

**CITY OF NEWTON, NORTH CAROLINA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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PREPARED BY  
CITY OF NEWTON FINANCE DEPARTMENT



CITY OF NEWTON, NORTH CAROLINA

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

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## **INTRODUCTORY SECTION**

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- **Letter of Transmittal**
  - **GOFA Certificate of Achievement**
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  - **List of Principal Officials**
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October 25, 2012

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, 2012 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, 2012.

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 Stames 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, 2012, 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, 2012 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 12,971.

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 - challenging places to work, 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 service. 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 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 Old Post Office Playhouse in the downtown which opened in 2010 and 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 Historical Museum located in downtown provides a significant collection of the county's history from early settlers, to the furniture, textile, telecommunications industries

that have thrived in the area. The City has six parks, two recreation centers, a large pool, one and a half miles of greenway and an amphitheatre in terms of recreation facilities.

#### ***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.

#### ***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.

#### ***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.

#### ***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.

#### ***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

focus of the outdoor museum is to collect, restore, and preserve railroad equipment representative of the long history of railroads in western North Carolina, and to provide an enjoyable educational experience for individuals, families, school groups, and tourists.

## **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 been instrumental in developing, but not implemented, an incentive plan for new and expanding businesses, initiating a study of the City's branding and marketing efforts, and developing a database of information on the existing business mix within the City to be used for recruiting new businesses. City Council recently granted the BAC's request for funding to begin work on a wayfinding signage program as an economic development tool to attract visitors and new businesses to the City. The BAC has initiated meetings between developers, property owners, architects, and regulators to facilitate new business development and real estate investment.

### ***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 to gain a listing for downtown Newton in the National Register of Historic Places. The DNDA has also been instrumental in the restoration of facades of two downtown buildings in the last four years.

### ***Business Expansions***

Sarstedt, Inc., a manufacturer of consumables in the field of medicine and research, completed a \$14.2 million, 50,000 square foot automated storage and retrieval facility in May of 2012 with the addition of twenty (20) new jobs.

Technibilt/Cari-All (Technibilt, Ltd.), manufacturer of shopping carts, has plans to invest substantially over the next five (5) years - \$1 million in the current year and \$3 million next year.

Target Distribution Center, the nation's second largest general merchandise retailer, with a 1.6 million square foot automated facility

located in Newton has plans to create 100 new jobs. Target currently employs approximately 500 employees.

Goodwill Industries opened a new 19,000 square foot outlet store in the City in late 2011.

The City's downtown has continued to have a good mix of business types and a low vacancy rate. The downtown area currently has three renovation projects underway for a wine bar, a bakery, and an artists' studio. A restaurant, though currently vacant, has been renovated and a new restaurant opening is anticipated within the next few months.

### **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 modern, 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. Newton has been fortunate to have recently experienced adaptive re-use of several former textile and furniture facilities creating jobs and diversifying the mix of companies providing employment.

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, Target Distribution Center, and the North American headquarters of Sarstedt Corporation.

### ***Unemployment***

The current worldwide recessionary conditions have had a significant effect on the State, region, County and City in terms of unemployment.

During the past eleven years the unemployment rate for North Carolina rose from 3.6% (September 2000) to 10.4% (September 2009). The State and national unemployment rates as of August 2012 were 9.7% and 8.2%, respectively. Unemployment in the near term is expected to gradually decrease as the worldwide economic recovery accelerates.

The City of Newton has had tremendous success over the past several years with announcements of new company locations including General Dynamics, Target Distribution Center, Flowers Baking, and ZF Lemforder. 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.

### **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.

The City adopted a 5-Year Capital Improvement Plan for fiscal years 2013 - 2017 which encompass long-range capital improvements which coordinates community infrastructure needs with the financial capacity of the City.

- The City completed the replacement of the Snow Creek Sewer Line Phase I in fiscal year 2011-12. The Snow Creek Sewer Line Replacement Project Phase II with a project cost of \$1.4 million will replace the rest of the existing Snow Creek Sewer Outfall Line which is some 50 years old. As in Phase I of this project, Phase II will eliminate the rain water inflow which has caused overflows of wastewater into creeks and wooded areas. The project consists of (1) replacing approximately 11,200 linear feet (l.f.) of 12-inch pipe with ductile iron pipe of the same diameter; (2) rehabilitating approximately 1,200 L.F. of 12-inch pipe using Cured-In-Place-Pipe (CIPP); (3) replacing approximately 32 brick manholes; and (4) rehabilitating approximately ten manholes.

- The City will begin a \$270,000 culvert project, better known as the AC Little Culvert Project, which will remove and replace approximately 75 LF of 72" Corrugate Metal Pipe (CMP) culvert with 6'x4' modular concrete box culvert. The replacement of the culvert will eliminate the failure of the culvert and the resulting failure of the road in the near future.
- In 2004 the City committed to a 7 year \$7.7 million Master Plan for the City's electrical utility. The City is completing its final phase in converting all of the forty (40) to sixty (60) year old primary circuit conductors, transformers, and equipment from 4kv to 24 kv in the downtown area, southern area, western area and the final phase in the northern area of the City. The cost of the final phase of this project is \$650,000.
- The City has completed numerous water and sewer rehabilitation projects in fiscal year 2011-2012 and will continue in fiscal year 2012-2013 to replace deteriorated infrastructure due to age. These improvements will provide better water flows and water pressure to those areas and reduce infiltration and inflow into the sewer system.

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, 2011. This marked the twenty seventh 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 second consecutive year in a row by the Arbor Day Foundation, the nation's largest nonprofit organization dedicated to planting trees.

The City was recognized by ElectriCities for the second consecutive year in a row for five Public Power Awards of Excellence in the following areas: Competitive Business Environment, Energy Efficiency, Financial Stability, Legislative Involvement and Service Excellence.

For the tenth consecutive year in a row, the City has earned the Area Wide Optimization Program Award (AWOP) presented by the North Carolina Department of Environment and Natural Resources (NCDENR).

Ash Center for Democratic Governance and Innovation at Harvard Kennedy School recognized the City as a 2012 Bright Ideas in Government Initiative for Affordable Downtown Wi-Fi. The Bright Ideas initiative recognizes noteworthy and promising government programs and practices that government leaders, public servants, and other individuals can learn from in order to adopt initiatives that work.

The City was also the recipient of two awards that are indicative of safety for our citizens and employees: a 2011 Gold Safety Award from the N.C. Department of Labor for the functions of administration, fire, police, public works and wastewater treatment and a 2011 Municipal Electric Safety Award from Electricities of North Carolina.

## **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 Stames 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

# 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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



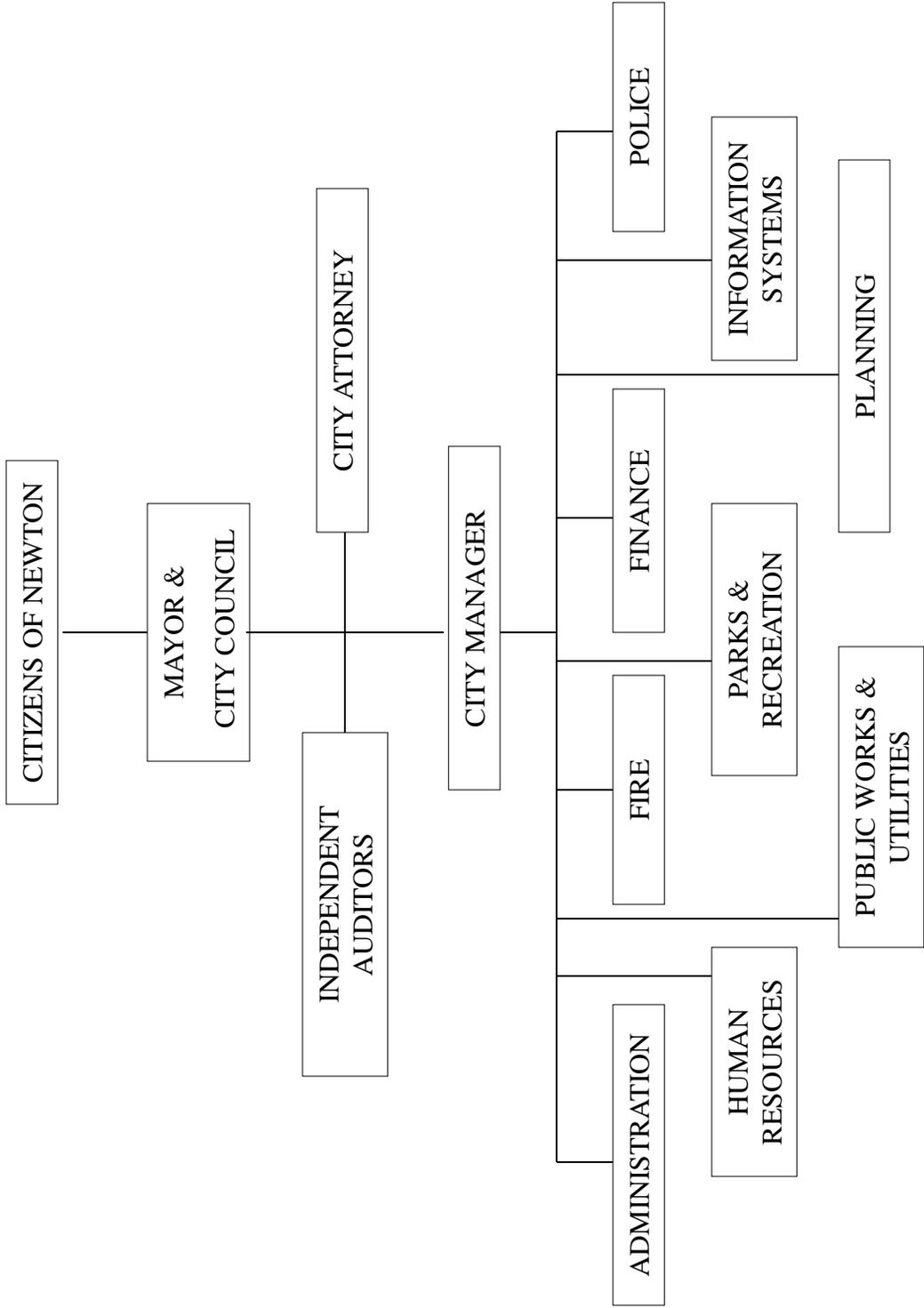
*Linda C. Davison*

President

*Jeffrey R. Emer*

Executive Director

# CITY OF NEWTON ORGANIZATIONAL CHART



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**CITY OF NEWTON, NORTH CAROLINA**

**LIST OF PRINCIPAL OFFICIALS**

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**CITY COUNCIL**



**ANNE P. STEDMAN**

*Mayor*



**WAYNE DELLINGER**



**WES WEAVER**



**H. TOM ROWE**



**MARY BESS LAWING**



**BILL LUTZ**  
*Mayor Pro Tem*



**ROBERT C. ABERNETHY JR.**

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**CITY OF NEWTON, NORTH CAROLINA**

**LIST OF PRINCIPAL OFFICIALS**

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**CITY ADMINISTRATION**



**E. TODD CLARK**  
City Manager

**DONALD G. BROWN II**  
Police Chief

**ALEX FULBRIGHT**  
Interim Planning Director

**KEVIN L. YODER**  
Fire Chief

**SERINA T. HINSON**  
Finance Director

**AMY S. FALOWSKI**  
City Clerk

**TERESA B. LAFFON**  
Human Resources Director

**WILCE MARTIN**  
Public Works/Utilities Director

**JASON CLAY**  
Information Systems Director

**SANDRA A. WATERS**  
Parks and Recreation Director

**LARRY PITTS**  
City Attorney

## **FINANCIAL SECTION**

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- **Independent Auditors' Report**
  - **Management Discussion and Analysis**
  - **Basic Financial Statements**
  - **Notes to the Financial Statements**
  - **Required Supplementary Information**
  - **Combining, Individual Fund Statements and Schedules**
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# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

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

## INDEPENDENT AUDITORS' REPORT

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

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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Newton's management. Our responsibility is to express opinions on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the 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, 2012, and the respective changes in financial position and cash flows, where appropriate thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2012 on our consideration of the City of Newton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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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](http://www.martinstarnes.com)

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance and the Other Post-Employment Benefits' Schedules of Funding Progress and Employer Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 assurance.

Our audit was performed for the purpose of forming opinions on the basic financial statements that collectively comprise the basic financial statements of the City of Newton, North Carolina, as a whole. The introductory section, combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act and is also 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 awards are the responsibility of management and were derived from and relate directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
October 25, 2012

## 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, 2012. 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

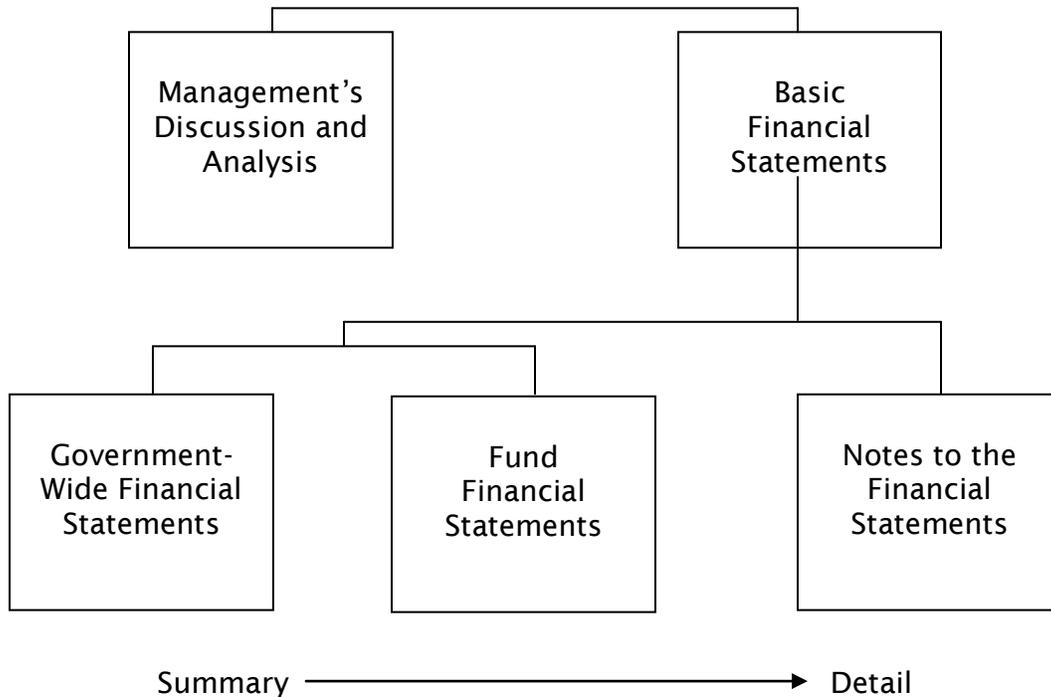
- The assets of the City of Newton exceeded its liabilities at the close of the fiscal year by \$47,621,472 (net assets). Of this amount, \$6,920,435 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$3,240,085 due to increases in both governmental activities and business-type activities net assets.
- As of the close of the current fiscal year, the City of Newton's governmental funds reported combined ending fund balances of \$5,815,910 with a net change of \$1,796,252 in fund balance. Approximately, 53.14 percent of this total amount, or \$3,090,334, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,636,336, or 22.86 percent of total General Fund expenditures and transfers out for the fiscal year.
- The City of Newton's total debt increased by \$3,006,195 or 15.99%, 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 \$21,804,906.
- The City's legal debt limit is \$84,860,037 (8 percent of assessed valuation), and the City's legal debt margin is \$64,062,389. The total legal indebtedness of the City is \$20,797,648, which represents 1.96% 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.

## 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 assets and how they have changed. Net assets are the difference between the City’s total assets and total liabilities. Measuring net assets 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 Assets 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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

**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 Assets 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 24-60 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 61 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 63-82 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 Assets

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Assets:</b>						
Current and other assets	\$ 7,146,397	\$ 5,507,780	\$ 9,481,760	\$ 6,897,964	\$ 16,628,157	\$ 12,405,744
Capital assets	<u>11,133,251</u>	<u>10,711,962</u>	<u>44,092,531</u>	<u>42,335,621</u>	<u>55,225,782</u>	<u>53,047,583</u>
Total assets	<u>18,279,648</u>	<u>16,219,742</u>	<u>53,574,291</u>	<u>49,233,585</u>	<u>71,853,939</u>	<u>65,453,327</u>
<b>Liabilities:</b>						
Long-term liabilities	4,070,219	3,658,945	14,684,279	11,878,960	18,754,498	15,537,905
Other liabilities	<u>1,579,758</u>	<u>1,661,961</u>	<u>3,898,211</u>	<u>3,872,074</u>	<u>5,477,969</u>	<u>5,534,035</u>
Total liabilities	<u>5,649,977</u>	<u>5,320,906</u>	<u>18,582,490</u>	<u>15,751,034</u>	<u>24,232,467</u>	<u>21,071,940</u>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	7,704,679	7,130,316	30,854,510	29,078,708	38,559,189	36,209,024
Restricted	2,141,848	1,056,760	-	-	2,141,848	1,056,760
Unrestricted	<u>2,783,144</u>	<u>2,711,760</u>	<u>4,137,291</u>	<u>4,403,843</u>	<u>6,920,435</u>	<u>7,115,603</u>
Total net assets	<u>\$ 12,629,671</u>	<u>\$ 10,898,836</u>	<u>\$ 34,991,801</u>	<u>\$ 33,482,551</u>	<u>\$ 47,621,472</u>	<u>\$ 44,381,387</u>

As noted earlier, net assets may serve, over time, as one useful indicator of a government's financial condition. The assets of the City of Newton exceeded liabilities by \$47,621,472 as of June 30, 2012. The City's net assets increased by \$3,240,085 for the fiscal year ended June 30, 2012. However, the largest portion (80.97%) reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. 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 investment in its 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 assets, \$2,141,848 or 4.5%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,920,435 is unrestricted.

At the end of the current fiscal year, the City of Newton is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation was true for the prior fiscal year.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 95.26%, which is comparable to the 2011 statewide average of 97.21% for units with electrical systems.
- Increase in operating grants of \$451,835.

