditures	(757,626)	(115,781)	(959,449)	(1,615,237)	(799,629)	(177,094)	494,563	(834,884)	(971,549)	(1,827,845)
Other Financing Sources (Uses):										
Issuance of debt	906,700	247,600	1,554,750	823,000	509,150	501,000	1,298,339	443,682	4,023,000	1,284,392
Other miscellaneous receipts	-	100,000	-	57,626	45,631	-	-	-	-	-
Transfers from other funds	465,794	404,900	1,208,843	215,650	418,136	375,330	177,685	445,417	267,676	-
Transfers to other funds	(667,444)	(684,800)	(1,352,343)	(430,650)	(885,057)	(370,330)	(174,335)	(435,417)	(263,676)	-
Capital contributions	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	705,050	67,700	1,411,250	665,626	87,860	506,000	1,301,689	453,682	4,027,000	1,284,392
Net change in fund balances	$ (52,576)	$ (48,081)	$ 451,801	$ (949,611)	$ (711,769)	$ 328,906	$ 1,796,252	$ (381,202)	$ 3,055,451	$ (543,453)
Debt service as a percentage of non-capital expenditures	6.1%	6.6%	7.1%	9.0%	8.7%	8.7%	8.9%	9.5%	8.3%	11.6%

CITY OF NEWTON, NORTH CAROLINA

Table 6

Assessed Valuation of Property
Last Ten Fiscal Years
(Unaudited)

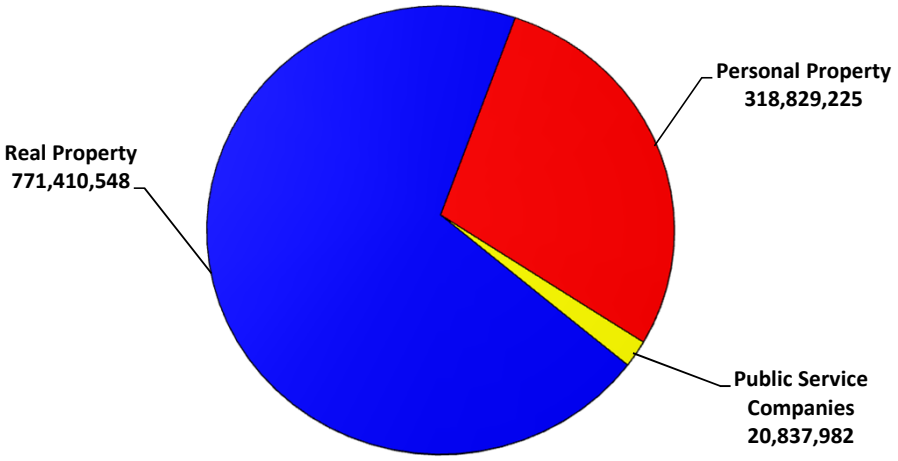
Fiscal Year		Assessed Value [1] Real Property	Personal Property [3]	Public Service Companies	Total	Property Tax Rate (Per $100 Assessed Value	Percent Increase in Value [2]
2006		$ 653,098,799	$ 185,603,814	$ 18,714,292	$ 857,416,905	$ 0.44	0.6%
2007		672,011,755	201,670,887	20,704,568	894,387,210	0.46	4.3%
2008	(2)	696,935,560	238,549,720	20,026,093	955,511,373	0.48	6.8%
2009		706,624,707	248,484,115	20,151,953	975,260,775	0.48	2.1%
2010		769,143,484	277,326,569	22,460,684	1,068,930,737	0.48	9.6%
2011		773,519,907	279,668,240	21,178,162	1,074,366,309	0.48	0.5%
2012	(2)	767,118,238	273,986,190	19,646,031	1,060,750,459	0.48	-1.3%
2013		770,022,896	293,650,012	19,881,983	1,083,554,891	0.48	2.1%
2014		769,626,622	353,362,911	18,978,817	1,141,968,350	0.48	5.4%
2015		771,410,548	318,829,225	20,837,982	1,111,077,755	0.51	-2.7%

NOTES:

(1) Assessed Value is established by Catawba County Assessor's office.

