

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

PREPARED BY
CITY OF NEWTON FINANCE DEPARTMENT



CITY OF NEWTON, NORTH CAROLINA

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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INTRODUCTORY SECTION

- **Letter of Transmittal**
 - **GOFA Certificate of Achievement**
 - **Organizational Chart**
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-
-





October 1, 2013

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, 2013 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, 2013.

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

The City of Newton's financial statements have been audited by Martin Starnes and Associates, CPAs, P.A. The objective of the independent audit was to provide reasonable assurance that the financial statements of the City of Newton for the fiscal year ended June 30, 2013, 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, 2013 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 12,961.

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

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

Form of Government

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

City Council and is responsible for implementing Council policies and City ordinances, managing daily operations, and acts on all recommendations of employment for the City.

Quality of Life

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

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

The City of Newton provides a full range of services, including planning and zoning, police and fire protection, solid waste and recycling services, the construction and maintenance of streets, curbs, gutters, sidewalks, and other infrastructure, parks, recreation and cultural activities, electric, water and sewer 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 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 Museum of History 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 one-half miles of greenway, two and one-half miles of mountain bike trails and an amphitheatre in terms of recreation facilities.

Soldiers Reunion

The most popular event each and every year is the Soldiers Reunion Parade.

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

Newton Downtown Historic District

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

Wi-Fi

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

Heritage Trail Greenway

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

Woodland Loop Trail

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

art, environmentally sensitive, low-maintenance park facility.

Newton Depot

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

Business and Economic Development

Business Advisory Committee

Newton City Council established a Business Advisory Committee (BAC) in the fall of 2011 to encourage and cultivate commercial economic development in all areas of Newton, including but not limited to the downtown area. The BAC has initiated meetings between developers, property owners, architects, and regulators to facilitate new business development and real estate investment. The BAC has been instrumental in developing an incentive plan for new and expanding small businesses, initiating a study of the City's branding and marketing efforts, and developing a database of existing business to be used for retail leakage (supply/demand) studies and for recruiting new businesses. City Council's approved budget for 2013-2014 includes funding for wayfinding implementation, a BAC-supported project and an economic development tool which should help attract new residents and businesses to the City. The design phase of the wayfinding project is already underway.

The City of Newton, with the support of the Business Advisory Committee, is taking a fresh look at marketing the outstanding opportunities and the rich lifestyle the City has to offer. The first two steps in this process will be the completion of the wayfinding signage project and the re-branding of Newton. The branding effort will provide the material for a future marketing effort, and the new wayfinding signage will insure that visitors to our City can easily navigate our streets to their intended destination, that they are made aware of other attractions along the way, and that their visit to Newton is an enjoyable experience.

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 renovated two downtown facades in the last four years using volunteer labor, donated materials, and grant funding. The DNDA also administers the City's façade grant program.

The City of Newton is one of sixty-one North Carolina Main Street Communities, an organization within the North Carolina Department of Commerce entrusted with the revitalization of the downtown areas of member communities. North Carolina Main Street Center provides education and guidance to help member communities maintain and grow a thriving downtown economy in the context of historic preservation. In 2011, the City of Newton applied for a Main Street Solutions Fund grant to assist with the renovation and preservation of a downtown building and to aid a new business owner with establishing a wine bar in downtown Newton. A grant of \$80,830 was awarded to the City of Newton on behalf of Carolina Vines Wine Bar, and that construction project was completed in the spring of 2013. Carolina Vines opened in downtown Newton on May 18th, 2013.

Business Expansions

Technibilt/Cari-All (Technibilt, Ltd.), a manufacturer of shopping carts, recently purchased an existing manufacturing facility in Newton for their new office, showroom, and research facility. This late-2012 project represents a \$1 million new investment in Newton. Current plans call for an additional \$3 million investment within the next year.

Industrial and commercial expansions are continuing into 2013, with WJB Automotive, Inc. leasing a 100,000 square foot distribution facility that will eventually bring 50 new employees and an investment in inventory and equipment of approximately \$5 million.

United Franchise Group is making a \$750,000 investment in a vacant distribution center for their sign operations. They will be creating 47 new jobs.

Dollar General built two new stand-alone stores in Newton during 2013, representing a new investment of \$1.3 million.

The City's downtown area has continued to enjoy a low vacancy rate, with a

vibrant mix of local businesses, in spite of a slowly recovering economy. Three downtown buildings were renovated for new businesses within the last year – The Blue Moon Tavern, Marie and Twannettes Bakery, and Carolina Vines Wine Bar. The Carolina Vines project represents a \$320,000 investment in the downtown area. Turning Point Services built a new \$180,000 office facility in downtown Newton during the first half of 2013.

Local Economy

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

Major industries located within the City and its environs include manufacturers of consumables for the field of medicine and research, automotive suspension components, baked foods, primary metal products, defense related communications equipment as well as traditional furniture and textiles. Upholstered furniture manufacturers are still a significant part of the Newton employment base, with Bassett Furniture and Lee Industries employing over 1,000 people.

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

Two of the top five employers in Catawba County are within the City of Newton. These two employers, Catawba County Schools and Catawba County Government, employ 3,070 employees.

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.

Unemployment

The Nation, as well as North Carolina, is slowly showing signs of economic recovery following the recession. Economists claim this to be the slowest recovering recession since World War II. The county, State, and national unemployment rates as of June 30, 2013 were 10.8%, 8.8%, and 7.6%, respectively. A year earlier, June 30, 2012, the rates were 11.3%, 9.5%, and 8.2%, respectively. Even though North Carolina's unemployment rate is above the national level, North Carolina seems to be minimizing the unemployment gap at a faster rate.

Long-term Financial Planning and Major Initiatives

The City seeks to consistently maintain a strong financial position. A key financial goal of the City for many years has been the maintenance of a 21% undesignated fund balance level in the General Fund which is above the required 8 percent established by the State of North Carolina. Another goal of the City is to avoid budgeting recurring expenses with one-time revenue sources. Implementing a mix of pay-as-you-go with long-term debt funding for capital needs is yet another goal of the City.

5-Year Capital Improvement Plan (CIP)

The City adopted a 5-Year Capital Improvement Plan for fiscal years 2014 - 2018 which encompasses \$19.8 million in long-range capital improvements over a five year period and coordinates community infrastructure needs with the financial capacity of the City.

- The City has approved the construction of a new Fire Station Headquarters costing \$3 million. The purchase of land is also included in this cost.
- The City, in collaboration with Catawba County, will be completing a \$2.6 million project to extend 42,000 linear ft. of 12" water line from South Highway 16 to Buffalo Shoals Road. Once completed this project will improve water quality in that area as well as provide a second source of water supply. This project will be completed in three phases.
- The City of Newton is considering a \$3.5 million Smart Grid project that will modernize the City's electric and water grids using the latest Advanced Metering Infrastructure (AMI) technology. The Smart Grid system will increase accuracy, reduce operating costs, improve efficiency, and enhance customer service. Like all major assets, the

electric and water systems must be maintained and improved to ensure our customers receive the best service and value. The Smart Grid will include the installation of more than 10,000 smart meters at every home and business in the city. The City's Customer Service Reps would then have the ability to instantly read, disconnect or reconnect meters without having to send someone to the service location. The same system would also pin point outages, leaks, tampering, and other events. This leads to faster restoration of service and improved customer satisfaction.

- The City has plans to invest \$1.5 million in a back-up transformer for the Jacob Fork Electric SubStation which will provide redundancy in the event of an emergency in that specific area and for industrial development in the area of the Highway 10 and Highway 321 intersection.
- Due to mandatory requirements established by the FCC for radio frequency rebanding, the City will upgrade the Police Department's radio system to an 800 MHz system. This is a \$305,000 project.
- The City has completed \$228,000 in stormwater infrastructure improvements from fiscal years 2010 through 2013 to replace deteriorated infrastructure. The City will begin improvements in fiscal year 2014 for the South Caldwell Street Culvert which will entail replacing approximately 80' of metal culvert with a box culvert.
- The City has completed \$3.2 million in water and wastewater infrastructure improvements from fiscal year 2010 through 2013 to replace deteriorated infrastructure due to age. These improvements will provide better water flows and water pressure to specific areas and reduce infiltration and inflow into the sewer system. The City will continue infrastructure improvements in other areas over the next 5 years in the amount of \$1.6 million.
- 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 24kv 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.

Downtown Streetscape Master Plan

Newton City Council adopted a Downtown Streetscape Master Plan in 2010. The Streetscape Master Plan was developed by a team of City staff members and downtown committee members, utilizing input from earlier citizen participation “visioning studies”. The area covered by the Streetscape Master Plan is a 17 to 20 square block area anchored by the centrally-located “Courthouse Square”. The Streetscape Master Plan includes recommendations and concepts for street trees, bump-outs, sidewalk and sidewalk border configurations as well as suggestions for streetscape elements such as signs, streetlight, streetlight and sign poles, street furniture, crosswalk treatments, and public art. Citizens who participated in the 2008 Vision Forum spoke of a desire for a variety of downtown amenities, shops, artisans, and pedestrian features that would create a thriving, pedestrian-oriented community center.

At present, the City of Newton is working towards the goal of funding the advanced project planning needed for major downtown infrastructure and streetscape improvements. While the funding and scheduling for the overall plan is being considered, the City has been able to incorporate some of the recommendations from the Downtown Streetscape Master Plan during sidewalk repair projects. Brick paver borders have been added to the sidewalks on one block of East 1st Street, one block of West 2nd Street, and on the sidewalks around the Old Post Office Playhouse community theater. By the end of calendar year 2013, City staff will be posting a Request for Qualifications for a consultant to complete the overall design for the Downtown Streetscape Plan. The City expects to have a design plan, cost estimate, and phased implementation plan completed during 2014 for the complete Downtown Streetscape Plan.

Green Challenge

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

Awards

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Newton for its Comprehensive Annual Financial Report (CAFR) for the fiscal year

ended June 30, 2012. This marked the twenty-eighth 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 Catawba County Historical Association (CCHA) awarded the City of Newton with the Becky Hart Preservation Award. This award was based on the City's efforts on obtaining the Newton Downtown Historic District's listing in the National Register of Historic Places as well as the City's assistance with electrical work within the Museum of History. This is the first time the CCHA has presented the Becky Hart Preservation Award to a community instead of an individual.

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 by the Arbor Day Foundation, the nation's largest nonprofit organization dedicated to planting trees.

The City was recognized by ElectriCities for the third consecutive year 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 eleventh consecutive year, the City has earned the Area Wide Optimization Program Award (AWOP) presented by the North Carolina Department of Environment and Natural Resources (NCDENR).

The City was also the recipient of awards that are indicative of safety for our citizens and employees. Public Utilities (Water and Sewer, Water Treatment Plant and Electric) and Public Works (Administration, Garage, Street and Sanitation) earned the Silver Safety Award. The Police Department and Wastewater Treatment Plant earned the Gold Safety Award for the second consecutive year and the Parks and Recreation Department earned the Gold Safety Award for the first time. These awards were presented from the N.C. Department of Labor.

Acknowledgements

The preparation of this report could not have been accomplished without the

efficient and dedicated efforts of the City of Newton Finance Department and our independent auditors, Martin Starnes and Associates, CPAs, P.A. We wish to express our appreciation to all who assisted and contributed to the preparation of this report.

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

Respectfully submitted,



E. Todd Clark
City Manager



Serina T. Hinson
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

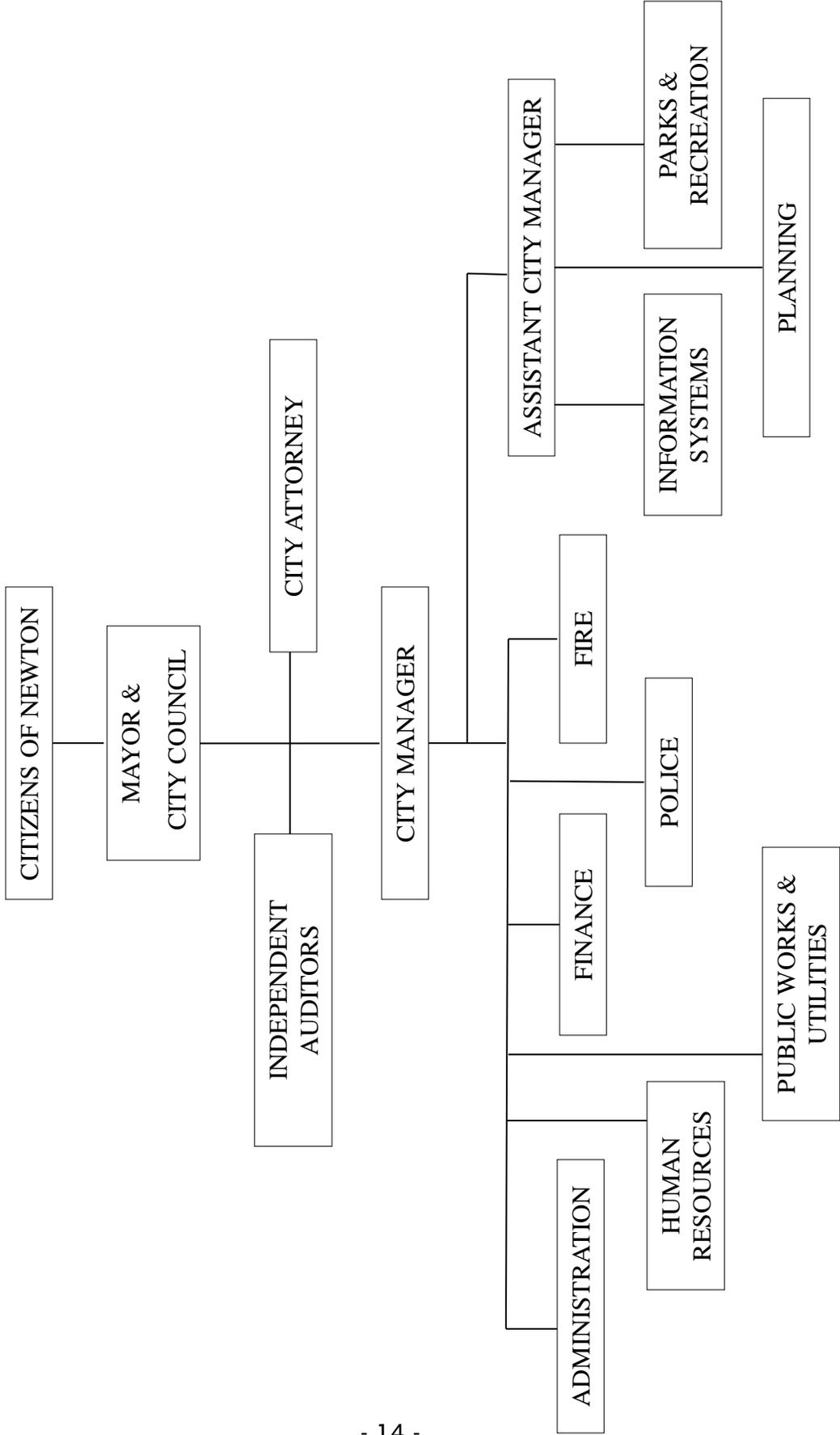
**City of Newton
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

CITY OF NEWTON ORGANIZATIONAL CHART



CITY OF NEWTON, NORTH CAROLINA

LIST OF PRINCIPAL OFFICIALS

CITY COUNCIL



ANNE P. STEDMAN

Mayor



WAYNE DELLINGER



WES WEAVER



H. TOM ROWE



MARY BESS LAWING



BILL LUTZ
Mayor Pro Tem



ROBERT C. ABERNETHY JR.

CITY OF NEWTON, NORTH CAROLINA

LIST OF PRINCIPAL OFFICIALS

CITY ADMINISTRATION



E. TODD CLARK
City Manager

DONALD G. BROWN II
Police Chief

SEAN A. HOVIS
Assistant City Manager

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

JOHN CILLEY IV
City Attorney

FINANCIAL SECTION

- **Independent Auditor's Report**
 - **Management's Discussion and Analysis**
 - **Basic Financial Statements**
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 - **Required Supplementary Information**
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MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

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

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newton, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newton, North Carolina, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Newton's basic financial statements. The introductory information, combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2013 on our consideration of the City of Newton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Newton's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 1, 2013



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, 2013. 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

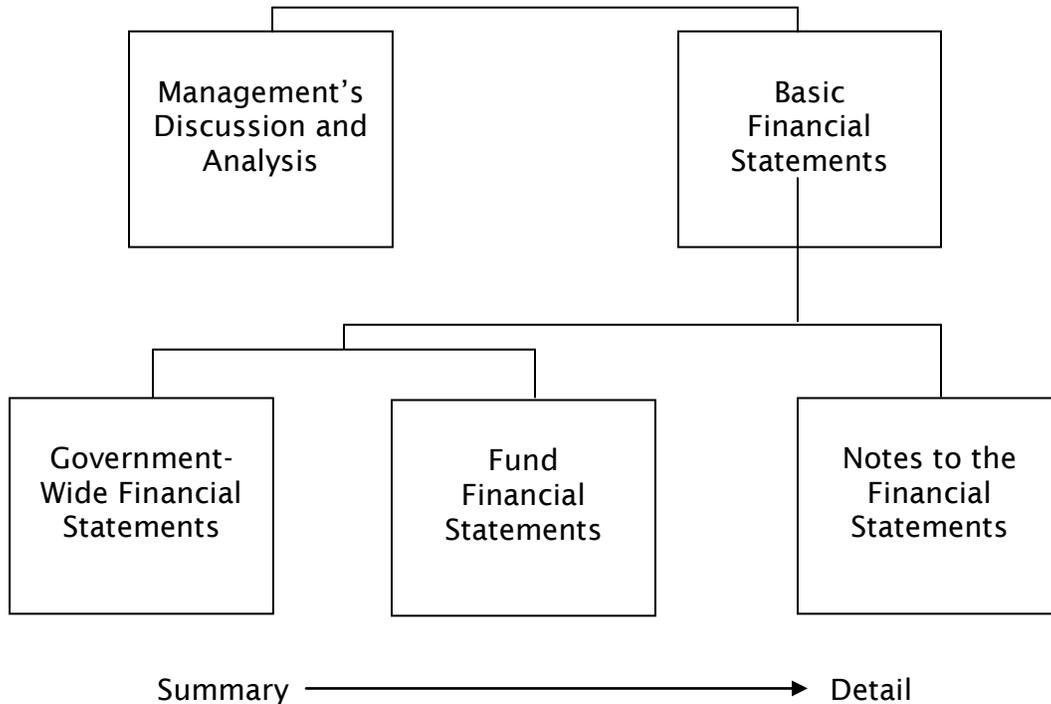
- The assets of the City of Newton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$49,113,332 (net position). Of this amount, \$8,865,622 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$1,491,860 due to increases in both governmental activities and business-type activities net position.
- As of the close of the current fiscal year, the City of Newton's governmental funds reported combined ending fund balances of \$5,450,989 with a net change of (\$381,202) in fund balance. Approximately 49.36% of this total amount, or \$2,690,429, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,636,680, or 21.96% of total General Fund expenditures and transfers out for the fiscal year.
- The City of Newton's total debt decreased by \$323,300, or 1.5%, 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 \$21,481,606.
- The City's legal debt limit is \$86,684,391 (8% of assessed valuation), and the City's legal debt margin is \$66,218,862. The total legal indebtedness of the City is \$20,465,529, which represents 1.89% 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 position and how it has changed. Net position is the difference between the City's total assets and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

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

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

Fund Financial Statements

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

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

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

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements are on pages 41-76 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 77 of this report.