### City of Newton's Changes in Net Assets

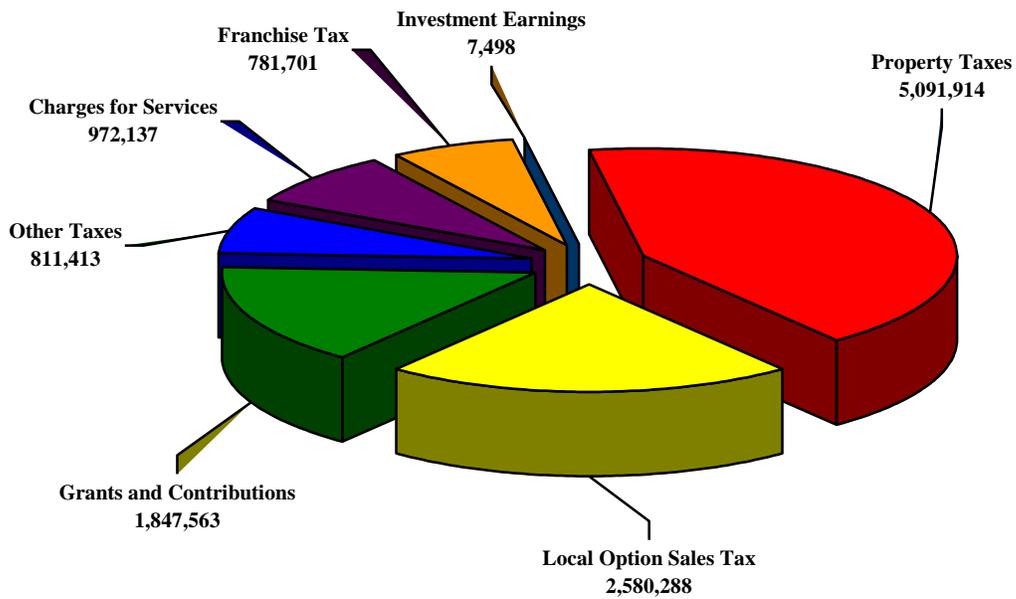
Figure 3

	2012			2011		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 972,137	\$ 19,772,074	\$ 20,744,211	\$ 964,246	\$ 19,815,255	\$ 20,779,501
Operating grants and contributions	482,714	-	482,714	30,879	-	30,879
Capital grants and contributions	1,364,849	1,039,758	2,404,607	448,357	52,815	501,172
General revenues:						
Property taxes	5,091,914	-	5,091,914	5,175,540	-	5,175,540
Other taxes	4,173,402	277,993	4,451,395	4,300,312	286,181	4,586,493
Unrestricted investment earnings	7,498	7,177	14,675	9,013	6,915	15,928
Other	-	-	-	-	-	-
Total revenues	<u>12,092,514</u>	<u>21,097,002</u>	<u>33,189,516</u>	<u>10,928,347</u>	<u>20,161,166</u>	<u>31,089,513</u>
<b>Expenses:</b>						
General government	1,313,202	-	1,313,202	1,946,751	-	1,946,751
Public safety	4,917,591	-	4,917,591	4,776,714	-	4,776,714
Transportation	954,979	-	954,979	975,976	-	975,976
Environmental protection	938,935	-	938,935	917,124	-	917,124
Culture and recreation	2,089,168	-	2,089,168	2,076,672	-	2,076,672
Economic development	-	-	-	42,698	-	42,698
Operations	-	19,017,509	19,017,509	-	18,252,480	18,252,480
Interest on long-term debt:						
Governmental	151,154	-	151,154	98,795	-	98,795
Water and wastewater	-	336,843	336,843	-	342,303	342,303
Electric	-	230,050	230,050	-	237,668	237,668
Total expenses	<u>10,365,029</u>	<u>19,584,402</u>	<u>29,949,431</u>	<u>10,834,730</u>	<u>18,832,451</u>	<u>29,667,181</u>
Increase in net assets	1,727,485	1,512,600	3,240,085	93,617	1,328,715	1,422,332
Transfers in (out)	<u>3,350</u>	<u>(3,350)</u>	<u>-</u>	<u>5,000</u>	<u>(5,000)</u>	<u>-</u>
Increase (decrease) in net assets	1,730,835	1,509,250	3,240,085	98,617	1,323,715	1,422,332
<b>Nets Assets:</b>						
Beginning of year - July 1	10,898,836	33,482,551	44,381,387	10,800,219	32,158,836	42,959,055
End of year - June 30	<u>\$ 12,629,671</u>	<u>\$ 34,991,801</u>	<u>\$ 47,621,472</u>	<u>\$ 10,898,836</u>	<u>\$ 33,482,551</u>	<u>\$ 44,381,387</u>

**Governmental Activities.** Governmental activities increased the City's net assets by \$1,730,835, accounting for a 53.42% increase in the net assets of the City of Newton. Key elements of this increase are as follows:

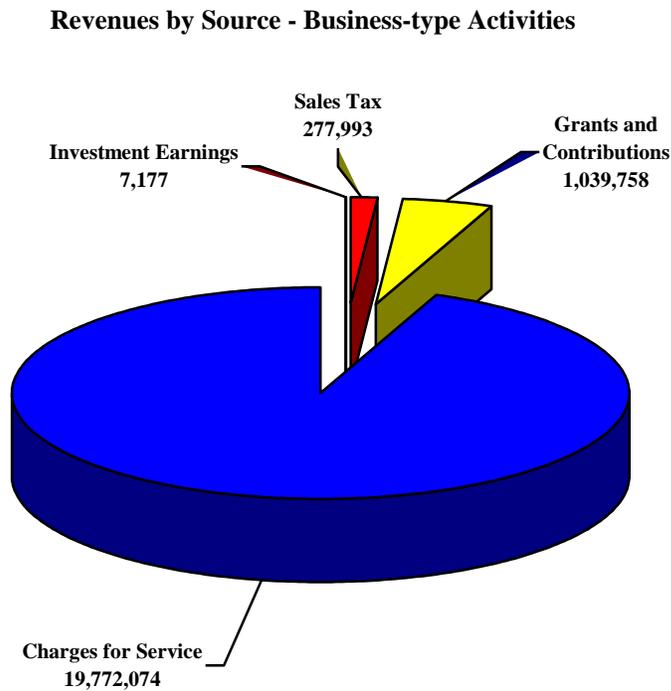
- Grant revenues for public safety operations and capital needs increased by \$182,041.
- \$1.2 million capital contribution in cultural and recreational activities.

### Revenues by Source - Governmental Activities



**Business-Type Activities.** Business-type activities increased the City of Newton’s net assets by \$1,509,250, accounting for a 46.58% increase of the total growth in the net assets of the City of Newton. Key elements of this increase are as follows:

- The City recognized a change in net assets of \$1,509,250 in the Proprietary Funds, primarily due to a 5.5% rate increase and a \$231,375 contribution in the Electric fund, as well as a \$697,000 Clean Water Management Trust Fund Grant in the Water/Wastewater Fund.



### 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 \$5,005,325, while total fund balance was \$5,724,128. 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 43.40 percent of the total General Fund expenditures and transfers out, while total fund balance represents 49.63 percent of that same amount.

At June 30, 2012, the governmental funds of the City of Newton reported a combined fund balance of \$5,815,910 with a net increase in fund balance of \$1,796,252. Included in this change in fund balance are increases in fund balance in the General Fund, the Special Revenue Funds and the Capital Project Fund. Key factors in this increase are as follows:

- Other revenues increased by \$1,208,786 due to a \$1.2 million contribution for the purpose of recreation capital expenditures.
- General government expenditures decreased by \$195,871 under the prior fiscal year.
- Economic and physical development expenditures decreased by \$257,513 under the prior fiscal year.

**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.

Revenues were more than budgeted amounts primarily because the city did not expect to receive some of the other revenues that became available.

General Fund expenditures were under budget by \$1,244,971, a variance of 9.9 percent from the final budget. All departments were conservative in their spending due to the slow recovering economy. The most significant savings were realized due to deferred capital projects.

**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 assets of the Water and Wastewater Fund at the end of the fiscal year amounted to \$1,003,713, and those for the Electric Fund amounted to \$3,031,367. The total changes in net assets for both funds were \$502,796 and \$999,234, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Newton's business-type activities.

## 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, 2012 totals \$55,225,782 (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 governmental equipment and vehicle purchases of \$979,046, including new records management software for public safety at a cost of \$355,538.
- The completion of improvements for energy efficient lighting to City facilities.
- Construction related to improvements of a wastewater pump station on Burris Road with total costs to date of \$1,362,564.
- Due to dilapidation, the City initiated several water and wastewater rehabilitation projects with current costs of \$1,443,497 included in the construction in progress amounts.
- Continued conversion of the electrical system from 4KV to 24KV recognized \$474,372 additions during the fiscal year.

Additional information on the City's capital assets can be found beginning on page 37 of this report.

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 2,007,259	\$ 2,005,509	\$ 215,332	\$ 215,332	\$ 2,222,591	\$ 2,220,841
Buildings and improvements	2,925,630	2,694,515	7,889,160	8,458,854	10,814,790	11,153,369
Distribution systems	-	-	29,864,102	28,361,729	29,864,102	28,361,729
Public domain infrastructure	3,734,652	3,815,904	-	-	3,734,652	3,815,904
Vehicles	1,136,881	1,118,797	651,498	343,230	1,788,379	1,462,027
Equipment	1,237,925	823,914	2,288,276	2,441,098	3,526,201	3,265,012
Construction in progress	90,904	253,323	3,184,163	2,515,378	3,275,067	2,768,701
<b>Total</b>	<u>\$ 11,133,251</u>	<u>\$ 10,711,962</u>	<u>\$ 44,092,531</u>	<u>\$ 42,335,621</u>	<u>\$ 55,225,782</u>	<u>\$ 53,047,583</u>

**Long-Term Debt.** Gross debt obligations of the City are \$20,797,648 as of June 30, 2012 which solely consists of notes payable.

## City of Newton's Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Accrued law enforcement Officers' unfunded retirement contribution	\$ 304,341	\$ 288,573	\$ -	\$ -	\$ 304,341	\$ 288,573
Compensated absences	414,715	390,465	116,870	110,469	531,585	500,934
Deferred loss on refunding	-	-	-	(15,824)	-	(15,824)
Bond discount	-	-	-	(299)	-	(299)
Other post-employment benefits	130,332	151,093	41,000	61,806	171,332	212,899
General obligation bonds	-	4,343	-	80,657	-	85,000
Loans payable	4,329,031	3,803,702	16,468,617	13,923,726	20,797,648	17,727,428
<b>Total</b>	<b>\$ 5,178,419</b>	<b>\$ 4,638,176</b>	<b>\$ 16,626,487</b>	<b>\$ 14,160,535</b>	<b>\$ 21,804,906</b>	<b>\$ 18,798,711</b>

The City of Newton's total debt increased by \$3,006,195 or 15.99% due to new debt acquired during the past fiscal year in the amount of \$5,958,072 and \$3 million reduction of existing debt due to principal payments. New debt resulted from installment purchase agreements for equipment, replacement vehicles, and 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 \$64,062,389.

Additional information regarding the City of Newton's long-term debt can be found beginning on page 64 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 2012-2013 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. Unfortunately, forecasts concerning economic growth in the U.S. and the State of North Carolina do not show signs of significant recovery over the next twelve months.

## **Economic Factors**

- New jobs – The City’s largest taxpayer has plans to add 100 new jobs.
- Manufacturing – One of the City’s top ten manufacturers completed a new \$14.2 million automated storage and retrieval system, allowing for the creation of 20 new jobs.
- Unemployment – The City’s unemployment rate of 11.3% is slightly above the State average of 9.9%; however, the City continues to see consistent decline.

## **Budget Highlights for the Fiscal Year Ending June 30, 2013**

**Governmental Activities.** The Fiscal Year 2012-2013 budget was balanced without a property tax rate increase and without service reductions. The budget maintains the City's high level of services as in prior years at a prudent cost to our citizens and utility customers. The property tax rate remains at 48 cents per \$100 of assessed value. The revenue distributed to the City of Newton for sales tax is expected to increase slightly for fiscal year 2012-2013. Revenue from other sources in the General Fund is expected to remain at or slightly above the same level as in Fiscal Year 2011-2012.

**Business-Type Activities.** The water and wastewater rates will remain unchanged for Fiscal Year 2012-2013. Electric rates were increased by 6.2% to residential, commercial, coincident peak, and industrial customers, to cover a 6.5% increase in wholesale rates from the North Carolina Municipal Power Agency.

## **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](http://www.newtonnc.gov) or send an email to [shinson@newtonnc.gov](mailto:shinson@newtonnc.gov) for more information.

# BASIC FINANCIAL STATEMENTS

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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 ASSETS  
JUNE 30, 2012

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Current assets:			
Cash and short-term investments	\$ 3,642,813	\$ 3,111,849	\$ 6,754,662
Taxes receivable, net	585,382	-	585,382
Accounts receivable, net	526,904	2,062,423	2,589,327
Interest receivable, net	1,702	398	2,100
Due from other governments	76,263	142,435	218,698
Prepays	-	14,666	14,666
Internal balances	(102,211)	102,211	-
Inventories	46,555	526,922	573,477
Restricted cash and cash equivalents	2,368,989	3,520,856	5,889,845
Total current assets	7,146,397	9,481,760	16,628,157
Capital assets:			
Land, non-depreciable assets, and construction in progress	2,098,163	3,399,495	5,497,658
Other capital assets, net of depreciation	9,035,088	40,693,036	49,728,124
Total capital assets	11,133,251	44,092,531	55,225,782
Total assets	18,279,648	53,574,291	71,853,939
Liabilities:			
Current liabilities:			
Accounts payable and other current liabilities	460,981	1,635,168	2,096,149
Due to other governments	-	39,285	39,285
Customer deposits	-	281,550	281,550
Unearned revenue	10,577	-	10,577
Compensated absences	229,537	96,182	325,719
Current portion of long-term liabilities	878,663	1,846,026	2,724,689
Total current liabilities	1,579,758	3,898,211	5,477,969
Long-term liabilities:			
Compensated absences, noncurrent	185,178	20,688	205,866
Unfunded pension obligation	304,341	-	304,341
Unfunded other post-employment benefits	130,332	41,000	171,332
Due in more than one year	3,450,368	14,622,591	18,072,959
Total long-term liabilities	4,070,219	14,684,279	18,754,498
Total liabilities	5,649,977	18,582,490	24,232,467
Net Assets:			
Invested in capital assets, net of related debt	7,704,679	30,854,510	38,559,189
Restricted for stabilization by State statute	673,421	-	673,421
Restricted for transportation	267,058	-	267,058
Restricted for cultural and recreational	1,200,000	-	1,200,000
Restricted for economic and physical development	1,369	-	1,369
Unrestricted	2,783,144	4,137,291	6,920,435
Total net assets	\$ 12,629,671	\$ 34,991,801	\$ 47,621,472

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, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-Type Activities
Primary Government						
Governmental Activities:						
General government	\$ 1,313,202	\$ 208,600	\$ -	\$ -	\$ (1,104,602)	\$ (1,104,602)
Transportation	954,979	-	379,971	-	(575,008)	(575,008)
Environmental protection	938,935	575,067	-	-	(363,868)	(363,868)
Public safety	4,917,591	119,909	101,374	111,546	(4,584,762)	(4,584,762)
Cultural and recreation	2,089,168	68,561	-	1,200,000	(820,607)	(820,607)
Economic and physical development	-	-	1,369	53,303	54,672	54,672
Interest on long-term debt	151,154	-	-	-	(151,154)	(151,154)
Total governmental activities	10,365,029	972,137	482,714	1,364,849	(7,545,329)	(7,545,329)
Business-Type Activities:						
Water and wastewater	6,165,378	5,970,545	-	808,383	-	613,550
Electric	13,419,024	13,801,529	-	231,375	-	613,880
Total business-type activities	19,584,402	19,772,074	-	1,039,758	1,227,430	1,227,430
Total primary government	\$ 29,949,431	\$ 20,744,211	\$ 482,714	\$ 2,404,607	(7,545,329)	(6,317,899)
General Revenues:						
Taxes:						
Property taxes					5,091,914	5,091,914
Local option sales tax					2,580,288	2,580,281
Franchise tax					781,701	781,701
Other taxes					811,413	811,413
Investment earnings, unrestricted					7,498	14,675
Total general revenues					9,272,814	9,557,984
Transfers					3,350	-
Total general revenues and transfers					9,276,164	9,557,984
Change in net assets					1,730,835	3,240,085
Net Assets:						
Beginning of year - July 1					10,898,836	44,381,387
End of year - June 30					12,629,671	47,621,472

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

CITY OF NEWTON, NORTH CAROLINA

Exhibit C

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2012

	Major Funds	Nonmajor Funds	
	General Fund	Other Governmental Funds	Total
Assets:			
Cash and short-term investments	\$ 2,862,064	\$ 91,502	\$ 2,953,566
Taxes receivable, net	585,382	-	585,382
Accounts receivable, net	525,731	1,173	526,904
Interest receivable	1,628	-	1,628
Due from other funds	893	-	893
Due from other governments	76,263	-	76,263
Inventories	46,555	-	46,555
Restricted cash and cash equivalents	2,368,989	-	2,368,989
<b>Total assets</b>	<b><u>\$ 6,467,505</u></b>	<b><u>\$ 92,675</u></b>	<b><u>\$ 6,560,180</u></b>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and other current liabilities	\$ 147,418	\$ -	\$ 147,418
Due to other funds	-	893	893
Deferred revenues	595,959	-	595,959
<b>Total liabilities</b>	<b><u>743,377</u></b>	<b><u>893</u></b>	<b><u>744,270</u></b>
Fund Balances:			
Non-spendable - inventory	46,555	-	46,555
Restricted - stabilization by State statute	672,248	1,173	673,421
Restricted	2,368,989	1,369	2,370,358
Committed	-	90,133	90,133
Unassigned	2,636,336	(893)	2,635,443
<b>Total fund balances</b>	<b><u>5,724,128</u></b>	<b><u>91,782</u></b>	<b><u>5,815,910</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 6,467,505</u></b>	<b><u>\$ 92,675</u></b>	
Amounts reported for governmental activities in the Statement of Net Assets 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.			11,133,251
Other long-term assets are not available to pay for current expenditures and, therefore, are deferred in the funds.			585,382
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 Activities.			357,926
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.			<u>(5,262,798)</u>
<b>Net assets of governmental activities</b>			<b><u>\$ 12,629,671</u></b>

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, 2012

	Major Fund	Nonmajor Funds	
	General Fund	Other Governmental Funds	Total
Revenues:			
Ad valorem taxes	\$ 5,045,726	\$ -	\$ 5,045,726
Other taxes and licenses	2,969,847	-	2,969,847
Unrestricted intergovernmental	1,203,555	-	1,203,555
Restricted intergovernmental	613,809	53,303	667,112
Permits and fees	85,022	-	85,022
Sales and services	668,236	-	668,236
Investment earnings	6,751	-	6,751
Other revenues	1,397,961	1,369	1,399,330
<b>Total revenues</b>	<b>11,990,907</b>	<b>54,672</b>	<b>12,045,579</b>
Expenditures:			
Current:			
General government	1,226,079	-	1,226,079
Transportation	933,208	57,710	990,918
Environmental protection	899,515	-	899,515
Public safety	5,377,827	-	5,377,827
Cultural and recreational	2,008,898	-	2,008,898
Economic and physical development	-	133,577	133,577
Debt service:			
Principal retirement	777,353	-	777,353
Interest and fees	136,849	-	136,849
<b>Total expenditures</b>	<b>11,359,729</b>	<b>191,287</b>	<b>11,551,016</b>
<b>Revenues over (under) expenditures</b>	<b>631,178</b>	<b>(136,615)</b>	<b>494,563</b>
Other Financing Sources (Uses):			
Issuance of debt	1,298,339	-	1,298,339
Transfers in	3,350	174,335	177,685
Transfers out	(174,335)	-	(174,335)
<b>Total other financing sources (uses)</b>	<b>1,127,354</b>	<b>174,335</b>	<b>1,301,689</b>
<b>Net change in fund balances</b>	<b>1,758,532</b>	<b>37,720</b>	<b>1,796,252</b>
Fund Balances:			
Beginning of year - July 1	3,966,838	54,062	4,020,900
Increase (decrease) in reserve for inventory	(1,242)	-	(1,242)
<b>End of year - June 30</b>	<b>\$ 5,724,128</b>	<b>\$ 91,782</b>	<b>\$ 5,815,910</b>

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

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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, 2012

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

Net changes in fund balances - total governmental funds (Exhibit D)	\$ 1,796,252
Exhibit D reports revenues using a current financial resources basis, which generally means revenue is recognized when collected, or is expected to be collected, within 90 days of year-end. Exhibit B reports revenues when the earning process is complete, regardless of when it is collected. This measurement difference causes timing of revenue recognition differences for the following revenue types:	
Property taxes	46,188
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(830,272)
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	1,251,561
Proceeds from issuance of debt are reported as revenues in the governmental funds statement. However, in the Statement of Activities, it is not a revenue, rather it is an increase in liabilities.	(1,298,339)
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities. (This line includes debt refunding transactions.)	777,353
Changes in accrued interest payable do not require current financial resources and are not reported in the governmental fund statements	(14,305)
Expenses related to compensated absences and Law Enforcement Officers' Separation Allowance that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(40,018)
Decreases in other post-employment benefits accrued liability are reported as expenses in the entity-wide financial statements; however, it is not an expenditure in the governmental funds statement.	20,761
The net revenue of the internal service funds are reported with governmental activities.	<u>21,654</u>
Total changes in net assets of governmental activities (Exhibit B)	<u>\$ 1,730,835</u>

*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, 2012

	General Fund			Variance with Final Budget Over/Under
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 5,087,850	\$ 5,087,850	\$ 5,045,726	\$ (42,124)
Other taxes and licenses	2,987,350	2,987,350	2,969,847	(17,503)
Unrestricted intergovernmental	1,199,450	1,199,450	1,203,555	4,105
Restricted intergovernmental	555,950	555,950	613,809	57,859
Permits and fees	93,450	93,450	85,022	(8,428)
Sales and services	692,700	692,700	668,236	(24,464)
Investment earnings	11,500	11,500	6,751	(4,749)
Other revenues	<u>136,600</u>	<u>1,338,350</u>	<u>1,397,961</u>	<u>59,611</u>
Total revenues	<u>10,764,850</u>	<u>11,966,600</u>	<u>11,990,907</u>	<u>24,307</u>
Expenditures:				
Current:				
General government	1,621,850	1,450,750	1,226,079	224,671
Transportation	1,390,000	1,377,250	933,208	444,042
Environmental protection	1,286,200	1,306,500	899,515	406,985
Public safety	5,289,000	5,466,350	5,377,827	88,523
Cultural and recreation	2,048,150	2,088,750	2,008,898	79,852
Debt service:				
Principal retirement	777,850	777,850	777,353	497
Interest and fees	<u>131,100</u>	<u>137,250</u>	<u>136,849</u>	<u>401</u>
Total expenditures	<u>12,544,150</u>	<u>12,604,700</u>	<u>11,359,729</u>	<u>1,244,971</u>
Revenues over (under) expenditures	<u>(1,779,300)</u>	<u>(638,100)</u>	<u>631,178</u>	<u>1,269,278</u>
Other Financing Sources (Uses):				
Issuance of debt	1,353,000	1,298,550	1,298,339	(211)
Transfers in	-	3,350	3,350	-
Transfers out	-	(174,350)	(174,335)	15
Appropriated fund balance	<u>426,300</u>	<u>(489,450)</u>	<u>-</u>	<u>489,450</u>
Total other financing sources (uses)	<u>1,779,300</u>	<u>638,100</u>	<u>1,127,354</u>	<u>489,254</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,758,532</u>	<u>\$ 1,758,532</u>
Fund Balance:				
Beginning of year - July 1			3,966,838	
Increase (decrease) in reserve for inventory			<u>(1,242)</u>	
End of year - June 30			<u>\$ 5,724,128</u>	