(2) North Carolina General Statutes require that a reappraisal of real property be conducted every eight years. A revaluation of real property is conducted every four years for the City of Newton

(3) Includes vehicles.



CITY OF NEWTON, NORTH CAROLINA

Table 7

Property Tax Rates-Direct and Overlapping Governments
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	City of Newton	Catawba County	Total City and County Rate
2006	$ 0.44	$ 0.490	$ 0.930
2007	0.46	0.490	0.950
2008	0.48	0.535	1.015
2009	0.48	0.535	1.015
2010	0.48	0.535	1.015
2011	0.48	0.530	1.010
2012	0.48	0.530	1.010
2013	0.48	0.530	1.010
2014	0.48	0.530	1.010
2015	0.51	0.530	1.040

Other Tax Data:

Tax rates are established on a per $100 valuation basis and are levied on July 1, the first day of the fiscal year.

There is a State statutory tax rate limit of $1.50 per hundred dollars valuation for operating expenses, but no limitation on the rate of tax, which may be levied for debt service.

The City has no financial responsibility for the public school system. The school system is funded with revenue derived from the County, State and Federal governments.

CITY OF NEWTON, NORTH CAROLINA

Table 8

Principal Property Taxpayers
Nine Years Ago and Current Year
(Unaudited)

		2015			2006		
Taxpayer	Type of Enterprise	Total Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Total Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Target Corp.	Distribution Center	$ 97,287,017	1	8.76%			
ZF Lemforder Corp.	Automotive Prod Mfg.	30,708,302	2	2.76%			
Sarstedt, Inc.	Pharmaceutical Plastics	24,446,408	3	2.20%	$ 7,733,182	8	0.91%
Flowers Baking Co.	Bread & Pastries	18,900,456	4	1.70%			
Technibilt, Ltd.	Shopping Cart Manufacturing	15,611,563	5	1.41%	9,282,238	5	1.09%
Peoples Bank	Banking	9,730,240	6	0.88%	8,829,482	6	1.04%
International Paper	Paper Products	9,704,176	7	0.87%			
Renwood Mills	Flour Mill	9,097,704	8	0.82%			
Bassett Furniture Industries	Furniture Manufacturing	7,697,904	9	0.69%	10,764,455	3	1.26%
Duke Energy Corporation	Electric Power	7,461,498	10	0.67%			
Comm Scope, Inc.	Fiber Optic Cable				23,631,519	1	2.77%
Midstate Mills, Inc.	Flour Mill				12,861,620	2	1.51%
Willamette Industries	Paper Products				10,083,881	4	1.18%
Bell South Telephone Co.	Utility				8,328,022	7	0.98%
Hickory Springs Mfg. Co.	Foam Manufacturer				6,333,815	9	0.74%
Prodelin	Satellite Equipment				5,845,768	10	0.69%
Totals		$ 230,645,268		20.76%	$ 103,693,982		12.17%

Source: Catawba County Tax Office

CITY OF NEWTON, NORTH CAROLINA

Table 9

Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Total Tax Levy for Fiscal Year	Current Year's Taxes Collected/ Credited	Percentage of Levy Collected	Collections in Subsequent Years	Total Collections and Credits	Percentage of Total Tax Collections To Net Levy	Taxes Receivable Balance- June 30 [1]
2006	$ 3,701,519	$ 3,539,881	95.6%	$ 142,550	$ 3,682,431	99.5%	$ 19,088
2007	4,090,445	3,909,686	95.6%	146,171	4,055,857	99.2%	34,588
2008	4,445,586	4,263,276	95.9%	152,295	4,415,571	99.3%	30,015
2009	4,727,721	4,543,983	96.1%	149,959	4,693,942	99.3%	33,779
2010	5,160,638	4,983,452	96.6%	142,554	5,126,006	99.3%	34,632
2011	5,162,400	4,945,369	95.8%	175,283	5,120,652	99.2%	41,748
2012	5,095,309	4,853,555	95.3%	183,173	5,036,728	98.9%	58,581
2013	5,225,531	4,951,737	94.8%	179,177	5,130,914	98.2%	94,617
2014	5,495,149	5,267,703	95.9%	110,546	5,378,249	97.9%	116,900
2015	5,674,945	5,538,243	97.6%	-	5,538,243	97.6%	136,702