The individual and combining statements of the General Fund, the other governmental funds, the enterprise funds, and Internal Service Fund are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 79-99 of this report.

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

Government-Wide Financial Analysis

City of Newton's Net Position

Figure 2

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Assets:						
Current and other assets	\$ 7,132,689	\$ 7,146,397	\$ 9,924,630	\$ 9,481,760	\$17,057,319	\$16,628,157
Capital assets	11,451,942	11,133,251	44,339,749	44,092,531	55,791,691	55,225,782
Total assets	<u>18,584,631</u>	<u>18,279,648</u>	<u>54,264,379</u>	<u>53,574,291</u>	<u>72,849,010</u>	<u>71,853,939</u>
Liabilities:						
Long-term liabilities	3,731,855	4,070,219	14,657,653	14,684,279	18,389,508	18,754,498
Other liabilities	1,494,041	1,579,758	3,841,023	3,898,211	5,335,064	5,477,969
Total liabilities	<u>5,225,896</u>	<u>5,649,977</u>	<u>18,498,676</u>	<u>18,582,490</u>	<u>23,724,572</u>	<u>24,232,467</u>
Deferred Inflows of Resources:						
Prepaid taxes	<u>11,106</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,106</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>5,237,002</u>	<u>5,649,977</u>	<u>18,498,676</u>	<u>18,582,490</u>	<u>23,735,678</u>	<u>24,232,467</u>
Net Position:						
Net investment						
in capital assets	7,819,537	7,704,679	30,063,136	30,854,510	37,882,673	38,559,189
Restricted	2,365,037	2,141,848	-	-	2,365,037	2,141,848
Unrestricted	<u>3,163,055</u>	<u>2,783,144</u>	<u>5,702,567</u>	<u>4,137,291</u>	<u>8,865,622</u>	<u>6,920,435</u>
Total net position	<u>\$13,347,629</u>	<u>\$12,629,671</u>	<u>\$35,765,703</u>	<u>\$34,991,801</u>	<u>\$49,113,332</u>	<u>\$47,621,472</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the City of Newton exceeded liabilities and deferred inflows by \$49,113,332 as of June 30, 2013. The City's net position increased by \$1,491,860 for the fiscal year ended June 30, 2013. However, the largest portion is \$37,882,673, or 77.13%, which reflects the City's net investment in capital assets (e.g., land, buildings, machinery, and equipment). The City of Newton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Newton's net position, \$2,365,037 or 4.82%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$8,865,622 is unrestricted.

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

- Increase of \$181,956 in refuse collection revenues as a result of a \$3 rate increase.
- Tax revenues were up slightly by \$109,470, or 2%.
- Controlled spending also contributed to the increase in the net position.

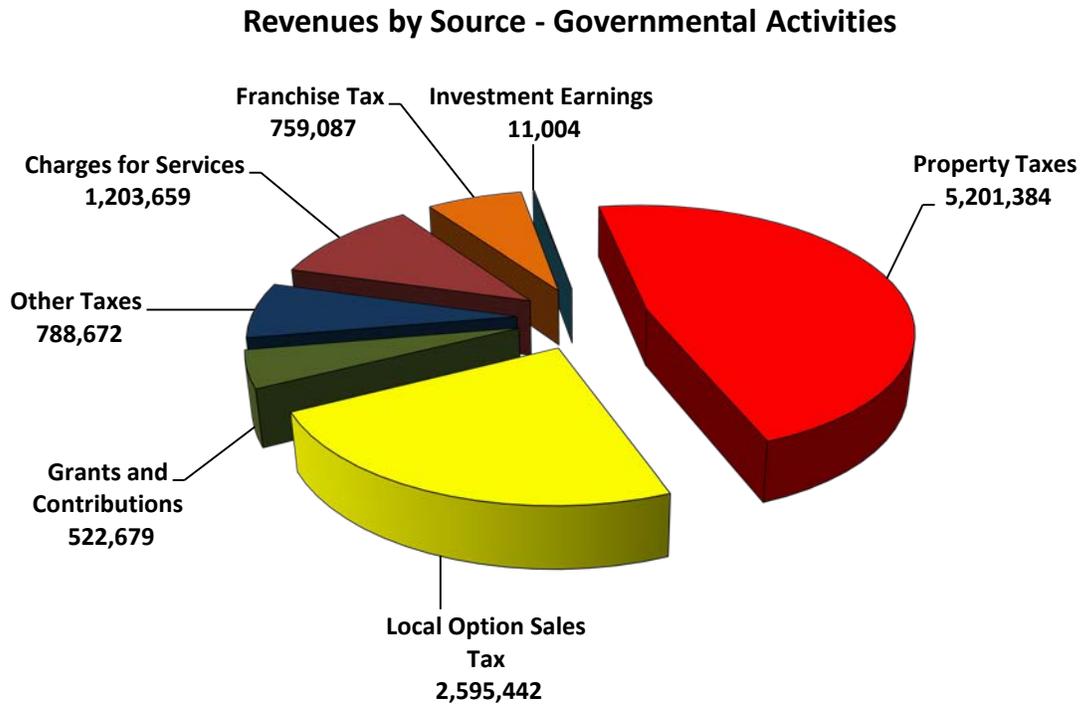
City of Newton's Changes in Net Position

Figure 3

	2013			2012		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 1,203,659	\$ 20,539,813	\$21,743,472	\$ 972,137	\$ 19,772,074	\$20,744,211
Operating grants and contributions	486,590	161	486,751	482,714	-	482,714
Capital grants and contributions	36,089	23,667	59,756	1,364,849	1,039,758	2,404,607
General revenues:						
Property taxes	5,201,384	-	5,201,384	5,091,914	-	5,091,914
Other taxes	4,143,201	297,967	4,441,168	4,173,402	277,993	4,451,395
Unrestricted investment earnings	11,004	6,490	17,494	7,498	7,177	14,675
Total revenues	11,081,927	20,868,098	31,950,025	12,092,514	21,097,002	33,189,516
Expenses:						
General government	1,016,494	-	1,016,494	1,313,202	-	1,313,202
Public safety	1,047,081	-	1,047,081	4,917,591	-	4,917,591
Transportation	1,006,970	-	1,006,970	954,979	-	954,979
Environmental protection	5,124,114	-	5,124,114	938,935	-	938,935
Culture and recreation	2,076,132	-	2,076,132	2,089,168	-	2,089,168
Economic development	1,000	-	1,000	-	-	-
Operations	-	19,657,184	19,657,184	-	19,017,509	19,017,509
Interest on long-term debt:						
Governmental	102,178	-	102,178	151,154	-	151,154
Water and wastewater	-	257,808	257,808	-	336,843	336,843
Electric	-	169,204	169,204	-	230,050	230,050
Total expenses	10,373,969	20,084,196	30,458,165	10,365,029	19,584,402	29,949,431
Increase in net position before transfers	707,958	783,902	1,491,860	1,727,485	1,512,600	3,240,085
Transfers	10,000	(10,000)	-	3,350	(3,350)	-
Increase in net position	717,958	773,902	1,491,860	1,730,835	1,509,250	3,240,085
Net Position:						
Beginning of year - July 1	12,629,671	34,991,801	47,621,472	10,898,836	33,482,551	44,381,387
End of year - June 30	<u>\$ 13,347,629</u>	<u>\$ 35,765,703</u>	<u>\$49,113,332</u>	<u>\$ 12,629,671</u>	<u>\$ 34,991,801</u>	<u>\$47,621,472</u>

Governmental Activities. Governmental activities increased the City's net position by \$717,958, accounting for a 48.13% increase in the net position of the City of Newton. Key elements of this increase are as follows:

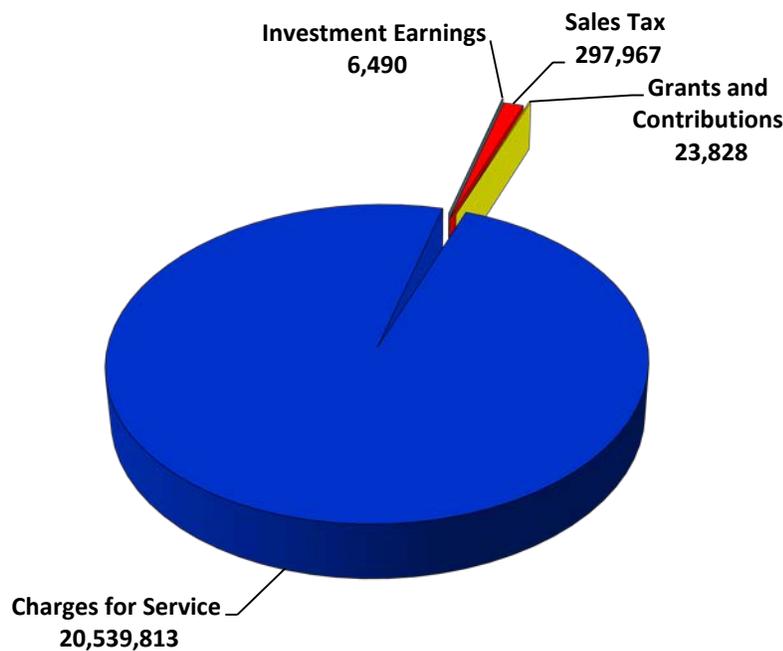
- Increase of \$181,956 in refuse collection revenues as a result of a \$3 rate increase.
- Tax revenues were up slightly by \$109,470, or 2%.
- Controlled spending also contributed to the increase in the net position.



Business-Type Activities. Business-type activities increased the City of Newton’s net position by \$773,902, accounting for a 51.87% increase of the total growth in the net position of the City of Newton. Key elements of this increase are as follows:

- The City recognized a change in net position of \$773,902 in the proprietary funds, primarily due to controlled spending within both the Water and Wastewater Fund and the Electric Fund.
- A 6.2% rate increase was adopted to offset an increase in purchase power costs in the Electric Fund.

Revenues by Source - Business-Type Activities



Financial Analysis of the City’s Funds

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

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

The General Fund is the chief operating fund of the City of Newton. At the end of the current fiscal year, available fund balance of the General Fund was \$4,426,109, while total fund balance was \$5,223,961. 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 36.86% of the total General Fund expenditures and transfers out, while total fund balance represents 43.50% of that same amount.

At June 30, 2013, the governmental funds of the City of Newton reported a combined fund balance of \$5,450,989 with a net decrease in fund balance of \$381,202. Included in this change is a decrease of \$516,448 in fund balance in the General Fund and increases of \$135,246 in fund balance in the Special Revenue Fund and the Capital Project Fund. Key factors in these changes are as follows:

- Ad valorem taxes increased by \$90,347 above the prior fiscal year.
- Sales and services increased by \$201,328 above the prior year primarily due to a \$3 rate increase on refuse collection fees.
- The \$516,448 decrease in fund balance in the General Fund is mainly due to utilization of fund balance for one-time capital needs while still remaining above the 21% assigned fund balance that the City utilizes as a benchmark.

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 less than budgeted amounts primarily because the rate of growth on retail sales which impacts the City's Local Option Sales Tax was at a slower rate than forecasted.

General Fund expenditures were under budget by \$1,180,847, a variance of 9.2% 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 position of the Water and Wastewater Fund at the end of the fiscal year amounted to \$1,842,484 and for the Electric Fund amounted to \$3,670,262. The total change in net position for the Water and Wastewater Fund and the Electric Fund was (\$295,905) and \$982,197, respectively. The change in net position in the Water and Wastewater Fund is a result of revenues received is less than projected due to little to no growth in water and wastewater services provided. The change in net position in the Electric Fund is a result of controlled spending.

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, 2013 totals \$55,791,691 (net of accumulated depreciation). These assets include buildings and system improvements, land, machinery and equipment, park facilities, roads, highways, and bridges.

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

- Various equipment and vehicle replacement purchases for governmental and business-type activities of \$753,242 and \$614,237, respectively.
- Completed several wastewater infrastructure projects with total costs of \$517,567 to replace deteriorated infrastructure.
- Construction related to numerous water infrastructure projects were completed with total costs of \$1,279,901 in an effort to provide better water flows and water pressure to those specific areas.
- Continuation of conversion of the electrical system from 4KV to 24KV with total costs on the final phase of \$587,945 with \$145,273 of construction still in progress.
- Construction in progress for governmental-type activities of \$388,297, largely in part due to a stormwater project.
- Construction in progress for business-type activities includes \$548,184 for water and wastewater infrastructure improvements and \$500,372 for electric improvements which includes \$355,099 for generator modifications.

Additional information on the City's capital assets can be found beginning on page 40 of this report.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 2,007,259	\$ 2,007,259	\$ 215,332	\$ 215,332	\$ 2,222,591	\$ 2,222,591
Buildings and improvements	2,946,427	2,925,630	7,350,403	7,889,160	10,296,830	10,814,790
Distribution systems	-	-	32,520,799	29,864,102	32,520,799	29,864,102
Public domain infrastructure	3,592,981	3,734,652	-	-	3,592,981	3,734,652
Equipment	1,085,332	1,237,925	2,164,813	2,288,276	3,250,145	3,526,201
Vehicles	1,431,646	1,136,881	1,039,846	651,498	2,471,492	1,788,379
Construction in progress	388,297	90,904	1,048,556	3,184,163	1,436,853	3,275,067
Total	<u>\$11,451,942</u>	<u>\$11,133,251</u>	<u>\$44,339,749</u>	<u>\$44,092,531</u>	<u>\$55,791,691</u>	<u>\$55,225,782</u>

Long-Term Debt. Gross debt obligations of the City are \$20,465,530 as of June 30, 2013, which solely consists of notes payable.

City of Newton's Outstanding Debt

Figure 5

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Accrued law enforcement officers' unfunded retirement contribution	\$ 316,570	\$ 304,341	\$ -	\$ -	\$ 316,570	\$ 304,341
Compensated absences	416,569	414,715	104,249	116,870	520,818	531,585
Other post-employment benefits	135,928	130,332	42,760	41,000	178,688	171,332
Loans payable	<u>3,894,050</u>	<u>4,329,031</u>	<u>16,571,480</u>	<u>16,468,617</u>	<u>20,465,530</u>	<u>20,797,648</u>
Total	<u>\$ 4,763,117</u>	<u>\$ 5,178,419</u>	<u>\$16,718,489</u>	<u>\$16,626,487</u>	<u>\$21,481,606</u>	<u>\$21,804,906</u>

The City of Newton's total debt decreased by \$323,300, or 1.5%, due to \$2,725,153 reduction of existing debt due to principal payments and new debt acquired during the past fiscal year in the amount of \$2,393,035. New debt resulted from installment purchase agreements for equipment; replacement vehicles; and stormwater, water, wastewater, and electric infrastructure.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Newton is \$66,218,862.

Additional information regarding the City of Newton's long-term debt can be found beginning on page 67 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 2013-2014 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/Property Tax Base**
 - WJB Automotive, Inc. will bring 50 new jobs to Newton and add an investment of \$5 million in inventory and equipment.
 - United Franchise Group will be investing \$750,000 in a vacant distribution center and creating 47 new jobs.
 - Dollar General will be investing \$1.3 million in two new stores in Newton.
 - Carolina Vines Wine Bar and Turning Point Services will be adding approximately \$320,000 and \$180,000, respectively, to the tax base.
- **Unemployment** – the County, State and national unemployment rates as of June 30, 2013 were 10.8%, 8.8%, and 7.6%, respectively. A year earlier, June 30, 2012, the rates were 11.3%, 9.5%, and 8.2%, respectively. North Carolina seems to be minimizing the unemployment gap at a faster rate than at the national level.

Budget Highlights for the Fiscal Year Ending June 30, 2014

Governmental Activities. The Fiscal Year 2013-2014 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 City's residential refuse collection fee will increase by \$2 resulting in additional revenues of \$111,500. The Fiscal Year 2013-2014 includes \$1,173,000 for proceeds from borrowed funds for capital improvements approved as part of the 5-Year Capital Improvement Plan. Revenue from other sources in the General Fund is expected to remain at or slightly above the same level as in Fiscal Year 2012-2013.

Business-Type Activities. The water and wastewater rates will remain unchanged for Fiscal Year 2013-2014. With the retirement of a portion of the City's total indebtedness during recent prior fiscal years, the City will be able to utilize the reduction in debt service to offset debt service in Fiscal Year 2013-2014. The budget includes \$1,445,200 in capital improvement projects which consists mainly of water and wastewater infrastructure improvements.