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

CITY OF NEWTON, NORTH CAROLINA

Exhibit G

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 JUNE 30, 2012

	Major		Total	Internal Service Fund
	Water and Wastewater Fund	Electric Fund		
<b>Assets:</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 655,172	\$ 2,456,677	\$ 3,111,849	\$ 689,247
Accounts receivable, net	838,840	1,223,583	2,062,423	-
Interest receivable	85	313	398	74
Due from other governments	99,793	42,642	142,435	-
Prepays	14,666	-	14,666	-
Inventories	86,500	440,422	526,922	-
Restricted cash and cash equivalents	2,339,847	1,181,009	3,520,856	-
<b>Total current assets</b>	<b>4,034,903</b>	<b>5,344,646</b>	<b>9,379,549</b>	<b>689,321</b>
<b>Capital assets:</b>				
Non-depreciable capital assets	3,066,617	332,878	3,399,495	-
Depreciable capital assets, net	30,379,329	10,313,707	40,693,036	-
<b>Total capital assets, net</b>	<b>33,445,946</b>	<b>10,646,585</b>	<b>44,092,531</b>	<b>-</b>
<b>Total assets</b>	<b>37,480,849</b>	<b>15,991,231</b>	<b>53,472,080</b>	<b>689,321</b>
<b>Liabilities and Net Assets:</b>				
<b>Liabilities:</b>				
<b>Current liabilities:</b>				
Accounts payable and other current liabilities	\$ 431,847	\$ 950,247	\$ 1,382,094	\$ 229,184
Accrued interest payable	110,401	142,673	253,074	-
Due to other government	39,285	-	39,285	-
Customer deposits	71,789	209,761	281,550	-
Accrued compensated absences - current	67,214	28,968	96,182	-
Bonds and installment loans payable - current	1,093,540	752,486	1,846,026	-
<b>Total current liabilities</b>	<b>1,814,076</b>	<b>2,084,135</b>	<b>3,898,211</b>	<b>229,184</b>
<b>Non-current liabilities:</b>				
Accrued compensated absences	16,036	4,652	20,688	-
Long-term bonds and installment loans payable	9,114,557	5,508,034	14,622,591	-
Other post-employment benefits obligation	30,754	10,246	41,000	-
<b>Total non-current liabilities</b>	<b>9,161,347</b>	<b>5,522,932</b>	<b>14,684,279</b>	<b>-</b>
<b>Total liabilities</b>	<b>10,975,423</b>	<b>7,607,067</b>	<b>18,582,490</b>	<b>229,184</b>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	25,501,713	5,352,797	30,854,510	-
Unrestricted	1,003,713	3,031,367	4,035,080	460,137
<b>Total net assets</b>	<b>\$ 26,505,426</b>	<b>\$ 8,384,164</b>	<b>34,889,590</b>	<b>\$ 460,137</b>
Internal balance due from (to) governmental activities due to consolidation of Internal Service Fund			102,211	
Business-type activities net assets (Exhibit A)			\$ 34,991,801	

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 ASSETS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012

	Major			Internal Service Fund
	Water and Wastewater Fund	Electric Fund	Total	
Operating Revenues:				
Charges for services	\$ 5,540,276	\$ 13,147,939	\$ 18,688,215	\$ 1,578,266
Other operating revenues	354,365	804,031	1,158,396	-
Total operating revenues	<u>5,894,641</u>	<u>13,951,970</u>	<u>19,846,611</u>	<u>1,578,266</u>
Operating Expenses:				
Administration	854,819	801,707	1,656,526	7,392
Power for resale	-	9,944,791	9,944,791	-
Operations	2,297,772	1,878,525	4,176,297	1,542,747
Maintenance	1,082,048	-	1,082,048	-
Depreciation	1,597,506	567,561	2,165,067	-
Total operating expenses	<u>5,832,145</u>	<u>13,192,584</u>	<u>19,024,729</u>	<u>1,550,139</u>
Operating income (loss)	<u>62,496</u>	<u>759,386</u>	<u>821,882</u>	<u>28,127</u>
Non-Operating Revenues (Expenses):				
Sales tax	-	277,993	277,993	-
Investment earnings	3,172	4,005	7,177	747
Interest expense	(336,843)	(230,050)	(566,893)	-
Rental income and other non-operating items	75,000	77,679	152,679	-
Gain (loss) on disposal of capital assets	904	3,255	4,159	-
Total non-operating revenues (expenses)	<u>(257,767)</u>	<u>132,882</u>	<u>(124,885)</u>	<u>747</u>
Income (loss) before transfers and capital contributions	(195,271)	892,268	696,997	28,874
Transfers in	-	110,316	110,316	-
Transfers out	(110,316)	(3,350)	(113,666)	-
Capital contributions	808,383	-	808,383	-
Change in net assets	502,796	999,234	1,502,030	28,874
Net Assets:				
Beginning of year - July 1	<u>26,002,630</u>	<u>7,384,930</u>		<u>431,263</u>
End of year - June 30	<u>\$ 26,505,426</u>	<u>\$ 8,384,164</u>		<u>\$ 460,137</u>
Internal service activities allocated to business-type activities			<u>7,220</u>	
Change in net assets-business type activities (Exhibit B)			<u>\$ 1,509,250</u>	

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, 2012

	Major			Internal Service Fund
	Water and Wastewater Fund	Electric Fund	Total	
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers and users	\$ 5,757,751	\$ 13,950,233	\$ 19,707,984	\$ 1,578,266
Cash paid for goods and services	(2,350,712)	(11,796,373)	(14,147,085)	(1,604,185)
Cash paid to or on behalf of employees for services	(1,559,387)	(778,734)	(2,338,121)	-
Net cash provided (used) by operating activities	<u>1,847,652</u>	<u>1,375,126</u>	<u>3,222,778</u>	<u>(25,919)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Due to (from) other governments	(20,300)	-	(20,300)	-
Transfers to (from) other funds	-	(3,350)	(3,350)	-
Net cash provided (used) by non-capital financing activities	<u>(20,300)</u>	<u>(3,350)</u>	<u>(23,650)</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition and construction of capital assets	(3,354,130)	(567,847)	(3,921,977)	-
Capital contributions - grants	808,383	-	808,383	-
Rental income and other non-operating revenues	75,000	77,679	152,679	-
Proceeds from sale of capital assets	904	3,255	4,159	-
Sales tax	-	277,993	277,993	-
Payments of general obligation bonds and loans payable	(1,439,371)	(756,129)	(2,195,500)	-
Interest paid on general obligation bonds and loans payable	(383,734)	(258,133)	(641,867)	-
Proceeds from issuance of general obligation bonds and loans payable	<u>3,856,716</u>	<u>803,018</u>	<u>4,659,734</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>(436,232)</u>	<u>(420,164)</u>	<u>(856,396)</u>	<u>-</u>
<b>Cash Flows from Investing Activities:</b>				
Interest on investments	<u>3,284</u>	<u>3,958</u>	<u>7,242</u>	<u>763</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>1,394,404</u>	<u>955,570</u>	<u>2,349,974</u>	<u>(25,156)</u>
<b>Cash and Cash Equivalents:</b>				
Beginning of Year - July 1	<u>1,600,615</u>	<u>2,682,116</u>	<u>4,282,731</u>	<u>714,403</u>
End of Year - June 30	<u>\$ 2,995,019</u>	<u>\$ 3,637,686</u>	<u>\$ 6,632,705</u>	<u>\$ 689,247</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ 62,496	\$ 759,386	\$ 821,882	\$ 28,127
<b>Adjustments to reconcile operating income (loss) to:</b>				
Depreciation	1,597,506	567,561	2,165,067	-
<b>Change in assets and liabilities:</b>				
(Increase) decrease in accounts receivable	(143,060)	(27,500)	(170,560)	-
(Increase) decrease in inventories	3,152	(17,731)	(14,579)	-
(Increase) decrease in prepaid items	(14,666)	-	(14,666)	-
Increase (decrease) in due to other governmental agencies	1,849	(6,561)	(4,712)	-
Increase (decrease) in accounts payable and accrued expenses	350,123	72,695	422,818	(54,046)
Increase (decrease) in unearned revenue	(2,615)	-	(2,615)	-
Increase (decrease) in accrued vacation pay	4,919	1,482	6,401	-
Increase (decrease) in other post-employment benefits	(20,837)	31	(20,806)	-
Increase (decrease) in customer deposits	<u>8,785</u>	<u>25,763</u>	<u>34,548</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ 1,847,652</u>	<u>\$ 1,375,126</u>	<u>\$ 3,222,778</u>	<u>\$ (25,919)</u>
<b>Supplemental Schedule of Non-Cash Financing Activities:</b>				
Amortization of debt issue costs and debt discount	<u>\$ 16,123</u>	<u>\$ -</u>	<u>\$ 16,123</u>	<u>\$ -</u>

Water Fund disposed of capital assets with historical cost of \$57,761 and accumulated depreciation of \$57,761 during the year ended June 30, 2012.

Water Fund transferred capital assets to Electric Fund with cost of \$110,316 and accumulated depreciation of \$-0- at June 30, 2012.

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



## NOTES TO THE FINANCIAL STATEMENTS

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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.

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# CITY OF NEWTON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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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 Assets 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.

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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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 fund:

**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.

The City reports the following nonmajor governmental funds:

**Special Revenue Funds.** Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to specified purposes. The CDBG-Moretz Industrial Access Road Fund, Main Street Energy Grant Fund, Special Revenue Fund-General, and the EECBG-Energy Efficiency and Conservation Grant Fund are special revenue funds of the City.

**Capital Projects Funds.** These funds are used to account for the acquisition or construction of major capital facilities (other than those financed by enterprise funds).

The City reports the following major enterprise funds:

**Electric 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.

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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#### 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 statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using 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.

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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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 are materially past due and are not considered to be an available resource to finance the operations of the subsequent year. Also, as of January 1, 1993, 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, Catawba County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the City. For motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in Catawba County from March 2011 through February 2012 apply to the fiscal year ended June 30, 2012. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and offset by deferred revenues.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the City, are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues, which are unearned at year-end, are recorded as unearned revenues. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

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 are both restricted and unrestricted net assets 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.

As permitted by generally accepted accounting principles, the City has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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#### 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 and the enterprise funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the capital projects funds, special revenue funds, 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 functional 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 or that change functional appropriations by more than \$2,500. 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) Transfers from one fund to another shall not be allowed except as is authorized by the Budget and Fiscal Control Act and such transfers shall be approved by the City Council prior to transfer.
- 5) All transfers as authorized hereinabove shall be reported monthly to the City Council and included in the minutes of the board.
- 6) 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.

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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#### **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, 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; the North Carolina Capital Management Trust ("NCCMT"); and the North Carolina State Treasurer's Short-Term Investment Fund (STIF). The STIF consists of an internal portion and an external portion in which the Board participates. Investments are restricted to those enumerated in [G.S. 147-69.1].

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. In accordance with State law, the City has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

##### **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.

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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#### **Restricted Assets**

The unexpended loan proceeds plus interest of \$901,931 and \$3,239,306 in the General Fund and Enterprise Fund, respectively, are classified as restricted assets, because their use is completely restricted to the purpose for which the financing was originally issued. Customer deposits of \$71,789 and \$209,761 held by the Water/Wastewater Fund and the Electric Fund, respectively, before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds of \$267,058 are also classified as restricted cash, because it 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, \$1,200,000 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.

#### **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 1, the beginning of the fiscal year. These taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. Liens are placed on these taxes as of March 1 each year. These taxes are based on the assessed values as of January 1, 2011.

#### **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 and Prepaid Items**

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.

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

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# CITY OF NEWTON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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### 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:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
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

### 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 Assets. Bond premiums and discounts, as well as issuance costs, 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 are reported as deferred charges and amortized over the term of the related debt.

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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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. For the City, the current portion of the accumulated vacation pay is not considered to be material.

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 Assets**

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) 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.

**CITY OF NEWTON, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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.

***Inventory*** - portion of fund balance that is not an available resource because it represents the year-end balance of inventory, which is a not spendable resource.

***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:

	<b>General Fund</b>	<b>Other Governmental</b>		<b>Total</b>
		<b>Special Revenue</b>	<b>Capital Projects</b>	
<i>Restricted for Stabilization by State Statute</i> - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].	\$ 672,248	\$ 893	\$ 280	\$ 673,421
<i>Restricted for General Government</i> - portion of fund balance that is restricted by revenue source (unspent debt proceeds) for general governmental activities.	\$ 3,681	\$ -	\$ -	\$ 3,681
<i>Restricted for Transportation</i> - portion of fund balance that is restricted by revenue source for Powell Bill (street) expenditures.	267,058	-	-	267,058
<i>Restricted for Transportation</i> - portion of fund balance that is restricted by revenue source (unspent debt proceeds) for streets.	405,931	-	-	405,931
<i>Restricted for Environmental Protection</i> - portion of fund balance that is restricted by revenue source (unspent debt proceeds) for sanitation.	346,811	-	-	346,811

**CITY OF NEWTON, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>General Fund</u>	<u>Other Governmental</u>		
		<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
<i>Restricted for Public Safety</i> - portion of fund balance that is restricted by revenue source (unspent debt proceeds) for general public safety.	145,508	-	-	145,508
<i>Restricted for Cultural and Recreational</i> - portion of fund balance that is restricted by revenue source for the Frank and Sue Jones Recreation Fund expenditures.	1,200,000	-	-	1,200,000
<i>Restricted for Economic and Physical Development</i> - portion of fund balance that is restricted by revenue source for community development.	-	1,369	-	1,369
Total restricted fund balance(Exhibit C)	<u>\$ 2,368,989</u>	<u>\$ 1,369</u>	<u>\$ -</u>	<u>\$ 2,370,358</u>

***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. Any changes or removal of specific purposes requires majority action by the Council through another ordinance. Committed fund balance is summarized as follows:

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
<i>Committed for Economic Development</i> - portion of fund balance that can only be used for economic development.	<u>\$ 2,595</u>	<u>\$ 87,538</u>	<u>\$ 90,133</u>

***Assigned Fund Balance*** - portion of fund balance that the City's management has budgeted or earmarked.

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

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**CITY OF NEWTON, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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**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	\$ 5,724,128
<b>Less:</b>	
Inventory	(46,555)
Stabilization by State statute	(672,248)
	<hr/>
Fund balance available for appropriation	<u><u>\$ 5,005,325</u></u>

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 County 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 at June 30, 2012 were \$67,733.

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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#### 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, 2012, the City's deposits had a carrying amount of \$9,135,257 and a bank balance of \$9,541,991. The City also had petty cash of \$600. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method.

###### Investments

At June 30, 2012, the City had \$3,508,650 invested with the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's.

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**CITY OF NEWTON, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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*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, 2012.

**Receivables**

Receivables at the government-wide level at June 30, 2012 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
<b>Governmental Activities:</b>				
General	\$ 525,731	\$ 619,957	\$ 76,263	\$ 1,221,951
Other governmental	1,173	-	-	1,173
Allowance for doubtful accounts	-	(34,575)	-	(34,575)
Total receivables	<u>\$ 526,904</u>	<u>\$ 585,382</u>	<u>\$ 76,263</u>	<u>\$ 1,188,549</u>
<b>Business-Type Activities:</b>				
Water and wastewater	\$ 848,240	\$ -	\$ 99,793	\$ 948,033
Electric	1,239,883	-	42,642	1,282,525
Allowance for doubtful accounts	(25,700)	-	-	(25,700)
Total receivables	<u>\$ 2,062,423</u>	<u>\$ -</u>	<u>\$ 142,435</u>	<u>\$ 2,204,858</u>

**CITY OF NEWTON, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**Capital Assets**

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>July 1, 2011</u>	<u>Increases</u>	<u>Disposals</u>	<u>Adjust/ Transfers</u>	<u>June 30, 2012</u>
<b>Governmental activities:</b>					
<i>Capital assets not being depreciated:</i>					
Land	\$ 2,005,509	\$ 1,750	\$ -	\$ -	\$ 2,007,259
Construction in progress	<u>253,323</u>	<u>169,806</u>	<u>-</u>	<u>(332,225)</u>	<u>90,904</u>
<i>Total assets not being depreciated:</i>	<u>2,258,832</u>	<u>171,556</u>	<u>-</u>	<u>(332,225)</u>	<u>2,098,163</u>
<i>Capital assets being depreciated:</i>					
Buildings and improvements	7,379,776	33,367	-	332,225	7,745,368
Equipment	2,393,783	641,534	(9,087)	-	3,026,230
Vehicles	6,005,769	337,512	(92,465)	-	6,250,816
Infrastructure	<u>5,705,586</u>	<u>67,592</u>	<u>-</u>	<u>-</u>	<u>5,773,178</u>
Total assets being depreciated:	<u>21,484,914</u>	<u>1,080,005</u>	<u>(101,552)</u>	<u>332,225</u>	<u>22,795,592</u>
Less accumulated depreciation:					
Buildings and improvements	(4,685,261)	(134,477)	-	-	(4,819,738)
Equipment	(1,569,869)	(227,523)	9,087	-	(1,788,305)
Vehicles	(4,886,972)	(319,428)	92,465	-	(5,113,935)
Infrastructure	<u>(1,889,682)</u>	<u>(148,844)</u>	<u>-</u>	<u>-</u>	<u>(2,038,526)</u>
Total accumulated depreciation	<u>(13,031,784)</u>	<u>(830,272)</u>	<u>101,552</u>	<u>-</u>	<u>(13,760,504)</u>
<i>Total assets being depreciated, net</i>	<u>8,453,130</u>	<u>249,733</u>	<u>-</u>	<u>332,225</u>	<u>9,035,088</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 10,711,962</u>	<u>\$ 421,289</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,133,251</u>

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

General government	\$ 202,138
Public safety	287,261
Transportation	209,692
Environmental protection	51,609
Cultural and recreation	79,572
Total depreciation expense - governmental activities	<u>\$ 830,272</u>

**CITY OF NEWTON, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>July 1, 2011</u>	<u>Increases</u>	<u>Disposals</u>	<u>Adjust/ Transfers</u>	<u>June 30, 2012</u>
<b>Business-Type Activities:</b>					
<b>Electric Fund:</b>					
<i>Capital assets not being depreciated:</i>					
Land	\$ 5,000	\$ -	\$ -	\$ -	\$ 5,000
Construction in progress	925,239	553,467	-	(1,150,828)	327,878
<i>Total assets not being depreciated:</i>	<u>930,239</u>	<u>553,467</u>	<u>-</u>	<u>(1,150,828)</u>	<u>332,878</u>
<i>Capital assets being depreciated:</i>					
Buildings and improvements	500,567	-	-	-	500,567
Equipment	4,591,361	14,380	-	-	4,605,741
Vehicles	912,182	-	-	-	912,182
Distribution systems	11,737,636	-	-	1,261,144	12,998,780
Total assets being depreciated:	<u>17,741,746</u>	<u>14,380</u>	<u>-</u>	<u>1,261,144</u>	<u>19,017,270</u>
Less accumulated depreciation:					
Buildings and improvements	(424,322)	(9,257)	-	-	(433,579)
Equipment	(2,481,239)	(188,207)	-	-	(2,669,446)
Vehicles	(636,624)	(43,544)	-	-	(680,168)
Distribution systems	(4,593,817)	(326,553)	-	-	(4,920,370)
Total accumulated depreciation	<u>(8,136,002)</u>	<u>(567,561)</u>	<u>-</u>	<u>-</u>	<u>(8,703,563)</u>
<i>Total assets being depreciated, net</i>	<u>9,605,744</u>	<u>(553,181)</u>	<u>-</u>	<u>1,261,144</u>	<u>10,313,707</u>
<b>Electric Fund capital assets, net</b>	<u>10,535,983</u>	<u>286</u>	<u>-</u>	<u>110,316</u>	<u>10,646,585</u>
<b>Water and Wastewater Fund:</b>					
<i>Capital assets not being depreciated:</i>					
Land	\$ 210,332	\$ -	\$ -	\$ -	\$ 210,332
Construction in progress	1,590,137	2,805,682	-	(1,539,534)	2,856,285
<i>Total assets not being depreciated:</i>	<u>1,800,469</u>	<u>2,805,682</u>	<u>-</u>	<u>(1,539,534)</u>	<u>3,066,617</u>
<i>Capital assets being depreciated:</i>					
Buildings and improvements	21,740,094	24,037	-	765,991	22,530,122
Equipment	956,433	66,460	(30,600)	-	992,293
Vehicles	591,781	372,084	(27,161)	-	936,704
Distribution systems	33,426,481	85,867	-	663,227	34,175,575
Total assets being depreciated:	<u>56,714,789</u>	<u>548,448</u>	<u>(57,761)</u>	<u>1,429,218</u>	<u>58,634,694</u>
Less accumulated depreciation:					
Buildings and improvements	(14,096,977)	(596,594)	-	(14,379)	(14,707,950)
Equipment	(625,455)	(45,457)	30,600	-	(640,312)
Vehicles	(524,110)	(20,271)	27,161	-	(517,220)
Distribution systems	(11,469,078)	(935,184)	-	14,379	(12,389,883)
Total accumulated depreciation	<u>(26,715,620)</u>	<u>(1,597,506)</u>	<u>57,761</u>	<u>-</u>	<u>(28,255,365)</u>
<i>Total assets being depreciated, net</i>	<u>29,999,169</u>	<u>(1,049,058)</u>	<u>-</u>	<u>1,429,218</u>	<u>30,379,329</u>
<b>Water and Wastewater Fund capital assets, net</b>	<u>31,799,638</u>	<u>1,756,624</u>	<u>-</u>	<u>(110,316)</u>	<u>33,445,946</u>
<b>Business-type activity capital assets, net</b>	<u>\$ 42,335,621</u>	<u>\$ 1,756,910</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,092,531</u>

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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#### Invested in Capital Assets, Net of Debt

The total invested in capital assets, net of related debt, at June 30, 2012 is composed of the following elements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 11,133,251	\$ 44,092,531
Long-term debt	(5,178,419)	(16,626,487)
Accrued compensated absences, OPEB, LEO	849,388	157,870
Unspent debt proceeds	900,459	3,230,596
Invested in capital assets, net of related debt	<u>\$ 7,704,679</u>	<u>\$ 30,854,510</u>

#### Construction Commitments

The government has active construction projects as of June 30, 2012. The government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to Date</u>	<u>Remaining Commitment</u>
General Capital Projects:		
Culvert Replacements	\$ 4,184	\$ 22,016
Startown Fire Station Renovations	50,492	68,858
Water and Wastewater Capital Projects:		
Water Rehabilitation Projects	1,131,070	271,930
Sewer Rehabilitation Projects	312,426	184,274
Burriss Road Pump Station	1,362,564	261,586
Water Filtration 8.0 MGD Pump	48,640	551,360
Electric Capital Projects:		
Conversion from 4KV to 24KV	249,285	376,715
336 ACSR Line Extension	26,362	83,388
Reconductor Electric Line	52,232	168,568
Total	<u>\$ 3,237,255</u>	<u>\$ 1,988,695</u>

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**CITY OF NEWTON, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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**B. Accounts Payable**

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Ending Balances</u>
Governmental activities	\$ 233,533	\$ 143,069	\$ 84,379	\$ 460,981
Business-type activities	\$ 1,382,095	\$ -	\$ 253,073	\$ 1,635,168

**Pension Plan Obligations**

**Local Governmental Employees' Retirement System**

**Plan Description.** The City contributes to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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, or by calling (919) 981-5454.