NOTES:

[1] Includes current portion only of taxes receivable.

CITY OF NEWTON, NORTH CAROLINA

Table 10

Electricity Sold by Type of Customer
Last Ten Fiscal Years
(in millions of kWh)
(Unaudited)

Fiscal Year	Type of Customer			
	Residential	Industrial	Commercial	Total
2006	44.8	35.0	40.7	120.5
2007	45.8	49.2	41.4	136.4
2008	47.5	52.9	40.6	141.0
2009	47.9	50.7	42.6	141.2
2010	45.9	52.0	53.2	151.1
2011	51.8	55.1	51.8	158.7
2012	46.9	56.3	47.4	150.6
2013	47.4	55.0	46.9	149.3
2014	48.5	52.8	47.6	148.9
2015	47.6	51.5	47.0	146.1

Source: City of Newton Utility Billing

CITY OF NEWTON, NORTH CAROLINA

Table 11

Electricity Rates
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Residential				Industrial				
	Basic Facilities	Rate per kWh 1st 350	Rate per kWh next 950	Rate per kWh over 1300	Basic Facilities	Demand over 30 KW (per KW)	Rate per kWh 1st 3000	Rate per kWh next 9000	Rate per kWh over 12000
2006	$ 8.89	$ 0.075081	$ 0.084388	$ 0.075960	$ 18.38	$ 5.9600	$ 0.104778	$ 0.057292	$ 0.050206
2007	9.08	0.076660	0.086160	0.077556	18.77	6.0900	0.106980	0.058496	0.051261
2008	9.35	0.078960	0.088745	0.079883	19.15	6.1800	0.109120	0.059666	0.052286
2009	9.63	0.081329	0.091407	0.082279	19.53	6.3000	0.111302	0.060859	0.053332
2010	10.02	0.084582	0.095063	0.085570	20.12	6.4900	0.114641	0.062685	0.054932
2011	10.52	0.088811	0.099816	0.089849	21.13	6.8100	0.120373	0.065819	0.057679
2012	11.10	0.093696	0.105306	0.094791	22.29	7.1800	0.126994	0.069439	0.060851
2013	11.79	0.099505	0.111835	0.100668	23.67	7.6300	0.134868	0.073744	0.064624
2014	12.45	0.105077	0.118098	0.106305	25.00	8.0573	0.142421	0.077874	0.068243
2015	12.45	0.105077	0.118098	0.106305	25.00	8.0573	0.142421	0.077874	0.068243

	Commercial				
	Basic Facilities	Demand over 30 KW	Rate per kWh 1st 3000	Rate per kWh next 9000	Rate per kWh over 12000
2006	$ 11.93	$ 6.5100	$ 0.105488	$ 0.055402	$ 0.049967
2007	12.18	6.6500	0.107705	0.056565	0.051016
2008	12.55	6.8500	0.110936	0.058262	0.052546
2009	12.93	7.0524	0.114264	0.060010	0.054122
2010	13.45	7.3345	0.118835	0.062410	0.056287
2011	14.12	7.7012	0.124777	0.065531	0.059101
2012	14.90	8.1248	0.131640	0.069135	0.062352
2013	15.82	8.6285	0.139802	0.073421	0.066218
2014	16.71	9.1117	0.147631	0.077533	0.069926
2015	16.71	9.1117	0.147631	0.077533	0.069926

