

**TOWN OF NEWPORT  
NORTH CAROLINA**

**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2011**

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

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

**MAYOR**

Derryl Garner

**TOWN COUNCIL MEMBERS**

Steve Blizzard

Franklin Blunt

Ken Davis

David Heath

Bena Weires

**TOWN MANAGER**

Dick Casey

**FINANCE OFFICER**

Tim White

# TOWN OF NEWPORT, NORTH CAROLINA

## ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2011

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# TOWN OF NEWPORT, NORTH CAROLINA

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

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

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of Town Council  
Town of Newport, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Newport, North Carolina, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Newport's management. Our responsibility is to express an opinion 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Newport, North Carolina, as of June 30, 2011, and the respective changes in financial position and cash flows, where appropriate thereof, and the respective budgetary comparison for the General Fund, the Fire and Rescue District Fund, and the Recreation Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Newport, North Carolina as a whole. The individual fund financial statements and supplemental ad valorem tax schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund financial statements 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Martin Starnes & Associates, CPAs, P.A.

September 22, 2011

## **Management's Discussion and Analysis**

As management of the Town of Newport (Town), we offer readers of the Town of Newport's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2011, with comparisons to the prior year, where appropriate. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

### **Financial Highlights**

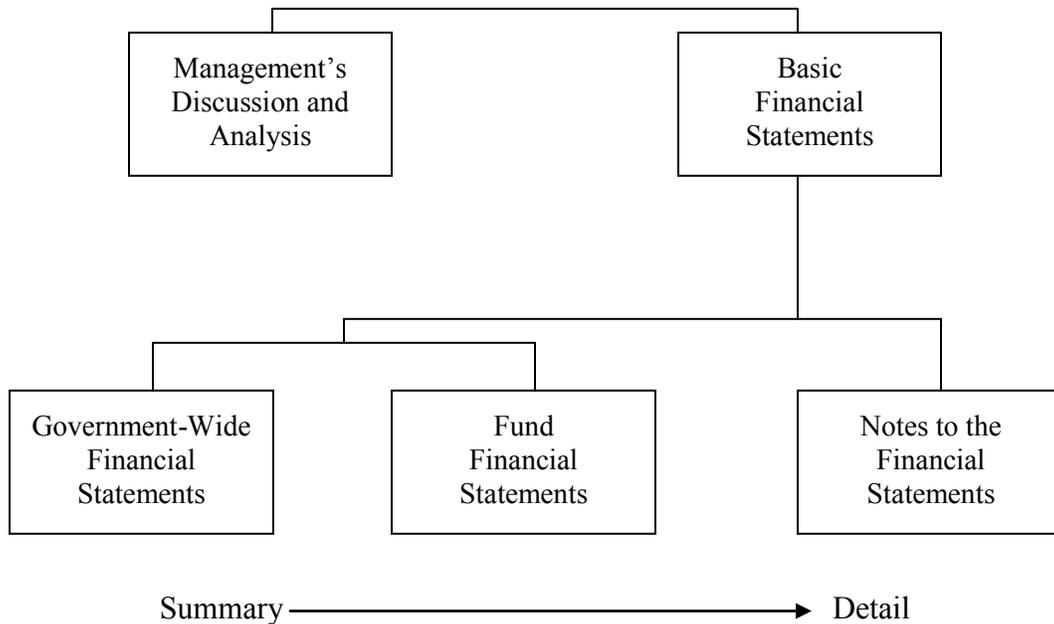
- The Town of Newport's assets exceeded its liabilities at the close of the fiscal year by \$5,470,273 (net assets).
- The Town's total net assets increased by \$852,100 with approximately 43 percent of the decrease coming from governmental activities.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,061,283 with a net change of \$200,742 in fund balance. Approximately 75 percent of this total amount, or \$793,096, is non-spendable or restricted.
- At the end of the current fiscal year, available fund balance for the General Fund was \$486,669, or 24.22 percent of total General Fund expenditures and transfers to other funds.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Town of Newport's basic financial statements. The Town'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 Town 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 Town of Newport.

## 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 Town'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 Town'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 Town'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 Town's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the Town of Newport's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned, but unused, vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include General Government, Public Safety, Public Works and Streets, Sanitation, and Culture and Recreation. The business-type activities of the Town of Newport include Water and Sewer.

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

In accordance with the Governmental Accounting Standards Board criteria for inclusion in the reporting entity, the Town of Newport has no component units that must be included in this report.

## Fund Financial Statements

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 Town, like other State and local governments, uses fund accounting to ensure and reflect compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

At year-end, the Town maintained three individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues and Expenditures for the General Fund, the Fire and Rescue District Fund, and the Recreation Fund, the Town's major governmental funds. There are no nonmajor governmental funds.

The Town adopts an annual budget for its General Fund, as required by the General Statutes. A budgetary comparison statement has been provided for the General Fund, the Fire and Rescue District Fund, and the Recreation Fund, to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on Exhibits C-F of this report.

**Proprietary Funds.** The Town of Newport maintains one proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund. The Water and Sewer Fund is considered a major fund of the Town.

The basic proprietary fund financial statements can be found on Exhibits G-I of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town does not have any fiduciary funds.