**Funding Policy.** Plan members are required to contribute 6% of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.92% and 6.86%, respectively, of annual covered payroll.

The contribution requirements of members and of the City are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2012, 2011 and 2010 were \$484,523, \$462,053, and \$376,286, respectively. The contributions made by the City equaled the required contributions for each year.

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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#### 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, 2011, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>35</u>
Total	<u>38</u>

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.

**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.

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**CITY OF NEWTON, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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The annual required contribution for the current year was determined as part of the December 31, 2010 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 fair value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2010 was 20 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	\$	64,714
Interest on net pension obligation		14,429
Adjustment to annual required contribution		<u>(17,215)</u>
Annual pension cost		61,928
Contributions made		<u>46,160</u>
Increase (decrease) in net pension obligation		15,768
Net pension obligation:		
Beginning of year - July 1		<u>288,573</u>
End of year - June 30	\$	<u><u>304,341</u></u>

**Three-Year Trend Information**

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 61,928	74.54%	\$ 304,341
2011	68,566	86.31%	288,573
2010	61,719	133.44%	279,187

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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#### **Funding Status and Funding Progress**

As of December 31, 2011, 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 \$605,427. The covered payroll (annual payroll of active employees covered by the plan) was \$1,386,990, and the ratio of the UAAL to the covered payroll was 43.65 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, 2012 were \$88,474, which consisted of \$70,021 from the City and \$18,453 from the law enforcement officers.

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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#### **Firemen's and Rescue Squad Workers' Pension Fund**

**Plan Description.** The State of North Carolina contributes, on behalf of the City of Newton, to the Firemen's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing, multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers who have elected to become members of the Fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Fund is included in the CAFR for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

**Funding Policy.** Plan members are required to contribute \$10 per month to the Fund, which is paid by the City. The State, a non-employer contributor, funds the Plan through appropriations. The City does not contribute to the fund. The State's on-behalf payments are recorded as revenues and expenditures in the City's financial statements. The City recognized on-behalf payments for pension contributions made by the State as a revenue and an expenditure of \$16,050 for the fiscal year ended June 30, 2012 for the 53 fire department employees who perform firefighting duties for the City's fire department. Contribution requirements of Plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly. A separate report was not issued for the Plan.

#### **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, 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 eight retirees can purchase coverage for post-employment health benefits. For the fiscal year ended June 30, 2012, the City made payments for post-retirement health benefit premiums of \$140,788. The City purchases insurance from a private carrier for healthcare coverage. A separate report was not issued for the Plan.

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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Membership of the HCB Plan consisted of the following at December 31, 2011, the date of the latest actuarial valuation:

	<u>General Employees</u>	<u>Law Enforcement Officers</u>
Retirees and dependents receiving benefits	4	4
Terminated plan members entitled to, but not yet receiving, benefits	-	-
Active plan members	<u>92</u>	<u>17</u>
Total	<u>96</u>	<u>21</u>

**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 2.43% of annual covered payroll. For the current year, the City contributed \$140,788, or 3.3% of annual covered payroll. The City purchases insurance from a private carrier for healthcare coverage. The City's required contributions, under a City resolution, for employees not engaged in law enforcement and for law enforcement officers represented 0.6% and 0.7% of covered payroll, respectively. There were no contributions made by employees, except for dependent coverage in the amount of \$263,065. 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'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.

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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#### 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	\$ 102,543
Interest on net OPEB obligation	8,516
Adjustments to annual required contribution	<u>(11,838)</u>
Annual OPEB cost (expense)	99,221
Contributions made	<u>(140,788)</u>
Increase (decrease) in net OPEB obligation	(41,567)
Net OPEB obligation:	
Beginning of year - July 1	<u>212,899</u>
End of year - June 30	<u>\$ 171,332</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2012 were as follows:

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 99,221	141.9%	\$ 171,332
2011	91,852	119.8%	212,899
2010	185,821	47.9%	231,066

#### Fund Status and Funding Progress

As of December 31, 2011, 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 \$1,240,188. The covered payroll (annual payroll of active employees covered by the plan) was \$4,214,285, and the ratio of the UAAL to the covered payroll was 29.4 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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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 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, 2011 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 9.50 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 percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2011, 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

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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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. All death benefit payments are made from the Death Benefit Plan. 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. The City considers these contributions to be immaterial.

#### **Deferred/Unearned Revenues**

The balance in deferred and unearned revenues for the City at year-end is composed of the following elements:

<u>General Fund</u>	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
Prepaid assessments not yet earned	\$ 10,577	\$ 10,577
Taxes receivable, (net)	585,382	-
Total deferred/unearned revenues	<u>\$ 595,959</u>	<u>\$ 10,577</u>

#### **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 of \$1 million per occurrence, 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 \$1,277,693. 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.

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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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.

#### **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.

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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#### Self-Insurance

The City has established a medical Health Insurance Fund in the Internal Service Fund group. The purpose of this fund is to pay medical claims of the City's employees and their covered dependents and minimize the total cost of annual medical insurance to the City. Self-insurance is in effect for losses up to \$50,000 per participant per year. Aggregate stop-loss coverage is at 125% of expected claims. Losses greater than \$50,000 per participant, and those in excess of the aggregate stop-loss, are insured by a private insurance company.

The Health Insurance Fund collects interfund premiums from insured funds and departments and pays claim settlements and purchases certain insurance policies. Interfund revenues and expenses are accrued when the interfund premiums are earned. Interfund premiums are based on the insured funds' claims experience and are adjusted to cover all reported claims. Claims settlement and loss expenses are accrued in the Health Insurance Fund for the settlement value of claims reported and the estimated value of claims incurred, but not reported, up to stop-loss arising from accidents during the period. A liability is established simultaneously. No actuarial study has been performed on the Health Insurance Fund.

The following is a reconciliation of the claims liability for the year ended June 30, 2012:

	<u>2012</u>	<u>2011</u>
Claims liability, beginning of year	\$ 283,230	\$ 178,593
Claims incurred	1,305,477	1,373,041
Payments on claims	<u>(1,359,523)</u>	<u>(1,268,404)</u>
Claims liability, end of year	<u>\$ 229,184</u>	<u>\$ 283,230</u>

#### 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.

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**CITY OF NEWTON, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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Loans payable at June 30, 2012 are comprised of the following:

	<b>Serviced by:</b>		
	<b>General Fund</b>	<b>Water / Wastewater Fund</b>	<b>Electric Fund</b>
\$184,730, 1994, McKay Road project noninterest loan payable to Catawba County, due in annual installments of \$9,237 through July 2014	\$ -	\$ 27,710	\$ -
\$213,393, 2006, Balls Creek Sewer noninterest loan payable to Catawba County, due in annual installments of \$16,908 through January 2017	-	84,538	-
\$338,661, 2005, 2.68% loan payable to bank in annual installments of \$47,895 for vehicles and equipment due in 2012	30,552	4,303	11,790
\$783,850, 2005, 2.68% loan payable to bank in annual installments of \$110,857 for vehicles and equipment due in 2012	68,984	9,366	29,612
\$367,000 2005, 3.07% loan payable to bank in annual installments of \$43,096 for vehicles and equipment due in 2014	121,738	-	-
\$184,845, 2005, 3.79% loan payable to bank in annual installments of \$27,217 for fire truck due in 2012	26,223	-	-
\$267,243, 2005, 3.79% loan payable to bank in annual installments of \$39,350 for vehicles and equipment due in 2012	21,708	10,090	6,115
\$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	-	1,541,622	-
\$1,766,543, 2005, 3.07% loan payable to bank in annual installments of \$207,442 for electric system improvements due in 2014	-	-	585,983
\$370,000, 2005, 3.97% loan payable to bank in annual installments of \$33,208 for fire truck due in 2019	223,861	-	-

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**CITY OF NEWTON, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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	<b>Serviced by:</b>		
	<b>General Fund</b>	<b>Water / Wastewater Fund</b>	<b>Electric Fund</b>
\$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	-	1,391,569	-
\$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	-	1,522,093	-
\$550,000, 2006, 3.39% loan payable to bank in annual installments of \$65,767 for equipment due in 2016	-	-	242,198
\$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	449,800	354,975	2,117,429
\$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	477,400	-	-
\$131,000, 2008, 3.69% loan to bank in annual installments of \$15,903 for a vehicle due in 2017	84,213	-	-
\$294,750, 2008, 3.47% loan to bank in annual installments of a fixed payment of \$58,950 plus interest for vehicles and equipment due in 2012	31,551	-	1,692
\$493,000, 2008, 3.54% loan payable to bank in annual installments of a fixed payment of \$70,428 plus interest for equipment due in 2014	211,286	-	-
\$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	271,429	-	-
\$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	278,840	1,353,116	2,320,044

**CITY OF NEWTON, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

	<b>Serviced by:</b>		
	<b>General Fund</b>	<b>Water / Wastewater Fund</b>	<b>Electric Fund</b>
\$452,500, 2010, 2.68% loan payable to bank in annual installments of a fixed payment of \$90,500 plus interest for vehicles and equipment due in 2015	239,700	-	31,800
\$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	78,321	-	110,839
\$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	200,800	52,000	-
\$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	214,286	-	-
\$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	268,000	201,000	-
\$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	1,030,339	618,293	94,143
\$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	-	2,547,350	708,875
\$545,280, 2012, 2.22% loan payable to the State in annual installments of a fixed payment of \$28,698.95 plus interest for wastewater capital improvements due in 2031	-	490,072	-
	<u>\$ 4,329,031</u>	<u>\$ 10,208,097</u>	<u>\$ 6,260,520</u>

# CITY OF NEWTON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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

	Year Ended June 30	Loans Payable	
		Principal	Interest
<b>Governmental Activities:</b>			
	2013	\$ 878,663	\$ 122,929
	2014	707,071	92,750
	2015	711,021	73,401
	2016	521,679	54,151
	2017	405,721	40,669
	2018-2022	1,013,169	82,702
	2023-2027	91,707	3,385
	2028-2032	-	-
	Total Governmental activities	<u>4,329,031</u>	<u>469,987</u>
<b>Business-type Activities:</b>			
<b>Water and Wastewater Fund:</b>			
	2013	1,093,540	236,206
	2014	1,053,319	248,338
	2015	1,068,697	221,049
	2016	1,075,250	193,328
	2017	1,077,864	165,185
	2018-2022	3,534,669	434,566
	2023-2027	1,201,586	109,532
	2028-2032	103,172	5,726
	Total Water and Wastewater	<u>10,208,097</u>	<u>1,613,930</u>
<b>Electric Fund:</b>			
	2013	752,486	192,140
	2014	733,548	166,164
	2015	747,262	143,872
	2016	543,356	121,199
	2017	485,791	104,723
	2018-2022	2,374,928	310,020
	2023-2027	623,149	39,619
	2028-2032	-	-
	Total Electric Fund	<u>6,260,520</u>	<u>1,077,737</u>
	Total Business-type activities	<u>\$ 16,468,617</u>	<u>\$ 2,691,667</u>
	Total All activities	<u>\$ 20,797,648</u>	<u>\$ 3,161,654</u>

At June 30, 2012, the City of Newton had a legal debt margin of \$64,062,389.

# CITY OF NEWTON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### Changes in Long-Term Liabilities

The following is a summary of changes in long-term debt for the year ended June 30, 2012.

	July 1, 2011	Increases	Decreases	June 30, 2012	Current Portion of Balance
<b>Governmental activities:</b>					
General obligation bonds	\$ 4,343	\$ -	\$ 4,343	\$ -	\$ -
Loans payable	3,803,702	1,298,339	773,010	4,329,031	878,663
Compensated absences	390,465	265,491	241,241	414,715	229,537
Other post employment benefits	151,093	75,478	96,239	130,332	-
Net pension benefit obligation	288,573	61,928	46,160	304,341	-
Total Governmental activities	<u>\$ 4,638,176</u>	<u>\$ 1,701,236</u>	<u>\$ 1,160,993</u>	<u>\$ 5,178,419</u>	<u>\$ 1,108,200</u>
<b>Business-type activities:</b>					
<b>Water and Wastewater Fund:</b>					
General obligation bonds	\$ 80,657	\$ -	\$ 80,657	\$ -	\$ -
Deferred loss on refunding	(15,824)	-	(15,824)	-	-
Bond Discount	(299)	-	(299)	-	-
Loans payable	7,710,095	3,856,716	1,358,714	10,208,097	1,093,540
Compensated absences	78,331	78,857	73,938	83,250	67,214
Other post employment benefits	51,591	17,810	38,647	30,754	-
Total Water and Wastewater Fund	<u>7,904,551</u>	<u>3,953,383</u>	<u>1,535,833</u>	<u>10,322,101</u>	<u>1,160,754</u>
<b>Electric Fund:</b>					
Loans payable	6,213,631	803,018	756,129	6,260,520	752,486
Compensated absences	32,138	31,896	30,414	33,620	28,968
Other post employment benefits	10,215	5,933	5,902	10,246	-
Total Electric Fund	<u>6,255,984</u>	<u>840,847</u>	<u>792,445</u>	<u>6,304,386</u>	<u>781,454</u>
Total Business-type activities	<u>\$ 14,160,535</u>	<u>\$ 4,794,230</u>	<u>\$ 2,328,278</u>	<u>\$ 16,626,487</u>	<u>\$ 1,942,209</u>

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

### C. Interfund Balances and Activity

Transfers are used to (1) move unrestricted General Fund 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 and (2) move funds from the fund with collection authorization to other funds to stabilize rates.

**CITY OF NEWTON, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

Transfers to/from other funds at June 30, 2012 consist of the following:

**From the General Fund to:**

General Capital Projects Fund for capital project expenditures	\$ 119,335
CDBG-Moretz Industry Access Road Special Revenue Fund for local contribution to project	<u>55,000</u>
<b>Total</b>	<b><u>\$ 174,335</u></b>

**From the Electric Fund to:**

General Fund for local contribution	<u>\$ 3,350</u>
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Interfund loans are summarized as follows:

Fund Name	Due From	Due To	Purpose
General Fund	<u>\$ 893</u>		
EECBG-Energy Efficiency and Conservation Grant Fund		<u>\$ 893</u>	Short-term loan in anticipation of amount due from other governments
Business-type activities	<u>\$ 102,211</u>		
Governmental activities		<u>\$ 102,211</u>	Allocation of Internal Service Fund equity

**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 \$10,163 for the salary supplement and stipend benefits paid to eligible firemen by the local Board of Trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2012. 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 firemen or their departments.

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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#### 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, 2012 was \$9,944,791.

##### **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, 2012.

##### **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 \$13,130 during fiscal year ended June 30, 2012.

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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#### **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 \$29,578 to WPRTA during fiscal year ended June 30, 2012.

#### **4. Related Party Transaction**

The City entered into a transaction to rent a facility owned by a member of the City Council. The amount paid for rent was \$200. Prior to the rental of the facility, the City adopted resolution # 8-2011, exempting the City of Newton from North Carolina General Statute 14-234.

#### **5. Summary Disclosure**

##### **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.

## REQUIRED SUPPLEMENTARY INFORMATION

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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 Postemployment Benefits.
  - Schedule of Employer Contributions for the Other Postemployment Benefits.
  - Notes to the Required Schedules for the Other Postemployment Benefits.
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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, 2012

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial 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)
12/31/2011	\$ -	\$ 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%
12/31/2004	-	522,202	522,202	0.00%	1,335,544	39.10%
12/31/2003	-	440,375	440,375	0.00%	1,226,127	35.92%
12/31/2002	-	449,478	449,478	0.00%	1,202,209	37.39%
12/31/2001	-	385,678	385,678	0.00%	1,178,694	32.72%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2012	\$ 64,714	71.33%
2011	69,554	4.67%
2010	58,869	4.42%
2009	55,205	4.28%
2008	53,341	3.87%
2007	50,760	3.79%
2006	56,192	4.13%
2005	49,590	3.97%
2004	49,724	4.06%
2003	46,711	3.89%

Notes to the Required Schedules:

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

Valuation date	December 31, 2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, closed
Remaining amortization period	19 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	None

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, 2012

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)
12/31/2011	\$ -	\$ 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%

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, previous years information will be added to this schedule.