Electric rates were increased by 5.6% to residential, commercial, coincident peak, and industrial customers, to cover a 6.3% increase in wholesale rates from the North Carolina Municipal Power Agency. The increase in wholesale power cost is a result of lower energy demands from municipal agencies and sales on the open market. Also increases in wholesale energy costs are related to capital improvement expenses associated with the operation and maintenance of the Catawba Nuclear Station. The budget includes \$1,184,300 in capital improvement projects mainly consist of electric infrastructure improvements.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

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



CITY OF NEWTON, NORTH CAROLINA

Exhibit A

**STATEMENT OF NET POSITION
JUNE 30, 2013**

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Current assets:			
Cash and short-term investments	\$ 4,229,384	\$ 4,470,485	\$ 8,699,869
Taxes receivable, net	650,693	-	650,693
Accounts receivable, net	540,698	1,978,044	2,518,742
Interest receivable, net	631	181	812
Due from other governments	74,789	121,178	195,967
Internal balances	(189,821)	189,821	-
Inventories	62,836	555,135	617,971
Restricted cash and cash equivalents	<u>1,763,479</u>	<u>2,609,786</u>	<u>4,373,265</u>
Total current assets	<u>7,132,689</u>	<u>9,924,630</u>	<u>17,057,319</u>
Capital assets:			
Land, non-depreciable assets, and construction in progress	2,395,556	1,263,888	3,659,444
Other capital assets, net of depreciation	<u>9,056,386</u>	<u>43,075,861</u>	<u>52,132,247</u>
Total capital assets	<u>11,451,942</u>	<u>44,339,749</u>	<u>55,791,691</u>
Total assets	<u>18,584,631</u>	<u>54,264,379</u>	<u>72,849,010</u>
Liabilities:			
Current liabilities:			
Accounts payable and other current liabilities	462,779	1,428,735	1,891,514
Due to other governments	-	38,936	38,936
Unearned revenue	-	1,920	1,920
Payable from restricted assets	-	310,596	310,596
Compensated absences	263,015	102,233	365,248
Current portion of long-term liabilities	<u>768,247</u>	<u>1,958,603</u>	<u>2,726,850</u>
Total current liabilities	<u>1,494,041</u>	<u>3,841,023</u>	<u>5,335,064</u>
Long-term liabilities:			
Compensated absences, non-current	153,554	2,016	155,570
Unfunded pension obligation	316,570	-	316,570
Unfunded other post-employment benefits	135,928	42,760	178,688
Due in more than one year	<u>3,125,803</u>	<u>14,612,877</u>	<u>17,738,680</u>
Total long-term liabilities	<u>3,731,855</u>	<u>14,657,653</u>	<u>18,389,508</u>
Total liabilities	<u>5,225,896</u>	<u>18,498,676</u>	<u>23,724,572</u>
Deferred Inflows of Resources:			
Prepaid taxes	11,106	-	11,106
Net Position:			
Net investment in capital assets	7,819,537	30,063,136	37,882,673
Restricted for stabilization by State statute	862,380	-	862,380
Restricted for transportation	294,595	-	294,595
Restricted for cultural and recreational	1,206,328	-	1,206,328
Restricted for economic and physical development	1,734	-	1,734
Unrestricted	<u>3,163,055</u>	<u>5,702,567</u>	<u>8,865,622</u>
Total net position	<u>\$ 13,347,629</u>	<u>\$ 35,765,703</u>	<u>\$ 49,113,332</u>

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, 2013**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities:							
General government	\$ 1,016,494	\$ 273,757	\$ 9,997	\$ -	\$ (732,740)	\$ -	\$ (732,740)
Transportation	1,047,081	2,104	388,401	-	(656,576)	-	(656,576)
Environmental protection	1,006,970	757,023	-	-	(249,947)	-	(249,947)
Public safety	5,124,114	102,231	86,827	-	(4,935,056)	-	(4,935,056)
Cultural and recreation	2,076,132	68,544	-	36,089	(1,971,499)	-	(1,971,499)
Economic and physical development	1,000	-	1,365	-	365	-	365
Interest on long-term debt	102,178	-	-	-	(102,178)	-	(102,178)
Total governmental activities	10,373,969	1,203,659	486,590	36,089	(8,647,631)	-	(8,647,631)
Business-Type Activities:							
Water and wastewater	6,279,211	6,010,519	-	13,537	-	(255,155)	(255,155)
Electric	13,804,985	14,529,294	161	10,130	-	734,600	734,600
Total business-type activities	20,084,196	20,539,813	161	23,667	-	479,445	479,445
Total primary government	\$ 30,458,165	\$ 21,743,472	\$ 486,751	\$ 59,756	(8,647,631)	479,445	(8,168,186)
General Revenues:							
Taxes:							
Property taxes					5,201,384	-	5,201,384
Local option sales tax					2,595,442	297,967	2,893,409
Franchise tax					759,087	-	759,087
Other taxes					788,672	-	788,672
Investment earnings, unrestricted					11,004	6,490	17,494
Total general revenues					9,355,589	304,457	9,660,046
Transfers					10,000	(10,000)	-
Total general revenues and transfers					9,365,589	294,457	9,660,046
Change in net position					717,958	773,902	1,491,860
Net Position:							
Beginning of year - July 1					12,629,671	34,991,801	47,621,472
End of year - June 30					\$ 13,347,629	\$ 35,765,703	\$ 49,113,332

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

CITY OF NEWTON, NORTH CAROLINA

Exhibit C

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>Major Funds</u>	<u>Nonmajor Funds</u>	
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Assets:			
Cash and short-term investments	\$ 2,924,529	\$ 336,797	\$ 3,261,326
Taxes receivable, net	650,693	-	650,693
Accounts receivable, net	540,698	-	540,698
Interest receivable	596	-	596
Due from other governments	72,625	2,164	74,789
Inventories	62,836	-	62,836
Restricted cash and cash equivalents	1,763,479	-	1,763,479
Total assets	<u>\$ 6,015,456</u>	<u>\$ 338,961</u>	<u>\$ 6,354,417</u>
Liabilities:			
Accounts payable and other current liabilities	<u>\$ 129,696</u>	<u>\$ 111,933</u>	<u>\$ 241,629</u>
Deferred Inflows of Resources:			
Unavailable revenue - property taxes	650,693	-	650,693
Prepaid taxes	11,106	-	11,106
Total deferred inflows of resources	<u>661,799</u>	<u>-</u>	<u>661,799</u>
Fund Balances:			
Non-spendable - inventory	62,836	-	62,836
Restricted - stabilization by State statute	735,016	127,364	862,380
Restricted	1,763,479	1,734	1,765,213
Committed	-	97,930	97,930
Assigned	47,490	-	47,490
Unassigned	2,615,140	-	2,615,140
Total fund balances	<u>5,223,961</u>	<u>227,028</u>	<u>5,450,989</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,015,456</u>	<u>\$ 338,961</u>	

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

Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	11,451,942
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	650,693
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.	620,749
Long-term liabilities, compensated absences, unfunded pension obligations, accrued interest, and unfunded other post-employment benefits are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(4,826,744)</u>
Net position of governmental activities	<u>\$ 13,347,629</u>

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, 2013**

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Revenues:			
Ad valorem taxes	\$ 5,136,073	\$ -	\$ 5,136,073
Other taxes and licenses	2,961,194	-	2,961,194
Unrestricted intergovernmental	1,182,007	-	1,182,007
Restricted intergovernmental	495,228	-	495,228
Permits and fees	120,130	-	120,130
Sales and services	869,564	-	869,564
Investment earnings	10,271	-	10,271
Other revenues	240,051	1,365	241,416
Total revenues	<u>11,014,518</u>	<u>1,365</u>	<u>11,015,883</u>
Expenditures:			
Current:			
General government	1,190,651	-	1,190,651
Transportation	1,106,278	-	1,106,278
Environmental protection	1,276,480	-	1,276,480
Public safety	4,942,898	-	4,942,898
Cultural and recreational	2,080,553	-	2,080,553
Economic and physical development	-	1,000	1,000
Capital outlay	-	251,314	251,314
Debt service:			
Principal retirement	878,663	-	878,663
Interest and fees	122,930	-	122,930
Total expenditures	<u>11,598,453</u>	<u>252,314</u>	<u>11,850,767</u>
Revenues over (under) expenditures	<u>(583,935)</u>	<u>(250,949)</u>	<u>(834,884)</u>
Other Financing Sources (Uses):			
Issuance of debt	443,682	-	443,682
Transfers from other funds	34,611	410,806	445,417
Transfers to other funds	(410,806)	(24,611)	(435,417)
Total other financing sources (uses)	<u>67,487</u>	<u>386,195</u>	<u>453,682</u>
Net change in fund balances	(516,448)	135,246	(381,202)
Fund Balances:			
Beginning of year - July 1	5,724,128	91,782	5,815,910
Increase (decrease) in reserve for inventory	<u>16,281</u>	<u>-</u>	<u>16,281</u>
End of year - June 30	<u>\$ 5,223,961</u>	<u>\$ 227,028</u>	<u>\$ 5,450,989</u>

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

CITY OF NEWTON, NORTH CAROLINA

Exhibit E

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

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

Net changes in fund balances - total governmental funds (Exhibit D)	\$ (381,202)
Change in fund balance due to change in reserve for inventory	16,281

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	65,311
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	1,338,652	
Depreciation expense for governmental assets	<u>(996,384)</u>	342,268

In the Statement of Activities, only the gain or loss on the reduction of capital assets is reported; whereas, in governmental funds, the proceeds of the sale increase the financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets less any depreciation.

Disposal of capital assets	(23,577)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

New long-term debt issued	(443,682)	
Principal payments on long-term debt	878,663	
Change in accrued interest payable	<u>20,752</u>	455,733

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(1,854)	
Net pension obligation	(12,229)	
Other post-employment benefits	<u>(5,596)</u>	(19,679)

The net revenue of the internal service funds are reported with governmental activities.	<u>262,823</u>
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Total changes in net position of governmental activities (Exhibit B)	<u>\$ 717,958</u>
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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, 2013**

	General Fund			Variance with Final Budget Over/Under
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 5,109,900	\$ 5,109,900	\$ 5,136,073	\$ 26,173
Other taxes and licenses	3,192,050	3,192,050	2,961,194	(230,856)
Unrestricted intergovernmental	1,233,250	1,233,250	1,182,007	(51,243)
Restricted intergovernmental	427,000	427,000	495,228	68,228
Permits and fees	91,400	212,400	120,130	(92,270)
Sales and services	839,350	839,350	869,564	30,214
Investment earnings	6,300	6,300	10,271	3,971
Other revenues	118,650	172,750	240,051	67,301
Total revenues	<u>11,017,900</u>	<u>11,193,000</u>	<u>11,014,518</u>	<u>(178,482)</u>
Expenditures:				
Current:				
General government	1,592,600	1,469,700	1,190,651	279,049
Transportation	1,099,200	1,167,150	1,106,278	60,872
Environmental protection	971,050	1,338,650	1,276,480	62,170
Public safety	5,258,250	5,446,050	4,942,898	503,152
Cultural and recreation	2,095,350	2,351,350	2,080,553	270,797
Debt service:				
Principal retirement	880,800	880,800	878,663	2,137
Interest and fees	125,600	125,600	122,930	2,670
Total expenditures	<u>12,022,850</u>	<u>12,779,300</u>	<u>11,598,453</u>	<u>1,180,847</u>
Revenues over (under) expenditures	<u>(1,004,950)</u>	<u>(1,586,300)</u>	<u>(583,935)</u>	<u>1,002,365</u>
Other Financing Sources (Uses):				
Issuance of debt	608,200	608,200	443,682	(164,518)
Transfers from other funds	-	34,650	34,611	(39)
Transfers to other funds	-	(410,850)	(410,806)	44
Appropriated fund balance	396,750	1,354,300	-	(1,354,300)
Total other financing sources (uses)	<u>1,004,950</u>	<u>1,586,300</u>	<u>67,487</u>	<u>(1,518,813)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(516,448)</u>	<u>\$ (516,448)</u>
Fund Balance:				
Beginning of year - July 1			5,724,128	
Increase (decrease) in reserve for inventory			<u>16,281</u>	
End of year - June 30			<u>\$ 5,223,961</u>	

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

CITY OF NEWTON, NORTH CAROLINA

Exhibit G

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013**

	Major			
	Water and Wastewater Fund	Electric Fund	Total	Internal Service Fund
Assets:				
Current assets:				
Cash and cash equivalents	\$ 1,493,090	\$ 2,977,395	\$ 4,470,485	\$ 968,058
Accounts receivable, net	672,098	1,305,946	1,978,044	-
Interest receivable	60	121	181	35
Due from other governments	55,002	66,176	121,178	-
Inventories	102,493	452,642	555,135	-
Restricted cash and cash equivalents	1,578,951	1,030,835	2,609,786	-
Total current assets	<u>3,901,694</u>	<u>5,833,115</u>	<u>9,734,809</u>	<u>968,093</u>
Capital assets:				
Non-depreciable capital assets	758,516	505,372	1,263,888	-
Depreciable capital assets, net	<u>32,361,401</u>	<u>10,714,460</u>	<u>43,075,861</u>	-
Total capital assets, net	<u>33,119,917</u>	<u>11,219,832</u>	<u>44,339,749</u>	-
Total assets	<u>37,021,611</u>	<u>17,052,947</u>	<u>54,074,558</u>	<u>968,093</u>
Liabilities:				
Current liabilities:				
Accounts payable and other current liabilities	199,764	977,154	1,176,918	157,523
Accrued interest payable	132,080	119,737	251,817	-
Due to other government	38,936	-	38,936	-
Unearned revenues - prepaid fees	1,920	-	1,920	-
Accrued compensated absences - current	76,851	25,382	102,233	-
Installment loans payable - current	1,154,977	803,626	1,958,603	-
Liabilities to be paid from restricted assets:				
Customer deposits	<u>79,182</u>	<u>231,414</u>	<u>310,596</u>	-
Total current liabilities	<u>1,683,710</u>	<u>2,157,313</u>	<u>3,841,023</u>	<u>157,523</u>
Non-current liabilities:				
Accrued compensated absences	2,016	-	2,016	-
Long-term installment loans payable	9,094,290	5,518,587	14,612,877	-
Other post-employment benefits obligation	<u>32,074</u>	<u>10,686</u>	<u>42,760</u>	-
Total non-current liabilities	<u>9,128,380</u>	<u>5,529,273</u>	<u>14,657,653</u>	-
Total liabilities	<u>10,812,090</u>	<u>7,686,586</u>	<u>18,498,676</u>	<u>157,523</u>
Net Position:				
Net investment in capital assets	24,367,037	5,696,099	30,063,136	-
Unrestricted	<u>1,842,484</u>	<u>3,670,262</u>	<u>5,512,746</u>	<u>810,570</u>
Total net position	<u>\$ 26,209,521</u>	<u>\$ 9,366,361</u>	<u>35,575,882</u>	<u>\$ 810,570</u>
Internal balance due from (to) governmental activities due to consolidation of Internal Service Fund			<u>189,821</u>	
Business-type activities net position (Exhibit A)			<u>\$ 35,765,703</u>	

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

CITY OF NEWTON, NORTH CAROLINA

Exhibit H

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Major			
	Water and Wastewater Fund	Electric Fund	Total	Internal Service Fund
Operating Revenues:				
Charges for services	\$ 5,512,943	\$ 13,995,890	\$ 19,508,833	\$ 1,544,822
Other operating revenues	389,179	454,718	843,897	-
Total operating revenues	<u>5,902,122</u>	<u>14,450,608</u>	<u>20,352,730</u>	<u>1,544,822</u>
Operating Expenses:				
Administration	866,103	787,093	1,653,196	9,880
Power for resale	-	10,478,526	10,478,526	-
Operations	2,350,613	1,828,332	4,178,945	1,185,242
Maintenance	1,061,194	-	1,061,194	-
Depreciation	1,787,298	585,635	2,372,933	-
Total operating expenses	<u>6,065,208</u>	<u>13,679,586</u>	<u>19,744,794</u>	<u>1,195,122</u>
Operating income (loss)	<u>(163,086)</u>	<u>771,022</u>	<u>607,936</u>	<u>349,700</u>
Non-Operating Revenues (Expenses):				
Sales tax	-	297,967	297,967	-
Investment earnings	3,055	3,435	6,490	733
Interest expense	(257,808)	(169,204)	(427,012)	-
Rental income and other non-operating items	84,426	71,861	156,287	-
Non-capital contributions	-	161	161	-
Gain (loss) on disposal of capital assets	23,971	6,825	30,796	-
Total non-operating revenues (expenses)	<u>(146,356)</u>	<u>211,045</u>	<u>64,689</u>	<u>733</u>
Income (loss) before transfers and capital contributions	(309,442)	982,067	672,625	350,433
Transfers to other funds	-	(10,000)	(10,000)	-
Capital contributions	13,537	10,130	23,667	-
Change in net position	(295,905)	982,197	686,292	350,433
Net Position:				
Beginning of year - July 1	<u>26,505,426</u>	<u>8,384,164</u>		<u>460,137</u>
End of year - June 30	<u>\$ 26,209,521</u>	<u>\$ 9,366,361</u>		<u>\$ 810,570</u>
Internal service activities allocated to business-type activities			<u>87,610</u>	
Change in net position-business type activities (Exhibit B)			<u>\$ 773,902</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, 2013

	Major			Internal Service Fund
	Water and Wastewater Fund	Electric Fund	Total	
Cash Flows from Operating Activities:				
Cash received from customers and users	\$ 6,157,324	\$ 14,446,866	\$ 20,604,190	\$ 1,544,822
Cash paid for goods and services	(2,878,568)	(12,378,058)	(15,256,626)	(1,266,783)
Cash paid to or on behalf of employees for services	(1,586,092)	(717,645)	(2,303,737)	-
Net cash provided (used) by operating activities	<u>1,692,664</u>	<u>1,351,163</u>	<u>3,043,827</u>	<u>278,039</u>
Cash Flows from Non-Capital Financing Activities:				
Non-capital contributions - grants	-	161	161	-
Transfers to (from) other funds	-	(10,000)	(10,000)	-
Net cash provided (used) by non-capital financing activities	-	<u>(9,839)</u>	<u>(9,839)</u>	-
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(1,461,269)	(1,158,882)	(2,620,151)	-
Capital contributions - grants	13,537	10,130	23,667	-
Proceeds from sale of capital assets	23,971	6,825	30,796	-
Sales tax	-	297,967	297,967	-
Payments of installment loans payable	(1,094,004)	(752,486)	(1,846,490)	-
Interest paid on general obligation bonds and loans payable	(236,131)	(192,140)	(428,271)	-
Proceeds from issuance of general obligation bonds and loans payable	<u>1,135,174</u>	<u>814,179</u>	<u>1,949,353</u>	-
Net cash provided (used) by capital and related financing activities	<u>(1,618,722)</u>	<u>(974,407)</u>	<u>(2,593,129)</u>	-
Cash Flows from Investing Activities:				
Interest on investments	<u>3,080</u>	<u>3,627</u>	<u>6,707</u>	<u>772</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>77,022</u>	<u>370,544</u>	<u>447,566</u>	<u>278,811</u>
Cash and Cash Equivalents:				
Beginning of Year - July 1	<u>2,995,019</u>	<u>3,637,686</u>	<u>6,632,705</u>	<u>689,247</u>
End of Year - June 30	<u>\$ 3,072,041</u>	<u>\$ 4,008,230</u>	<u>\$ 7,080,271</u>	<u>\$ 968,058</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (163,086)	\$ 771,022	\$ 607,936	\$ 349,700
Adjustments to reconcile operating income (loss) to:				
Depreciation	1,787,298	585,635	2,372,933	-
Rental income and other non-operating revenues	84,426	71,861	156,287	-
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	166,744	(82,364)	84,380	-
(Increase) decrease in due from other governmental agencies	44,791	(23,534)	21,257	-
(Increase) decrease in inventories	(15,993)	(12,220)	(28,213)	-
(Increase) decrease in prepaid items	14,666	-	14,666	-
Increase (decrease) in due to other governmental agencies	(349)	-	(349)	-
Increase (decrease) in accounts payable and accrued expenses	(232,083)	26,907	(205,176)	(71,661)
Increase (decrease) in unearned revenue	1,920	-	1,920	-
Increase (decrease) in accrued vacation pay	(4,383)	(8,237)	(12,620)	-
Increase (decrease) in other post-employment benefits	1,320	440	1,760	-
Increase (decrease) in customer deposits	<u>7,393</u>	<u>21,653</u>	<u>29,046</u>	-
Net cash provided (used) by operating activities	<u>\$ 1,692,664</u>	<u>\$ 1,351,163</u>	<u>\$ 3,043,827</u>	<u>\$ 278,039</u>

Supplemental Schedule of Non-Cash Financing Activities:

Water Fund disposed of capital assets with historical cost of \$209,378 and accumulated depreciation of \$209,378 during the year ended June 30, 2013.

Water Fund transferred capital assets to General Fund with cost of \$61,393 and accumulated depreciation of \$61,393 at June 30, 2013. NBV was \$-0-.

General Fund transferred capital assets to Water Fund with cost of \$24,271 and accumulated depreciation of \$24,271 at June 30, 2013. NBV was \$-0-.

Electric Fund disposed of capital assets with historical cost of \$61,393 and accumulated depreciation of \$61,393 during the year ended June 30, 2013.

Electric Fund transferred capital assets to General Fund with cost of \$203,048 and accumulated depreciation of \$203,048 at June 30, 2013. NBV was \$-0-.

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



NOTES TO THE FINANCIAL STATEMENTS

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



CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

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

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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, and Special Revenue Fund - General are special revenue funds of the City.

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

The City reports the following 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.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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's 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.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and offset by deferred inflows of resources.