**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 can be found after Exhibit I of this report.

**Other Information.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on Schedules A-1 through C-2 of this report.

### **Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial condition. The Town's assets exceeded liabilities by \$5,470,273 at the close of the most recent fiscal year. The Town's net assets increased by \$852,100 for the fiscal year ended June 30, 2011.

A portion of the Town's net assets (58.39 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of the outstanding related debt, it should be noted that the resources needed to repay that debt must be provided from other sources since the capital assets cannot be used to liquidate these liabilities.

## Town of Newport's Net Assets

Figure 2

	Governmental		Business-Type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
<b>Assets:</b>						
Current and other assets	\$ 1,210,084	\$ 1,048,560	\$ 1,820,506	\$ 1,500,577	\$ 3,030,590	\$ 2,549,137
Capital assets	1,322,992	1,104,241	5,557,421	5,570,837	6,880,413	6,675,078
Total assets	<u>2,533,076</u>	<u>2,152,801</u>	<u>7,377,927</u>	<u>7,071,414</u>	<u>9,911,003</u>	<u>9,224,215</u>
<b>Liabilities:</b>						
Long-term liabilities						
outstanding	244,104	128,815	4,003,394	3,987,408	4,247,498	4,116,223
Other liabilities	66,430	170,734	126,802	319,085	193,232	489,819
Total liabilities	<u>310,534</u>	<u>299,549</u>	<u>4,130,196</u>	<u>4,306,493</u>	<u>4,440,730</u>	<u>4,606,042</u>
<b>Net Assets:</b>						
Invested in capital assets,						
net of related debt	1,143,157	976,545	2,050,926	2,085,381	3,194,083	3,061,926
Restricted	767,425	193,104	-	-	767,425	193,104
Unrestricted	311,960	683,603	1,196,805	679,540	1,508,765	1,363,143
Total net assets	<u>\$ 2,222,542</u>	<u>\$ 1,853,252</u>	<u>\$ 3,247,731</u>	<u>\$ 2,764,921</u>	<u>\$ 5,470,273</u>	<u>\$ 4,618,173</u>

An additional portion of the Town's net assets (14.03 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$1,508,765) may be used to meet the government's ongoing obligation to citizens and creditors.

## Town of Newport's Changes in Net Assets

**Figure 3**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 721,574	\$ 635,438	\$ 2,085,967	\$ 1,444,386	\$ 2,807,541	\$ 2,079,824
Operating grants and contributions	342,753	22,905	-	-	342,753	22,905
Capital grants and contributions	116,699	107,824	-	-	116,699	107,824
General revenues:	-					
Property taxes	1,310,262	1,257,683	-	-	1,310,262	1,257,683
Other taxes	573,673	510,982	-	-	573,673	510,982
Other	293	707	749	1,485	1,042	2,192
Total revenues	<u>3,065,254</u>	<u>2,535,539</u>	<u>2,086,716</u>	<u>1,445,871</u>	<u>5,151,970</u>	<u>3,981,410</u>
<b>Expenses:</b>						
General government	403,083	360,999	-	-	403,083	360,999
Public safety	1,518,812	1,590,491	-	-	1,518,812	1,590,491
Public works and streets	461,260	438,437	-	-	461,260	438,437
Sanitation	199,861	219,892	-	-	199,861	219,892
Culture and recreation	107,808	117,229	-	-	107,808	117,229
Interest on long-term debt	5,140	8,421	-	-	5,140	8,421
Water and sewer	-	-	1,603,906	1,444,342	1,603,906	1,444,342
Total expenses	<u>2,695,964</u>	<u>2,735,469</u>	<u>1,603,906</u>	<u>1,444,342</u>	<u>4,299,870</u>	<u>4,179,811</u>
Increase in net assets	<u>369,290</u>	<u>(199,930)</u>	<u>482,810</u>	<u>1,529</u>	<u>852,100</u>	<u>(198,401)</u>
<b>Net Assets:</b>						
Beginning of year, July 1	<u>1,853,252</u>	<u>2,053,182</u>	<u>2,764,921</u>	<u>2,763,392</u>	<u>4,618,173</u>	<u>4,816,574</u>
End of year, June 30	<u>\$ 2,222,542</u>	<u>\$ 1,853,252</u>	<u>\$ 3,247,731</u>	<u>\$ 2,764,921</u>	<u>\$ 5,470,273</u>	<u>\$ 4,618,173</u>

**Governmental Activities.** Governmental activities increased the Town's net assets by \$369,290. Key elements of this decrease are as follows:

- Increase in charges for services revenue of \$86,136 due to the increases in building permits in the current year for new condos
- Increase in operating grants and contributions revenue of \$319,848, with a grant for a new fire truck being the majority of the increase
- Increase in property tax revenues of \$52,579 due to the \$.02 increase in the ad valorem rate

**Business-Type Activities.** Business-type activities increased the Town of Newport's net assets by \$482,810. Key elements of this increase are as follows:

- Increase in charges for services due to rate increases in the current year

### **Financial Analysis of the Town's Funds**

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

**Governmental Funds.** The focus of the Town of Newport's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Newport's financing requirements. Specifically, fund balance available for appropriation 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 Town of Newport. At the end of the current fiscal year, available fund balance of the General Fund was \$486,669 and total fund balance was \$691,833. The Town currently has available fund balance of 24.22% of General Fund expenditures and transfers to other funds, while total fund balance represents 34.43% of the same amount.