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2012	\$ 102,543	137.30%
2011	95,458	115.25%
2010	187,915	47.32%
2009	197,926	28.60%

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, 2011
Actuarial cost method	Projected unit credit
Amortization method	Level dollar amount, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial assumptions	
Investment rate of return*	4.00%
Medical trend rate	9.50% - 5.00%
Year of Ultimate trend rate	2018
* Includes inflation of 3.00%	

# GOVERNMENTAL ACTIVITIES MAJOR FUNDS

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## 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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CITY OF NEWTON, NORTH CAROLINA

Schedule 1  
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GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012		Variance Over/Under	2011 Actual
	Final Budget	Actual		
Revenues:				
Ad Valorem Taxes:				
Current year	\$ 5,057,850	\$ 4,857,198	\$ (200,652)	\$ 4,948,509
Prior years	-	158,838	158,838	129,565
Refunds	(5,000)	-	5,000	-
Penalties and interest	35,000	29,690	(5,310)	44,639
Total	5,087,850	5,045,726	(42,124)	5,122,713
Other Taxes and Licenses:				
Local option sales tax	2,607,700	2,580,288	(27,412)	2,566,400
Solid waste disposal tax	9,300	8,873	(427)	9,367
Other taxes and licenses	19,000	29,370	10,370	19,094
Rural fire district tax	351,350	351,316	(34)	335,674
Total	2,987,350	2,969,847	(17,503)	2,930,535
Unrestricted Intergovernmental Revenues:				
Payments in lieu of taxes	365,550	365,550	-	359,750
Utility franchise tax	775,000	781,701	6,701	785,773
Beer and wine tax	58,900	56,304	(2,596)	60,906
Total	1,199,450	1,203,555	4,105	1,206,429
Restricted Intergovernmental Revenues:				
Federal grants	146,750	178,713	31,963	163,348
Federal asset seizure allocation	12,000	2,244	(9,756)	16,815
Other	8,000	26,668	18,668	9,438
On-behalf payments - fire	-	26,213	26,213	24,476
Powell Bill State street aid allocation	389,200	379,971	(9,229)	387,135
Total	555,950	613,809	57,859	601,212
Permits and Fees:				
Privilege and peddler's license	450	360	(90)	440
Local franchise - cable tv	93,000	84,662	(8,338)	89,513
Total	93,450	85,022	(8,428)	89,953
Sales and Services:				
Supportive court services	4,000	5,295	1,295	4,385
Refuse collection fees	550,400	555,234	4,834	547,614
Recreation fees and concessions	86,300	59,263	(27,037)	74,853
Other	52,000	48,444	(3,556)	61,282
Total	692,700	668,236	(24,464)	688,134
Investment Earnings	11,500	6,751	(4,749)	8,167
Miscellaneous:				
Rentals and sale of property	60,850	82,340	21,490	71,782
Other	1,277,500	1,315,621	38,121	118,762
Total	1,338,350	1,397,961	59,611	190,544
Total revenues	11,966,600	11,990,907	24,307	10,837,687

CITY OF NEWTON, NORTH CAROLINA

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GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012		2011 Actual
	Final Budget	Actual	
Expenditures:			
General Government:			
Governing body:			
Salaries and employee benefits	47,400	43,167	41,268
Other operating expenditures	24,300	23,863	1,126
Interdepartmental charges	(39,300)	(39,300)	(27,500)
<b>Total</b>	<b>32,400</b>	<b>27,730</b>	<b>14,894</b>
Administration:			
Salaries and employee benefits	250,750	248,484	225,865
Other operating expenditures	91,700	91,014	88,253
Capital outlay	9,300	9,722	-
Interdepartmental charges	(200,450)	(200,450)	(173,700)
<b>Total</b>	<b>151,300</b>	<b>148,770</b>	<b>140,418</b>
Finance:			
Salaries and employee benefits	436,950	410,806	410,545
Other operating expenditures	193,350	159,733	178,440
Capital outlay	-	-	-
Interdepartmental charges	(476,250)	(476,250)	(376,300)
<b>Total</b>	<b>154,050</b>	<b>94,289</b>	<b>212,685</b>
Purchasing/Warehouse:			
Salaries and employee benefits	101,150	100,624	97,284
Other operating expenditures	13,850	11,227	20,633
Capital outlay	23,700	23,662	-
Interdepartmental charges	(103,750)	(103,750)	(81,600)
<b>Total</b>	<b>34,950</b>	<b>31,763</b>	<b>36,317</b>
Technology/MIS:			
Salaries and employee benefits	129,650	128,970	124,830
Other operating expenditures	171,550	169,738	198,101
Capital outlay	33,200	33,184	13,061
Interdepartmental charges	(195,650)	(195,650)	(166,900)
<b>Total</b>	<b>138,750</b>	<b>136,242</b>	<b>169,092</b>
Human Resources:			
Salaries and employee benefits	308,150	293,386	278,839
Other operating expenditures	140,950	132,703	136,112
Interdepartmental charges	(58,400)	(58,400)	(43,100)
<b>Total</b>	<b>390,700</b>	<b>367,689</b>	<b>371,851</b>
Planning:			
Salaries and employee benefits	267,950	252,674	272,677
Other operating expenditures	122,250	61,091	73,193
Capital outlay	7,300	7,295	-
Interdepartmental charges	(226,950)	(226,950)	(181,900)
<b>Total</b>	<b>170,550</b>	<b>94,110</b>	<b>163,970</b>
Municipal Building:			
Other operating expenditures	143,600	135,639	119,973
Capital outlay	37,250	13,472	5,886
<b>Total</b>	<b>180,850</b>	<b>149,111</b>	<b>125,859</b>

CITY OF NEWTON, NORTH CAROLINA

Schedule 1  
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GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012		2011 Actual
	Final Budget	Actual	
Public Works Administration:			
Salaries and employee benefits	140,150	138,705	135,564
Other operating expenditures	84,850	73,693	76,496
Capital outlay	7,300	7,295	-
Interdepartmental charges	(152,400)	(152,400)	(146,600)
<b>Total</b>	<b>79,900</b>	<b>67,293</b>	<b>65,460</b>
Garage:			
Salaries and employee benefits	98,600	97,952	79,034
Other operating expenditures	54,200	48,366	50,119
Interdepartmental charges	(42,650)	(42,650)	(34,300)
<b>Total</b>	<b>110,150</b>	<b>103,668</b>	<b>94,853</b>
Downtown Public Parking:			
Other operating expenditures	7,150	5,414	5,650
Capital outlay	-	-	20,900
<b>Total</b>	<b>7,150</b>	<b>5,414</b>	<b>26,550</b>
<b>Total general government</b>	<b>1,450,750</b>	<b>1,226,079</b>	<b>1,421,949</b>
Transportation:			
Streets:			
Salaries and employee benefits	270,750	257,435	208,092
Other operating expenditures	204,750	188,792	135,105
Capital outlay	501,700	188,271	67,117
<b>Total</b>	<b>977,200</b>	<b>634,498</b>	<b>410,314</b>
Powell Bill:			
Salaries and employee benefits	131,400	129,322	122,197
Other operating expenditures	268,650	169,388	312,771
Capital outlay	-	-	14,954
<b>Total</b>	<b>400,050</b>	<b>298,710</b>	<b>449,922</b>
<b>Total transportation</b>	<b>1,377,250</b>	<b>933,208</b>	<b>860,236</b>
Environmental Protection:			
Sanitation:			
Salaries and employee benefits	547,100	506,953	503,728
Other operating expenditures	382,400	380,024	339,988
Capital outlay	377,000	12,538	10,238
<b>Total</b>	<b>1,306,500</b>	<b>899,515</b>	<b>853,954</b>
<b>Total environmental protection</b>	<b>1,306,500</b>	<b>899,515</b>	<b>853,954</b>
Public Safety:			
Police Department:			
Salaries and employee benefits	2,390,550	2,349,384	2,242,059
Other operating expenditures	436,600	392,474	402,719
Capital outlay	568,850	562,724	49,535
Interdepartmental charges	(2,200)	(2,200)	(2,100)
<b>Total</b>	<b>3,393,800</b>	<b>3,302,382</b>	<b>2,692,213</b>

CITY OF NEWTON, NORTH CAROLINA

Schedule 1  
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GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012		2011 Actual
	Final Budget	Actual	
Fire Department:			
Salaries and employee benefits	1,664,050	1,648,937	1,582,660
Other operating expenditures	307,300	326,746	302,734
Capital outlay	203,550	202,112	130,826
Interdepartmental charges	(102,350)	(102,350)	(76,200)
<b>Total</b>	<b>2,072,550</b>	<b>2,075,445</b>	<b>1,940,020</b>
<b>Total public safety</b>	<b>5,466,350</b>	<b>5,377,827</b>	<b>4,632,233</b>
Cultural and Recreational:			
Administration:			
Salaries and employee benefits	544,750	543,297	530,889
Other operating expenditures	140,150	123,247	116,794
Capital outlay	-	-	6,094
<b>Total</b>	<b>684,900</b>	<b>666,544</b>	<b>653,777</b>
Central Recreation Center:			
Salaries and employee benefits	29,700	21,235	20,864
Other operating expenditures	47,450	41,106	45,301
<b>Total</b>	<b>77,150</b>	<b>62,341</b>	<b>66,165</b>
Swimming Pool:			
Salaries and employee benefits	28,500	22,035	4,086
Other operating expenditures	52,350	34,490	28,708
Capital outlay	-	-	13,492
<b>Total</b>	<b>80,850</b>	<b>56,525</b>	<b>46,286</b>
Parks:			
Salaries and employee benefits	51,450	49,730	47,110
Other operating expenditures	85,000	82,694	88,826
<b>Total</b>	<b>136,450</b>	<b>132,424</b>	<b>135,936</b>
Cemeteries:			
Salaries and employee benefits	157,500	156,030	148,551
Other operating expenditures	25,500	23,225	36,835
Capital outlay	-	-	15,397
<b>Total</b>	<b>183,000</b>	<b>179,255</b>	<b>200,783</b>
Special Appropriations:			
Other operating expenditures	926,400	911,809	906,939
<b>Total culture and recreation</b>	<b>2,088,750</b>	<b>2,008,898</b>	<b>2,009,886</b>
Debt Service:			
Principal paid on installment purchase	777,850	777,353	772,043
Interest and fees	137,250	136,849	133,930
<b>Total debt service</b>	<b>915,100</b>	<b>914,202</b>	<b>905,973</b>
<b>Total expenditures</b>	<b>12,604,700</b>	<b>11,359,729</b>	<b>10,684,231</b>
<b>Revenues over (under) expenditures</b>	<b>(638,100)</b>	<b>631,178</b>	<b>153,456</b>

CITY OF NEWTON, NORTH CAROLINA

Schedule 1  
Page 5 of 5

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011 Actual
	Final Budget	Actual	Variance Over/Under	
Other Financing Sources (Uses):				
Issuance of debt	1,298,550	1,298,339	(211)	501,000
Transfers in	3,350	3,350	-	5,000
Transfers out	(174,350)	(174,335)	15	(370,330)
Appropriated fund balance	(489,450)	-	489,450	-
Total other financing sources (uses)	<u>638,100</u>	<u>1,127,354</u>	<u>489,254</u>	<u>135,670</u>
Net change in fund balance	<u>\$ -</u>	<u>1,758,532</u>	<u>\$ 1,758,532</u>	<u>\$ 289,126</u>
Fund Balance:				
Beginning of year - July 1		3,966,838		
Increase (decrease) in reserve for inventory		<u>(1,242)</u>		
End of year - June 30		<u>\$ 5,724,128</u>		



# GOVERNMENTAL ACTIVITIES NON- MAJOR FUNDS

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## 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.

## SPECIAL REVENUE FUNDS

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

*CDBG-Moretz Ind Access Road Special Revenue Fund* - This fund is used to account for financial resources to be used to construct an access road.

*Main Street Energy Special Revenue Fund* - This fund is used to account for financial resources to provide energy efficient lighting to City facilities.

*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.

*EECBG-Energy Efficiency and Conservation Block Grant Special Revenue Fund* - This fund is used to account for financial resources to provide energy efficiency and conservation to City facilities.

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CITY OF NEWTON, NORTH CAROLINA

Schedule 2

NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2012

	Special Revenue Funds					Capital Project Fund	Total Nonmajor Governmental Funds
	CDBG-Moretz Industry Access Road Special Revenue Fund	Main Street Energy Grant Fund	Special Revenue Fund - General	EECBG-Energy Efficiency and Conservation Grant Fund	General Capital Project Fund		
<b>Assets:</b>							
<b>Current assets:</b>							
Cash and investments	\$ 2,511	\$ 84	\$ 1,369	\$ -	\$ 87,538	\$ 91,502	
Due from other governments	-	-	-	893	280	1,173	
<b>Total assets</b>	<b>\$ 2,511</b>	<b>\$ 84</b>	<b>\$ 1,369</b>	<b>\$ 893</b>	<b>\$ 87,818</b>	<b>\$ 92,675</b>	
<b>Liabilities and Fund Balance:</b>							
<b>Liabilities:</b>							
Due to other funds	\$ -	\$ -	\$ -	\$ 893	\$ -	\$ 893	
<b>Fund Balances:</b>							
Restricted - stabilization by State statute	-	-	-	893	280	1,173	
Restricted Committed	2,511	84	1,369	-	87,538	1,369	
Unassigned	-	-	-	(893)	-	90,133	
<b>Total net assets</b>	<b>2,511</b>	<b>84</b>	<b>1,369</b>	<b>-</b>	<b>87,818</b>	<b>91,782</b>	
<b>Total liabilities and fund balances</b>	<b>\$ 2,511</b>	<b>\$ 84</b>	<b>\$ 1,369</b>	<b>\$ 893</b>	<b>\$ 87,818</b>	<b>\$ 92,675</b>	

CITY OF NEWTON, NORTH CAROLINA

Schedule 3

NONMAJOR GOVERNMENTAL FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue Funds				Capital Project Fund	Total Nonmajor Governmental Funds
	CDBG-Moretz Industry Access Road Special Revenue Fund	Main Street Energy Grant Fund	Special Revenue Fund - General	EECBG-Energy Efficiency and Conservation Grant Fund	General Capital Project Fund	
Revenues:						
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ 53,303	\$ -	\$ 53,303
Miscellaneous revenue	-	-	1,369	-	-	1,369
Total revenues	-	-	1,369	53,303	-	54,672
Expenditures:						
Current:						
Transportation	57,710	-	-	-	-	57,710
Economic and physical development	-	-	-	63,033	70,544	133,577
Total expenditures	57,710	-	-	63,033	70,544	191,287
Revenues over (under) expenditures	(57,710)	-	1,369	(9,730)	(70,544)	(136,615)
Other Financing Sources (Uses):						
Transfers in	55,000	-	-	-	119,335	174,335
Net change in fund balances	(2,710)	-	1,369	(9,730)	48,791	37,720
Fund Balances:						
Beginning of year - July 1	5,221	84	-	9,730	39,027	54,062
End of year - June 30	\$ 2,511	\$ 84	\$ 1,369	\$ -	\$ 87,818	\$ 91,782

CITY OF NEWTON, NORTH CAROLINA

Schedule 4

CDBG-MORETZ INDUSTRY ACCESS ROAD  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	Project Authorization	Actual			Total to Date
		Prior Years	Current Year	Closed Projects	
Revenues:					
Restricted intergovernmental revenue	\$ 450,000	\$ 450,000	\$ -	\$ (450,000)	\$ -
Project contributions	100,000	100,000	-	(100,000)	-
<b>Total revenues</b>	<b>550,000</b>	<b>550,000</b>	<b>-</b>	<b>(550,000)</b>	<b>-</b>
Expenditures:					
Transportation Construction	1,058,000	997,779	57,710	(1,055,489)	-
<b>Revenues over (under) expenditures</b>	<b>(508,000)</b>	<b>(447,779)</b>	<b>(57,710)</b>	<b>505,489</b>	<b>-</b>
Other Financing Sources (Uses):					
Operating transfers in - General Fund	508,000	453,000	55,000	(505,489)	2,511
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ 5,221</b>	<b>\$ (2,710)</b>	<b>\$ -</b>	<b>\$ 2,511</b>

CITY OF NEWTON, NORTH CAROLINA

Schedule 5

MAIN STREET ENERGY GRANT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	Project Authorization	Actual			Total to Date
		Prior Years	Current Year	Closed Projects	
Revenues:					
Restricted intergovernmental revenue	\$ 6,310	\$ 6,310	\$ -	\$ (6,310)	\$ -
Expenditures:					
Economic and Physical Development Construction	15,750	15,666	-	(15,666)	-
Revenues over (under) expenditures	(9,440)	(9,356)	-	9,356	-
Other Financing Sources (Uses):					
Operating transfers in - General Fund	9,440	9,440	-	(9,356)	84
Net change in fund balance	\$ -	\$ 84	\$ -	\$ -	\$ 84

CITY OF NEWTON, NORTH CAROLINA

Schedule 6

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, 2012

	Project Authorization	Prior Years	Actual	
			Current Year	Total to Date
Revenues:				
Restricted intergovernmental revenue	\$ 80,830	\$ -	\$ -	\$ -
Miscellaneous	-	-	1,369	1,369
<b>Total revenues</b>	<b>80,830</b>	<b>-</b>	<b>1,369</b>	<b>1,369</b>
Expenditures:				
Economic and physical development Main St. Solutions Fund Grant	80,830	-	-	-
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,369</b>	<b>\$ 1,369</b>

CITY OF NEWTON, NORTH CAROLINA

Schedule 7

EECBG - ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	Project Authorization	Actual			Total to Date
		Prior Years	Current Year	Closed Projects	
Revenues:					
Restricted intergovernmental revenue	\$ 53,350	\$ -	\$ 53,303	\$ (53,303)	\$ -
Expenditures:					
Economic and physical development Construction	63,350	270	63,033	(63,303)	-
Revenues over (under) expenditures	(10,000)	(270)	(9,730)	10,000	-
Other Financing Sources (Uses):					
Transfers in - General Fund	10,000	10,000	-	(10,000)	-
Net change in fund balance	\$ -	\$ 9,730	\$ (9,730)	\$ -	\$ -



# **BUSINESS-TYPE ACTIVITIES**

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## **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

Schedule 9

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WATER AND WASTEWATER FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services	\$ 5,765,900	\$ 5,540,276	\$ (225,624)
Other	<u>444,050</u>	<u>354,365</u>	<u>(89,685)</u>
Total operating revenues	<u>6,209,950</u>	<u>5,894,641</u>	<u>(315,309)</u>
Non-operating revenues:			
Other non-operating revenue	83,000	75,000	(8,000)
Interest earned	<u>5,400</u>	<u>3,172</u>	<u>(2,228)</u>
Total non-operating revenues	<u>88,400</u>	<u>78,172</u>	<u>(10,228)</u>
Total revenues	<u>6,298,350</u>	<u>5,972,813</u>	<u>(325,537)</u>
Expenditures:			
Operations	2,371,010	2,298,261	72,749
Maintenance	1,176,900	1,097,476	79,424
Administration	848,950	854,819	(5,869)
Capital outlay	1,145,590	560,031	585,559
Debt principal	1,439,800	1,439,371	429
Interest and fees	<u>383,900</u>	<u>320,720</u>	<u>63,180</u>
Total expenditures	<u>7,366,150</u>	<u>6,570,678</u>	<u>795,472</u>
Revenues over (under) expenditures	<u>(1,067,800)</u>	<u>(597,865)</u>	<u>469,935</u>
Other Financing Sources (Uses):			
Transfers out - Electric Fund	-	(110,316)	(110,316)
Intrafund transfer out - Water Capital Project	(2,510,650)	(2,510,650)	-
Issuance of long-term debt	3,367,050	3,366,643	(407)
Proceeds from sale of capital assets	2,000	904	(1,096)
Appropriated fund balance	<u>209,400</u>	<u>-</u>	<u>(209,400)</u>
Total other financing sources (uses)	<u>1,067,800</u>	<u>746,581</u>	<u>(321,219)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 148,716</u>	<u>\$ 148,716</u>

CITY OF NEWTON, NORTH CAROLINA

Schedule 9  
Page 2 of 2

WATER AND WASTEWATER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Reconciliation from Budgetary Basis (Modified Accrual to Full Accrual: Revenues and other financing sources over (under) expenditures and other financing uses		\$ 148,716	
Reconciling items:			
Capital project income		808,383	
Capital project expenditures		(2,794,099)	
Capital project expenditures capitalized to CIP		2,794,099	
Transfers in (out) - capital project fund		2,510,650	
Depreciation		(1,597,506)	
Capital outlay capitalized		560,031	
Payment of debt principal		1,439,371	
Amortization of debt issuance costs and discount/premium		(16,123)	
(Increase) decrease in other post-employment benefit accrual		20,837	
(Increase) decrease in compensated absences		(4,920)	
Issuance of long-term debt		<u>(3,366,643)</u>	
Change in net assets		<u>\$ 502,796</u>	

CITY OF NEWTON, NORTH CAROLINA

Schedule 10

WATER AND WASTEWATER CAPITAL PROJECT FUND  
 CDBG-ED TARGET DISTRIBUTION PROJECT  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	Project Authorization	Actual			Total to Date
		Prior Years	Current Year	Closed Projects	
Revenues:					
Restricted intergovernmental	\$ 1,900,000	\$ 1,787,630	\$ 111,605	\$ (1,513,035)	\$ 386,200
Expenditures:					
Capital outlay:					
CDBG-ED Target Distribution	1,515,000	1,402,630	110,405	(1,513,035)	-
Revenues over (under) expenditures	385,000	385,000	1,200	-	386,200
Other Financing Sources (Uses):					
Transfer out	(385,000)	(385,000)	-	-	(385,000)
Net change in fund balance	\$ -	\$ -	\$ 1,200	\$ -	\$ 1,200

CITY OF NEWTON, NORTH CAROLINA

Schedule 11

WATER AND WASTEWATER CAPITAL PROJECT FUND  
 BURRIS ROAD PUMP STATION  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Restricted intergovernmental	\$ 852,900	\$ -	\$ 696,778	\$ 696,778
Expenditures:				
Capital outlay:				
Burriss Road Pump Station	<u>1,624,150</u>	<u>171,007</u>	<u>1,191,557</u>	<u>1,362,564</u>
Revenues over (under) expenditures	<u>(771,250)</u>	<u>(171,007)</u>	<u>(494,779)</u>	<u>(665,786)</u>
Other Financing Sources (Uses):				
Issuance of long-term debt	545,300	-	490,073	490,073
Transfer in - General Fund	215,000	215,000	-	215,000
Transfer in - Water and Wastewater Fund	225,950	215,000	10,950	225,950
Transfer out - General Fund	<u>(215,000)</u>	<u>(215,000)</u>	<u>-</u>	<u>(215,000)</u>
Total other financing sources (uses)	<u>771,250</u>	<u>215,000</u>	<u>501,023</u>	<u>716,023</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 43,993</u>	<u>\$ 6,244</u>	<u>\$ 50,237</u>