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 position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

E. Estimates

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

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

Deposits and Investments

All deposits of the City are made in Board-designated official depositories and are secured as 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, an 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.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Restricted Assets

The unexpended loan proceeds plus interest of \$262,556 and \$2,299,190 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 \$79,182 and \$231,414 held by the Water and 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 \$294,595 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, \$1,206,328 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, 2012.

Allowance for Doubtful Accounts

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

Inventory

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

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

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometime report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has only two items that meet this criterion for this category - prepaid taxes and property taxes receivable.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Long-Term Obligations

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

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

Compensated Absences

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

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

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position 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.

CITY OF NEWTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Inventory - portion of fund balance that is not an available resource because it represents the year-end balance of inventory, which are 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:

	<u>General Fund</u>	<u>Other Governmental</u>		<u>Total</u>
		<u>Special Revenue</u>	<u>Capital Projects</u>	
<i>Restricted for Stabilization by State Statute</i> - portion of fund balance that is restricted by State statute [G.S. 159-8(a)].	\$ 735,016	\$ -	\$ 127,364	\$ 862,380
<i>Restricted for Transportation</i> - portion of fund balance that is restricted by revenue source for Powell Bill (street) expenditures.	\$ 294,595	\$ -	\$ -	\$ 294,595
<i>Restricted for Transportation</i> - portion of fund balance that is restricted by revenue source (unspent debt proceeds) for streets.	144,371	-	-	144,371
<i>Restricted for Environmental Protection</i> - portion of fund balance that is restricted by revenue source (unspent debt proceeds) for sanitation.	9,683	-	-	9,683

CITY OF NEWTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

	General Fund	Other Governmental		Total
		Special Revenue	Capital Projects	
<i>Restricted for Public Safety</i> - portion of fund balance that is restricted by revenue source (unspent debt proceeds) for general public safety.	108,502	-	-	108,502
<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.	1,206,328	-	-	1,206,328
<i>Restricted for Economic and Physical Development</i> - portion of fund balance that is restricted by revenue source for community development.	-	1,734	-	1,734
Total restricted fund balance (Exhibit C)	<u>\$ 1,763,479</u>	<u>\$ 1,734</u>	<u>\$ -</u>	<u>\$ 1,765,213</u>

Committed Fund Balance. The 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:

	General Fund	Other Governmental		Total
		Special Revenue	Capital Projects	
<i>Committed for Economic Development</i> - portion of fund balance that can only be used for economic development.	\$ -	\$ -	\$ 97,930	\$ 97,930

CITY OF NEWTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Assigned Fund Balance. The portion of fund balance that the City of Newton has budgeted or earmarked to use for specific purposes. The City’s governing body has the authority to assign fund balance.

		<u>Other Governmental</u>		
	<u>General Fund</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
<i>Assigned for Cultural and Recreational</i> - portion of fund balance that has been earmarked by the governing body for cemetery perpetual care. Utilization of these funds are made at the discretion of the City Manager.	\$ 21,540	\$ -	\$ -	\$ 21,540
<i>Subsequent Year’s Expenditures</i> - portion of fund balance that is not already classified in restricted or committed. The governing body approves the appropriation.	<u>25,950</u>	-	-	<u>25,950</u>
Total assigned fund balance (Exhibit C)	<u>\$ 47,490</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,490</u>

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

Fund Balance Available for Appropriation

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

Total fund balance - General Fund	\$ 5,223,961
Less:	
Inventory	(62,836)
Stabilization by State statute	<u>(735,016)</u>
Fund balance available for appropriation	<u>\$ 4,426,109</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,

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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, 2013 were \$121,097.

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 under-collateralization, 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, 2013, the City's deposits had a carrying amount of \$7,559,850 and a bank balance of \$8,137,069. The City also had petty cash and cash on hand of \$1,328. Of the bank balance, \$500,000 was covered by Federal depository insurance and the remainder was covered by collateral held under the Pooling Method.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Investments

At June 30, 2013, the City had \$5,511,956 invested with the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's.

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, 2013.

Receivables

Receivables at the government-wide level at June 30, 2013 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 540,698	\$ 688,193	\$ 72,625	\$ 1,301,516
Other governmental	-	-	2,164	2,164
Allowance for doubtful accounts	-	(37,500)	-	(37,500)
Total receivables	<u>\$ 540,698</u>	<u>\$ 650,693</u>	<u>\$ 74,789</u>	<u>\$ 1,266,180</u>
Business-Type Activities:				
Water and wastewater	\$ 680,298	\$ -	\$ 55,002	\$ 735,300
Electric	1,320,446	-	66,176	1,386,622
Allowance for doubtful accounts	(22,700)	-	-	(22,700)
Total receivables	<u>\$ 1,978,044</u>	<u>\$ -</u>	<u>\$ 121,178</u>	<u>\$ 2,099,222</u>

CITY OF NEWTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>July 1, 2012</u>	<u>Increases</u>	<u>Disposals</u>	<u>Adjust/ Transfers</u>	<u>June 30, 2013</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 2,007,259	\$ -	\$ -	\$ -	\$ 2,007,259
Construction in progress	90,904	585,410	-	(288,017)	388,297
Total assets not being depreciated	<u>2,098,163</u>	<u>585,410</u>	<u>-</u>	<u>(288,017)</u>	<u>2,395,556</u>
Capital assets being depreciated:					
Buildings and improvements	7,745,368	144,358	-	37,857	7,927,583
Equipment	3,026,230	169,453	(14,583)	45,564	3,226,664
Vehicles	6,250,816	439,431	(440,897)	438,636	6,687,986
Infrastructure	5,773,178	-	-	4,184	5,777,362
Total assets being depreciated	<u>22,795,592</u>	<u>753,242</u>	<u>(455,480)</u>	<u>526,241</u>	<u>23,619,595</u>
Less accumulated depreciation:					
Buildings and improvements	(4,819,738)	(161,418)	-	-	(4,981,156)
Equipment	(1,788,305)	(322,046)	14,583	(45,564)	(2,141,332)
Vehicles	(5,113,935)	(367,065)	417,320	(192,660)	(5,256,340)
Infrastructure	(2,038,526)	(145,855)	-	-	(2,184,381)
Total accumulated depreciation	<u>(13,760,504)</u>	<u>(996,384)</u>	<u>431,903</u>	<u>(238,224)</u>	<u>(14,563,209)</u>
Total assets being depreciated, net	<u>9,035,088</u>	<u>(243,142)</u>	<u>(23,577)</u>	<u>288,017</u>	<u>9,056,386</u>
Governmental activities capital assets, net	<u>\$ 11,133,251</u>	<u>\$ 342,268</u>	<u>\$ (23,577)</u>	<u>\$ -</u>	<u>\$ 11,451,942</u>

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

General government	\$ 217,059
Public safety	344,480
Transportation	252,374
Environmental protection	91,947
Cultural and recreation	90,524
Total depreciation expense - governmental activities	<u>\$ 996,384</u>

CITY OF NEWTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>July 1, 2012</u>	<u>Increases</u>	<u>Disposals</u>	<u>Adjust/ Transfers</u>	<u>June 30, 2013</u>
Business-Type Activities:					
Electric Fund:					
Capital assets not being depreciated:					
Land	\$ 5,000	\$ -	\$ -	\$ -	\$ 5,000
Construction in progress	<u>327,878</u>	<u>998,117</u>	<u>-</u>	<u>(825,623)</u>	<u>500,372</u>
Total assets not being depreciated	<u>332,878</u>	<u>998,117</u>	<u>-</u>	<u>(825,623)</u>	<u>505,372</u>
Capital assets being depreciated:					
Buildings and improvements	500,567	-	-	-	500,567
Equipment	4,605,741	-	(46,849)	(45,564)	4,513,328
Vehicles	912,182	95,938	(14,544)	(157,484)	836,092
Distribution systems	<u>12,998,780</u>	<u>64,827</u>	<u>-</u>	<u>825,623</u>	<u>13,889,230</u>
Total assets being depreciated	<u>19,017,270</u>	<u>160,765</u>	<u>(61,393)</u>	<u>622,575</u>	<u>19,739,217</u>
Less accumulated depreciation:					
Buildings and improvements	(433,579)	(9,257)	-	-	(442,836)
Equipment	(2,669,446)	(168,311)	46,849	45,564	(2,745,344)
Vehicles	(680,168)	(51,271)	14,544	157,484	(559,411)
Distribution systems	<u>(4,920,370)</u>	<u>(356,796)</u>	<u>-</u>	<u>-</u>	<u>(5,277,166)</u>
Total accumulated depreciation	<u>(8,703,563)</u>	<u>(585,635)</u>	<u>61,393</u>	<u>203,048</u>	<u>(9,024,757)</u>
Total assets being depreciated, net	<u>10,313,707</u>	<u>(424,870)</u>	<u>-</u>	<u>825,623</u>	<u>10,714,460</u>
Electric Fund capital assets, net	<u>10,646,585</u>	<u>573,247</u>	<u>-</u>	<u>-</u>	<u>11,219,832</u>
Water and Wastewater Fund:					
Capital assets not being depreciated:					
Land	210,332	-	-	-	210,332
Construction in progress	<u>2,856,285</u>	<u>1,007,797</u>	<u>-</u>	<u>(3,315,898)</u>	<u>548,184</u>
Total assets not being depreciated	<u>3,066,617</u>	<u>1,007,797</u>	<u>-</u>	<u>(3,315,898)</u>	<u>758,516</u>
Capital assets being depreciated:					
Buildings and improvements	22,530,122	63,257	-	-	22,593,379
Equipment	992,293	104,500	(115,800)	-	980,993
Vehicles	936,704	285,715	(93,578)	112,819	1,241,660
Distribution systems	<u>34,175,575</u>	<u>-</u>	<u>-</u>	<u>3,167,903</u>	<u>37,343,478</u>
Total assets being depreciated	<u>58,634,694</u>	<u>453,472</u>	<u>(209,378)</u>	<u>3,280,722</u>	<u>62,159,510</u>
Less accumulated depreciation:					
Buildings and improvements	(14,707,950)	(592,757)	-	-	(15,300,707)
Equipment	(640,312)	(59,652)	115,800	-	(584,164)
Vehicles	(517,220)	(90,029)	93,578	35,176	(478,495)
Distribution systems	<u>(12,389,883)</u>	<u>(1,044,860)</u>	<u>-</u>	<u>-</u>	<u>(13,434,743)</u>
Total accumulated depreciation	<u>(28,255,365)</u>	<u>(1,787,298)</u>	<u>209,378</u>	<u>35,176</u>	<u>(29,798,109)</u>
Total assets being depreciated, net	<u>30,379,329</u>	<u>(1,333,826)</u>	<u>-</u>	<u>3,315,898</u>	<u>32,361,401</u>
Water and Wastewater Fund capital assets, net	<u>33,445,946</u>	<u>(326,029)</u>	<u>-</u>	<u>-</u>	<u>33,119,917</u>
Business-type activities capital assets, net	<u>\$ 44,092,531</u>	<u>\$ 247,218</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,339,749</u>

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2013 is composed of the following elements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 11,451,942	\$ 44,339,749
Long-term debt	(4,763,117)	(16,718,489)
Accrued compensated absences, OPEB, LEO	869,067	147,009
Unspent debt proceeds	<u>261,645</u>	<u>2,294,867</u>
Net investment in capital assets	<u>\$ 7,819,537</u>	<u>\$ 30,063,136</u>

Construction Commitments

The government has active construction projects as of June 30, 2013. The government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
General Capital Projects:		
AC Little Culvert Replacement	\$ 173,604	\$ 96,396
N. Ashe Storm Water Drainage	-	125,200
New Fire Headquarters	9,163	3,040,837
Water and Wastewater Capital Projects:		
Water Rehabilitation Projects	200,001	408,749
Sewer Rehabilitation Projects	190,521	433,079
Water Filtration 8.0 MGD Pump	86,224	513,776
Snow Creek Sewer Outfall Rehabilitation	71,438	1,327,562
Electric Capital Projects:		
Conversion from 4KV to 24KV	145,274	504,726
Generator Modifications	<u>355,099</u>	<u>23,251</u>
Total	<u>\$ 1,231,324</u>	<u>\$ 6,473,576</u>

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

B. Liabilities

Accounts Payable

	<u>Vendors</u>	<u>Benefits</u>	<u>Interest</u>	<u>Balances</u>
Governmental activities	\$ 255,866	\$ 143,286	\$ 63,627	\$ 462,779
Business-type activities	\$ 1,176,918	\$ -	\$ 251,817	\$ 1,428,735

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 6.0% 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 7.07% and 7.28%, 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, 2013, 2012, and 2011 were \$468,456, \$484,523, and \$462,053, respectively. The contributions made by the City equaled the required contributions for each year.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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, 2012, 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.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

The annual required contribution for the current year was determined as part of the December 31, 2011 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 3.00%. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was determined using the market 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, 2011 was 19 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	\$ 66,806
Interest on net pension obligation	15,217
Adjustment to annual required contribution	<u>(18,940)</u>
Annual pension cost	63,083
Contributions made	<u>50,854</u>
Increase (decrease) in net pension obligation	12,229
Net pension obligation:	
Beginning of year - July 1	<u>304,341</u>
End of year - June 30	<u><u>\$ 316,570</u></u>

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2013	\$ 63,083	80.61%	\$ 316,570
2012	61,928	74.54%	304,341
2011	68,566	86.31%	288,573

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Funding Status and Funding Progress

As of December 31, 2012, 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 \$588,037. The covered payroll (annual payroll of active employees covered by the plan) was \$1,343,895, and the ratio of the UAAL to the covered payroll was 43.76%.

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, 2013 were \$87,206, which consisted of \$69,513 from the City and \$17,693 from the law enforcement officers.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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 Firemen's and Rescue Squad Workers' Pension Fund 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 the Firemen's and Rescue Squad Workers' Pension 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. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

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, 2013, the City made payments for post-retirement health benefit premiums of \$104,631. The City purchases insurance from a private carrier for healthcare coverage. A separate report was not issued for the plan.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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 2.72% of annual covered payroll. For the current year, the City contributed \$104,631, or 2.5% of annual covered payroll. The City's required contributions, under a City resolution, for employees not engaged in law enforcement and for law enforcement officers represented 0.6% and 0.7% of covered payroll, respectively. There were no contributions made by employees, except for dependent coverage in the amount of \$226,926. Retirees are responsible for the difference between the amount charged for an active employee and the retiree rate, which is paid on a monthly basis. The City self-insures health and dental coverage for employees and retirees, which is administered by a third-party administrator. The City's obligation to contribute to the HCB Plan is established and may be amended by the City Council.

Summary of Significant Accounting Policies

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

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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	\$ 114,661
Interest on net OPEB obligation	6,853
Adjustments to annual required contribution	<u>(9,527)</u>
Annual OPEB cost (expense)	111,987
Contributions made	<u>(104,631)</u>
Increase (decrease) in net OPEB obligation	7,356
Net OPEB obligation:	
Beginning of year - July 1	<u>171,332</u>
End of year - June 30	<u>\$ 178,688</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2013 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>
2013	\$ 111,987	93.4%	\$ 178,688
2012	99,221	141.9%	171,332
2011	91,852	119.8%	212,899

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%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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% 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% annually. Both rates included a 3.00% 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 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.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Deferred Inflows of Resources

The balance in deferred inflows of resources for the City at year-end is composed of the following elements:

<u>General Fund</u>	<u>Unavailable Revenue</u>	<u>Unearned Revenue</u>
Prepaid assessments not yet earned	\$ -	\$ 11,106
Taxes receivable, (net)	650,693	-
Total deferred/unearned revenues	<u>\$ 650,693</u>	<u>\$ 11,106</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 up to statutory limits; law enforcement officers' liability and public official liability of \$1 million per occurrence, with a \$2 million umbrella policy; auto liability of \$1 million per accident; public entity general liability of \$1 million per occurrence, \$3 million aggregate; commercial inland marine of \$1,407,125. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

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

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

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Deferred Compensation Plan

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

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

Self-Insurance

The City is self-insured for health and dental coverage for all full-time employees. Funding is provided by charges to various funds of the City and employee contributions based upon estimated claims and employee participation. The claims administrator determines estimated claims annually. Aggregate and specific stop-loss insurance coverage is provided annually by Blue Cross Blue Shield of North Carolina, who also provides contracted third-party claims administration. The City has recognized a provision of \$139,623 for claims incurred but not reported, in the accompanying financial statements. This provision is estimated upon analysis of historical claims experience reviewed by the City's third party administrator.

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

	<u>2013</u>	<u>2012</u>
Claims liability, beginning of year	\$ 229,184	\$ 283,230
Claims incurred	872,165	1,305,477
Payments on claims	<u>(943,826)</u>	<u>(1,359,523)</u>
Claims liability, end of year	<u>\$ 157,523</u>	<u>\$ 229,184</u>

CITY OF NEWTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Long-Term Obligations

Loans Payable

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

Loans payable at June 30, 2013 are comprised of the following:

	Services By:		
	General Fund	Water and Wastewater Fund	Electric Fund
\$184,730, 1994, McKay Road project non-interest loan payable to Catawba County, due in annual installments of \$9,237 through July 2014	\$ -	\$ 18,473	\$ -
\$213,393, 2006, Balls Creek Sewer non-interest loan payable to Catawba County, due in annual installments of \$16,908 through January 2017	-	67,631	-
\$367,000, 2005, 3.07% loan payable to bank in annual installments of \$43,096 for vehicles and equipment, due in 2014	82,379	-	-
\$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	-	1,316,246	-
\$1,766,543, 2005, 3.07% loan payable to bank in annual installments of \$207,442 for electric system improvements, due in 2014	-	-	396,531
\$370,000, 2005, 3.97% loan payable to bank in annual installments of \$33,208 for fire truck, due in 2019	199,540	-	-
\$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	-	1,223,269	-
\$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	-	1,350,769	-

CITY OF NEWTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u> Serviced by:</u>		
	<u>General</u> <u>Fund</u>	<u>Water and</u> <u>Wastewater</u> <u>Fund</u>	<u>Electric</u> <u>Fund</u>
\$550,000, 2006, 3.39% loan payable to bank in annual installments of \$65,767 for equipment, due in 2016	-	-	184,642
\$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	413,799	326,563	1,947,954
\$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	434,000	-	-
\$131,000, 2008, 3.69% loan to bank in annual installments of \$15,903 for a vehicle, due in 2017	71,417	-	-
\$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	140,857	-	-
\$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	203,572	-	-
\$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	255,787	1,240,154	2,126,725
\$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	159,800	-	21,200
\$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	62,657	-	88,671
\$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	150,600	39,000	-

CITY OF NEWTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Serviced by:</u>		
	<u>General Fund</u>	<u>Water and Wastewater Fund</u>	<u>Electric Fund</u>
\$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	178,571	-	-
\$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	214,241	160,681	-
\$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	883,148	529,965	80,694
\$3,256,225, 2012, 3.11% loan payable to bank in annual installments of a fixed payment of \$217,082 plus interest for water and wastewater, and electric capital improvements and equipment, due in 2027	-	2,377,527	661,617
\$498,921, 2012, 2.22% loan payable to the State in annual installments of a fixed payment of \$29,259 plus interest for wastewater capital improvements, due in 2031	-	472,662	-
\$432,763, 2013, 1.56% loan payable to bank in annual installments of a fixed payment of \$86,553 plus interest for vehicles and equipment, due in 2018	236,982	195,781	-
\$207,369, 2013, 1.78% loan payable to bank in annual installments of a fixed payment of \$29,624.14 plus interest for an electrical vehicle, due in 2020	-	-	207,369
\$403,790, 2013, 2.60% loan payable to bank in annual installments of a fixed payment of \$26,919.33 plus interest for street and water capital improvements, due in 2028	206,700	197,090	-
\$1,340,265, 2013, 2.58% loan payable to bank in annual installments of a fixed payment of \$89,351 plus interest for water and wastewater and electric capital improvements, due in 2028	-	733,456	606,810
	<u>\$ 3,894,050</u>	<u>\$ 10,249,267</u>	<u>\$ 6,322,213</u>

CITY OF NEWTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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

	Year Ended June 30	Loans Payable	
		Principal	Interest
Governmental Activities:			
	2014	\$ 768,247	\$ 101,821
	2015	772,198	81,375
	2016	582,855	61,026
	2017	466,898	46,447
	2018	401,267	35,325
	2019-2023	808,432	69,075
	2024-2028	94,153	6,073
	2029-2031	-	-
Total governmental activities		<u>3,894,050</u>	<u>401,142</u>
Business-Type Activities:			
Water and Wastewater Fund:			
	2014	1,154,977	275,626
	2015	1,170,356	246,112
	2016	1,176,908	216,167
	2017	1,179,522	185,800
	2018	1,139,535	155,371
	2019-2023	3,117,880	400,686
	2024-2028	1,231,311	97,774
	2029-2031	<u>78,778</u>	<u>3,498</u>
Total Water and Wastewater Fund		<u>10,249,267</u>	<u>1,581,034</u>
Electric Fund:			
	2014	803,626	185,510
	2015	817,340	161,647
	2016	613,434	137,404
	2017	555,869	119,357
	2018	539,927	103,288
	2019-2023	2,407,175	282,191
	2024-2028	584,842	36,211
	2029-2031	<u>-</u>	<u>-</u>
Total Electric Fund		<u>6,322,213</u>	<u>1,025,608</u>
Total business-type activities		<u>16,571,480</u>	<u>2,606,642</u>
Total all activities		<u>\$ 20,465,530</u>	<u>\$ 3,007,784</u>

At June 30, 2013, the City of Newton had a legal debt margin of \$66,218,862.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Changes in Long-Term Liabilities

The following is a summary of changes in long-term debt for the year ended June 30, 2013.