At June 30, 2011, the governmental funds of the Town of Newport reported a combined fund balance of \$1,061,283, with a net increase in fund balance of \$200,742, which is a 23.33 percent increase from last year. Included in this change in fund balance is an increase in the General Fund of \$191,687 and an increase in the special revenue funds of \$9,055.

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

Revenues were more than the budgeted amounts primarily due to unanticipated increases in charges for services and miscellaneous revenues. Expenditures were held in check to comply with its budgetary requirements.

**Proprietary Funds.** The Town of Newport's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water and Sewer Fund at the end of the fiscal year amounted to \$1,196,805. The change in net assets was \$482,810. Other factors concerning the finances of the fund have already been addressed in the discussion of the Town of Newport's business-type activities.

### **Capital Asset and Debt Administration**

**Capital Assets.** The Town of Newport's investment in capital assets for its governmental and business-type activities as of June 30, 2011 totals \$3,194,083 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles. Capital assets changed significantly during the year for the governmental funds. The majority of the increase in capital assets in the current year was due to the addition of a fire truck in the amount of \$277,589.

**Town of Newport's Capital Assets  
(net of depreciation)**

**Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 152,637	\$ 152,637	\$ 226,764	\$ 226,764	\$ 379,401	\$ 379,401
Construction in progress	-	-	14,883	1,122,960	14,883	1,122,960
Infrastructure	30,814	33,097	-	-	30,814	33,097
Equipment and fixtures	216,263	210,442	341,019	134,144	557,282	344,586
Vehicles	430,086	199,621	234,914	272,774	665,000	472,395
Building and improvements	493,192	508,444	-	-	493,192	508,444
Plant and distribution systems	-	-	4,739,841	3,814,195	4,739,841	3,814,195
<b>Total</b>	<u>\$ 1,322,992</u>	<u>\$ 1,104,241</u>	<u>\$ 5,557,421</u>	<u>\$ 5,570,837</u>	<u>\$ 6,880,413</u>	<u>\$ 6,675,078</u>

Additional information on the Town's capital assets can be found in Note 2.A. of the basic financial statements.

**Long-Term Debt.** As of June 30, 2011, the Town of Newport had total bonded debt outstanding of \$2,553,500. Of this, \$2,553,500 is debt backed by the full faith and credit of the Town.

**Town of Newport's  
General Obligation and Revenue Bonds**

**Figure 5**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ -	\$ -	\$ 2,553,500	\$ 2,587,000	\$ 2,553,500	\$ 2,587,000
Compensated absences	64,269	66,980	20,489	18,503	84,758	85,483
Notes payable	179,835	127,696	1,429,405	1,596,193	1,609,240	1,723,889
<b>Total</b>	<u>\$ 244,104</u>	<u>\$ 194,676</u>	<u>\$ 4,003,394</u>	<u>\$ 4,201,696</u>	<u>\$ 4,247,498</u>	<u>\$ 4,396,372</u>

**Town of Newport's Outstanding Debt**

The Town of Newport's total debt decreased by \$148,874 during the past fiscal year.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue up to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Newport is approximately \$20,000,000.

Additional information regarding the Town of Newport's long-term debt can be found in Note 2.B. of the basic financial statements.

## **Economic Factors and Next Year's Budgets and Rates**

The following key economic indicators reflect the growth and prosperity of the Town.

- Continued residential construction with new housing subdivisions
- Continued growth in water fund from new customers

## **Budget Highlights for the Fiscal Year Ending June 30, 2012**

**Governmental Activities.** Property tax revenues are expected to increase from the prior year due to continued growth and increase in the ad valorem rate from \$.33 to \$.357.

Based on the current economic situation and decreased revenue projections from the State, budgeted expenditures in the General Fund are flat from the prior year.

**Business-Type Activities.** The water and sewer revenues in the Town are expected to increase due to continued growth in the customer base and a 7% inflation driven rate increase. General operating expenses are expected to increase during the next budget year.

The Town is continuing with a renovation project of the water and sewer systems.

## **Requests for Information**

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, Town of Newport, 200 Howard Blvd, P.O. Box 1869, Newport, North Carolina 28570.

## TOWN OF NEWPORT, NORTH CAROLINA

## STATEMENT OF NET ASSETS

JUNE 30, 2011

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 696,701	\$ 982,209	\$ 1,678,910
Intergovernmental receivable	179,493	-	179,493
Property taxes receivable	35,321	-	35,321
Accounts receivable	47,050	281,157	328,207
Prepaid items	25,671	-	25,671
Restricted cash and cash equivalents	225,848	557,140	782,988
Total current assets	<u>1,210,084</u>	<u>1,820,506</u>	<u>3,030,590</u>
Non-current assets:			
Capital assets:			
Capital assets, non-depreciable	152,637	241,647	394,284
Capital assets, net	<u>1,170,355</u>	<u>5,315,774</u>	<u>6,486,129</u>
Total capital assets	<u>1,322,992</u>	<u>5,557,421</u>	<u>6,880,413</u>
Total assets	<u>2,533,076</u>	<u>7,377,927</u>	<u>9,911,003</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued liabilities	66,430	46,072	112,502
Customer deposits	-	80,730	80,730
Long-term debt due within one year	<u>102,881</u>	<u>215,722</u>	<u>318,603</u>
Total current liabilities	<u>169,311</u>	<u>342,524</u>	<u>511,835</u>
Long-term liabilities:			
Long-term debt due in more than one year	<u>141,223</u>	<u>3,787,672</u>	<u>3,928,895</u>
Total liabilities	<u>310,534</u>	<u>4,130,196</u>	<u>4,440,730</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	1,143,157	2,050,926	3,194,083
Restricted for stabilization by State statute	179,493	-	179,493
Restricted for streets	225,848	-	225,848
Restricted for public safety	362,084	-	362,084
Unrestricted	<u>311,960</u>	<u>1,196,805</u>	<u>1,508,765</u>
Total net assets	<u>\$ 2,222,542</u>	<u>\$ 3,247,731</u>	<u>\$ 5,470,273</u>