CITY OF NEWTON, NORTH CAROLINA

Schedule 12

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, 2012

	Project Authorization	Actual			Total to Date
		Prior Years	Current Year	Closed Projects	
Expenditures:					
Capital outlay:					
Water Rehabilitation Projects:					
Shannonbrook	\$ 285,350	\$ -	\$ 175,882	\$ -	\$ 175,882
Highway 70 W to Conover	126,350	-	114,996	-	114,996
North College	51,500	-	4,015	-	4,015
Ervin Ave - B St to Caldwell	54,700	-	49,102	-	49,102
Davis Ave - B St to Caldwell	121,550	-	119,114	-	119,114
East E St - Ervin to Saunders	246,650	-	206,901	-	206,901
Boundary	45,900	-	31,301	-	31,301
S Brady - 4th to D St	195,950	-	170,067	-	170,067
S Brady - N St to K St	144,550	-	139,857	-	139,857
College St - E St to K St	130,500	-	119,835	-	119,835
Sewer Rehabilitation Projects:					
Snow Creek to Fall Line	236,950	-	195,862	-	195,862
S Cline to S Main Ave	122,250	-	110,646	-	110,646
N Frye Ave - 13th to 15th	137,500	-	5,919	-	5,919
Water Filtration Plant 8.0 MGD Pump	600,000	-	48,640	-	48,640
<b>Total expenditures</b>	<b>2,499,700</b>	<b>-</b>	<b>1,492,137</b>	<b>-</b>	<b>1,492,137</b>
Other Financing Sources (Uses):					
Transfer in - Water and Wastewater Fund	2,499,700	-	2,499,700	-	2,499,700
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,007,563</b>	<b>\$ -</b>	<b>\$ 1,007,563</b>

CITY OF NEWTON, NORTH CAROLINA

Schedule 13  
Page 1 of 2

ELECTRIC ENTERPRISE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues			
Changes for services	\$ 13,175,600	\$ 13,147,939	\$ (27,661)
Other	<u>554,575</u>	<u>804,031</u>	<u>249,456</u>
Total operating revenues	<u>13,730,175</u>	<u>13,951,970</u>	<u>221,795</u>
Non-operating revenues:			
Other non-operating revenue	45,000	77,679	32,679
Interest earned	6,000	4,005	(1,995)
Sales tax	<u>295,000</u>	<u>277,993</u>	<u>(17,007)</u>
Total non-operating revenues	<u>346,000</u>	<u>359,677</u>	<u>13,677</u>
Total revenues	<u>14,076,175</u>	<u>14,311,647</u>	<u>235,472</u>
Expenditures:			
Power for resale	9,958,200	9,944,791	13,409
Operations	2,087,500	1,877,012	210,488
Administration	794,150	801,707	(7,557)
Debt principal	826,500	756,129	70,371
Interest and fees	258,200	230,050	28,150
Capital outlay	<u>136,550</u>	<u>14,380</u>	<u>122,170</u>
Total expenditures	<u>14,061,100</u>	<u>13,624,069</u>	<u>437,031</u>
Revenues over (under) expenditures	<u>15,075</u>	<u>687,578</u>	<u>672,503</u>
Other Financing Sources (Uses):			
Issuance of long-term debt	803,050	803,018	(32)
Proceeds from sale of capital assets	500	3,255	2,755
Intrafund transfer out - Electric Capital Project	(1,036,100)	(1,036,100)	-
Transfers out - General Fund	(3,350)	(3,350)	-
Transfers in - Water and Wastewater Fund	-	110,316	110,316
Appropriated fund balance	<u>220,825</u>	<u>-</u>	<u>(220,825)</u>
Total other financing sources (uses)	<u>(15,075)</u>	<u>(122,861)</u>	<u>(107,786)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 564,717</u>	<u>\$ 564,717</u>

CITY OF NEWTON, NORTH CAROLINA

Schedule 13  
Page 2 of 2

ELECTRIC ENTERPRISE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 564,717	
Reconciling items:			
Capital project expenditures		(553,467)	
Capital project expenditures capitalized to CIP		553,467	
Transfers in (out) - capital project fund		1,036,100	
Capital outlay capitalized		14,380	
Payment of debt principal		756,129	
Depreciation		(567,561)	
(Increase) decrease in other post-employment benefit accrual		(31)	
(Increase) decrease in compensated absences		(1,482)	
Issuance of long-term debt		<u>(803,018)</u>	
Change in net assets		<u>\$ 999,234</u>	

CITY OF NEWTON, NORTH CAROLINA

Schedule 14

ELECTRIC FUND CAPITAL PROJECTS  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	Project Authorization	Actual			Total to Date
		Prior Years	Current Year	Closed Projects	
Expenditures:					
Target Distribution Center	\$ 712,400	\$ 629,773	\$ -	\$ (629,773)	\$ -
Electric System Distribution Conversion	1,103,800	252,621	474,372	(477,708)	249,285
Electric Infrastructure-Sarstedt	137,000	42,845	501	(43,346)	-
336 ACSR Line Extension	109,750	-	26,362	-	26,362
Reconductor Electric Line	220,800	-	52,232	-	52,232
Generator Modifications	378,350	-	-	-	-
<b>Total expenditures</b>	<b>2,662,100</b>	<b>925,239</b>	<b>553,467</b>	<b>(1,150,827)</b>	<b>327,879</b>
Other Financing Sources (Uses):					
Transfers in	385,000	385,000	-	(385,000)	-
Transfers in - Electric Fund	2,277,100	618,620	1,036,100	(765,827)	888,893
<b>Total other financing sources (uses)</b>	<b>2,662,100</b>	<b>1,003,620</b>	<b>1,036,100</b>	<b>(1,150,827)</b>	<b>888,893</b>
Revenues and other financing sources over (under) expenditures and other financing uses					
	\$ -	\$ 78,381	\$ 482,633	\$ -	\$ 561,014

CITY OF NEWTON, NORTH CAROLINA

Schedule 15

HEALTH INSURANCE INTERNAL SERVICE FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 PLAN AND ACTUAL (NON-GAAP)  
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Operating Revenues:			
Charges for services	\$ 1,508,600	\$ 1,578,266	\$ 69,666
Total operating revenues	<u>1,508,600</u>	<u>1,578,266</u>	<u>69,666</u>
Operating Expenditures - Group Insurance:			
Claims paid	1,395,000	1,359,523	35,477
Claims incurred but not reported	-	(52,911)	52,911
Stop loss insurance fees	236,650	236,135	515
Administrative charges	<u>23,950</u>	<u>7,392</u>	<u>16,558</u>
Total operating expenditures	<u>1,655,600</u>	<u>1,550,139</u>	<u>105,461</u>
Operating income (loss)	<u>(147,000)</u>	<u>28,127</u>	<u>175,127</u>
Non-Operating Revenues:			
Investment earnings	2,000	747	(1,253)
Appropriated fund balance	<u>145,000</u>	<u>-</u>	<u>(145,000)</u>
Total non-operating revenues	<u>147,000</u>	<u>747</u>	<u>(146,253)</u>
Change in net assets	<u>\$ -</u>	<u>\$ 28,874</u>	<u>\$ 28,874</u>



## OTHER SCHEDULES

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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 16

SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
JUNE 30, 2012

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2011</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2012</u>
2011-2012	\$ -	\$ 5,095,309	\$ 4,853,555	\$ 241,754
2010-2011	217,031	-	118,507	98,524
2009-2010	81,210	-	18,258	62,952
2008-2009	63,949	-	11,371	52,578
2007-2008	47,472	-	8,337	39,135
2006-2007	42,198	-	3,415	38,783
2005-2006	22,810	-	393	22,417
2004-2005	21,459	-	637	20,822
2003-2004	21,590	-	328	21,262
2002-2003	21,973	-	243	21,730
2001-2002	34,077	-	34,077	-
<b>Total</b>	<b>\$ 573,769</b>	<b>\$ 5,095,309</b>	<b>\$ 5,049,121</b>	<b>619,957</b>
Less allowance for uncollectible ad valorem taxes receivable				<u>34,575</u>
Ad valorem taxes receivable, net				<u>\$ 585,382</u>
Ad Valorem Taxes Receivable, Net General Fund				<u>\$ 585,382</u>
Reconciliation with Revenues:				
Ad valorem taxes - General Fund				\$ 5,045,726
Taxes written off				34,077
Miscellaneous				(992)
Interest and penalties collected				<u>(29,690)</u>
Total collections and credits				<u>\$ 5,049,121</u>

CITY OF NEWTON, NORTH CAROLINA

Schedule 17

ANALYSIS OF CURRENT TAX LEVY  
FOR THE YEAR ENDED JUNE 30, 2012

	City-Wide		Total Levy		
	Property	Rate	Total	Property	Registered
	Valuation			Levy	Excluding
				Registered	Motor
				Vehicles	Vehicles
Original Levy:					
Total property taxed at current year's rate	\$ 991,082,496	\$ 0.48	\$ 4,757,196	\$ 4,757,196	\$ -
Registered motor vehicles taxed at prior year's taxes	67,365,725	0.48	323,355	-	323,355
Penalties	-		1,883	1,883	-
Total	<u>1,058,448,221</u>		<u>5,082,434</u>	<u>4,759,079</u>	<u>323,355</u>
Discoveries:					
Current year taxes	4,097,941		19,670	19,670	-
Prior year taxes	33,667		162	162	-
Penalties	-		1,911	1,911	-
Total	<u>4,131,608</u>		<u>21,743</u>	<u>21,743</u>	<u>-</u>
Releases:					
Property					
Current year taxes	(247,679)		(1,189)	(1,189)	-
Prior year taxes	(48,171)		(231)	(231)	-
Motor Vehicles					
Current year taxes	(998,237)		(4,792)	-	(4,792)
Prior year taxes	(535,283)		(2,536)	-	(2,536)
Penalties	-		(120)	(120)	-
Total	<u>(1,829,370)</u>		<u>(8,868)</u>	<u>(1,540)</u>	<u>(7,328)</u>
Total property valuation	<u>\$ 1,060,750,459</u>				
Net Levy			5,095,309	4,779,282	316,027
Less uncollected taxes at June 30, 2012			<u>241,754</u>	<u>166,422</u>	<u>75,332</u>
Current Year's Taxes Collected			<u>\$ 4,853,555</u>	<u>\$ 4,612,860</u>	<u>\$ 240,695</u>
Current Levy Collection Percentage			<u>95.26%</u>	<u>96.52%</u>	<u>76.16%</u>

# STATISTICAL SECTION

## (Unaudited)

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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.

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CITY OF NEWTON, NORTH CAROLINA

Table 1

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental Activities:</b>										
Invested in capital assets, net of related debt	\$ 3,391,032	\$ 3,764,819	\$ 4,143,227	\$ 4,926,632	\$ 5,716,932	\$ 6,427,305	\$ 6,589,160	\$ 7,025,672	\$ 7,130,316	\$ 7,704,679
Restricted	5,348	772,989	81,284	292,458	131,234	250,152	159,090	393,488	1,127,790	2,141,848
Unrestricted	3,772,672	3,146,362	4,537,617	4,034,295	4,675,329	4,200,628	4,136,962	3,381,059	2,640,730	2,783,144
<b>Total governmental activities net assets</b>	<b>\$ 7,169,052</b>	<b>\$ 7,684,170</b>	<b>\$ 8,762,128</b>	<b>\$ 9,253,385</b>	<b>\$ 10,523,495</b>	<b>\$ 10,878,085</b>	<b>\$ 10,855,212</b>	<b>\$ 10,800,219</b>	<b>\$ 10,898,836</b>	<b>\$ 12,629,671</b>
<b>Business-type Activities:</b>										
Invested in capital assets, net of related debt	\$ 20,640,402	\$ 22,470,306	\$ 24,986,710	\$ 25,061,497	\$ 25,436,728	\$ 28,311,430	\$ 28,914,131	\$ 29,030,185	\$ 29,078,708	\$ 30,854,510
Restricted	4,597,560	2,147,527	3,250,499	2,935,057	2,636,122	1,012,074	1,620,541	3,128,651	4,403,843	4,137,291
Unrestricted	25,237,962	24,617,833	28,237,209	27,996,554	28,072,850	29,323,504	30,534,672	32,158,836	33,482,551	34,991,801
<b>Total business-type activities net assets</b>	<b>\$ 25,237,962</b>	<b>\$ 24,617,833</b>	<b>\$ 28,237,209</b>	<b>\$ 27,996,554</b>	<b>\$ 28,072,850</b>	<b>\$ 29,323,504</b>	<b>\$ 30,534,672</b>	<b>\$ 32,158,836</b>	<b>\$ 33,482,551</b>	<b>\$ 34,991,801</b>
<b>Primary Government:</b>										
Invested in capital assets, net of related debt	\$ 24,031,434	\$ 26,235,125	\$ 29,129,937	\$ 29,988,129	\$ 31,153,660	\$ 34,738,735	\$ 35,473,291	\$ 36,055,857	\$ 36,209,024	\$ 38,559,189
Restricted	5,348	772,989	81,284	292,458	131,234	250,152	159,090	393,488	1,127,790	2,141,848
Unrestricted	8,370,232	5,293,889	7,788,116	6,969,352	7,311,451	5,212,702	5,757,503	6,509,710	7,044,573	6,920,435
<b>Total primary government net assets</b>	<b>\$ 32,407,014</b>	<b>\$ 32,302,003</b>	<b>\$ 36,999,337</b>	<b>\$ 37,249,939</b>	<b>\$ 38,596,345</b>	<b>\$ 40,201,589</b>	<b>\$ 41,389,884</b>	<b>\$ 42,959,055</b>	<b>\$ 44,381,387</b>	<b>\$ 47,621,472</b>

CITY OF NEWTON, NORTH CAROLINA

Table 2, page 1 of 3

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses:</b>										
<b>Governmental activities:</b>										
General government	\$ 970,935	\$ 1,234,061	\$ 1,426,533	\$ 1,424,397	\$ 1,385,640	\$ 1,661,543	\$ 1,678,411	\$ 1,591,739	\$ 1,946,752	\$ 1,313,202
Public safety	3,634,412	3,885,286	4,165,136	4,731,304	4,626,004	4,714,227	4,982,326	4,770,652	4,776,714	954,979
Transportation	909,448	902,604	823,558	681,982	857,363	976,990	1,004,258	839,025	975,976	938,935
Environmental protection	832,970	836,748	799,823	781,433	874,193	901,985	935,190	927,344	917,124	4,917,591
Cultural and recreational	969,275	946,786	1,279,295	1,465,194	1,312,900	1,451,556	1,526,225	2,108,551	2,076,673	2,089,168
Economic and physical development	292,287	108,202	-	2,206	-	3,000	271,659	105,699	42,698	-
Interest on long-term debt	129,118	90,250	115,869	105,513	97,610	170,515	173,087	150,324	98,794	151,154
<b>Total governmental activities expenses</b>	<b>7,738,445</b>	<b>8,003,937</b>	<b>8,610,214</b>	<b>9,192,029</b>	<b>9,153,710</b>	<b>9,879,816</b>	<b>10,571,156</b>	<b>10,493,334</b>	<b>10,834,731</b>	<b>10,365,029</b>
<b>Business-type activities:</b>										
Water and Wastewater	4,266,119	4,894,891	4,639,000	4,504,122	5,200,144	5,748,155	5,695,133	5,696,945	5,751,998	6,165,378
Electric	9,443,680	9,493,867	9,565,717	10,457,559	11,514,375	11,701,113	12,039,436	12,055,754	13,080,453	13,419,024
<b>Total business-type activities expenses</b>	<b>13,709,799</b>	<b>14,388,758</b>	<b>14,204,717</b>	<b>14,961,681</b>	<b>16,714,519</b>	<b>17,449,268</b>	<b>17,734,569</b>	<b>17,752,699</b>	<b>18,832,451</b>	<b>19,584,402</b>
<b>Total primary government expenses</b>	<b>\$21,448,244</b>	<b>\$22,392,695</b>	<b>\$22,814,931</b>	<b>\$24,153,710</b>	<b>\$25,868,229</b>	<b>\$27,329,084</b>	<b>\$28,305,725</b>	<b>\$28,246,033</b>	<b>\$29,667,182</b>	<b>\$29,949,431</b>
<b>Program Revenues:</b>										
<b>Governmental activities:</b>										
Charges for services	\$ 469,707	\$ 531,006	\$ 634,635	\$ 609,335	\$ 488,684	\$ 520,456	\$ 499,368	\$ 505,982	\$ 219,066	\$ 208,600
General government	46,405	45,472	76,622	95,949	117,418	120,337	205,268	178,450	86,706	119,909
Public safety	2,423	5,423	2,868	12,749	19,437	13,494	4,514	488	-	-
Transportation	359,078	350,376	418,224	366,593	487,772	476,222	587,051	578,162	574,846	575,067
Environmental protection	54,892	59,659	69,686	86,369	92,469	87,959	119,893	110,732	83,628	68,561
Cultural and recreational	12,826	10,666	17,160	18,517	17,355	20,883	14,889	14,273	-	-
Economic and physical development	752,682	468,593	435,184	432,563	425,414	477,979	479,868	447,973	30,879	482,714
Operating grants and contributions	-	371,676	388,724	704,064	722,633	13,938	31,508	105,522	448,357	1,364,849
Capital grants and contributions	1,698,013	1,842,871	2,043,103	2,326,139	2,371,182	1,731,268	1,942,359	1,941,582	1,443,482	2,819,700
<b>Total governmental activities program revenues</b>	<b>1,698,013</b>	<b>1,842,871</b>	<b>2,043,103</b>	<b>2,326,139</b>	<b>2,371,182</b>	<b>1,731,268</b>	<b>1,942,359</b>	<b>1,941,582</b>	<b>1,443,482</b>	<b>2,819,700</b>

continued

CITY OF NEWTON, NORTH CAROLINA

Table 2, page 2 of 3

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Business-type activities:</b>										
Charges for services - Water and Wastewater	3,836,745	3,683,406	5,274,509	3,890,343	4,352,866	4,433,887	5,094,620	5,699,745	6,094,148	5,970,545
Charges for services - Electric	8,522,443	8,831,484	9,071,578	9,654,266	10,819,757	11,323,152	11,796,063	12,536,124	13,721,107	13,801,529
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	12,359,188	174,979	3,463,731	2,895,000	277,115	2,050,276	1,179,515	(3,868)	52,815	1,039,758
Total business-type activities program revenues	<u>12,359,188</u>	<u>12,689,869</u>	<u>17,809,818</u>	<u>13,834,109</u>	<u>15,449,738</u>	<u>17,807,315</u>	<u>18,070,198</u>	<u>18,232,001</u>	<u>19,868,070</u>	<u>20,811,832</u>
Total primary government program revenues	<u>\$14,057,201</u>	<u>\$14,532,740</u>	<u>\$19,852,921</u>	<u>\$16,160,248</u>	<u>\$17,820,920</u>	<u>\$19,538,583</u>	<u>\$20,012,557</u>	<u>\$20,173,583</u>	<u>\$21,311,552</u>	<u>\$23,631,532</u>
<b>Net revenue (expense)</b>										
Governmental activities	\$ (6,040,432)	\$ (6,161,066)	\$ (6,567,112)	\$ (6,865,890)	\$ (6,782,528)	\$ (8,148,550)	\$ (8,628,797)	\$ (8,551,752)	\$ (9,391,248)	\$ (7,545,329)
Business-type activities	(1,350,611)	(1,698,889)	3,605,100	(1,127,572)	(1,264,781)	358,046	335,628	479,303	1,035,619	1,227,430
Total primary government net expense	<u>\$ (7,391,043)</u>	<u>\$ (7,859,955)</u>	<u>\$ (2,962,012)</u>	<u>\$ (7,993,462)</u>	<u>\$ (8,047,309)</u>	<u>\$ (7,790,504)</u>	<u>\$ (8,293,169)</u>	<u>\$ (8,072,449)</u>	<u>\$ (8,355,629)</u>	<u>\$ (6,317,899)</u>
<b>General Revenues and Other Changes in Net Assets:</b>										
Governmental activities:										
Ad valorem taxes	\$ 4,001,727	\$ 3,778,514	\$ 3,698,001	\$ 3,720,668	\$ 4,113,459	\$ 4,472,139	\$ 4,768,707	\$ 5,080,456	\$ 5,175,540	\$ 5,091,914
Local option sales tax	2,135,815	2,409,606	2,553,873	2,640,648	2,906,030	2,979,005	2,717,347	2,457,645	2,566,400	2,580,288
Franchise tax	688,756	646,646	695,351	676,425	707,527	735,324	768,977	776,181	785,773	781,701
Other taxes and licenses	207,893	219,616	245,099	291,783	295,132	332,767	334,549	390,137	948,139	811,413
Unrestricted investment earnings	43,327	46,339	55,401	151,292	211,644	144,014	37,402	6,913	9,013	7,498
Miscellaneous	84,786	177,866	(88,807)	77,979	98,748	(16,610)	173,943	252,347	-	-
Transfers	(602,400)	(602,400)	486,150	(201,650)	(279,900)	(143,500)	(215,000)	(466,921)	5,000	3,350
Total governmental activities	<u>6,559,904</u>	<u>6,676,187</u>	<u>7,645,068</u>	<u>7,357,145</u>	<u>8,052,640</u>	<u>8,503,139</u>	<u>8,605,925</u>	<u>8,496,758</u>	<u>9,489,865</u>	<u>9,276,164</u>