Source: City of Newton Utility Billing

CITY OF NEWTON, NORTH CAROLINA

Table 12

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Governmental Activities		Business-type Activities		Total Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Loans Payable	General Obligation Bonds	Loans Payable			
2006	$ 132,076	$ 3,406,978	$ 2,252,924	$ 17,272,816	$ 23,064,794	5.87%	$ 1,764
2007	98,102	3,202,144	1,821,898	16,428,141	21,550,285	5.25%	1,629
2008	74,088	4,214,217	1,375,912	14,856,831	20,521,048	4.76%	1,514
2009	50,329	4,268,268	934,671	17,749,555	23,002,823	5.42%	1,683
2010	27,080	4,052,008	502,920	15,939,600	20,521,608	4.57%	1,485
2011	4,343	3,803,702	80,657	13,923,727	17,812,429	4.11%	1,371
2012	-	4,329,031	-	16,468,617	20,797,648	4.62%	1,603
2013	-	3,894,050	-	16,571,480	20,465,530	4.48%	1,579
2014	-	7,148,803	-	16,068,940	23,217,743	N/A	1,782
2015	-	7,346,731	-	18,160,439	25,507,170	N/A	1,959

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.

(1) See Schedule of Demographic and Economic Statistics.

CITY OF NEWTON, NORTH CAROLINA

Table 13

Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Population [1]	Total Assessed Value	Gross Bonded Debt	Percentage of Estimated Actual Taxable Value of Property	Percentage of Personal Income	Per Capita
2006	13,075	$ 857,416,905	$ 2,385,000	0.28%	0.61%	$ 182
2007	13,229	894,387,210	1,920,000	0.21%	0.47%	145
2008	13,554	955,511,373	1,450,000	0.15%	0.34%	107
2009	13,670	975,260,775	985,000	0.10%	0.23%	72
2010	13,819	1,068,930,737	530,000	0.05%	0.12%	38
2011	12,995	1,074,366,309	85,000	0.01%	0.02%	7
2012	12,971	1,060,750,459	-	0.00%	0.00%	-
2013	12,961	1,083,554,891	-	0.00%	0.00%	-
2014	13,031	1,141,968,350	-	0.00%	N/A	-
2015	13,018	1,111,077,755	-	0.00%	N/A	-

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.

(1) See Schedule of Demographic and Economic Statistics.

CITY OF NEWTON, NORTH CAROLINA

Table 14

Direct and Overlapping Government Activities Debt
June 30, 2015
(Unaudited)

	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
County of Catawba	$ 152,705,633	6.68%	$ 10,200,736
Subtotal, overlapping debt			10,200,736
City of Newton direct debt			7,346,731
Total			$ 17,547,467

Note: The percentage of overlapping debt is based on the June 30, 2015 assessed valuation of the County of Catawba of $16,637,423,792 as compared to the June 30, 2015 assessed valuation for the City of Newton of $1,111,077,755.

CITY OF NEWTON, NORTH CAROLINA

Table 15

Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Assessed value of taxable property	$ 857,416,905	$ 894,387,210	$ 955,511,373	$ 975,260,775	$1,068,930,737	$1,074,366,309	$1,060,750,459	$1,083,554,891	$1,141,968,350	$1,111,077,755
Debt limit, 8% of assessed value (statutory limitation)	$ 68,593,352	$ 71,550,977	$ 76,440,910	$ 78,020,862	$ 85,514,459	$ 85,949,305	$ 84,860,037	$ 86,684,391	$ 91,357,468	$ 88,886,220
Debt applicable to limit:										
General obligation bonds	2,385,000	1,920,000	1,450,000	985,000	530,000	85,000	-	-	-	-
Loans payable	20,679,793	19,630,285	19,071,048	22,017,823	19,991,608	17,727,429	20,797,648	20,465,530	23,217,743	25,507,170
Total net debt applicable to limit	23,064,793	21,550,285	20,521,048	23,002,823	20,521,608	17,812,429	20,797,648	20,465,530	23,217,743	25,507,170
Legal debt margin	$ 45,528,559	$ 50,000,692	$ 55,919,862	$ 55,018,039	$ 64,992,851	$ 68,136,876	$ 64,062,389	$ 66,218,861	$ 68,139,725	$ 63,379,050
Total net debt applicable to the limit as a percentage of assessed property tax value	2.69%	2.41%	2.15%	2.36%	1.92%	1.66%	1.96%	1.89%	2.03%	2.30%