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

# TOWN OF NEWPORT, NORTH CAROLINA

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2011

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Functions/Programs</b>				
<b>Primary Government :</b>				
<b>Governmental Activities:</b>				
General government	\$ 403,083	\$ 173,456	\$ -	\$ -
Public safety	1,518,812	261,383	342,673	-
Public works and streets	461,260	10,711	-	109,333
Sanitation	199,861	276,024	-	-
Cultural and recreation	107,808	-	80	7,366
Interest on long-term debt	5,140	-	-	-
Total governmental activities	<u>2,695,964</u>	<u>721,574</u>	<u>342,753</u>	<u>116,699</u>
<b>Business-Type Activities:</b>				
Water	<u>1,603,906</u>	<u>2,085,967</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 4,299,870</u>	<u>\$ 2,807,541</u>	<u>\$ 342,753</u>	<u>\$ 116,699</u>

### General Revenues:

Property tax  
Sales tax  
Other taxes  
Investment earnings  
Total general revenues

Change in net assets

### Net Assets:

Beginning of year, July 1

End of year, June 30

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

**Exhibit B**

<b>Net (Expense) Revenue and Changes in Net Assets</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (229,627)	\$ -	\$ (229,627)
(914,756)	-	(914,756)
(341,216)	-	(341,216)
76,163	-	76,163
(100,362)	-	(100,362)
(5,140)	-	(5,140)
<u>(1,514,938)</u>	<u>-</u>	<u>(1,514,938)</u>
-	482,061	482,061
<u>(1,514,938)</u>	<u>482,061</u>	<u>(1,032,877)</u>
1,310,262	-	1,310,262
267,158	-	267,158
306,515	-	306,515
293	749	1,042
<u>1,884,228</u>	<u>749</u>	<u>1,884,977</u>
369,290	482,810	852,100
<u>1,853,252</u>	<u>2,764,921</u>	<u>4,618,173</u>
<u>\$ 2,222,542</u>	<u>\$ 3,247,731</u>	<u>\$ 5,470,273</u>

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

## TOWN OF NEWPORT, NORTH CAROLINA

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2011

	<u>General Fund</u>	<u>Fire and Rescue District Fund</u>	<u>Recreation Fund</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 315,826	\$ 373,509	\$ 7,366	\$ 696,701
Property taxes receivable	35,321	-	-	35,321
Intergovernmental receivable	179,493	-	-	179,493
Accounts receivable	47,050	-	-	47,050
Prepaid items	25,671	-	-	25,671
Restricted cash and cash equivalents	225,848	-	-	225,848
Total assets	<u>\$ 829,209</u>	<u>\$ 373,509</u>	<u>\$ 7,366</u>	<u>\$ 1,210,084</u>
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 55,005	\$ 11,425	\$ -	\$ 66,430
Deferred revenue	82,371	-	-	82,371
Total liabilities	<u>137,376</u>	<u>11,425</u>	<u>-</u>	<u>148,801</u>
<b>Fund Balances:</b>				
Non-spendable:				
Prepays	25,671	-	-	25,671
Restricted:				
Stabilization by State statute	179,493	-	-	179,493
Highways and streets - Powell Bill	225,848	-	-	225,848
Public safety	-	362,084	-	362,084
Assigned:				
Recreation	-	-	7,366	7,366
Unassigned	260,821	-	-	260,821
Total fund balances	<u>691,833</u>	<u>362,084</u>	<u>7,366</u>	<u>1,061,283</u>
Total liabilities and fund balances	<u>\$ 829,209</u>	<u>\$ 373,509</u>	<u>\$ 7,366</u>	

Amounts reported for governmental activities in the Statement of Net Assets (Exhibit A) 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. 1,322,992

Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds. (244,104)

Deferred revenues in the governmental funds are used to offset accounts receivable not expected to be received within 90 days of year-end. These receivables are a component of net assets in the Statement of Net Assets. 82,371