	<u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2013</u>	<u>Current Portion of Balance</u>
Governmental Activities:					
Loans payable	\$ 4,329,031	\$ 443,682	\$ 878,663	\$ 3,894,050	\$ 768,247
Compensated absences	414,715	270,315	268,461	416,569	263,015
Other post-employment benefits	130,332	85,188	79,592	135,928	-
Net pension benefit obligation	<u>304,341</u>	<u>63,083</u>	<u>50,854</u>	<u>316,570</u>	<u>-</u>
Total governmental activities	<u>\$ 5,178,419</u>	<u>\$ 862,268</u>	<u>\$ 1,277,570</u>	<u>\$ 4,763,117</u>	<u>\$ 1,031,262</u>
Business-Type Activities:					
Water and Wastewater Fund:					
Loans payable	\$ 10,208,097	\$ 1,135,174	\$ 1,094,004	\$ 10,249,267	\$ 1,154,977
Compensated absences	83,250	78,310	82,693	78,867	76,851
Other post-employment benefits	<u>30,754</u>	<u>20,102</u>	<u>18,782</u>	<u>32,074</u>	<u>-</u>
Total Water and Wastewater Fund	<u>10,322,101</u>	<u>1,233,586</u>	<u>1,195,479</u>	<u>10,360,208</u>	<u>1,231,828</u>
Electric Fund:					
Loans payable	6,260,520	814,179	752,486	6,322,213	803,626
Compensated absences	33,620	32,066	40,304	25,382	25,382
Other post-employment benefits	10,246	6,697	6,257	10,686	-
Total Electric Fund	<u>6,304,386</u>	<u>852,942</u>	<u>799,047</u>	<u>6,358,281</u>	<u>829,008</u>
Total business-type activities	<u>\$ 16,626,487</u>	<u>\$ 2,086,528</u>	<u>\$ 1,994,526</u>	<u>\$ 16,718,489</u>	<u>\$ 2,060,836</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, 2013**

Transfers to/from other funds at June 30, 2013 consist of the following:

From the General Fund to the General Capital Projects Fund for capital project expenditures	\$ 410,806
From the CDBG-Moretz Industry Access Road Fund to the General Fund for return of unspent project funding	2,511
From the Main Street Energy Grant Fund to the General Fund for return of unspent project funding	84
From the General Capital Projects Fund to the General Fund for return of unspent project funding	22,016
From the Electric Fund to the General Fund for local contribution	<u>10,000</u>
Total	<u>\$ 445,417</u>

Interfund loans are summarized as follows:

<u>Fund Name</u>	<u>Due From</u>	<u>Due To</u>	<u>Purpose</u>
Business-type activities	<u>\$ 189,821</u>		
Governmental activities		<u>\$ 189,821</u>	Allocation of Internal Service Fund equity

D. Revenues, Expenditures, and Expenses

On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2013, the City of Newton has recognized on-behalf payments for pension contributions made by the State as a revenue and an expenditure of \$15,129 for the 51 employed firemen who perform firefighting duties for the City. The employees elected to be members of the Firemen and Rescue Squad Workers' Pension Fund, a cost-sharing, multiple employer public employee retirement system established and administered by the State of North Carolina. The plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Also, the City has recognized as a revenue and an expenditure on-behalf payment for fringe benefits and salaries of \$10,812 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, 2013. 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.

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% 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, 2013 was \$10,422,957.

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, 2013.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Western Piedmont Council of Governments

The Western Piedmont Council of Governments (WPCOG) is a regional planning organization. It consists of twenty-four municipalities and four counties within western North Carolina. The WPCOG's governing Board is comprised of one elected official from each of these local governments and seven at-large citizen members. Each local government has one vote. The City paid membership dues of \$12,545 during fiscal year ended June 30, 2013.

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, 2013.

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 #9-2012, exempting the City of Newton from North Carolina General Statute 14-234.

5. Summary Disclosure of Significant Contingencies

Federal and State-Assisted Programs

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

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

6. Change in Accounting Principles

The City implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement 65, *Items Previously Reported as Assets and Liabilities*, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position. Additionally, GASB Statement 65 requires that deferred costs from the refunding of debt, which were previously deferred and amortized, be presented as deferred outflows of resources.

7. Significant Effects of Subsequent Events

On July 27, 2013, the City was subject to a devastating flood that damaged storm water, water, wastewater and electric infrastructure as well as damage to the City's greenway and various parks. The City estimates that damage, with a recorded value of approximately \$762,300, was caused by the flood. While the exact amount of the loss is not currently determinable, the City has recovered \$45,173 of the value through insurance proceeds. Catawba County has filed a request for aid from the Federal Emergency Management Agency (FEMA) for 75% of eligible costs on behalf of Catawba County and each respective municipality for disaster relief. On September 25, 2013, Governor Pat McCrory received a Federal disaster declaration which did not include Catawba County. The State is appealing to FEMA to reconsider their decision.

REQUIRED SUPPLEMENTARY INFORMATION

This section contains additional information required by generally accepted accounting principles

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance.
 - Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance.
 - Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance.
 - Schedule of Funding Progress for the Other Post-Employment Benefits.
 - Schedule of Employer Contributions for the Other Post-Employment Benefits.
 - Notes to the Required Schedules for the Other Post-Employment Benefits.
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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, 2013**

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)
12/31/2012	\$ -	\$ 588,037	\$ 588,037	0.00%	\$ 1,343,895	43.76%
12/31/2011	-	605,427	605,427	0.00%	1,386,990	43.65%
12/31/2010	-	603,280	603,280	0.00%	1,351,119	44.65%
12/31/2009	-	690,159	690,159	0.00%	1,487,330	46.40%
12/31/2008	-	596,166	596,166	0.00%	1,331,679	44.77%
12/31/2007	-	571,026	571,026	0.00%	1,289,622	44.28%
12/31/2006	-	553,357	553,357	0.00%	1,327,546	41.68%
12/31/2005	-	519,076	519,076	0.00%	1,290,773	40.21%
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%
12/31/2000	-	332,747	332,747	0.00%	1,120,483	29.70%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2013	\$ 66,806	76.12%
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%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial at the dates indicated. Additional information as valuation 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	N/A

CITY OF NEWTON, NORTH CAROLINA

Schedule A-2

**OTHER POST-EMPLOYMENT BENEFITS -
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2013**

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	\$ -	\$ 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
2013	\$ 114,661	91.25%
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

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.



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, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012 Actual
	Final Budget	Actual	Variance Over/Under	
Revenues:				
Ad Valorem Taxes:				
Current year	\$ 4,949,900	\$ 4,964,241	\$ 14,341	\$ 4,857,198
Prior years	125,000	171,696	46,696	158,838
Refunds	-	(39,233)	(39,233)	-
Penalties and interest	35,000	39,369	4,369	29,690
Total	<u>5,109,900</u>	<u>5,136,073</u>	<u>26,173</u>	<u>5,045,726</u>
Other Taxes and Licenses:				
Local option sales tax	2,810,000	2,595,442	(214,558)	2,580,288
Solid waste disposal tax	9,300	7,307	(1,993)	8,873
Other taxes and licenses	19,000	4,681	(14,319)	29,370
Rural fire district tax	353,750	353,764	14	351,316
Total	<u>3,192,050</u>	<u>2,961,194</u>	<u>(230,856)</u>	<u>2,969,847</u>
Unrestricted Intergovernmental Revenues:				
Payments in lieu of taxes	370,550	370,550	-	365,550
Utility franchise tax	800,000	759,087	(40,913)	781,701
Beer and wine tax	62,700	52,370	(10,330)	56,304
Total	<u>1,233,250</u>	<u>1,182,007</u>	<u>(51,243)</u>	<u>1,203,555</u>
Restricted Intergovernmental Revenues:				
Federal grants	24,500	63,147	38,647	178,713
Federal asset seizure allocation	5,000	15,163	10,163	2,244
Other	15,000	2,576	(12,424)	26,668
On-behalf payments - fire	-	25,941	25,941	26,213
Powell Bill State street aid allocation	382,500	388,401	5,901	379,971
Total	<u>427,000</u>	<u>495,228</u>	<u>68,228</u>	<u>613,809</u>
Permits and Fees:				
Privilege and peddler's license	121,400	40,730	(80,670)	360
Local franchise - cable tv	91,000	79,400	(11,600)	84,662
Total	<u>212,400</u>	<u>120,130</u>	<u>(92,270)</u>	<u>85,022</u>
Sales and Services:				
Supportive court services	4,500	5,613	1,113	5,295
Refuse collection fees	717,050	738,498	21,448	555,234
Recreation fees and concessions	70,800	61,184	(9,616)	59,263
Other	47,000	64,269	17,269	48,444
Total	<u>839,350</u>	<u>869,564</u>	<u>30,214</u>	<u>668,236</u>
Investment Earnings				
	<u>6,300</u>	<u>10,271</u>	<u>3,971</u>	<u>6,751</u>
Miscellaneous:				
Rentals and sale of property	72,200	100,623	28,423	82,340
Other	100,550	139,428	38,878	1,315,621
Total	<u>172,750</u>	<u>240,051</u>	<u>67,301</u>	<u>1,397,961</u>
Total revenues	<u>11,193,000</u>	<u>11,014,518</u>	<u>(178,482)</u>	<u>11,990,907</u>
Expenditures:				
General Government:				
Governing body:				
Salaries and employee benefits	50,000	48,881		43,167
Other operating expenditures	8,950	6,559		23,863
Interdepartmental charges	(37,700)	(37,700)		(39,300)
Total	<u>21,250</u>	<u>17,740</u>	<u>3,510</u>	<u>27,730</u>

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, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

	2013			2012 Actual
	Final Budget	Actual	Variance Over/Under	
Administration:				
Salaries and employee benefits	317,700	315,978		248,484
Other operating expenditures	133,000	107,387		91,014
Capital outlay	-	-		9,722
Interdepartmental charges	(281,300)	(281,300)		(200,450)
Total	<u>169,400</u>	<u>142,065</u>	<u>27,335</u>	<u>148,770</u>
Finance:				
Salaries and employee benefits	450,400	446,606		410,806
Other operating expenditures	198,400	163,552		159,733
Interdepartmental charges	(534,400)	(534,400)		(476,250)
Total	<u>114,400</u>	<u>75,758</u>	<u>38,642</u>	<u>94,289</u>
Purchasing/Warehouse:				
Salaries and employee benefits	103,550	102,906		100,624
Other operating expenditures	17,300	11,860		11,227
Capital outlay	-	-		23,662
Interdepartmental charges	(107,600)	(107,600)		(103,750)
Total	<u>13,250</u>	<u>7,166</u>	<u>6,084</u>	<u>31,763</u>
Technology/MIS:				
Salaries and employee benefits	132,450	131,630		128,970
Other operating expenditures	160,350	156,451		169,738
Capital outlay	16,400	16,356		33,184
Interdepartmental charges	(180,200)	(180,200)		(195,650)
Total	<u>129,000</u>	<u>124,237</u>	<u>4,763</u>	<u>136,242</u>
Human Resources:				
Salaries and employee benefits	298,800	266,664		293,386
Other operating expenditures	167,350	142,413		132,703
Interdepartmental charges	(92,700)	(92,700)		(58,400)
Total	<u>373,450</u>	<u>316,377</u>	<u>57,073</u>	<u>367,689</u>
Planning:				
Salaries and employee benefits	180,600	122,586		252,674
Other operating expenditures	40,700	25,068		61,091
Capital outlay	27,200	26,168		7,295
Interdepartmental charges	(47,900)	(47,900)		(226,950)
Total	<u>200,600</u>	<u>125,922</u>	<u>74,678</u>	<u>94,110</u>
Municipal Building:				
Other operating expenditures	179,850	131,875		135,639
Capital outlay	93,300	94,872		13,472
Total	<u>273,150</u>	<u>226,747</u>	<u>46,403</u>	<u>149,111</u>
Public Works Administration:				
Salaries and employee benefits	145,950	134,722		138,705
Other operating expenditures	62,300	56,944		73,693
Capital outlay	-	-		7,295
Interdepartmental charges	(150,700)	(150,700)		(152,400)
Total	<u>57,550</u>	<u>40,966</u>	<u>16,584</u>	<u>67,293</u>
Garage:				
Salaries and employee benefits	105,300	103,709		97,952
Other operating expenditures	49,250	47,380		48,366
Capital outlay	16,450	16,424		-
Interdepartmental charges	(59,400)	(59,400)		(42,650)
Total	<u>111,600</u>	<u>108,113</u>	<u>3,487</u>	<u>103,668</u>

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, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

	2013			2012 Actual
	Final Budget	Actual	Variance Over/Under	
Downtown Public Parking:				
Other operating expenditures	6,050	5,560	490	5,414
Total general government	<u>1,469,700</u>	<u>1,190,651</u>	<u>279,049</u>	<u>1,226,079</u>
Transportation:				
Streets:				
Salaries and employee benefits	281,300	278,330		257,435
Other operating expenditures	136,400	133,904		188,792
Capital outlay	<u>302,350</u>	<u>302,316</u>		<u>188,271</u>
Total	<u>720,050</u>	<u>714,550</u>	5,500	<u>634,498</u>
Powell Bill:				
Salaries and employee benefits	133,650	128,251		129,322
Other operating expenditures	<u>313,450</u>	<u>263,477</u>		<u>169,388</u>
Total	<u>447,100</u>	<u>391,728</u>	55,372	<u>298,710</u>
Total transportation	<u>1,167,150</u>	<u>1,106,278</u>	<u>60,872</u>	<u>933,208</u>
Environmental Protection:				
Sanitation:				
Salaries and employee benefits	573,000	511,458		506,953
Other operating expenditures	409,600	409,101		380,024
Capital outlay	<u>356,050</u>	<u>355,921</u>		<u>12,538</u>
Total	<u>1,338,650</u>	<u>1,276,480</u>	62,170	<u>899,515</u>
Total environmental protection	<u>1,338,650</u>	<u>1,276,480</u>	<u>62,170</u>	<u>899,515</u>
Public Safety:				
Police Department:				
Salaries and employee benefits	2,492,200	2,379,963		2,349,384
Other operating expenditures	499,150	453,115		392,474
Capital outlay	363,500	178,846		562,724
Interdepartmental charges	<u>(2,250)</u>	<u>(2,250)</u>		<u>(2,200)</u>
Total	<u>3,352,600</u>	<u>3,009,674</u>	342,926	<u>3,302,382</u>
Fire Department:				
Salaries and employee benefits	1,722,750	1,676,535		1,648,937
Other operating expenditures	370,000	362,789		326,746
Capital outlay	106,800	-		202,112
Interdepartmental charges	<u>(106,100)</u>	<u>(106,100)</u>		<u>(102,350)</u>
Total	<u>2,093,450</u>	<u>1,933,224</u>	160,226	<u>2,075,445</u>
Total public safety	<u>5,446,050</u>	<u>4,942,898</u>	<u>503,152</u>	<u>5,377,827</u>
Cultural and Recreational:				
Administration:				
Salaries and employee benefits	558,000	540,422		543,297
Other operating expenditures	<u>120,750</u>	<u>107,003</u>		<u>123,247</u>
Total	<u>678,750</u>	<u>647,425</u>	31,325	<u>666,544</u>
Central Recreation Center:				
Salaries and employee benefits	30,600	21,071		21,235
Other operating expenditures	<u>33,700</u>	<u>27,937</u>		<u>41,106</u>
Total	<u>64,300</u>	<u>49,008</u>	15,292	<u>62,341</u>
Swimming Pool:				
Salaries and employee benefits	30,250	28,637		22,035
Other operating expenditures	<u>47,850</u>	<u>46,964</u>		<u>34,490</u>
Total	<u>78,100</u>	<u>75,601</u>	2,499	<u>56,525</u>

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, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

	2013			2012 Actual
	Final Budget	Actual	Variance Over/Under	
Parks:				
Salaries and employee benefits	52,300	33,749		49,730
Other operating expenditures	89,900	85,484		82,694
Capital outlay	90,550	89,910		-
Total	<u>232,750</u>	<u>209,143</u>	<u>23,607</u>	<u>132,424</u>
Cemeteries:				
Salaries and employee benefits	162,600	151,006		156,030
Other operating expenditures	26,800	25,148		23,225
Capital outlay	6,600	6,525		-
Total	<u>196,000</u>	<u>182,679</u>	<u>13,321</u>	<u>179,255</u>
Special Appropriations:				
Other operating expenditures	<u>1,101,450</u>	<u>916,697</u>	<u>184,753</u>	<u>911,809</u>
Total cultural and recreational	<u>2,351,350</u>	<u>2,080,553</u>	<u>270,797</u>	<u>2,008,898</u>
Debt Service:				
Principal paid on installment purchase	880,800	878,663		777,353
Interest and fees	125,600	122,930		136,849
Total debt service	<u>1,006,400</u>	<u>1,001,593</u>	<u>4,807</u>	<u>914,202</u>
Total expenditures	<u>12,779,300</u>	<u>11,598,453</u>	<u>1,180,847</u>	<u>11,359,729</u>
Revenues over (under) expenditures	<u>(1,586,300)</u>	<u>(583,935)</u>	<u>1,002,365</u>	<u>631,178</u>
Other Financing Sources (Uses):				
Issuance of debt	608,200	443,682	(164,518)	1,298,339
Transfers from other governmental funds	24,650	24,611	(39)	-
Transfers from Electric Fund	10,000	10,000	-	3,350
Transfers to other governmental funds	(410,850)	(410,806)	44	(174,335)
Appropriated fund balance	<u>1,354,300</u>	-	<u>(1,354,300)</u>	-
Total other financing sources (uses)	<u>1,586,300</u>	<u>67,487</u>	<u>(1,518,813)</u>	<u>1,127,354</u>
Net change in fund balance	<u>\$ -</u>	<u>(516,448)</u>	<u>\$ (516,448)</u>	<u>\$ 1,758,532</u>
Fund Balance:				
Beginning of year - July 1		5,724,128		
Increase (decrease) in reserve for inventory		<u>16,281</u>		
End of year - June 30		<u>\$ 5,223,961</u>		

GOVERNMENTAL ACTIVITIES NONMAJOR FUNDS

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 Industry 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.