continued

CITY OF NEWTON, NORTH CAROLINA

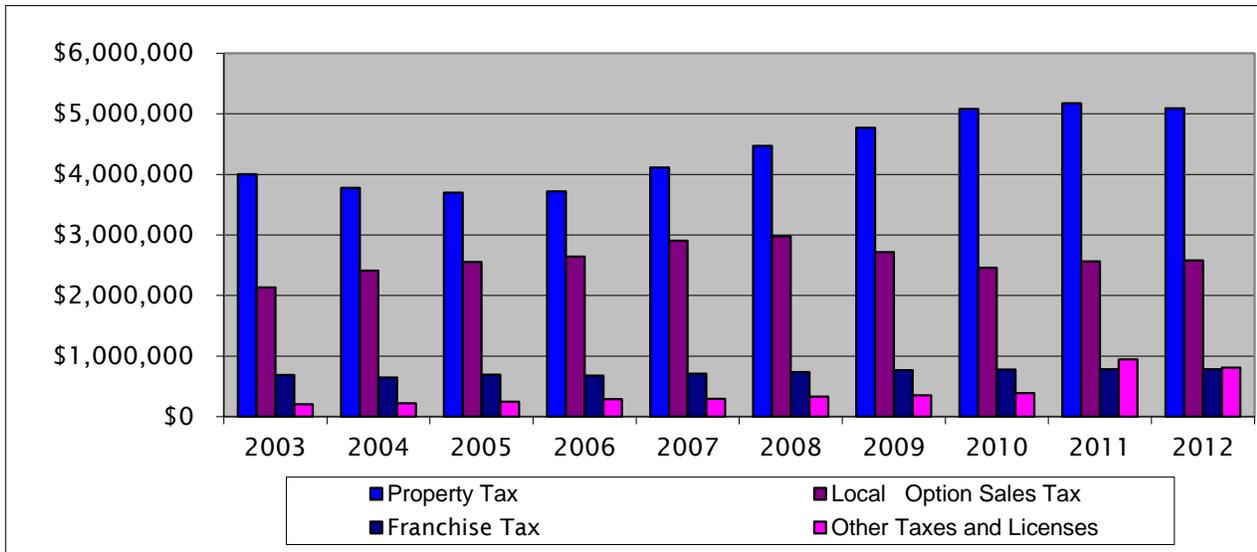
Table 2, page 3 of 3

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Business-type activities:</b>										
Other taxes and licenses	239,664	245,631	257,235	272,619	302,426	293,824	285,311	293,352	286,181	277,993
Unrestricted investment earnings	67,722	42,165	116,662	122,910	156,135	91,899	20,600	8,464	6,915	7,177
Miscellaneous	175,782	188,564	126,529	289,739	602,615	363,383	354,628	376,124	-	-
Transfers	602,400	602,400	(486,150)	201,650	279,900	143,500	215,000	466,921	(5,000)	(3,350)
Total business-type activities	1,085,568	1,078,760	14,276	886,918	1,341,076	892,606	875,539	1,144,861	288,096	281,820
Total primary government	\$ 7,645,472	\$ 7,754,947	\$ 7,659,344	\$ 8,244,063	\$ 9,393,716	\$ 9,395,745	\$ 9,481,464	\$ 9,641,619	\$ 9,777,961	\$ 9,557,984
<b>Change in Net Assets:</b>										
Governmental activities	\$ 519,472	\$ 515,121	\$ 1,077,957	\$ 491,256	\$ 1,270,110	\$ 354,589	\$ (22,873)	\$ (54,993)	\$ 98,617	\$ 1,730,835
Business-type activities	(265,043)	(620,129)	3,619,376	(240,634)	76,296	1,250,654	1,211,168	1,624,165	1,323,715	1,509,250
Total primary government	\$ 254,429	\$ (105,008)	\$ 4,697,333	\$ 250,602	\$ 1,346,406	\$ 1,605,243	\$ 1,188,295	\$ 1,569,172	\$ 1,422,332	\$ 3,240,085

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

Fiscal Year	Property Tax	Local Option Sales Tax	Franchise Tax	Other Taxes and Licenses	Total
2003	\$ 4,001,727	\$ 2,135,815	\$ 688,756	\$ 207,893	\$ 7,034,191
2004	3,778,514	2,409,606	646,646	219,616	7,054,382
2005	3,698,001	2,553,873	695,351	245,099	7,192,324
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



CITY OF NEWTON, NORTH CAROLINA

Table 4

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund:										
Reserved	\$ 883,121	\$ 826,306	\$ 1,100,625	\$ 1,282,401	\$ 1,070,027	\$ 1,482,789	\$ 804,056	\$ 1,388,536		
Unreserved	126,100	441,150	240,400	129,350	23,300	275,500	323,250	415,000		
Designated	2,916,255	2,477,132	2,208,343	2,262,782	2,842,104	2,353,432	2,694,337	1,872,934		
Non-Spendable - inventory	-	-	-	-	-	-	-	-	\$ 47,797	\$ 46,555
Restricted - Stabilization by State Statute	-	-	-	-	-	-	-	-	633,240	672,248
Restricted	-	-	-	-	-	-	-	-	413,353	2,368,989
Unassigned	-	-	-	-	-	-	-	-	2,871,206	2,636,336
Total General Fund	<u>\$ 3,925,476</u>	<u>\$ 3,744,588</u>	<u>\$ 3,549,368</u>	<u>\$ 3,674,533</u>	<u>\$ 3,935,431</u>	<u>\$ 4,111,721</u>	<u>\$ 3,821,643</u>	<u>\$ 3,676,470</u>	<u>\$ 3,965,596</u>	<u>\$ 5,724,128</u>
All other Governmental Funds:										
Unreserved, reported in	\$ -	\$ -	\$ 39,497	\$ (6,175)	\$ 60	\$ 115,667	\$ (4,758)	\$ 10,587		
Special revenue funds	5,348	772,989	1,402,999	1,261,978	947,145	1,132,305	562,662	3,696		
Capital projects funds	-	-	-	-	-	-	-	-	\$ 6,864	\$ 893
Restricted - Stabilization by State Statute	-	-	-	-	-	-	-	-	3,303	280
Special revenue funds	-	-	-	-	-	-	-	-	-	1,369
Capital projects funds	-	-	-	-	-	-	-	-	14,919	2,595
Restricted	-	-	-	-	-	-	-	-	35,724	87,538
Special revenue funds	-	-	-	-	-	-	-	-	(6,748)	(893)
Committed	-	-	-	-	-	-	-	-		
Special revenue funds	-	-	-	-	-	-	-	-		
Capital projects funds	-	-	-	-	-	-	-	-		
Unassigned	-	-	-	-	-	-	-	-		
Special revenue funds	-	-	-	-	-	-	-	-		
Total expenditures	<u>\$ 5,348</u>	<u>\$ 772,989</u>	<u>\$ 1,442,496</u>	<u>\$ 1,255,803</u>	<u>\$ 947,205</u>	<u>\$ 1,247,972</u>	<u>\$ 557,904</u>	<u>\$ 14,283</u>	<u>\$ 54,062</u>	<u>\$ 91,782</u>

CITY OF NEWTON, NORTH CAROLINA

Table 5

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues:</b>										
Ad valorem taxes	\$3,658,535	\$3,829,540	\$3,664,645	\$3,670,356	\$4,050,291	\$4,438,510	\$4,778,068	\$5,055,130	\$5,122,713	\$5,045,726
Other taxes and licenses	2,343,708	2,629,222	2,798,972	2,932,431	3,201,162	3,311,772	3,078,204	2,857,098	2,930,535	2,969,847
Unrestricted intergovernmental	1,122,120	1,001,680	1,020,831	1,185,506	1,164,637	1,118,050	1,191,910	1,204,608	1,369,777	1,203,555
Restricted intergovernmental	593,211	654,862	454,422	724,477	679,678	529,144	513,078	597,264	474,851	667,112
Permits and fees	81,298	82,783	79,227	81,692	99,347	96,389	93,689	93,514	89,953	85,022
Sales and services	425,913	409,077	509,650	499,619	590,302	585,753	695,115	678,966	688,134	668,236
Investment earnings	43,398	46,339	55,404	151,292	211,644	144,014	37,581	6,934	7,244	6,751
Other revenues	161,353	221,345	674,319	511,270	462,232	165,048	219,541	134,051	190,544	1,399,330
<b>Total revenues</b>	<b>8,429,536</b>	<b>8,874,848</b>	<b>9,257,470</b>	<b>9,756,643</b>	<b>10,459,293</b>	<b>10,388,680</b>	<b>10,607,186</b>	<b>10,627,565</b>	<b>10,873,751</b>	<b>12,045,579</b>
<b>Expenditures:</b>										
<b>Current:</b>										
General government	1,130,728	1,236,804	1,397,385	1,347,987	1,340,147	1,653,311	1,509,016	1,473,652	1,421,950	1,226,079
Public safety	3,414,920	3,599,405	3,804,083	4,376,593	4,251,032	4,317,743	4,613,889	4,512,692	4,607,757	5,377,827
Transportation	711,991	814,605	737,015	597,820	759,744	872,692	893,155	705,417	860,236	990,918
Environmental protection	805,501	795,529	733,462	716,224	790,997	819,716	848,560	853,462	853,954	899,515
Cultural and recreational	925,599	986,740	1,240,124	1,442,367	1,272,118	1,411,037	1,480,708	2,072,172	2,009,886	2,008,898
Economic and physical development	75,149	241,687	797,300	788,336	1,007,041	908,077	920,126	170,216	391,090	133,577
Capital Outlay	89,360	977,606	1,084,981	692,765	561,323	673,591	1,002,279	712,186	-	-
Debt service:										
Principal	572,860	548,113	1,813,797	449,670	486,407	566,692	792,708	748,659	772,042	777,353
Interest	88,117	68,495	87,249	102,507	106,265	125,270	161,982	178,738	133,930	136,849
<b>Total expenditures</b>	<b>7,814,225</b>	<b>9,268,984</b>	<b>11,695,396</b>	<b>10,514,269</b>	<b>10,575,074</b>	<b>11,348,129</b>	<b>12,222,423</b>	<b>11,427,194</b>	<b>11,050,845</b>	<b>11,551,016</b>
<b>Revenues over (under) expenditures</b>	<b>615,311</b>	<b>(394,136)</b>	<b>(2,437,926)</b>	<b>(757,626)</b>	<b>(115,781)</b>	<b>(959,449)</b>	<b>(1,615,237)</b>	<b>(799,629)</b>	<b>(177,094)</b>	<b>494,563</b>
Other Financing Sources (Uses):										
Proceeds from borrowing	292,250	1,467,850	2,399,112	906,700	247,600	1,554,750	823,000	509,150	501,000	1,298,339
Other miscellaneous receipts	-	-	-	-	100,000	-	57,626	45,631	-	-
Transfers in	3,641	158,200	1,586,000	465,794	404,900	1,208,843	215,650	418,136	375,330	177,685
Transfers out	(604,285)	(760,600)	(1,099,850)	(667,444)	(684,800)	(1,352,343)	(430,650)	(885,057)	(370,330)	(174,335)
Capital contributions	-	121,676	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(308,394)</b>	<b>987,126</b>	<b>2,885,262</b>	<b>705,050</b>	<b>67,700</b>	<b>1,411,250</b>	<b>665,626</b>	<b>87,860</b>	<b>506,000</b>	<b>1,301,689</b>
<b>Net change in fund balances</b>	<b>\$ 306,917</b>	<b>\$ 592,990</b>	<b>\$ 447,336</b>	<b>\$ (52,576)</b>	<b>\$ (48,081)</b>	<b>\$ 451,801</b>	<b>\$ (949,611)</b>	<b>\$ (711,769)</b>	<b>\$ 328,906</b>	<b>\$ 1,796,252</b>
<b>Debt service as a percentage of non-capital project expenditures</b>	<b>8.1%</b>	<b>7.7%</b>	<b>19.4%</b>	<b>6.1%</b>	<b>6.6%</b>	<b>7.1%</b>	<b>9.0%</b>	<b>8.7%</b>	<b>8.7%</b>	<b>8.9%</b>

CITY OF NEWTON, NORTH CAROLINA

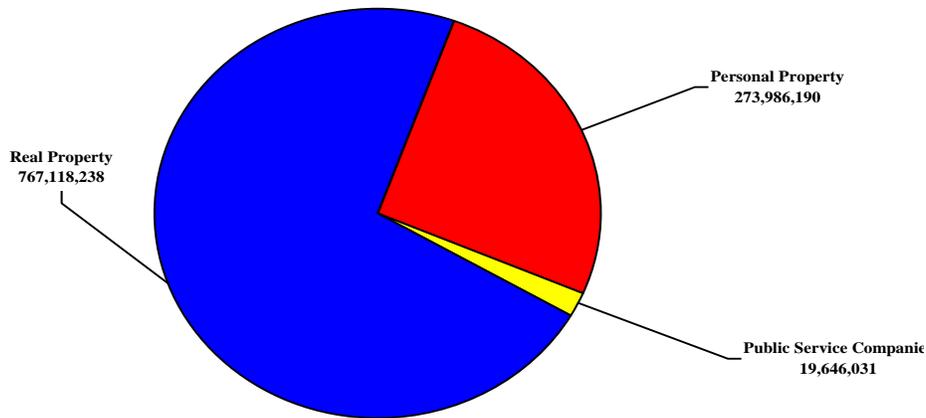
Table 6

Assessed Valuation of Property  
Last Ten Fiscal Years  
(Unaudited)

Fiscal Year	Assessed Value <sup>(1)</sup>				Property Tax Rate (Per \$100 Assessed Value)	Percent Increase in Value <sup>(2)</sup>
	Real Property	Personal Property <sup>(3)</sup>	Public Service Companies	Total		
2003	\$ 562,264,385	\$ 217,946,853	\$ 19,232,429	\$ 799,443,667	\$ 0.47	2.0%
2004 (2)	633,344,247	207,284,243	19,638,863	860,267,353	0.44	7.6%
2005	643,469,380	190,257,576	18,612,781	852,339,737	0.44	-0.9%
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 (2)	773,519,907	279,668,240	21,178,162	1,074,366,309	0.48	0.5%
2012	767,118,238	273,986,190	19,646,031	1,060,750,459	0.48	-1.3%

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
2003	\$ 0.47	\$ 0.495	\$ 0.965
2004	0.44	0.480	0.920
2005	0.44	0.480	0.920
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

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)

Taxpayer	Type of Enterprise	2012			2003		
		Total Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Total Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Target Corp.	Distribution Center	\$ 116,598,185	1	10.99 %			
ZF Lemforder Corp.	Automotive Prod Mfg.	33,899,061	2	3.20			
Flowers Baking Co.	Bread & Pastries	28,399,219	3	2.68			
Midstate Mills, Inc.	Flour Mill	15,851,888	4	1.49	\$ 9,926,678	6	1.25 %
Sarstedt, Inc.	Pharmaceutical Plastics	13,402,995	5	1.26	7,468,007	9	0.94
Technibilt, Ltd.	Shopping Cart Manufacturing	11,814,897	6	1.11	8,629,645	7	1.09
Peoples Bank	Banking	9,393,114	7	0.89	8,468,463	8	1.07
International Paper Co.	Paper Products	9,139,777	8	0.86			
Bassett Furniture Industries	Furniture	7,888,415	9	0.74	11,031,480	4	1.39
Comm Scope, Inc.	Fiber	6,940,800	10	0.65	31,876,687	1	4.03
Bell South Telephone Co.	Utility	-	-	-	10,068,409	5	1.27
Carolina Mills	Textiles	-	-	-	13,063,164	2	1.65
Willamette Industries	Paper Products	-	-	-	11,343,934	3	1.43
Hickory Springs Mfg. Co.	Foam Manufacturer	-	-	-	7,336,908	10	0.93
Totals		\$ 253,328,351		23.87 %	\$ 119,213,375		15.05 %

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 <sup>(1)</sup>
2003	\$ 3,718,411	\$ 3,547,874	95.4 %	\$ 148,807	\$ 3,696,681	99.4 %	\$ 21,730
2004	3,751,655	3,617,233	96.4	113,160	3,730,393	99.4	21,262
2005	3,699,109	3,558,506	96.2	119,781	3,678,287	99.4	20,822
2006	3,701,519	3,539,881	95.6	139,221	3,679,102	99.4	22,417
2007	4,090,445	3,909,686	95.6	141,976	4,051,662	99.1	38,783
2008	4,445,586	4,263,276	95.9	143,175	4,406,451	99.1	39,135
2009	4,727,721	4,543,983	96.1	131,160	4,675,143	98.9	52,578
2010	5,160,638	4,983,452	96.6	114,234	5,097,686	98.8	62,952
2011	5,162,400	4,945,369	95.8	118,507	5,063,876	98.1	98,524
2012	5,095,309	4,853,555	95.3	-	4,853,555	95.3	241,754

NOTES:

<sup>(1)</sup> Includes current portion only of taxes receivable.

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CITY OF NEWTON, NORTH CAROLINA

Table 10

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

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Fiscal Year	Type of Customer			Total
	Residential	Industrial	Commercial	
2003	43.0	31.8	39.2	114.0
2004	43.3	32.3	39.8	115.4
2005	41.4	32.8	40.4	114.6
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

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
2003	\$ 8.45	\$ 0.071451	\$ 0.080308	\$ 0.072287	\$ 17.50	\$ 5.65	\$ 0.099713	\$ 0.054523	\$ 0.047778
2004	8.62	0.072880	0.081914	0.073733	17.85	5.76	0.101707	0.055613	0.048734
2005	8.80	0.074338	0.083552	0.075208	18.20	5.90	0.103741	0.056725	0.049709
2006	8.89	0.075081	0.084388	0.075960	18.38	5.96	0.104778	0.057292	0.050206
2007	9.08	0.076660	0.086160	0.077556	18.77	6.09	0.106980	0.058496	0.051261
2008	9.35	0.078960	0.088745	0.079883	19.15	6.18	0.109120	0.059666	0.052286
2009	9.63	0.081329	0.091407	0.082279	19.53	6.30	0.111302	0.060859	0.053332
2010	10.02	0.084582	0.095063	0.085570	20.12	6.49	0.114641	0.062685	0.054932
2011	10.52	0.088811	0.099816	0.089849	21.13	6.81	0.120373	0.065819	0.057679
2012	11.10	0.093696	0.105306	0.094791	22.29	7.18	0.126994	0.069439	0.060851

Commercial				
Basic Facilities	Demand over 30 KW	Rate per kWh 1st 3000	Rate per kWh next 9000	Rate per kWh over 12000
\$ 11.25	\$ 6.20	\$ 0.100388	\$ 0.052723	\$ 0.047551
11.58	6.32	0.102396	0.053777	0.048502
11.81	6.45	0.104444	0.054853	0.049472
11.93	6.51	0.105488	0.055402	0.049967
12.18	6.65	0.107705	0.056565	0.051016
12.55	6.85	0.110936	0.058262	0.052546
12.93	7.05	0.114264	0.060010	0.054122
13.45	7.33	0.118835	0.062410	0.056287
14.12	7.70	0.124777	0.065531	0.059101
14.90	8.12	0.131640	0.069135	0.062352

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 <sup>(1)</sup>	Per Capita <sup>(1)</sup>
	General Obligation Bonds	Loans Payable	General Obligation Bonds	Loans Payable			
2003	\$ 278,730	\$ -	\$ 3,636,270	\$ 348,481	\$ 4,263,481	1.24%	328
2004	228,704	2,268,005	3,166,296	10,100,857	15,763,862	4.38%	1,218
2005	179,945	2,705,077	2,705,055	14,508,904	20,098,981	5.41%	1,548
2006	132,077	3,406,977	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	N/A	1,371
2012	-	4,329,031	-	16,468,617	20,797,648	N/A	1,603

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 <sup>(1)</sup>	Total Assessed Value	Gross Bonded Debt	Percentage of		Per Capita
				Estimated Actual Taxable Value of Property	Percentage of Personal Income	
2003	12,988	\$ 799,443,667	\$ 3,915,000	0.49%	1.14%	301
2004	12,939	860,257,353	3,395,000	0.39%	0.94%	262
2005	12,986	852,239,737	2,885,000	0.34%	0.78%	222
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%	N/A	7
2012	12,971	1,060,750,459	-	0.00%	N/A	0

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, 2012  
 (Unaudited)

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
County of Catawba	\$ 125,775,150	6.84%	<u>\$ 8,603,020</u>
Subtotal, overlapping debt			<u>8,603,020</u>
City of Newton direct debt			<u>4,329,031</u>
Total			<u><u>\$ 12,932,051</u></u>

Note: The percentage of overlapping debt is based on the June 30, 2012 assessed valuation of the County of Catawba of \$15,515,442,124 as compared to the June 30, 2012 assessed valuation for the City of Newton of \$1,060,750,459.