Net assets of governmental activities per Exhibit A \$ 2,222,542

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

## TOWN OF NEWPORT, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>	<u>Fire and Rescue District Fund</u>	<u>Recreation Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Taxes	\$ 1,010,738	\$ 311,010	\$ -	\$ 1,321,748
Unrestricted intergovernmental	518,157	55,516	-	573,673
Restricted intergovernmental	169,144	282,862	-	452,006
Licenses, permits, and fees	163,741	-	7,366	171,107
Sales and services	249,847	261,383	-	511,230
Investment earnings	293	-	-	293
Miscellaneous	24,316	11,656	-	35,972
Total revenues	<u>2,136,236</u>	<u>922,427</u>	<u>7,366</u>	<u>3,066,029</u>
<b>Expenditures:</b>				
Current:				
General government	376,269	-	-	376,269
Public safety	670,472	1,126,660	-	1,797,132
Public works and streets	428,503	-	-	428,503
Sanitation	228,274	-	-	228,274
Cultural and recreation	82,108	-	-	82,108
Debt service:				
Principal	31,766	9,095	-	40,861
Interest	4,457	683	-	5,140
Total expenditures	<u>1,821,849</u>	<u>1,136,438</u>	<u>-</u>	<u>2,958,287</u>
Revenues over (under) expenditures	<u>314,387</u>	<u>(214,011)</u>	<u>7,366</u>	<u>107,742</u>
<b>Other Financing Sources (Uses):</b>				
Long-term debt issued	65,000	28,000	-	93,000
Transfers in	-	187,700	-	187,700
Transfers out	<u>(187,700)</u>	<u>-</u>	<u>-</u>	<u>(187,700)</u>
Total other financing sources (uses)	<u>(122,700)</u>	<u>215,700</u>	<u>-</u>	<u>93,000</u>
Net change in fund balances	191,687	1,689	7,366	200,742
<b>Fund Balances:</b>				
Beginning of year, July 1	<u>500,146</u>	<u>360,395</u>	<u>-</u>	<u>860,541</u>
End of year, June 30	<u>\$ 691,833</u>	<u>\$ 362,084</u>	<u>\$ 7,366</u>	<u>\$ 1,061,283</u>

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

## TOWN OF NEWPORT, NORTH CAROLINA

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL ACTIVITIES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2011

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different due to the following items:

Net change in fund balances - total governmental funds (Exhibit D)	\$ 200,742
<p>Exhibit D reports revenues using a current financial resources basis, which generally means revenue is recognized when collected, or is expected to be collected, within 90 days of year-end. Exhibit B reports revenues when the earning process is complete, regardless of when it is collected. This measurement difference causes timing of revenue recognition differences for the following revenue types:</p>	
Property taxes and solid waste fees	(775)
Expenses related to compensated absences that do not require current financial resources are not reported as expenditures in the governmental funds statement.	2,711
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	370,727
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(151,976)
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	40,861
Proceeds from issuance of debt are reported as revenues in the governmental funds statement. However, in the Statement of Activities, it is not a revenue, rather it is an increase in liabilities.	<u>(93,000)</u>
Total changes in net assets of governmental activities per Exhibit B	<u>\$ 369,290</u>

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

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# TOWN OF NEWPORT, NORTH CAROLINA

## MAJOR GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2011

	General Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Over/Under
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes	\$ 1,000,912	\$ 1,012,264	\$ 1,010,738	\$ (1,526)
Unrestricted intergovernmental	525,000	525,000	518,157	(6,843)
Restricted intergovernmental	107,521	166,236	169,144	2,908
Licenses, permits, and fees	47,000	142,345	163,741	21,396
Sales and services	267,250	267,250	249,847	(17,403)
Investment earnings	1,000	1,000	293	(707)
Miscellaneous	11,000	12,495	24,316	11,821
Total revenues	<u>1,959,683</u>	<u>2,126,590</u>	<u>2,136,236</u>	<u>9,646</u>
<b>Expenditures:</b>				
Current:				
General government	316,754	477,255	376,269	100,986
Public safety	701,976	701,976	670,472	31,504
Highways and streets	452,393	458,799	428,503	30,296
Sanitation	230,212	230,212	228,274	1,938
Cultural and recreation	83,000	83,000	82,108	892
Debt service:				
Principal	31,766	31,766	31,766	-
Interest	6,882	6,882	4,457	2,425
Total expenditures	<u>1,822,983</u>	<u>1,989,890</u>	<u>1,821,849</u>	<u>168,041</u>
Revenues over (under) expenditures	<u>136,700</u>	<u>136,700</u>	<u>314,387</u>	<u>177,687</u>
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	-	-	-	-
Long-term debt issued	51,000	51,000	65,000	14,000
Transfers in	-	-	-	-
Transfers out	(187,700)	(187,700)	(187,700)	-
Total other financing sources (uses)	<u>(136,700)</u>	<u>(136,700)</u>	<u>(122,700)</u>	<u>14,000</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	191,687	<u>\$ 191,687</u>
<b>Fund Balances:</b>				
Beginning of year, July 1			<u>500,146</u>	
End of year, June 30			<u>\$ 691,833</u>	