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.



CITY OF NEWTON, NORTH CAROLINA

Schedule 2

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013**

	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	General Capital Project Fund		
Assets:						
Current assets:						
Cash and investments	\$ -	\$ -	1,734	\$ 335,063	\$ 336,797	
Due from other governments	-	-	-	2,164	2,164	
Total assets	\$ -	\$ -	1,734	\$ 337,227	\$ 338,961	
Liabilities and Fund Balance:						
Liabilities:						
Accounts payable	\$ -	\$ -	-	111,933	\$ 111,933	\$ 111,933
Fund Balances:						
Restricted - stabilization by State statute	-	-	-	127,364	127,364	127,364
Restricted Committed	-	-	1,734	-	1,734	1,734
Total net assets	-	-	1,734	225,294	227,028	227,028
Total liabilities and fund balances	\$ -	\$ -	1,734	\$ 337,227	\$ 338,961	\$ 338,961

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, 2013**

	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	General Capital Projects Fund	
Revenues:					
Miscellaneous revenue	-	-	\$ 1,365	-	\$ 1,365
Expenditures:					
Current:					
Economic and physical development	-	-	1,000	-	1,000
Capital outlay	-	-	-	251,314	251,314
Total expenditures	-	-	1,000	251,314	252,314
Revenues over (under) expenditures	-	-	365	(251,314)	(250,949)
Other Financing Sources (Uses):					
Transfers from other funds	-	-	-	410,806	410,806
Transfers to other funds	(2,511)	(84)	-	(22,016)	(24,611)
Total other financing sources (uses)	(2,511)	(84)	-	388,790	386,195
Net change in fund balances	(2,511)	(84)	365	137,476	135,246
Fund Balances:					
Beginning of year - July 1	2,511	84	1,369	87,818	91,782
End of year - June 30	-	-	\$ 1,734	\$ 225,294	\$ 227,028

CITY OF NEWTON, NORTH CAROLINA

Schedule 4

**CDBG-MORETZ INDUSTRY ACCESS ROAD SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Project Authorization</u>	<u>Actual</u>			<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Closed Projects</u>	
Revenues:					
Restricted intergovernmental revenue	\$ 450,000	\$ -	\$ -	\$ -	\$ -
Project contributions	100,000	-	-	-	-
Total revenues	<u>550,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:					
Construction	<u>1,055,450</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>(505,450)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses):					
Transfers from - General Fund	508,000	2,511	-	(2,511)	-
Transfers to - General Fund	<u>(2,550)</u>	<u>-</u>	<u>(2,511)</u>	<u>2,511</u>	<u>-</u>
Total other financing sources (uses)	<u>505,450</u>	<u>2,511</u>	<u>(2,511)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 2,511</u>	<u>\$ (2,511)</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2013**

	<u>Project Authorization</u>	<u>Actual</u>			<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Closed Projects</u>	
Revenues:					
Restricted intergovernmental revenue	\$ 6,310	\$ -	\$ -	\$ -	\$ -
Expenditures:					
Construction	15,650	-	-	-	-
Revenues over (under) expenditures	(9,340)	-	-	-	-
Other Financing Sources (Uses):					
Transfers from - General Fund	9,440	84	-	(84)	-
Transfers to - General Fund	(100)	-	(84)	84	-
Total other financing sources (uses)	9,340	84	(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, 2013**

	<u>Project Authorization</u>	<u>Actual</u>			<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Closed Projects</u>	
Revenues:					
Restricted intergovernmental revenue	\$ 80,830	\$ -	\$ -	\$ -	\$ -
Miscellaneous	<u>2,750</u>	<u>1,369</u>	<u>1,365</u>	<u>-</u>	<u>2,734</u>
Total revenues	<u>83,580</u>	<u>1,369</u>	<u>1,365</u>	<u>-</u>	<u>2,734</u>
Expenditures:					
Economic and physical development					
Main Street Solutions Fund Grant	80,830	-	-	-	-
CDBG Rehabilitation	<u>2,750</u>	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total expenditures	<u>83,580</u>	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,369</u>	<u>\$ 365</u>	<u>\$ -</u>	<u>\$ 1,734</u>

CITY OF NEWTON, NORTH CAROLINA

Schedule 7

**GENERAL CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Project Authorization</u>	<u>Actual</u>			<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Closed Projects</u>	
Expenditures:					
Capital Outlay:					
Culvert replacement projects	\$ 4,200	\$ 4,184	\$ -	\$ (4,184)	\$ -
N. Ashe storm water drainage replacement	137,750	-	-	-	-
AC Little Culvert	270,000	-	173,604	-	173,604
Startown Fire Station renovations	119,350	50,492	68,547	-	119,039
New fire headquarters	3,050,000	-	9,163	-	9,163
Total expenditures	<u>3,581,300</u>	<u>54,676</u>	<u>251,314</u>	<u>(4,184)</u>	<u>301,806</u>
Revenues over (under) expenditures	<u>(3,581,300)</u>	<u>(54,676)</u>	<u>(251,314)</u>	<u>4,184</u>	<u>(301,806)</u>
Other Financing Sources (Uses):					
Issuance of long-term debt	3,050,000	-	-	-	-
Transfers from General Fund	553,300	142,494	410,806	(26,200)	527,100
Transfers to General Fund	(22,000)	-	(22,016)	22,016	-
Total other financing sources (uses)	<u>3,581,300</u>	<u>142,494</u>	<u>388,790</u>	<u>(4,184)</u>	<u>527,100</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 87,818</u>	<u>\$ 137,476</u>	<u>\$ -</u>	<u>\$ 225,294</u>

BUSINESS-TYPE ACTIVITIES

ENTERPRISE FUNDS

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

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

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

INTERNAL SERVICE FUND

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

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



CITY OF NEWTON, NORTH CAROLINA

Schedule 8

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**WATER AND WASTEWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services	\$ 5,739,800	\$ 5,512,943	\$ (226,857)
Other	<u>412,700</u>	<u>389,179</u>	<u>(23,521)</u>
Total operating revenues	<u>6,152,500</u>	<u>5,902,122</u>	<u>(250,378)</u>
Non-operating revenues:			
Other non-operating revenue	83,750	84,426	676
Interest earned	<u>2,500</u>	<u>3,055</u>	<u>555</u>
Total non-operating revenues	<u>86,250</u>	<u>87,481</u>	<u>1,231</u>
Total revenues	<u>6,238,750</u>	<u>5,989,603</u>	<u>(249,147)</u>
Expenditures:			
Operations	2,716,700	2,358,027	358,673
Maintenance	1,161,150	1,056,842	104,308
Administration	867,550	866,103	1,447
Capital outlay	1,729,450	599,883	1,129,567
Debt principal	1,096,650	1,094,007	2,643
Interest and fees	<u>252,150</u>	<u>257,808</u>	<u>(5,658)</u>
Total expenditures	<u>7,823,650</u>	<u>6,232,670</u>	<u>1,590,980</u>
Revenues over (under) expenditures	<u>(1,584,900)</u>	<u>(243,067)</u>	<u>1,341,833</u>
Other Financing Sources (Uses):			
Issuance of long-term debt	2,342,050	1,126,326	(1,215,724)
Proceeds from sale of capital assets	-	23,971	23,971
Intrafund transfers from - Water and Wastewater Capital Project Fund	70,050	69,983	(67)
Intrafund transfers to - Water and Wastewater Capital Project Fund	<u>(1,134,150)</u>	<u>(1,134,150)</u>	<u>-</u>
Appropriated fund balance	<u>306,950</u>	<u>-</u>	<u>(306,950)</u>
Total other financing sources (uses)	<u>1,584,900</u>	<u>86,130</u>	<u>(1,498,770)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (156,937)</u>	<u>\$ (156,937)</u>

CITY OF NEWTON, NORTH CAROLINA

Schedule 8

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WATER AND WASTEWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2013

	<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		\$ (156,937)	
Reconciling items:			
Capital project income		13,537	
Capital project expenditures		(861,386)	
Capital project expenditures capitalized to CIP		861,386	
Transfers to (from) - capital project funds		1,064,167	
Depreciation		(1,787,298)	
Capital outlay capitalized		599,883	
Payment of debt principal		1,094,007	
(Increase) decrease in other post-employment benefit accrual		(1,320)	
(Increase) decrease in compensated absences		4,382	
Issuance of long-term debt		<u>(1,126,326)</u>	
Change in net position		<u>\$ (295,905)</u>	

CITY OF NEWTON, NORTH CAROLINA

Schedule 9

**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, 2013**

	<u>Project</u>	<u>Actual</u>			<u>Total</u>
	<u>Authorization</u>	<u>Prior</u>	<u>Current</u>	<u>Closed</u>	<u>to Date</u>
		<u>Years</u>	<u>Year</u>	<u>Projects</u>	
Revenues:					
Restricted intergovernmental	\$ 1,900,000	\$ 386,200	\$ -	\$ (386,200)	\$ -
Expenditures:					
Capital outlay:					
CDBG-ED Target Distribution	<u>1,513,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	386,200	386,200	-	(386,200)	-
Other Financing Sources (Uses):					
Transfers to - Water and Wastewater Fund	(1,200)	-	(1,200)	1,200	-
Transfers to - Electric Fund	<u>(385,000)</u>	<u>(385,000)</u>	<u>-</u>	<u>385,000</u>	<u>-</u>
Total other financing sources (uses)	<u>(386,200)</u>	<u>(385,000)</u>	<u>(1,200)</u>	<u>386,200</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,200</u>	<u>\$ (1,200)</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF NEWTON, NORTH CAROLINA

Schedule 10

**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, 2013**

	<u>Project</u>	<u>Actual</u>			
	<u>Authorization</u>	<u>Prior</u>	<u>Current</u>	<u>Closed</u>	<u>Total</u>
		<u>Years</u>	<u>Year</u>	<u>Projects</u>	<u>to Date</u>
Revenues:					
Restricted intergovernmental	\$ 852,900	\$ 696,778	\$ 13,537	\$ (710,315)	\$ -
Expenditures:					
Capital outlay:					
Burris Road Pump Station	1,559,350	1,362,564	7,871	(1,370,435)	-
Revenues over (under) expenditures	(706,450)	(665,786)	5,666	660,120	-
Other Financing Sources (Uses):					
Issuance of long-term debt	545,300	490,073	8,848	(498,921)	-
Transfers from - General Fund	215,000	215,000	-	(215,000)	-
Transfers from - Water and Wastewater Fund	225,950	225,950	-	(225,950)	-
Transfers to - Water and Wastewater Fund	(64,800)	-	(64,751)	64,751	-
Transfers to - General Fund	(215,000)	(215,000)	-	215,000	-
Total other financing sources (uses)	706,450	716,023	(55,903)	(660,120)	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 50,237	\$ (50,237)	\$ -	\$ -

CITY OF NEWTON, NORTH CAROLINA

Schedule 11

**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, 2013**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Actual Closed Projects</u>	<u>Total to Date</u>
Expenditures:					
Capital outlay:					
Water rehabilitation projects:					
Shannonbrook	\$ 233,650	\$ 175,882	\$ 57,787	\$ (233,669)	\$ -
Highway 70 W to Conover	115,000	114,996	-	(114,996)	-
North College	42,600	4,015	38,601	(42,616)	-
Ervin Ave - B St to Caldwell	54,300	49,102	5,211	(54,313)	-
Davis Ave - B St to Caldwell	111,800	119,114	(7,309)	(111,805)	-
East E St - Ervin to Saunders Boundary	234,300	206,901	27,362	(234,263)	-
	31,500	31,301	235	(31,536)	-
S Brady - 4th to D St	178,200	170,067	8,116	(178,183)	-
S Brady - N St to K St	149,450	139,857	9,593	(149,450)	-
College St - E St to K St	129,100	119,835	9,235	(129,070)	-
E 18th from Davis to E 17th	83,800	-	78,465	-	78,465
McDaniels Circle	132,750	-	100,739	-	100,739
Shannonbrook Phase II	392,200	-	20,797	-	20,797
Sewer rehabilitation projects:					
Snow Creek to Fall Line	244,000	195,862	48,153	(244,015)	-
S Cline to S Main Ave	111,450	110,646	801	(111,447)	-
N Frye Ave - 13th to 15th	162,100	5,919	156,186	(162,105)	-
Southfork Drive	98,200	-	7,092	-	7,092
Rear of High School to NW Blvd	525,400	-	183,429	-	183,429
Water Filtration Plant 8.0 MGD Pump	<u>600,000</u>	<u>48,640</u>	<u>37,584</u>	<u>-</u>	<u>86,224</u>
Total expenditures	<u>3,629,800</u>	<u>1,492,137</u>	<u>782,077</u>	<u>(1,797,468)</u>	<u>476,746</u>
Revenues over (under) expenditures	<u>(3,629,800)</u>	<u>(1,492,137)</u>	<u>(782,077)</u>	<u>1,797,468</u>	<u>(476,746)</u>
Other Financing Sources (Uses):					
Transfers from - Water and Wastewater Fund	3,633,850	2,499,700	1,134,150	(1,801,500)	1,832,350
Transfers to - Water and Wastewater Fund	<u>(4,050)</u>	<u>-</u>	<u>(4,032)</u>	<u>4,032</u>	<u>-</u>
Total other financing sources (uses)	<u>3,629,800</u>	<u>2,499,700</u>	<u>1,130,118</u>	<u>(1,797,468)</u>	<u>1,832,350</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,007,563</u>	<u>\$ 348,041</u>	<u>\$ -</u>	<u>\$ 1,355,604</u>

CITY OF NEWTON, NORTH CAROLINA

Schedule 12

**WATER AND WASTEWATER CAPITAL PROJECT FUND
SNOW CREEK SEWER OUTFALL REHABILITATION
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Project Authorization</u>	<u>Actual</u>			<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Closed Projects</u>	
Expenditures:					
Capital outlay:					
Administration	\$ 67,000	\$ -	\$ 870	\$ -	\$ 870
Engineering	142,150	-	70,568	-	70,568
Construction	1,081,900	-	-	-	-
Contingency	107,950	-	-	-	-
Revenues over (under) expenditures	<u>1,399,000</u>	<u>-</u>	<u>71,438</u>	<u>-</u>	<u>71,438</u>
Other Financing Sources (Uses):					
Issuance of long-term debt	<u>1,399,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (71,438)</u>	<u>\$ -</u>	<u>\$ (71,438)</u>

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, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues			
Charges for services	\$ 14,151,200	\$ 13,995,890	\$ (155,310)
Other	340,000	454,718	114,718
Total operating revenues	<u>14,491,200</u>	<u>14,450,608</u>	<u>(40,592)</u>
Non-operating revenues:			
Contributions	20,150	10,291	(9,859)
Other non-operating revenue	45,000	71,861	26,861
Interest earned	4,000	3,435	(565)
Sales tax	295,000	297,967	2,967
Total non-operating revenues	<u>364,150</u>	<u>383,554</u>	<u>19,404</u>
Total revenues	<u>14,855,350</u>	<u>14,834,162</u>	<u>(21,188)</u>
Expenditures:			
Power for resale	10,650,350	10,422,957	227,393
Renewable energy	55,600	55,569	31
Operations	2,471,000	1,836,130	634,870
Administration	788,900	787,093	1,807
Capital outlay	367,300	160,764	206,536
Debt principal	760,200	752,486	7,714
Interest and fees	194,600	169,204	25,396
Total expenditures	<u>15,287,950</u>	<u>14,184,203</u>	<u>1,103,747</u>
Revenues over (under) expenditures	<u>(432,600)</u>	<u>649,959</u>	<u>1,082,559</u>
Other Financing Sources (Uses):			
Issuance of long-term debt	939,000	814,179	(124,821)
Proceeds from sale of capital assets	500	6,825	6,325
Intrafund transfers from - Electric Capital Project	269,150	269,152	2
Intrafund transfers to - Electric Capital Project	(1,234,250)	(1,234,232)	18
Transfers to - General Fund	(10,000)	(10,000)	-
Appropriated fund balance	468,200	-	(468,200)
Total other financing sources (uses)	<u>432,600</u>	<u>(154,076)</u>	<u>(586,676)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 495,883</u>	<u>\$ 495,883</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, 2013**

	Budget	Actual	Variance Over/Under
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 495,883	
Reconciling items:			
Capital project expenditures		(998,117)	
Capital project expenditures capitalized to CIP		998,117	
Transfers to (from) - capital project fund		965,080	
Capital outlay capitalized		160,764	
Payment of debt principal		752,486	
Depreciation		(585,635)	
(Increase) decrease in other post-employment benefit accrual		(440)	
(Increase) decrease in compensated absences		8,238	
Issuance of long-term debt		(814,179)	
Change in net position		\$ 982,197	

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, 2013**

		<u>Actual</u>			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Closed Projects</u>	<u>Total to Date</u>
Expenditures:					
Electric system distribution conversion	\$ 1,276,000	\$ 249,285	\$ 483,934	\$ (587,945)	\$ 145,274
336 ACSR line extension	72,550	26,362	46,167	(72,529)	-
Reconductor electric line	165,150	52,232	112,917	(165,149)	-
Generator modifications	<u>378,350</u>	-	<u>355,099</u>	-	<u>355,099</u>
Total expenditures	<u>1,892,050</u>	<u>327,879</u>	<u>998,117</u>	<u>(825,623)</u>	<u>500,373</u>
Other Financing Sources (Uses):					
Transfers from - Electric Fund	1,984,900	888,893	1,057,952	(918,495)	1,028,350
Transfers to - Electric Fund	<u>(92,850)</u>	-	<u>(92,872)</u>	<u>92,872</u>	-
Total other financing sources (uses)	<u>1,892,050</u>	<u>888,893</u>	<u>965,080</u>	<u>(825,623)</u>	<u>1,028,350</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 561,014</u>	<u>\$ (33,037)</u>	<u>\$ -</u>	<u>\$ 527,977</u>