CITY OF NEWTON, NORTH CAROLINA

Table 15

Legal Debt Margin Information  
Last Ten Fiscal Years  
(Unaudited)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Assessed value of taxable property	\$ 799,443,667	\$ 860,257,353	\$ 852,339,737	\$ 857,416,905	\$ 894,387,210	\$ 955,511,373	\$ 975,260,775	\$ 1,068,930,737	\$ 1,074,366,309	\$ 1,060,750,459
Debt limit, 8% of assessed value (statutory limitation)	\$ 63,955,493	\$ 68,820,588	\$ 68,187,179	\$ 68,593,352	\$ 71,550,977	\$ 76,440,910	\$ 78,020,862	\$ 85,514,459	\$ 85,949,305	\$ 84,860,037
Debt applicable to limit:										
General obligation bonds	3,915,000	3,395,000	2,885,000	2,385,000	1,920,000	1,450,000	985,000	530,000	85,000	-
Loans payable	8,120,037	12,368,863	17,410,984	20,679,793	19,630,285	19,071,048	22,017,823	19,991,608	17,727,429	20,797,648
Total net debt applicable to limit	12,035,037	15,763,863	20,295,984	23,064,793	21,550,285	20,521,048	23,002,823	20,521,608	17,812,429	20,797,648
Legal debt margin	\$ 51,920,456	\$ 53,056,725	\$ 47,891,195	\$ 45,528,559	\$ 50,000,692	\$ 55,919,862	\$ 55,018,039	\$ 64,992,851	\$ 68,136,876	\$ 64,062,389
Total net debt applicable to the limit as a percentage of assessed property tax value	1.51%	1.83%	2.38%	2.69%	2.41%	2.15%	2.36%	1.92%	1.66%	1.96%

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 <sup>(1)</sup>	Personal Income (amounts expressed in thousands) <sup>(5)</sup>	Per Capita		Median Age <sup>(1)</sup>	School Enrollment <sup>(3)</sup>	Unemployment Rate (%) <sup>(4)</sup>
			Personal Income <sup>(2)(5)</sup>	Income <sup>(2)(5)</sup>			
2003	12,988	\$ 343,961	\$	26,483	36.3	2,842	9.4
2004	12,939	360,079		27,829	36.4	2,798	7.2
2005	12,986	371,374		28,598	36.6	2,815	6.6
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	N/A		N/A	39.6	2,863	12.1
2012	12,971	N/A		N/A	40.0	2,889	11.3

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 Employment Security Commission
- (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)

Employer	2012			2003 (1)		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Catawba County Schools	2,044	1	2.80%			
Catawba County Government	1,050	2	1.40%			
McCreary Modern	690	3	0.90%			
Lee Industries	520	4	0.70%			
Target Distribution Center	500	5	0.70%			
Newton-Conover City Schools	450	6	0.60%			
Technibilt	353	7	0.50%			
United Church Homes & Services (Abernethy Laurels)	314	8	0.40%			
Flowers Baking Company	226	9	0.30%			
General Dynamics	215	10	0.30%			
<b>Total</b>	<b>6,362</b>		<b>8.60%</b>			
<b>Total Civilian Labor Force</b>	<b>74,177</b>					

Source: City of Newton Public Information Office

(1) Information not available for Fiscal Year 2002-2003.

CITY OF NEWTON, NORTH CAROLINA

Table 18

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

Function	Fiscal Year																																																																																																																																																																																																																																																																																																																		
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012																																																																																																																																																																																																																																																																																																									
General Government											City Manager	4	4	3	3	3	3	3	3	3	4	Human Resources	2	2	2	2	2	2	2	2	2	2	Finance	13	12	13	12	12	12	13	11	11	11	Information Systems								2	2	2	Public Safety											Police											Officers	35	36	35	35	35	35	35	34	35	35	Civilians	9	8	8	8	8	8	8	9	8	9	Fire											Firefighters and officers	16	16	16	25	25	25	26	25	26	26	Recreation											Administration	12	11	11	11	11	11	11	11	10	10	Community Appearance	4	4	4	4	4	4	4	4	4	4	Public Works											Administration	3	3	3	3	3	2	3	3	2	2	Street	10	10	9	9	9	10	10	10	9	9	Equipment Services	3	3	2	2	2	2	2	2	2	2	Environmental Protection											Solid Waste	14	13	12	12	12	13	13	13	13	13	Economic & Physical Development											Planning & Zoning	5	4	4	4	4	4	5	5	4	3	Water and Sewer											Water Treatment Plant	8	8	8	8	8	8	8	8	9	9	Distribution & Collection	10	10	11	11	12	11	10	10	11	11	Waste Water Treatment Plant	13	13	13	13	13	13	13	13	12	12	Electric	11	11	12	14	15	15	15	15	15	15	Total	172	168	166	176	178	178	181	180	178	179
City Manager	4	4	3	3	3	3	3	3	3	4	Human Resources	2	2	2	2	2	2	2	2	2	2	Finance	13	12	13	12	12	12	13	11	11	11	Information Systems								2	2	2	Public Safety											Police											Officers	35	36	35	35	35	35	35	34	35	35	Civilians	9	8	8	8	8	8	8	9	8	9	Fire											Firefighters and officers	16	16	16	25	25	25	26	25	26	26	Recreation											Administration	12	11	11	11	11	11	11	11	10	10	Community Appearance	4	4	4	4	4	4	4	4	4	4	Public Works											Administration	3	3	3	3	3	2	3	3	2	2	Street	10	10	9	9	9	10	10	10	9	9	Equipment Services	3	3	2	2	2	2	2	2	2	2	Environmental Protection											Solid Waste	14	13	12	12	12	13	13	13	13	13	Economic & Physical Development											Planning & Zoning	5	4	4	4	4	4	5	5	4	3	Water and Sewer											Water Treatment Plant	8	8	8	8	8	8	8	8	9	9	Distribution & Collection	10	10	11	11	12	11	10	10	11	11	Waste Water Treatment Plant	13	13	13	13	13	13	13	13	12	12	Electric	11	11	12	14	15	15	15	15	15	15	Total	172	168	166	176	178	178	181	180	178	179											
Human Resources	2	2	2	2	2	2	2	2	2	2	Finance	13	12	13	12	12	12	13	11	11	11	Information Systems								2	2	2	Public Safety											Police											Officers	35	36	35	35	35	35	35	34	35	35	Civilians	9	8	8	8	8	8	8	9	8	9	Fire											Firefighters and officers	16	16	16	25	25	25	26	25	26	26	Recreation											Administration	12	11	11	11	11	11	11	11	10	10	Community Appearance	4	4	4	4	4	4	4	4	4	4	Public Works											Administration	3	3	3	3	3	2	3	3	2	2	Street	10	10	9	9	9	10	10	10	9	9	Equipment Services	3	3	2	2	2	2	2	2	2	2	Environmental Protection											Solid Waste	14	13	12	12	12	13	13	13	13	13	Economic & Physical Development											Planning & Zoning	5	4	4	4	4	4	5	5	4	3	Water and Sewer											Water Treatment Plant	8	8	8	8	8	8	8	8	9	9	Distribution & Collection	10	10	11	11	12	11	10	10	11	11	Waste Water Treatment Plant	13	13	13	13	13	13	13	13	12	12	Electric	11	11	12	14	15	15	15	15	15	15	Total	172	168	166	176	178	178	181	180	178	179																						
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Firefighters and officers	16	16	16	25	25	25	26	25	26	26	Recreation											Administration	12	11	11	11	11	11	11	11	10	10	Community Appearance	4	4	4	4	4	4	4	4	4	4	Public Works											Administration	3	3	3	3	3	2	3	3	2	2	Street	10	10	9	9	9	10	10	10	9	9	Equipment Services	3	3	2	2	2	2	2	2	2	2	Environmental Protection											Solid Waste	14	13	12	12	12	13	13	13	13	13	Economic & Physical Development											Planning & Zoning	5	4	4	4	4	4	5	5	4	3	Water and Sewer											Water Treatment Plant	8	8	8	8	8	8	8	8	9	9	Distribution & Collection	10	10	11	11	12	11	10	10	11	11	Waste Water Treatment Plant	13	13	13	13	13	13	13	13	12	12	Electric	11	11	12	14	15	15	15	15	15	15	Total	172	168	166	176	178	178	181	180	178	179																																																																																																														
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Equipment Services	3	3	2	2	2	2	2	2	2	2	Environmental Protection											Solid Waste	14	13	12	12	12	13	13	13	13	13	Economic & Physical Development											Planning & Zoning	5	4	4	4	4	4	5	5	4	3	Water and Sewer											Water Treatment Plant	8	8	8	8	8	8	8	8	9	9	Distribution & Collection	10	10	11	11	12	11	10	10	11	11	Waste Water Treatment Plant	13	13	13	13	13	13	13	13	12	12	Electric	11	11	12	14	15	15	15	15	15	15	Total	172	168	166	176	178	178	181	180	178	179																																																																																																																																																																																											
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Solid Waste	14	13	12	12	12	13	13	13	13	13	Economic & Physical Development											Planning & Zoning	5	4	4	4	4	4	5	5	4	3	Water and Sewer											Water Treatment Plant	8	8	8	8	8	8	8	8	9	9	Distribution & Collection	10	10	11	11	12	11	10	10	11	11	Waste Water Treatment Plant	13	13	13	13	13	13	13	13	12	12	Electric	11	11	12	14	15	15	15	15	15	15	Total	172	168	166	176	178	178	181	180	178	179																																																																																																																																																																																																																	
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Waste Water Treatment Plant	13	13	13	13	13	13	13	13	12	12	Electric	11	11	12	14	15	15	15	15	15	15	Total	172	168	166	176	178	178	181	180	178	179																																																																																																																																																																																																																																																																																			
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Total	172	168	166	176	178	178	181	180	178	179																																																																																																																																																																																																																																																																																																									

Source: Budgeted personnel records

CITY OF NEWTON, NORTH CAROLINA

Table 19, page 1 of 2

Operating Indicators By Function  
Last Ten Fiscal Years  
(Unaudited)

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Police</b>										
Calls for Service	17,634	19,122	21,341	20,336	19,587	17,812	22,720	25,078	26,517	23,609
Arrests	831	754	653	731	680	712	739	599	601	742
Traffic Stops	3,107	3,461	3,330	2,719	2,518	1,801	2,169	1,580	2,903	2,779
Citations	2,829	3,439	3,611	3,075	2,491	1,677	1,945	1,435	2,665	2,561
Property Checks**	454	413	663	442	235	347	5,554	8,611	8,669	6,148
Incidents	1,877	2,225	2,133	2,296	2,275	2,097	2,145	1,944	2,003	1,823
<b>Fire</b>										
Emergency Incidents(Calls)	598	619	665	823	689	828	806	826	883	911
Fire Inspections Completed	690	715	756	801	529	546	601	543	492	575
Fire Prevention Programs	N/A	98	153	172	442	265	237	257	176	244
Permits Issued	N/A	9	121	56	40	51	39	28	40	42
Training Hours Completed	N/A	4,788	7,922	9,248	8,218	10,181	7,829	8,721	9,282	10,453
<b>Highways &amp; Streets</b>										
Paved/Resurfaced (miles)	1.70	2.05	0.00	2.09	0.00	1.39	3	2	2	1.27
Potholes Repaired	42	30	26	43	53	65	11	69	72	28
<b>Sanitation</b>										
Residential collections (tons)	8,173	7,985	7,459	6,493	4,711	4,495	4,114	4,263	4,343	4,281
Recyclables (tons)	658	633	564	531	422	418	472	464	418	439
Yardwaste collected (tons)	1,332	1,764	1,947	2,009	717	279	440	733	1,940	994
Households served	5,037	5,037	5,037	5,077	5,077	5,368	5,368	5,368	5,440	5,440

CITY OF NEWTON, NORTH CAROLINA

Table 19, page 2 of 2

Operating Indicators By Function  
Last Ten Fiscal Years  
(Unaudited)

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Culture &amp; Recreation (participants)</b>										
Center activities	5,000	6,725	8,000	9,713	17,691	18,011	19,252	21,126	23,351	24,123
Athletic	20,283	19,886	20,984	21,022	34,086	36,250	56,205	58,093	60,874	70,326
Fitness Room	212	390	909	1,761	1,901	2,565	3,575	3,721	3,250	3,200
Swimming Pool	3,500	1,565	4,240	3,837	5,300	5,611	6,571	0	983	3,106
Shelters	482	483	500	607	750	842	1,085	1,750	2,345	2,514
Cemetery burials	79	67	63	55	61	60	50	59	48	46
<b>Water</b>										
New connection	N/A	139	156	47	59	83	38	28	21	15
Water main breaks	17	14	18	15	22	44	46	32	33	23
Avg Daily Consumption (MGD)	2.29	2.18	2.02	2.36	3.29	3.4	3.4	3.6	3.8	3.6
Number of customers	5,632	5,771	5,927	5,974	5,950	6,007	6010	5,989	5,956	5,977
<b>Wastewater</b>										
Average daily usage (MGD)	3.72	3.36	3.69	2.40	2.03	1.64	1.64	1.9	1.8	1.7
Number of customers	4,474	4,500	4,587	4,668	4,653	4,682	4,681	4,663	4,679	4,653
<b>Electric</b>										
Average daily usage (Kwh)	305,343	316,234	314,263	325,466	394,807	386,553	387,314	411,850	434,421	436,351
Peak demand	N/A	24,221	24,941	26,944	29,748	31,033	28,969	33,758	35,394	32,221
Number of customers	4,274	4,336	4,399	4,443	4,465	4,571	4,560	4,526	4,428	4,428

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.

CITY OF NEWTON, NORTH CAROLINA

Table 20, page 1 of 2

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

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Police</b>										
Police stations	2	2	2	2	4	3	3	3	3	3
Police patrol vehicles	36	36	36	36	28	29	30	35	30	31
Other police vehicles	12	12	12	12	19	19	18	18	18	22
<b>Fire</b>										
Fire Stations	3	3	3	3	3	3	3	3	3	3
Fire Suppression Vehicles	9	9	9	9	9	9	9	9	9	9
Other Fire Vehicles	5	5	5	5	6	7	7	7	7	7
<b>Highways &amp; Streets</b>										
Streets maintained	75.85	76.83	76.83	76.83	77.22	77.39	77.39	76.34	76.58	77.39
Storm Sewer (miles)	25.83	25.83	26.19	26.19	26.46	26.52	26.52	26.52	26.52	26.52
Sidewalk (miles)	26.10	27.50	27.50	27.50	27.84	27.84	27.84	27.84	27.84	27.84
Catch Basin inlets	1,360	1,360	1,362	1,364	1,377	1,380	1,380	1,380	1,380	1,380
Powell Bill equipment	15	17	17	15	15	15	15	15	15	15
Street equipment	18	17	18	18	18	18	18	18	18	18
<b>Sanitation</b>										
Residential trucks	2	2	2	2	2	2	2	2	2	2
Dumpster Trucks	2	2	2	1	1	1	1	1	1	1
Other Equipment	11	11	11	11	11	11	11	11	11	11

CITY OF NEWTON, NORTH CAROLINA

Table 20, page 2 of 2

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

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Culture &amp; Recreation</b>										
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	63.5	63.5	63.5	63.5	63.5	63.5
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	2	3	3	3	3	3	3	3	3	3
<b>Water</b>										
Water lines (miles)	165.0	165.0	178.5	178.5	175.7	182.9	182.9	182.9	182.9	182.5
Fire hydrants	1,046	1,049	1,061	1,067	1,070	1,075	1,075	1,077	1,077	1,077
Max. daily capacity (MGD)	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
<b>Wastewater</b>										
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)	123	123	125	127	119	130.5	132.5	132.5	132.5	134.7
<b>Electric</b>										
Substations	5	5	5	5	5	5	5	5	5	3
Service lines (miles)	107	107	107	110	125	125	125	125	125	125

Sources: Various government departments.

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

## COMPLIANCE SECTION

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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 With Requirements That Could Have A Direct And Material Effect On Each Major State Program And On Internal Control Over Compliance And Audit Of Financial Statements Performed In Accordance With Applicable Sections Of OMB Circular A-133 And The State Single Audit Implementation Act

Schedule of Findings and Questioned Costs

Summary Schedule of Prior Years' Findings

Schedule of Expenditures of Federal and State Awards

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# MARTIN ♦ STARNES & 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***

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

We have audited the 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, 2012, which collectively comprise the City of Newton's basic financial statements as listed in the table of contents, and have issued our report thereon dated October 25, 2012. 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.

### **Internal Control Over Financial Reporting**

Management of the City of Newton is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Newton's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Newton's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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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](http://www.martinstarnes.com)

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Newton's financial statements are free of 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*.

This report is intended solely for the information and use of the Governing Board, management, others within the organization, federal and State awarding agencies, and pass through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
October 25, 2012

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

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

## **Report On Compliance With Requirements That Could Have A Direct And Material Effect On Each Major State Program And On Internal Control Over Compliance In Accordance With Applicable Sections Of 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, North Carolina

#### **Compliance**

We have audited the City of Newton, North Carolina's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (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 State program for the year ended June 30, 2012. The City of Newton's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major State programs is the responsibility of the City of Newton's management. Our responsibility is to express an opinion on the City of Newton's compliance based on our audit.

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; applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, applicable sections of 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 State 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. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Newton's compliance with those requirements.

In our opinion, the City of Newton complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2012.

## Internal Control Over Compliance

Management of the City of Newton is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to State programs. In planning and performing our audit, we considered the City of Newton's internal control over compliance with the requirements that could have a direct and material effect on a major State program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, 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 of Newton'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 State program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 State program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Governing Board, management, others within the organization, federal and State awarding agencies, and pass through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
October 25, 2012

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**CITY OF NEWTON, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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**1. Summary of Auditors' Results**

Financial Statements

Type of auditors' report issued Unqualified

Internal control over financial reporting:

· Material weakness identified? No

· Significant deficiency identified? No

Non-compliance material to financial statements noted? No

State Awards

Internal control over major State programs:

· Material weakness identified? No

· Significant deficiency identified that are not considered to be material weaknesses? No

Type of auditors' report issued on compliance for major State programs Unqualified

Any findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? No

Identification of major State programs:

Clean Water Management Trust Fund Grants, 2010-533  
Clean Water Management Trust Fund, E-SRF-T-2010-0249-61  
Powell Bill

**2. Financial Statements Findings**

None

**3. Federal Award Findings and Questioned Costs**

N/A

**4. State Award Findings and Questioned Costs**

None

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**CITY OF NEWTON, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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None noted.

**CITY OF NEWTON, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2012**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>
<b>Federal Grants:</b>				
<b>Cash Programs:</b>				
<u>U.S. Dept. of Housing and Urban Development</u>				
Passed-through N.C. Department of Commerce:				
CDBG - State - Administered Small Cities Program Cluster				
Community Development Block Grant, Small Cities Program				
	14.228	06-E-1556	\$ 111,605	\$ -
<u>National Highway Traffic Safety Administration</u>				
Passed-through the N.C. Department of Transportation:				
NC Governor's Highway Safety Program				
	20.600	PT-2012-03-04-47	16,280	-
NC Governor's Highway Safety Program				
	20.609	K4-2011-04-01	50,887	-
Total National Highway Traffic Safety Administration				
			<u>67,167</u>	<u>-</u>
<u>U. S. Department of Homeland Security</u>				
Passed-through Federal Emergency Management Agency:				
Assistance to Firefighters Grant				
	97.044	EMW-2010-FO-02568	111,546	-
<u>U. S. Department of Energy</u>				
Passed-through N.C. Department of Commerce:				
Energy Efficiency and Conservation Block Grant				
	81.128		53,303	-
Total assistance - federal programs				
			<u>343,621</u>	<u>-</u>
<b>State Grants:</b>				
<b>Cash Assistance:</b>				
<u>N.C. Department of Transportation:</u>				
Powell Bill				
		32570	-	379,971
<u>N.C. Department of Environment and Natural Resources:</u>				
Clean Water Management Trust Fund Grants				
		2010-533	-	696,778
<b>Noncash Programs:</b>				
<u>N.C. Department of Environment and Natural Resources:</u>				
Clean Water Management Trust Fund (note 2)				
		E-SRF-T-2010-0249-61	-	490,073
Total assistance - State programs				
			<u>-</u>	<u>1,566,822</u>
Total assistance				
			<u>\$ 343,621</u>	<u>\$ 1,566,822</u>

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

- 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.
- Loans Outstanding  
City of Newton had the following loan balances outstanding at June 30, 2012. These loan balances outstanding are also included in the State expenditures presented in the schedule.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Amount Outstanding</u>
Clean Water Management Trust Fund	N/A	E-SRF-T-2010-0249-61	\$ 490,073