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

Fire and Rescue District Special Revenue Fund				Recreation Fund			
Budgeted Amounts		Actual	Variance with Final Budget Over/Under	Budgeted Amounts		Actual	Variance with Final Budget Over/Under
Original	Final			Original	Final		
\$ 292,011	\$ 311,011	\$ 311,010	\$ (1)	\$ -	\$ -	\$ -	\$ -
74,000	74,000	55,516	(18,484)	-	-	-	-
261,250	282,862	282,862	-	-	-	-	-
-	-	-	-	-	7,366	7,366	-
215,000	252,368	261,383	9,015	-	-	-	-
300	300	-	(300)	-	-	-	-
550	9,037	11,656	2,619	-	-	-	-
<u>843,111</u>	<u>929,578</u>	<u>922,427</u>	<u>(7,151)</u>	<u>-</u>	<u>7,366</u>	<u>7,366</u>	<u>-</u>
-	-	-	-	-	-	-	-
1,071,033	1,157,500	1,126,660	30,840	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	7,366	-	7,366
9,095	9,095	9,095	-	-	-	-	-
683	683	683	-	-	-	-	-
<u>1,080,811</u>	<u>1,167,278</u>	<u>1,136,438</u>	<u>30,840</u>	<u>-</u>	<u>7,366</u>	<u>-</u>	<u>7,366</u>
<u>(237,700)</u>	<u>(237,700)</u>	<u>(214,011)</u>	<u>23,689</u>	<u>-</u>	<u>-</u>	<u>7,366</u>	<u>7,366</u>
22,000	22,000	-	(22,000)	-	-	-	-
28,000	28,000	28,000	-	-	-	-	-
187,700	187,700	187,700	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>237,700</u>	<u>237,700</u>	<u>215,700</u>	<u>(22,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	1,689	<u>\$ 1,689</u>	<u>\$ -</u>	<u>\$ -</u>	7,366	<u>\$ 7,366</u>
		<u>360,395</u>				<u>-</u>	
		<u>\$ 362,084</u>				<u>\$ 7,366</u>	

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

## TOWN OF NEWPORT, NORTH CAROLINA

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2011

	<u>Water and Sewer Fund</u>
<b>Assets:</b>	
Current assets:	
Cash and cash equivalents	\$ 982,209
Accounts receivable, net	281,157
Cash and cash equivalents, restricted	<u>557,140</u>
Total current assets	<u>1,820,506</u>
Non-current assets:	
Land	226,764
Construction in progress	14,883
Capital assets, net	<u>5,315,774</u>
Total non-current assets	<u>5,557,421</u>
Total assets	<u>7,377,927</u>
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable and accrued liabilities	46,072
Compensated absences - current portion	12,000
Current portion of long-term debt	203,722
Customer deposits	<u>80,730</u>
Total current liabilities	<u>342,524</u>
Non-current liabilities:	
Compensated absences payable	8,489
Other long-term debt	<u>3,779,183</u>
Total non-current liabilities	<u>3,787,672</u>
Total liabilities	<u>4,130,196</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	2,050,926
Unrestricted	<u>1,196,805</u>
Total net assets	<u>\$ 3,247,731</u>

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

## TOWN OF NEWPORT, NORTH CAROLINA

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Water and Sewer Fund</u>
<b>Operating Revenues:</b>	
Charges for sales and services	\$ 1,446,949
Impact fees	636,501
Miscellaneous revenue	<u>2,517</u>
Total operating revenues	<u>2,085,967</u>
<b>Operating Expenses:</b>	
Salaries and benefits	479,520
Supplies, maintenance, and administration	647,927
Depreciation	<u>309,087</u>
Total operating expenses	<u>1,436,534</u>
Operating income (loss)	<u>649,433</u>
<b>Non-Operating Revenues (Expenses):</b>	
Interest income	749
Interest expense and fiscal charges	<u>(167,372)</u>
Total non-operating revenues (expenses)	<u>(166,623)</u>
Change in net assets	<u>482,810</u>
<b>Net Assets:</b>	
Beginning of year, July 1	<u>2,764,921</u>
End of year, June 30	<u>\$ 3,247,731</u>

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

## TOWN OF NEWPORT, NORTH CAROLINA

### STATEMENT OF CASH FLOWS PROPRIETARY FUND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Water and Sewer Fund</u>
<b>Cash Flows from Operating Activities:</b>	
Cash received from customers	\$ 2,069,673
Cash paid for goods and services	(632,688)
Cash paid to employees	<u>(475,548)</u>
Net cash provided (used) by operating activities	<u>961,437</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Acquisition and construction of capital assets	(295,671)
Principal paid on long-term debt	(200,288)
Interest paid on long-term debt	<u>(167,372)</u>
Net cash provided (used) for capital and related financing activities	<u>(663,331)</u>
<b>Cash Flows from Investing Activities:</b>	
Interest received from investments	<u>749</u>
Net increase (decrease) in cash and cash equivalents	298,855
<b>Cash and Cash Equivalents:</b>	
Beginning of year, July 1	<u>1,240,494</u>
End of year, June 30	<u>\$ 1,539,349</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating income (loss)	\$ 649,433
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	309,087
Changes in assets and liabilities:	
Increase (decrease) accounts receivable	(21,074)
Increase (decrease) trade accounts payable and accrued liabilities	19,211
Increase (decrease) customer deposits	<u>4,780</u>
Net cash provided (used) by operating activities	<u>\$ 961,437</u>

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

# TOWN OF NEWPORT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### 1. Summary of Significant Accounting Policies

#### A. Nature of Operations

The financial statements of the Town of Newport, North Carolina, (the "Town") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

#### B. Reporting Entity

The Town is a municipal corporation governed by an elected Mayor and a five- member Town Council. As required by generally accepted accounting principles, these financial statements present the Town and all legally separate entity for which the Town is financially accountable. The Town has no component units or entities for which the government is considered financially accountable.