Note: North Carolina General Statute 159-55 limits the City's outstanding debt to 8% of the appraised value of property subject to taxation.

CITY OF NEWTON, NORTH CAROLINA

Table 16

Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Population[1]	Personal Income (amounts expressed in thousands)[5]	Per Capita Personal Income[2][5]	Median Age[1]	School Enrollment[3]	Unemployment Rate[4]
2006	13,075	$ 393,218	$ 30,074	36.7	2,901	5.4%
2007	13,229	410,774	31,051	36.7	2,852	5.6%
2008	13,554	431,329	31,823	37.0	2,863	7.2%
2009	13,670	424,481	31,052	38.1	2,808	15.5%
2010	13,819	449,173	32,504	38.2	2,861	13.0%
2011	12,995	432,993	33,320	39.6	2,863	12.1%
2012	12,971	450,301	34,716	40.0	2,889	11.3%
2013	12,961	456,875	35,250	40.3	2,977	10.8%
2014	13,031	N/A	N/A	40.5	3,073	7.1%
2015	13,018	N/A	N/A	40.7	3,094	6.1%

Data sources
(1) North Carolina Office of State Budget and Management
(2) U.S. Department of Commerce, Bureau of Economic Analysis
(3) North Carolina Department of Public Instruction
(4) North Carolina Department of Commerce
(5) Information not available for some years

Note: Separate Data for the City of Newton in not available except for the population amounts, and school enrollment. Catawba County data was provided. Personal income information is a total for the previous year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the end of the school year.

CITY OF NEWTON, NORTH CAROLINA

Table 17

Principal Employers
Current Year and Nine Years Ago
(Unaudited)

	2015			2006		
Employer	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Catawba County Schools	2,044	1	2.80%	2,051	1	2.60%
Catawba County Government	1,080	2	1.50%	1,152	2	1.50%
Lee Industries	650	3	0.90%	365	6	0.50%
Bassett Furniture	500	4	0.70%			
Target Distribution Center	469	5	0.60%			
Newton-Conover City Schools	434	6	0.60%			0.00%
McCreary Modern	361	7	0.50%	760	3	1.00%
Technibilt	350	8	0.50%	296	7	0.40%
United Church Homes & Services (Abernethy Laurels)	335	9	0.50%	294	8	0.40%
Flowers Baking Company	218	10	0.30%			
Goldtoe-Moretz				600	4	0.80%
Getrag Gears				370	5	0.50%
Sarstedt				200	9	0.30%
City of Newton				178	10	0.20%
Total	6,441		8.70%	6,266		8.00%
Total Civilian Labor Force	74,255			77,905		

Source: City of Newton Public Information Office

CITY OF NEWTON, NORTH CAROLINA

Table 18

Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years
(Unaudited)