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, 2013**

	<u>Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Operating Revenues:			
Charges for services	\$ 1,621,250	\$ 1,544,822	\$ (76,428)
Operating Expenditures - Group Insurance:			
Claims paid	1,342,300	943,826	398,474
Claims incurred but not reported	-	2,133	(2,133)
Stop-loss insurance fees	270,950	239,283	31,667
Administrative charges	<u>10,000</u>	<u>9,880</u>	<u>120</u>
Total operating expenditures	<u>1,623,250</u>	<u>1,195,122</u>	<u>428,128</u>
Operating income (loss)	<u>(2,000)</u>	<u>349,700</u>	<u>351,700</u>
Non-Operating Revenues:			
Investment earnings	<u>2,000</u>	<u>733</u>	<u>(1,267)</u>
Change in net position	<u>\$ -</u>	<u>\$ 350,433</u>	<u>\$ 350,433</u>

OTHER SCHEDULES

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

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



CITY OF NEWTON, NORTH CAROLINA

Schedule 16

**SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2013**

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2012</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2013</u>
2012-2013	\$ -	\$ 5,225,531	\$ 4,951,737	\$ 273,794
2011-2012	241,754	-	124,832	116,922
2010-2011	98,524	-	30,231	68,293
2009-2010	62,952	-	11,319	51,633
2008-2009	52,578	-	8,380	44,198
2007-2008	39,135	-	4,688	34,447
2006-2007	38,783	-	1,321	37,462
2005-2006	22,417	-	1,280	21,137
2004-2005	20,822	-	822	20,000
2003-2004	21,262	-	955	20,307
2002-2003	21,730	-	21,730	-
Total	<u>\$ 619,957</u>	<u>\$ 5,225,531</u>	<u>\$ 5,157,295</u>	688,193
Less allowance for uncollectible ad valorem taxes receivable				<u>37,500</u>
Ad valorem taxes receivable, net				<u>\$ 650,693</u>
Ad Valorem Taxes Receivable, Net				
General Fund				<u>\$ 650,693</u>
Reconcilement with Revenues:				
Ad valorem taxes - General Fund				\$ 5,136,073
Amounts written off per statute limitations				20,144
Miscellaneous				1,214
Refunds				39,233
Interest and penalties collected				<u>(39,369)</u>
Total collections and credits				<u>\$ 5,157,295</u>

CITY OF NEWTON, NORTH CAROLINA

Schedule 17

**ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2013**

	City-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Total property taxed at current year's rate	\$ 994,383,392	\$ 0.48	\$ 4,773,040	\$ 4,773,040	\$ -
Registered motor vehicles taxed at current year's tax rate	71,119,869	0.48	341,375	-	341,375
Penalties	-		1,159	1,159	-
Total	<u>1,065,503,261</u>		<u>5,115,574</u>	<u>4,774,199</u>	<u>341,375</u>
Discoveries:					
Current year taxes	18,247,244		87,587	87,587	-
Prior year taxes	3,120,461		14,830	14,830	-
Penalties	-		23,444	23,444	-
Total	<u>21,367,705</u>		<u>125,861</u>	<u>125,861</u>	<u>-</u>
Releases:					
Property:					
Current year taxes	(897,913)		(4,310)	(4,310)	-
Prior year taxes	(52,793)		(253)	(253)	-
Motor Vehicles:					
Current year taxes	(1,630,283)		(7,825)	-	(7,825)
Prior year taxes	(735,086)		(3,509)	-	(3,509)
Penalties	-		(7)	(7)	-
Total	<u>(3,316,075)</u>		<u>(15,904)</u>	<u>(4,570)</u>	<u>(11,334)</u>
Total property valuation	<u>\$ 1,083,554,891</u>				
Net Levy			5,225,531	4,895,490	330,041
Less uncollected taxes at June 30, 2013			<u>273,794</u>	<u>194,926</u>	<u>78,868</u>
Current Year's Taxes Collected			<u>\$ 4,951,737</u>	<u>\$ 4,700,564</u>	<u>\$ 251,173</u>
Current Levy Collection Percentage			<u>94.76%</u>	<u>96.02%</u>	<u>76.10%</u>

STATISTICAL SECTION

(Unaudited)

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Revenue Capacity

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

Operating Information

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

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



CITY OF NEWTON, NORTH CAROLINA

Table 1

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities:										
Net investment in capital assets	\$ 3,764,819	\$ 4,143,227	\$ 4,926,632	\$ 5,716,932	\$ 6,427,305	\$ 6,559,160	\$ 7,025,672	\$ 7,130,316	\$ 7,704,679	\$ 7,819,537
Restricted	772,989	81,284	292,458	131,234	250,152	159,090	393,488	1,127,790	2,141,848	2,365,037
Unrestricted	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	3,163,055
Total governmental activities net position	\$ 7,684,170	\$ 8,762,128	\$ 9,253,385	\$ 10,523,495	\$ 10,878,085	\$ 10,855,212	\$ 10,800,219	\$ 10,898,836	\$ 12,629,671	\$ 13,347,629
Business-Type Activities:										
Net investment in capital assets	\$ 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	\$ 30,063,136
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	2,147,527	3,250,499	2,935,057	2,636,122	1,012,074	1,620,541	3,128,651	4,403,843	4,137,292	5,702,567
Total business-type activities net position	\$ 24,617,833	\$ 28,237,209	\$ 27,996,554	\$ 28,072,850	\$ 29,323,504	\$ 30,534,672	\$ 32,158,836	\$ 33,482,551	\$ 34,991,802	\$ 35,765,703
Primary Government:										
Net investment in capital assets	\$ 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	\$ 37,882,673
Restricted	772,989	81,284	292,458	131,234	250,152	159,090	393,488	1,127,790	2,141,848	2,365,037
Unrestricted	5,293,889	7,788,116	6,969,352	7,311,451	5,212,702	5,757,503	6,509,710	7,044,573	6,920,436	8,865,622
Total primary government net position	\$ 32,302,003	\$ 36,999,337	\$ 37,249,939	\$ 38,596,345	\$ 40,201,589	\$ 41,389,884	\$ 42,959,055	\$ 44,381,387	\$ 47,621,473	\$ 49,113,332

CITY OF NEWTON, NORTH CAROLINA

Table 2, page 1 of 3

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses:										
Governmental activities:										
General government:										
Public safety	\$ 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	\$ 1,016,494
Transportation	3,885,286	4,163,136	4,731,304	4,626,004	4,714,227	4,982,326	4,770,652	4,776,714	4,917,591	5,124,114
Environmental protection	902,604	823,558	681,982	857,363	976,990	1,004,258	839,025	975,976	954,979	1,047,081
Cultural and recreational	836,748	799,823	781,433	874,193	901,985	935,190	927,344	917,124	938,935	1,006,970
Economic and physical development	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	2,076,132
Interest on long-term debt	108,202	-	2,206	-	3,000	271,659	105,699	42,698	-	1,000
Total governmental activities expenses	8,003,937	8,610,214	9,192,029	9,153,710	9,879,816	10,571,156	10,493,334	10,834,731	10,365,029	10,373,969
Business-type activities:										
Water and Wastewater	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	6,279,211
Electric	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	13,804,985
Total business-type activities expenses	14,388,758	14,204,717	14,961,681	16,714,519	17,449,268	17,734,569	17,752,699	18,832,451	19,584,402	20,084,196
Total primary government expenses	\$ 22,392,695	\$ 22,814,931	\$ 24,153,710	\$ 25,868,229	\$ 27,329,084	\$ 28,305,725	\$ 28,246,033	\$ 29,667,182	\$ 29,949,431	\$ 30,458,165
Program Revenues:										
Governmental activities:										
Charges for services:										
General government	\$ 531,006	\$ 634,635	\$ 609,335	\$ 488,684	\$ 520,456	\$ 499,368	\$ 505,982	\$ 219,066	\$ 208,600	\$ 273,757
Public safety	45,472	76,622	95,949	117,418	120,337	205,268	178,450	86,706	119,909	102,231
Transportation	5,423	2,868	12,749	19,437	13,494	4,514	488	-	-	2,104
Environmental protection	350,376	418,224	366,593	487,772	476,222	587,051	578,162	574,846	575,067	757,023
Cultural and recreational	59,659	69,686	86,369	92,469	87,959	119,893	110,732	83,628	68,561	68,544
Economic and physical development	10,666	17,160	18,517	17,355	20,883	14,889	14,273	-	-	-
Operating grants and contributions	468,593	435,184	432,563	425,414	477,979	479,868	447,973	30,879	482,714	486,590
Capital grants and contributions	371,676	388,724	704,064	722,633	13,938	31,508	105,522	448,357	1,364,849	36,089
Total governmental activities program revenues	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	1,726,338

continued

CITY OF NEWTON, NORTH CAROLINA

Table 2, page 2 of 3

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Business-type activities:										
Charges for services - Water and Wastewater	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	6,010,519
Charges for services - Electric	8,831,484	9,071,578	9,634,266	10,819,737	11,323,152	11,796,063	12,536,124	13,721,107	13,801,529	14,529,294
Operating grants and contributions	-	-	-	-	-	-	-	-	-	161
Capital grants and contributions	174,979	3,463,731	289,500	277,115	2,050,276	1,179,515	(3,868)	52,815	1,039,758	23,667
Total business-type activities program revenues	12,689,869	17,809,818	13,834,109	15,449,738	17,807,315	18,070,198	18,232,001	19,868,070	20,811,832	20,563,641
Total primary government program revenues	\$ 14,532,740	\$ 19,852,921	\$ 16,160,248	\$ 17,820,920	\$ 19,538,583	\$ 20,012,557	\$ 20,173,583	\$ 21,311,552	\$ 23,631,532	\$ 22,289,979
Net revenue (expense)	\$ (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)	\$ (8,647,631)
Governmental activities	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	2,595,442
Business-type activities	(1,698,889)	3,605,100	(1,127,572)	(1,264,781)	358,046	335,628	479,303	1,035,619	1,227,430	479,445
Total primary government net expense	\$ (7,859,955)	\$ (2,962,012)	\$ (7,993,462)	\$ (8,047,309)	\$ (7,790,504)	\$ (8,293,169)	\$ (8,072,449)	\$ (8,355,629)	\$ (6,317,899)	\$ (8,168,186)
General Revenues and Other Changes in Net Position:										
Governmental activities:										
Ad valorem taxes	\$ 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	\$ 5,201,384
Local option sales tax	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	2,595,442
Franchise tax	646,646	695,351	676,425	707,527	735,324	768,977	776,181	785,773	781,701	759,087
Other taxes and licenses	219,616	245,099	291,783	295,132	332,767	354,549	390,137	948,139	811,413	788,672
Unrestricted investment earnings	46,339	55,401	151,292	211,644	144,014	37,402	6,913	9,013	7,498	11,004
Miscellaneous	177,866	(88,807)	77,979	98,748	(16,610)	173,943	252,347	-	-	-
Transfers	(602,400)	486,150	(201,650)	(279,900)	(143,500)	(215,000)	(466,921)	5,000	3,350	10,000
Total governmental activities	6,676,187	7,645,068	7,337,145	8,052,640	8,503,139	8,605,925	8,496,758	9,489,865	9,276,164	9,365,589

continued

CITY OF NEWTON, NORTH CAROLINA

Table 2, page 3 of 3

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

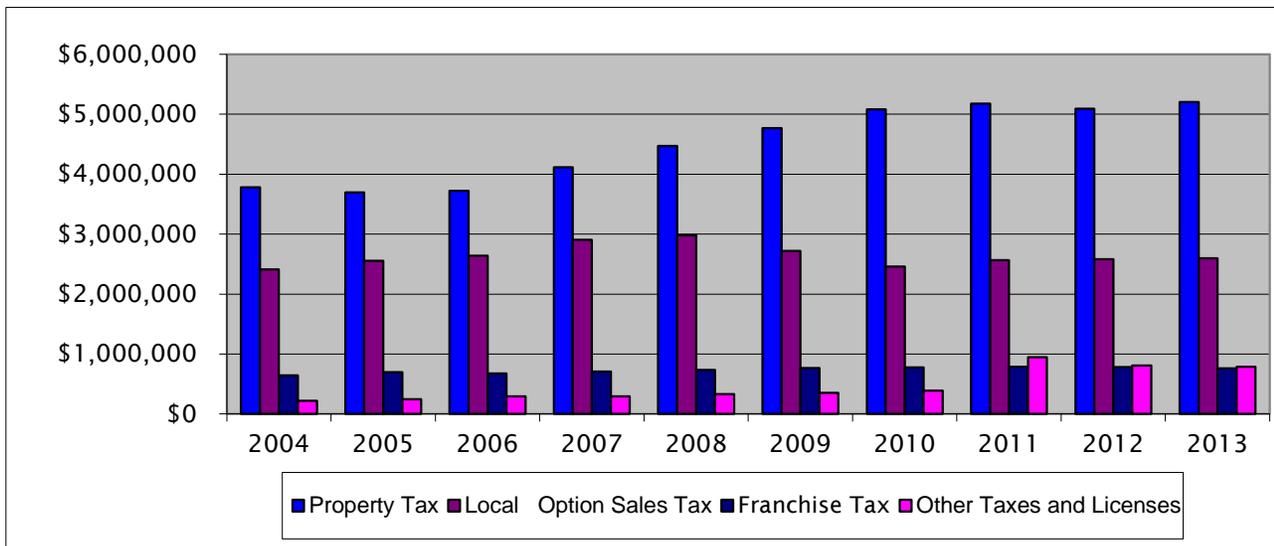
	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Business-type activities:										
Other taxes and licences	245,631	257,235	272,619	302,426	293,824	285,311	293,352	286,181	277,993	297,967
Unrestricted investment earnings	42,165	116,662	122,910	156,135	91,899	20,600	8,464	6,915	7,177	6,490
Miscellaneous	188,564	126,529	289,739	602,615	363,383	354,628	376,124	-	-	-
Transfers	602,400	(486,150)	201,650	279,900	143,500	215,000	466,921	(5,000)	(3,350)	(10,000)
Total business-type activities	1,078,760	14,276	886,918	1,341,076	892,606	875,539	1,144,861	288,096	281,820	294,457
Total primary government	\$ 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	\$ 9,660,046
Change in Net Position:										
Governmental activities	\$ 515,121	\$ 1,077,957	\$ 491,256	\$ 1,270,110	\$ 354,589	\$ (22,873)	\$ (54,993)	\$ 98,617	\$ 1,730,835	\$ 717,958
Business-type activities	(620,129)	3,619,376	(240,654)	76,296	1,250,654	1,211,168	1,624,165	1,323,715	1,509,250	773,902
Total primary government	\$ (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	\$ 1,491,860

CITY OF NEWTON, NORTH CAROLINA

Table 3

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

Fiscal Year	Property Tax	Local Option Sales Tax	Franchise Tax	Other Taxes and Licenses	Total
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
2013	5,201,384	2,595,441	759,087	788,672	9,344,584



CITY OF NEWTON, NORTH CAROLINA

Table 4

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund:										
Reserved	\$ 826,306	\$ 1,100,625	\$ 1,282,401	\$ 1,070,027	\$ 1,482,789	\$ 804,056	\$ 1,388,536			
Unreserved										
Designated	441,150	240,400	129,350	23,300	275,500	323,250	415,000			
Undesignated	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	\$ 62,836
Restricted - stabilization by State statute	-	-	-	-	-	-	-	633,240	672,248	735,016
Restricted	-	-	-	-	-	-	-	413,353	2,368,989	1,763,479
Assigned	-	-	-	-	-	-	-	-	-	47,490
Unassigned	-	-	-	-	-	-	-	2,871,206	2,636,336	2,615,140
Total General Fund	\$ 3,744,588	\$ 3,549,368	\$ 3,674,533	\$ 3,935,431	\$ 4,111,721	\$ 3,821,643	\$ 3,676,470	\$ 3,965,596	\$ 5,724,128	\$ 5,223,961
All other Governmental Funds:										
Unreserved, reported in										
Special revenue funds	\$ -	\$ 39,497	\$ (6,175)	\$ 60	\$ 115,667	\$ (4,758)	\$ 10,587			
Capital projects funds	772,989	1,402,999	1,261,978	947,145	1,132,305	562,662	3,696			
Restricted - stabilization by State statute										
Special revenue funds	-	-	-	-	-	-	-	\$ 6,864	\$ 893	\$ -
Capital projects funds	-	-	-	-	-	-	-	3,303	280	127,364
Restricted	-	-	-	-	-	-	-	-	-	-
Special revenue funds	-	-	-	-	-	-	-	-	1,369	1,734
Committed	-	-	-	-	-	-	-	-	-	-
Special revenue funds	-	-	-	-	-	-	-	14,919	2,595	-
Capital projects funds	-	-	-	-	-	-	-	35,724	87,538	97,930
Unassigned	-	-	-	-	-	-	-	-	-	-
Special revenue funds	-	-	-	-	-	-	-	(6,748)	(893)	-
Total expenditures	\$ 772,989	\$ 1,442,496	\$ 1,255,803	\$ 947,205	\$ 1,247,972	\$ 557,904	\$ 14,283	\$ 54,062	\$ 91,782	\$ 227,028

CITY OF NEWTON, NORTH CAROLINA

Table 5

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues:										
Ad valorem taxes	\$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	\$ 5,136,073
Other taxes and licenses	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	2,961,194
Unrestricted intergovernmental	1,001,680	1,020,831	1,164,637	1,164,637	1,118,050	1,191,910	1,204,608	1,369,777	1,203,555	1,182,007
Restricted intergovernmental	654,862	454,422	724,477	679,678	529,144	513,078	597,264	474,851	667,112	495,228
Permits and fees	82,783	79,227	81,692	99,347	96,389	93,689	93,514	89,953	85,022	120,130
Sales and services	409,077	509,650	499,619	590,302	585,753	695,115	678,966	688,134	668,236	869,564
Investment earnings	46,339	55,404	151,292	211,644	144,014	37,581	6,934	7,244	6,751	10,271
Other revenues	221,345	674,319	511,270	462,232	165,048	219,541	134,051	190,544	1,399,330	241,416
Total revenues	8,874,848	9,257,470	9,756,643	10,459,293	10,388,680	10,607,186	10,627,565	10,873,751	12,045,579	11,015,883
Expenditures:										
Current:										
General government	1,236,804	1,397,385	1,347,987	1,340,147	1,633,311	1,509,016	1,473,652	1,421,950	1,226,079	1,190,651
Public safety	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	4,942,898
Transportation	814,605	737,015	597,820	759,744	872,692	893,155	705,417	860,236	990,918	1,106,278
Environmental protection	795,529	733,462	716,224	790,997	819,716	848,560	853,462	853,954	899,515	1,276,480
Cultural and recreational	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	2,080,553
Economic and physical development	241,687	797,300	788,336	1,007,041	908,077	920,126	170,216	391,090	133,577	1,000
Capital outlay	977,606	1,084,981	692,765	561,323	673,591	1,002,279	712,186	-	-	251,314
Debt service:										
Principal	548,113	1,813,797	449,670	486,407	566,692	792,708	748,659	772,042	777,353	878,663
Interest	68,495	87,249	102,507	106,265	125,270	161,982	178,738	133,930	136,849	122,930
Total expenditures	9,268,984	11,695,396	10,514,269	10,575,074	11,348,129	12,222,423	11,427,194	11,050,845	11,551,016	11,850,767
Revenues over (under) expenditures	(394,136)	(2,437,926)	(757,626)	(115,781)	(959,449)	(1,615,237)	(799,629)	(177,094)	494,563	(834,884)
Other Financing Sources (Uses):										
Issuance of debt	1,467,850	2,399,112	906,700	247,600	1,554,750	823,000	509,150	501,000	1,298,339	443,682
Other miscellaneous receipts	-	-	-	100,000	-	57,626	45,631	-	-	-
Transfers from other funds	158,200	1,586,000	465,794	404,900	1,208,843	215,650	418,136	375,330	177,685	445,417
Transfers to other funds	(760,600)	(1,099,850)	(667,444)	(684,800)	(1,352,343)	(430,650)	(885,057)	(370,330)	(174,335)	(435,417)
Capital contributions	121,676	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	987,126	2,885,262	705,050	67,700	1,411,250	665,626	87,860	506,000	1,301,689	453,682
Net change in fund balances	\$ 592,990	\$ 447,336	\$ (52,576)	\$ (48,081)	\$ 451,801	\$ (949,611)	\$ (711,769)	\$ 328,906	\$ 1,796,252	\$ (381,202)
Debt service as a percentage of non-capital expenditures	7.7%	19.4%	6.1%	6.6%	7.1%	9.0%	8.7%	8.7%	8.9%	9.5%