#### C. Government-Wide and Fund Financial Statements

The government-wide financial statements (Exhibit A - Statement of Net Assets and Exhibit B - Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. The effect of interfund activity has been removed from these statements in all material areas. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

# TOWN OF NEWPORT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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.

### **Major Funds**

The General Fund, Fire and Rescue District Special Revenue Fund, Recreation Fund, and Water and Sewer Fund are the major funds of the Town for the year ended June 30, 2011. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, sales tax, State grant, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and recreation. The Fire and Rescue District Special Revenue Fund accounts for fire services provided by the Town to the Town as well as the fire district, which extends beyond the Town limits. The Recreation Fund accounts for fees charged to developers assigned to providing recreational services or functions. The Water and Sewer Fund provides utility services to the citizens of Newport.

### **D. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The basis of accounting determines when the revenues and expenditures or expenses, and the related assets and liabilities are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All funds of the Town are accounted for during the year using the modified accrual basis of accounting in accordance with the North Carolina General Statutes. The financial statements are reported at year-end as discussed below.

The government-wide financial statements and the enterprise funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of when the related cash flow took place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Net assets are segregated into (1) investment in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. Operating statements for these funds present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

As permitted by generally accepted accounting principles, the Town has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989, in its accounting and reporting practices for its proprietary operations.

# **TOWN OF NEWPORT, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 90 days of June 30, 2011. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

For modified accrual basis of accounting purposes, ad valorem property taxes are not accrued as a 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 current year. Also, as of January 1, 1993, State law altered procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Carteret County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities' special tax districts in the County. For registered 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, taxes for vehicles registered from March 2010 through February 2011 apply to the fiscal year ended June 30, 2011. Uncollected taxes which were billed during this period are shown as a receivable on the fund financial statements.

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 Town, 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. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

The effect of interfund activity has been eliminated from the government-wide financial statements, with the exception of payments-in-lieu-of-taxes and other charges between the Town's water and sewer funds and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

# TOWN OF NEWPORT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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; therefore, all taxes are reported as general revenues.

Enterprise 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 revenue of the water and sewer funds are charges to customers for sales and services. 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.

### **E. Basis of Presentation – Fund Accounting**

The government uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate.

#### **Governmental Funds**

**General Fund.** The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are 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.

**Special Revenue Funds.** Special revenue funds account for specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The Fire and Rescue District Fund and the Recreation Fund are the Town's special revenue funds.

#### **Proprietary Funds**

**Enterprise Funds.** Enterprise funds account for those operations (a) that are financed and operated in a manner similar to private-business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that the periodical determination of revenues earned, expense incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town has one Enterprise Fund: Water and Sewer Fund. The Water and Sewer Capital Project Fund is consolidated into the Water and Sewer Fund.

# TOWN OF NEWPORT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### **F. Budgetary Data**

Department heads submit budget requests to the Town Manager by April 30. After reviewing requests and making adjustments, a proposed budget is submitted to the Council by June 1. The Town holds public hearings, and the final budget ordinance is adopted prior to July 1.

The annual budget ordinance is adopted at the departmental level. Over-expenditures at the department level are considered to be a violation of State statutes. Annual appropriated budgets are adopted for the General Fund, Fire and Rescue District Special Revenue Fund, Recreation Fund, and the Water and Sewer Fund. Appropriations for funds that adopt annual budgets lapse at the end of the budget year. A project ordinance is adopted for the Water and Sewer Capital Project Fund. Project ordinances do not lapse until the completion of the project. The Water and Sewer Capital Project Fund is consolidated with the Water and Sewer Fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Budgets are susceptible to amendment at any time and are amended as necessary by the governing board. Individual amendments to the original General Fund budget were not material in relation to the original appropriations, and all amendments were legally made. The budget amounts shown in the combined financial statements represent the budget as amended at June 30, 2011.

The Town's budget, however, is prepared in greater detail by individual accounts. The Town's management may adjust these accounts within a department without affecting the department's total appropriation. Management cannot make changes to a department's total appropriation without Council's approval.

### **G. Assets, Liabilities, and Fund Equity**

#### **Deposits**

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

#### **Investments**

State law [G.S. 159-30(c)] authorizes the Town 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 banker's acceptances; and the North Carolina Capital Management Trust (NCCMT), an SEC registered (2a-7) money market mutual fund. The Town's NCCMT Cash Portfolio's securities are valued at fair value, which is the NCCMT's share price.

# TOWN OF NEWPORT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### Cash and Cash Equivalents

The Town 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 cash and cash equivalents. Investment earnings are allocated to all funds based on the individual fund's cash balance outstanding at the end of each month.

### Restricted Assets

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

Unexpended debt proceeds of the Enterprise Capital Project Fund are classified as restricted assets within their respective funds because their use is completely restricted to the purpose for which the debt was originally issued. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds in the General Fund 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.

### Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due September 1<sup>st</sup> (lien date); however, penalties and interest do not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2010. Ad valorem taxes receivable are not accrued as revenue because the amount is not considered "available". 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. An amount equal to the receivable is shown as deferred revenue on the Combined Balance Sheet. The ad valorem taxes receivable presented in Exhibit A are net of an allowance for doubtful accounts of \$13,000.