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government										
Administration	3	3	3	3	3	3	3	4	4	4
Finance	8	8	8	9	9	9	9	9	9	9
Finance-Purchasing/Warehouse	2	2	2	2	2	2	2	2	2	2
Technology/MIS	2	2	2	2	2	2	2	2	2	2
Human Resources	2	2	2	2	2	2	2	2	2	2
Planning	4	4	4	5	5	4	4	3	3	3
Public Works Administration	3	3	2	3	3	2	2	2	2	2
Garage	2	2	2	2	2	2	2	2	2	2
Transportation										
Street	9	9	10	7	7	6	6	6	6	6
Powell Bill				3	3	3	3	3	3	3
Environmental Protection										
Sanitation	12	12	13	13	13	13	13	13	14	14
Public Safety										
Police										
Officers	35	35	35	35	34	35	35	35	36	36
Civilians	8	8	8	8	9	8	8	9	8	8
Fire	25	25	25	26	25	26	26	26	26	26
Cultural and Recreational										
Administration	11	11	11	11	11	10	10	10	10	10
Cemeteries	4	4	4	4	4	4	4	4	4	4
Water and Sewer										
Distribution & Collection	11	12	11	10	10	10	11	11	11	11
Water Treatment Plant	8	8	8	8	8	8	9	9	8	8
Waste Water Treatment Plant	13	13	13	13	13	12	12	12	12	12
Electric	14	15	15	15	15	15	15	15	14	14
Total	176	178	178	181	180	176	178	179	178	178

Source: Budgeted personnel records

CITY OF NEWTON, NORTH CAROLINA

Operating Indicators By Function
Last Ten Fiscal Years
(Unaudited)

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police**										
Calls for Service	20,336	19,587	17,812	22,720	25,078	26,517	23,609	22,265	20,352	21,951
Arrests	731	680	712	739	599	601	742	659	644	578
Traffic Stops	2,719	2,518	1,801	2,169	1,580	2,903	2,779	2,596	2,242	2,181
Citations	3,075	2,491	1,677	1,945	1,435	2,665	2,561	1,797	1,597	1,400
Property Checks*	442	235	347	5,554	8,611	8,669	6,148	4,656	5,255	5,719
Incidents	2,296	2,275	2,097	2,145	1,944	2,003	1,823	1,817	2,408	2,445
Fire										
Emergency Incidents(Calls)	823	689	828	806	826	883	911	1,110	1,098	1,634
Fire Inspections Completed	801	529	546	601	543	492	575	535	578	604
Fire Prevention Programs	172	442	265	237	257	176	244	131	76	51
Permits Issued	56	40	51	39	28	40	42	42	24	89
Training Hours Completed	9,248	8,218	10,181	7,829	8,721	9,282	10,453	8,638	8,795	5,735
Highways & Streets										
Paved/Resurfaced (miles)	2.09	-	1.39	3.00	2.00	2.00	1.27	1.04	-	3.44
Potholes Repaired	43	53	65	11	69	72	28	35	54	20
Sanitation										
Residential collections (tons)	6,493	4,711	4,495	4,114	4,263	4,343	4,281	4,260	4,360	4,269
Recyclables (tons)	531	422	418	472	464	418	439	418	387	383
Yardwaste collected (tons)	2,009	717	279	440	733	1,940	994	2,115	1,191	975
Households served**	5,077	5,077	5,368	5,368	5,368	5,440	5,440	4,632	4,642	4,645

CITY OF NEWTON, NORTH CAROLINA

Operating Indicators By Function
Last Ten Fiscal Years
(Unaudited)