CITY OF NEWTON, NORTH CAROLINA

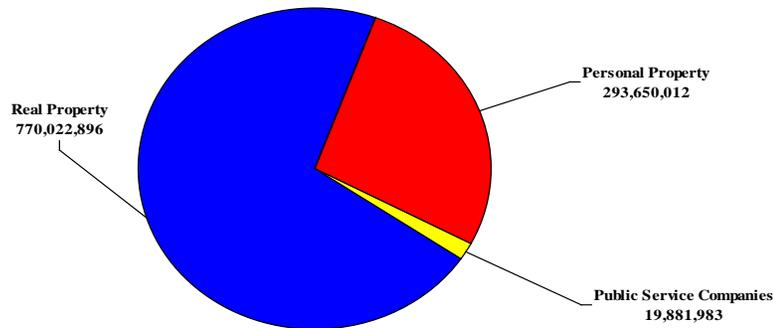
Table 6

**Assessed Valuation of Property
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	Assessed Value ⁽¹⁾				Property Tax Rate (Per \$100 Assessed Value)	Percent Increase in Value ⁽²⁾
	Real Property	Personal Property ⁽³⁾	Public Service Companies	Total		
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%
2013	770,022,896	293,650,012	19,881,983	1,083,554,891	0.48	2.1%

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
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
2013	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	2013			2004		
		Total Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Total Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Target Corp.	Distribution Center	\$ 110,592,254	1	10.21%			
ZF Lemforder Corp.	Automotive Prod Mfg.	39,059,760	2	3.60%			
Flowers Baking Co.	Bread & Pastries	25,361,355	3	2.34%			
Sarstedt, Inc.	Pharmaceutical Plastics	21,446,264	4	1.98%	\$ 7,820,220	8	0.92%
Renwood Mills	Flour Mill	13,272,523	5	1.22%			
Technibilt, Ltd.	Shopping Cart Manufacturing	12,300,877	6	1.14%	9,199,500	6	1.08%
International Paper Co.	Paper Products	9,560,838	7	0.88%			
Peoples Bank	Banking	9,517,102	8	0.88%	8,776,139	7	1.03%
Bassett Furniture Industries	Furniture	7,936,436	9	0.73%	10,075,840	4	1.18%
CommScope, Inc.	Fiber	6,940,800	10	0.64%	32,620,456	1	3.83%
Willamette Industries	Paper Products				11,396,931	2	1.34%
Midstate Mills, Inc.	Flour Mill				10,830,382	3	1.27%
BellSouth Telephone Co.	Utility				9,342,214	5	1.10%
Carolina Mills	Textiles				7,446,283	9	0.87%
Hickory Springs Mfg. Co.	Foam Manufacturer				7,057,462	10	0.83%
Totals		\$ 255,988,209		23.62%	\$ 114,565,427		13.45%

CITY OF NEWTON, NORTH CAROLINA

Table 9

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

Fiscal Year	Total Tax Levy for Fiscal Year	Current Year's Taxes Collected/Credited	Percentage of Levy Collected	Collections in Subsequent Years	Total Collections and Credits	Percentage of Total Tax Collections To Net Levy	Taxes Receivable Balance- June 30 ⁽¹⁾
	\$	\$	%	\$	\$	%	\$
2004	3,751,655	3,617,233	96.4%	114,115	3,731,348	99.5%	20,307
2005	3,699,109	3,558,506	96.2%	120,603	3,679,109	99.5%	20,000
2006	3,701,519	3,539,881	95.6%	140,501	3,680,382	99.4%	21,137
2007	4,090,445	3,909,686	95.6%	143,297	4,052,983	99.1%	37,462
2008	4,445,586	4,263,276	95.9%	147,863	4,411,139	99.2%	34,447
2009	4,727,721	4,543,983	96.1%	139,540	4,683,523	99.1%	44,198
2010	5,160,638	4,983,452	96.6%	125,553	5,109,005	99.0%	51,633
2011	5,162,400	4,945,369	95.8%	148,738	5,094,107	98.7%	68,293
2012	5,095,309	4,853,555	95.3%	124,832	4,978,387	97.7%	116,922
2013	5,225,531	4,951,737	94.8%	-	4,951,737	94.8%	273,794

NOTES:

(1) Includes current portion only of taxes receivable.

CITY OF NEWTON, NORTH CAROLINA

Table 10

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

Fiscal Year	Type of Customer			Total
	Residential	Industrial	Commercial	
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
2013	47.4	55.0	46.9	149.3

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	Rate per kWh	Demand over 30 KW (per KW)	Basic Facilities	Rate per kWh	Rate per kWh	Rate per kWh
	\$	1st 350	next 950	over 1300	\$	1st 3000	next 9000	over 12000
2004	8.62	\$ 0.072880	\$ 0.081914	\$ 0.073733	17.85	\$ 0.101707	\$ 0.055613	\$ 0.048734
2005	8.80	0.074338	0.083552	0.075208	18.20	0.103741	0.056725	0.049709
2006	8.89	0.075081	0.084388	0.075960	18.38	0.104778	0.057292	0.050206
2007	9.08	0.076660	0.086160	0.077556	18.77	0.106980	0.058496	0.051261
2008	9.35	0.078960	0.088745	0.079883	19.15	0.109120	0.059666	0.052286
2009	9.63	0.081329	0.091407	0.082279	19.53	0.111302	0.060859	0.053332
2010	10.02	0.084582	0.095063	0.085570	20.12	0.114641	0.062685	0.054932
2011	10.52	0.088811	0.099816	0.089849	21.13	0.120373	0.065819	0.057679
2012	11.10	0.093696	0.105306	0.094791	22.29	0.126994	0.069439	0.060851
2013	11.79	0.099505	0.111835	0.100668	23.67	0.134868	0.073744	0.064624

	Commercial			
	Basic Facilities	Demand over 30 KW	Rate per kWh	Rate per kWh
	\$	\$	1st 3000	next 9000
2004	11.58	6.32	\$ 0.102396	\$ 0.053777
2005	11.81	6.45	0.104444	0.054853
2006	11.93	6.51	0.105488	0.055402
2007	12.18	6.65	0.107705	0.056565
2008	12.55	6.85	0.110936	0.058262
2009	12.93	7.05	0.114264	0.060010
2010	13.45	7.33	0.118835	0.062410
2011	14.12	7.70	0.124777	0.065531
2012	14.90	8.12	0.131640	0.069135
2013	15.82	8.63	0.139802	0.073421

Source: City of Newton Utility Billing

CITY OF NEWTON, NORTH CAROLINA

Table 12

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

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

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

(1) See Schedule of Demographic and Economic Statistics.

CITY OF NEWTON, NORTH CAROLINA

Table 13

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

Fiscal Year	Population ⁽¹⁾	Total Assessed Value	Gross Bonded Debt	Percentage of		Per Capita
				Estimated Actual Taxable Value of Property	Personal Income	
2004	12,939	\$ 860,267,353	\$ 3,395,000	0.39%	0.94%	262
2005	12,986	852,339,737	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%	0.02%	7
2012	12,971	1,060,750,459	-	0.00%	N/A	0
2013	12,961	1,083,554,891	-	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, 2013
(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	\$ 154,634,710	6.76%	<u>\$ 10,453,306</u>
Subtotal, overlapping debt			<u>10,453,306</u>
City of Newton direct debt			<u>3,894,050</u>
 Total			 <u><u>\$ 14,347,356</u></u>

Note: The percentage of overlapping debt is based on the June 30, 2013 assessed valuation of the County of Catawba of \$16,027,884,358 as compared to the June 30, 2013 assessed valuation for the City of Newton of \$1,083,554,891.

CITY OF NEWTON, NORTH CAROLINA

Table 15

Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Assessed value of taxable property	\$ 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	\$ 1,083,554,891
Debt limit, 8% of assessed value (statutory limitation)	\$ 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	\$ 86,684,391
Debt applicable to limit:										
General obligation bonds	3,395,000	2,885,000	2,385,000	1,920,000	1,450,000	985,000	530,000	85,000	-	-
Loans payable	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	20,465,530
Total net debt applicable to limit	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	20,465,530
Legal debt margin	\$ 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	\$ 66,218,861
Total net debt applicable to the limit as a percentage of assessed property tax value	1.83%	2.38%	2.69%	2.41%	2.15%	2.36%	1.92%	1.66%	1.96%	1.89%

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

CITY OF NEWTON, NORTH CAROLINA

Table 16

Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Population ⁽¹⁾	Personal Income (amounts expressed in thousands) ⁽⁵⁾	Per Capita Personal Income ⁽²⁾⁽⁵⁾	Median Age ⁽¹⁾	School Enrollment ⁽³⁾	Unemployment Rate ⁽⁴⁾
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	432,993	33,320	39.6	2,863	12.1%
2012	12,971	N/A	N/A	40.0	2,889	11.3%
2013	12,961	N/A	N/A	40.3	2,977	10.8%

Data sources

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

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

CITY OF NEWTON, NORTH CAROLINA

Table 17

Principal Employers
Current Year and Nine Years Ago
(Unaudited)

Employer	2013			2004 ⁽¹⁾		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Catawba County Schools	1,986	1	2.70%			
Catawba County Government	1,084	2	1.50%			
McCreary Modern	628	3	0.90%			
Lee Industries	500	4	0.70%			
Target Distribution Center	500	5	0.70%			
Newton-Conover City Schools	500	6	0.70%			
Technibilt	360	7	0.50%			
United Church Homes & Services (Abernethy Laurels)	328	8	0.40%			
General Dynamics	250	9	0.30%			
Flowers Baking Company	234	10	0.30%			
Total	<u>6,370</u>		<u>8.70%</u>			
Total Civilian Labor Force	<u>73,038</u>					

Source: City of Newton Public Information Office

(1) Information not available for Fiscal Year 2003-2004.

CITY OF NEWTON, NORTH CAROLINA

Table 18

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

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government										
City Manager	4	3	3	3	3	3	3	3	3	4
Human resources	2	2	2	2	2	2	2	2	2	2
Finance	12	13	12	12	12	13	11	11	11	11
Information systems							2	2	2	2
Public Safety										
Police										
Officers	36	35	35	35	35	35	34	35	35	35
Civilians	8	8	8	8	8	8	9	8	8	9
Fire										
Firefighters and officers	16	16	25	25	25	26	25	26	26	26
Recreation										
Administration	11	11	11	11	11	11	11	10	10	10
Community appearance	4	4	4	4	4	4	4	4	4	4
Public Works										
Administration	3	3	3	3	2	3	3	2	2	2
Street	10	9	9	9	10	10	10	9	9	9
Equipment services	3	2	2	2	2	2	2	2	2	2
Environmental Protection										
Solid waste	13	12	12	12	13	13	13	13	13	13
Economic & Physical Development										
Planning & zoning	4	4	4	4	4	5	5	4	4	3
Water and Sewer										
Water Treatment Plant	8	8	8	8	8	8	8	8	8	9
Distribution & collection	10	11	11	12	11	10	10	10	11	11
Wastewater Treatment Plant	13	13	13	13	13	13	13	12	12	12
Electric	11	12	14	15	15	15	15	15	15	15
Total	168	166	176	178	178	181	180	176	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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police**										
Calls for service	19,122	21,341	20,336	19,587	17,812	22,720	25,078	26,517	23,609	22,265
Arrests	754	653	731	680	712	739	599	601	742	659
Traffic stops	3,461	3,330	2,719	2,518	1,801	2,169	1,580	2,903	2,779	2,596
Citations	3,439	3,611	3,075	2,491	1,677	1,945	1,435	2,665	2,561	1,797
Property checks*	413	663	442	235	347	5,554	8,611	8,669	6,148	4,656
Incidents	2,225	2,133	2,296	2,275	2,097	2,145	1,944	2,003	1,823	1,817
Fire										
Emergency incidents (calls)	619	665	823	689	828	806	826	883	911	1110
Fire inspections completed	715	756	801	529	546	601	543	492	575	535
Fire prevention programs	98	153	172	442	265	237	257	176	244	131
Permits issued	9	121	56	40	51	39	28	40	42	42
Training hours completed	4,788	7,922	9,248	8,218	10,181	7,829	8,721	9,282	10,453	8,638
Highways & Streets										
Paved/resurfaced (miles)	2.05	0.00	2.09	0.00	1.39	3	2	2	1.27	1.04
Potholes repaired	30	26	43	53	65	11	69	72	28	35
Sanitation										
Residential collections (tons)	7,985	7,459	6,493	4,711	4,495	4,114	4,263	4,343	4,281	4,260
Recyclables (tons)	633	564	531	422	418	472	464	418	439	418
Yardwaste collected (tons)	1,764	1,947	2,009	717	279	440	733	1,940	994	2,115
Households served**	5,037	5,037	5,077	5,077	5,368	5,368	5,368	5,440	5,440	4,632

CITY OF NEWTON, NORTH CAROLINA

Table 19, page 2 of 2

Operating Indicators By Function
Last Ten Fiscal Years
(Unaudited)

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Culture & Recreation (participants)										
Center activities	6,725	8,000	9,713	17,691	18,011	19,252	21,126	23,351	24,123	24,150
Athletic	19,886	20,984	21,022	34,086	36,250	56,205	58,093	60,874	70,326	65,987
Fitness room	390	909	1,761	1,901	2,565	3,575	3,721	3,250	3,200	1,200
Swimming pool	1,565	4,240	3,837	5,300	5,611	6,571	0	983	3,106	3,227
Shelters	483	500	607	750	842	1,085	1,750	2,345	2,514	3,255
Cemetery burials	67	63	55	61	60	50	59	48	46	57
Water										
New connection	139	156	47	59	83	38	28	21	15	20
Water main breaks	14	18	15	22	44	46	32	33	23	12
Average daily consumption (MGD)	2.18	2.02	2.36	3.29	3.4	3.4	3.6	3.8	3.6	3.7
Number of customers	5,771	5,927	5,974	5,950	6,007	6010	5,989	5,956	5,977	5,965
Wastewater										
Average daily usage (MGD)	3.36	3.69	2.40	2.03	1.64	1.64	1.9	1.8	1.7	1.8
Number of customers	4,500	4,587	4,668	4,653	4,682	4,681	4,663	4,679	4,653	4,656
Electric										
Average daily usage (Kwh)	316,234	314,263	325,466	394,807	386,553	387,314	411,850	434,421	436,351	431,198
Peak demand	24,221	24,941	26,944	29,748	31,033	28,969	33,758	35,394	32,221	31,076
Number of customers	4,336	4,399	4,443	4,465	4,571	4,560	4,526	4,428	4,428	4,425

Sources: Various government departments.

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

* Substantial increase beginning in Fiscal Year 2008-2009 is due to including churches as part of daily property checks.

*** Beginning in Fiscal Year 2012-2013 tracking was completed through the use of updated computer software programs.

CITY OF NEWTON, NORTH CAROLINA

Table 20, page 1 of 2

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

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police										
Police stations	2	2	2	4	3	3	3	3	3	3
Police patrol vehicles	36	36	36	28	29	30	35	30	31	30
Other police vehicles	12	12	12	19	19	18	18	18	22	16
Fire										
Fire stations	3	3	3	3	3	3	3	3	3	3
Fire suppression vehicles	9	9	9	9	9	9	9	9	9	10
Other fire vehicles	5	5	5	6	7	7	7	7	7	7
Highways & Streets										
Streets maintained (miles)	76.83	76.83	76.83	77.22	77.39	77.39	76.34	76.58	77.39	77.39
Storm sewer (miles)	25.83	26.19	26.19	26.46	26.52	26.52	56.48	56.53	65.36	65.4
Sidewalk (miles)	27.50	27.50	27.50	27.84	27.84	27.84	27.84	27.84	27.84	27.84
Catch basin inlets	1,360	1,362	1,364	1,377	1,380	1,380	1,380	1,380	1,380	1,380
Powell Bill equipment	17	17	15	15	15	15	15	15	15	9
Street equipment	17	18	18	18	18	18	18	18	18	28
Sanitation										
Residential trucks	2	2	2	2	2	2	2	2	2	2
Dumpster trucks	2	2	1	1	1	1	1	1	1	2
Other equipment	11	11	11	11	11	11	11	11	11	10

CITY OF NEWTON, NORTH CAROLINA

Table 20, page 2 of 2

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

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Culture & Recreation										
Recreation centers	2	2	2	2	2	2	2	2	2	2
Parks	5	5	5	5	5	5	5	5	5	5
Park acreage	63.5	63.5	63.5	63.5	63.5	63.5	153.5	153.5	153.5	153.5
Swimming pool	1	1	1	1	1	1	1	1	1	1
Tennis courts	8	8	8	8	8	8	8	8	8	8
Cemeteries	3	3	3	3	3	3	3	3	3	3
Water										
Water lines (miles)	165.0	178.5	178.5	175.7	182.9	182.9	182.9	182.9	182.5	182.5
Fire hydrants	1,049	1,061	1,067	1,070	1,075	1,075	1,077	1,077	1,077	1,022
Max daily capacity (MGD)	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Wastewater										
Max daily capacity (MGD)	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.2
Sanitary sewer lines (miles)	123	125	127	119	130.5	132.5	132.5	132.5	134.7	132
Electric										
Substations	5	5	5	5	5	5	5	5	5	3
Service lines (miles)	107	107	110	125	125	125	125	125	125	125

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

COMPLIANCE SECTION

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

Schedule of Findings and Questioned Costs

Summary Schedule of Prior Year's Audit Findings



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*

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newton, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 1, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
October 1, 2013

CITY OF NEWTON, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

- Material weakness identified? No
- Significant deficiency identified not considered
To be material weaknesses? None reported

Non-compliance material to financial statements noted? No

2. Financial Statements Findings

None

CITY OF NEWTON, NORTH CAROLINA

**SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

None noted.