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Culture & Recreation (participants)										
Center activities	9,713	17,691	18,011	19,252	21,126	23,351	24,123	24,150	26,149	27,800
Athletic	21,022	34,086	36,250	56,205	58,093	60,874	70,326	65,987	60,175	61,152
Fitness Room	1,761	1,901	2,565	3,575	3,721	3,250	3,200	1,200	1,204	1,351
Swimming Pool	3,837	5,300	5,611	6,571	-	983	3,106	3,227	3,424	3,972
Shelters	607	750	842	1,085	1,750	2,345	2,514	3,255	4,215	5,497
Cemetery burials	55	61	60	50	59	48	46	57	90	65
Water										
New connection	47	59	83	38	28	21	15	20	11	17
Water main breaks	15	22	44	46	32	33	23	12	12	12
Avg Daily Consumption (MGD)	2.36	3.29	3.4	3.4	3.6	3.8	3.6	3.7	3.7	3.5
Number of customers	5,974	5,950	6,007	6,010	5,989	5,956	5,977	5,965	5,974	6,032
Wastewater										
Average daily usage (MGD)	2.40	2.03	1.64	1.64	1.90	1.80	1.70	1.80	1.95	1.80
Number of customers	4,668	4,653	4,682	4,681	4,663	4,679	4,653	4,656	4,670	4,687
Electric										
Average daily usage (Kwh)	325,466	394,807	386,553	387,314	411,850	434,421	436,351	431,198	426,462	422,703
Peak demand	26,944	29,748	31,033	28,969	33,758	35,394	32,221	31,076	34,514	35,316
Number of customers	4,443	4,465	4,571	4,560	4,526	4,428	4,428	4,425	4,435	4,456

Sources: Various government departments.
Note: Indicators are not available for the general government function.
* Substantial increase beginning in Fiscal Year 2008-2009 is due to including churches as part of daily property checks.
** Beginning in Fiscal Year 2012-2013 tracking was completed through the use of updated computer software programs.

CITY OF NEWTON, NORTH CAROLINA

Table 20, page 1 of 2

Capital Asset Statistics by Function
Last Ten Fiscal Years
(Unaudited)

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police										
Police stations	2	4	3	3	3	3	3	3	3	3
Police patrol vehicles	36	28	29	30	35	30	31	30	35	33
Other police vehicles	12	19	19	18	18	18	22	16	16	16
Fire										
Fire Stations	3	3	3	3	3	3	3	3	3	3
Fire Suppression Vehicles	9	9	9	9	9	9	9	10	10	10
Other Fire Vehicles	5	6	7	7	7	7	7	7	7	6
Highways & Streets										
Streets maintained (miles)	76.83	77.22	77.39	77.39	76.34	76.58	77.39	77.39	77.39	77.39
Storm Sewer (miles)	26.19	26.46	26.52	26.52	56.48	56.53	65.36	65.4	65.4	65.4
Sidewalk (miles)	27.50	27.84	27.84	27.84	27.84	27.84	27.84	27.84	27.84	27.84
Catch Basin inlets	1,364	1,377	1,380	1,380	1,380	1,380	1,380	1,380	1,380	1,380
Powell Bill equipment	15	15	15	15	15	15	15	9	9	8
Street equipment	18	18	18	18	18	18	18	28	30	26
Sanitation										
Residential trucks	4	4	4	4	4	4	4	4	4	4
Dumpster Trucks	2	2	2	2	2	2	2	2	2	2
Other Equipment	11	11	11	11	11	11	11	10	10	10

CITY OF NEWTON, NORTH CAROLINA

Capital Asset Statistics by Function
Last Ten Fiscal Years
(Unaudited)

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Culture & Recreation										
Recreation centers	2	2	2	2	2	2	2	2	2	2
Parks	5	5	5	5	5	5	5	5	5	5
Park acreage	63.5	63.5	63.5	63.5	153.5	153.5	153.5	153.5	153.5	153.5
Swimming pool	1	1	1	1	1	1	1	1	1	1
Tennis courts	8	8	8	8	8	8	8	8	8	8
Cemeteries	3	3	3	3	3	3	3	3	3	3
Water										
Water lines (miles)	178.5	175.7	182.9	182.9	182.9	182.9	182.5	182.5	182.5	182.5
Fire hydrants	1,067	1,070	1,075	1,075	1,077	1,077	1,077	1,022	1,022	1,024
Max. daily capacity (MGD)	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Wastewater										
Max. daily capacity (MGD)	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Sanitary sewer lines (miles)	127	119	130.5	132.5	132.5	132.5	134.7	132	132	132
Electric										
Substations	5	5	5	5	5	5	3	2	2	2
Service lines (miles)	110	125	125	125	125	125	125	125	125	125

Sources: Various government departments.
Note: Indicators are not available for the general government function.

COMPLIANCE SECTION

Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit of Financial Statements Performed In Accordance With *Government Auditing Standards*

Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance With OMB Circular A-133; And The State Single Audit Implementation Act

Schedule of Findings and Questioned Costs

Summary Schedule of Prior Year's Audit Findings

Schedule of Expenditures of Federal and State Awards

NEWTON, NORTH CAROLINA

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& ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit of Financial Statements Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Newton
Newton, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newton, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 16, 2015.

Internal Control Over Financial Reporting

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

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

730 13th Avenue Drive SE ♦ Hickory, North Carolina 28602 ♦ Phone 828-327-2727 ♦ Fax 828-328-2324
13 South Center Street ♦ Taylorsville, North Carolina 28681 ♦ Phone 828-632-9025 ♦ Fax 828-632-9085
Toll Free Both Locations 1-800-948-0585 ♦ Website: www.martinstarnes.com

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of This Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
October 16, 2015

MARTIN ♦ STARNES
& ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance With OMB Circular A-133; And The State Single Audit Implementation Act

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Newton
Newton, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the City of Newton, North Carolina's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Newton's major federal programs for the year ended June 30, 2015. The City of Newton's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Newton's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133 and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Newton's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

730 13th Avenue Drive SE ♦ Hickory, North Carolina 28602 ♦ Phone 828-327-2727 ♦ Fax 828-328-2324
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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Newton's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Newton complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the City of Newton is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Newton's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
October 16, 2015

CITY OF NEWTON, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
· Material weakness identified?	No
· Significant deficiency identified that are not considered to be material weaknesses?	None reported
Non-compliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
· Material weakness identified?	No
· Significant deficiency identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	No

Identification of major federal programs:

Names of Federal Program or Cluster	CFDA No.
Clean Water State Revolving Fund	66.458
Dollar threshold used to distinguish between Type A and Type B Programs	$300,000
Auditee qualified as low risk auditee?	No

2. Financial Statements Findings

None reported.

3. Federal Award Findings

None reported.

CITY OF NEWTON, NORTH CAROLINA

SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

None reported.

CITY OF NEWTON, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct and Pass-through) Expenditures	State Expenditures
Federal Grants:				
Cash Programs:				
U.S. Department of Justice				
Passed-through the N.C. Department of Public Safety:				
Governor's Crime Commission				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	PROJ009696	$ 56,289	$ -
U.S. Department of Homeland Security				
Passed-through Federal Emergency Management Agency:				
Assistance to Firefighters Grant	97.044	EMW-2012-FO-00422	1	-
Passed-through the N.C. Department of Public Safety:				
Division of Emergency Management:				
Disaster Grants - Public Assistance:				
July 27, 2013 Mountain Floods	97.036	FEMA-4153-DR-NC	180,112	-
Total Federal Emergency Management Agency			180,113	-
U.S. Environmental Protection Agency				
Passed-through N.C. Department of Environment and Natural Resources:				
Division of Water Quality:				
Clean Water State Revolving Fund	66.458	E-SRF-T-13-0335	233,545	-
Total assistance - federal programs			469,947	-
State Grants:				
Cash Assistance:				
N.C. Department of Transportation:				
Powell Bill		32570	-	464,684
Total assistance - State programs			-	464,684
Total assistance			$ 469,947	$ 464,684

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards includes the Federal and State grant activity of the City of Newton and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

Note 2 - Loans Outstanding

City of Newton had the following loan balances outstanding at June 30, 2015. These loan balances outstanding are also included in the Federal expenditures presented in the schedule.

Program Title	CFDA Number	Pass-through Grantor's Number	Amount Outstanding
Clean Water State Revolving Fund	66.458	E-SRF-T-13-0335	$ 1,042,539

NEWTON, NORTH CAROLINA

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