### Allowances 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. Allowance for doubtful accounts for all funds is as follows:

	<u>General Fund</u>	<u>Water and Sewer Enterprise Fund</u>
Garbage fees receivable	\$ 3,000	\$ -
Water receivable	-	7,000
Sewer receivable	-	8,000
Total	<u>\$ 3,000</u>	<u>\$ 15,000</u>

# TOWN OF NEWPORT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost greater than \$2,500 and an estimated useful life greater than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or significantly extend the asset's life are not capitalized.

The Town capitalizes interest costs, which are incurred during the construction period of capital assets.

In conjunction with implementing GASB 34, "The New Reporting Model", the Town began capitalizing public domain ("infrastructure") capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems as of July 1, 2005. Infrastructure assets exceeding the Town's capitalization threshold of \$2,500 will be reported as capital assets in the Statement of Net Assets. General governmental infrastructure assets acquired prior to July 1, 2005 were not retroactively reported; therefore, the infrastructure capital assets in the Statement of Net Assets only include assets purchased after July 1, 2005.

Depreciation on buildings, plant assets, equipment, and vehicles is computed using the straight-line method over estimated useful lives as follows:

<u>Asset</u>	<u>Estimated Useful Lives</u>
Water and sewer system plants	40 years
Buildings	40 years
Equipment and fixtures	7 years
Vehicles	6 years
Computer equipment	3 years

### Compensated Absences

Town employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation days up to a maximum of 30 days. All vacation pay is accrued when earned in the government-wide and proprietary fund financial statements. Vacation pay taken is relieved using the first-in, first-out method. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements. The Town's sick leave policy

# **TOWN OF NEWPORT, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011**

provides for unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave at the time of retirement may be used in the determination of length of service for retirement benefit purposes. In accordance with the provisions of Statement of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

### **Deferred/Unearned Revenues**

In the fund financial statements, ad valorem taxes receivable are not accrued as revenue because they are not considered to be both “measurable and available”. Ad valorem taxes receivable that are measurable, but not available, are recorded as deferred revenue in the fund financial statements. In addition, property taxes collected in advance of the fiscal year to which they apply are also recorded as unearned revenue in the government-wide financial statements and deferred revenue in the fund financial statements. Certain receivables are also recorded as deferred revenue in the fund financial statements because they are not considered to be available at year-end.

### **Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund 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 fund Statement of Net Assets. Debt issuance costs are recognized as other assets and amortized over the life of the debt using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as debt issuance costs, during the current period. The face amount of the debt 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 net proceeds received, are reported as debt service expenditures.

### **Net Assets/Fund Balances**

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

### **Fund Balances**

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

# TOWN OF NEWPORT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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.

*Prepays* – portion of fund balance that is not an available resource because it represents the year-end balance of ending prepaids, which are not spendable resources. Non-expendable fund balance at June 30, 2011 is \$25,671.

### Restricted Fund Balance

This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

	<u>General Fund</u>	<u>Fire and Rescue District Fund</u>
<i>Restricted for Stabilization by State Statute</i> – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].	\$ 179,493	\$ -
<i>Restricted for Streets - Powell Bill</i> – portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.	225,848	-
<i>Restricted for Public Safety</i> – portion of fund balance that is restricted by revenue source for fire and rescue services provided by the Town to the Town as well as the fire district, which extends beyond the Town limits.	-	362,084
Total restricted fund balances/net assets	<u>\$ 405,341</u>	<u>\$ 362,084</u>

### Committed Fund Balance

This classification represents the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town’s governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

# TOWN OF NEWPORT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### Assigned Fund Balance

Assigned fund balance is the portion of fund balance that the Town intends to use for specific purposes.

*Assigned for Recreation* – portion of fund balance assigned by the Council for recreation. The Recreation Fund has assigned fund balance at June 30, 2011 in the amount of \$7,366.

### Unassigned Fund Balance

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

The Town 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-Town funds, and Town funds. For purposes of fund balance, classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and, lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

The Town has not adopted a formal fund balance policy.

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	\$ 691,833
<b>Less:</b>	
Non-spendable	(25,671)
Stabilization by State statute	<u>(179,493)</u>
Available for appropriation	<u>\$ 486,669</u>

### Interfund Transactions

Interfund services provided are accounted for as revenue or expenses in the government-wide financial statements since they would be treated as such if they involved organizations external to the Town. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

# TOWN OF NEWPORT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### Use of 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.

## 2. Detail Notes On All Funds

### A. Assets

#### Deposits

All the deposits of the Town 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 Town's agent in the Town'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 Town, these deposits are considered to be held by the Town's agent in the Town's 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 Town or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town 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 Town complies with G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2011, the Town's deposits had a carrying amount of \$1,783,742 and a bank balance of \$1,836,751, of which \$278,203 was covered by federal depository insurance and \$1,558,548 was covered by collateral held under the Pooling Method by the State Treasurer. At June 30, 2011 the Town's petty cash on hand totaled \$450.

Restricted cash represents cash held by enterprise funds restricted for water and sewer system improvements and customer deposits.

# TOWN OF NEWPORT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### Investments

At June 30, 2011, the Town had \$677,706 invested with North Carolina Capital Management Trust in the cash portfolio, which carried a credit rating of AAAM by Standard and Poor's as of June 30, 2011. The Town has no policy regarding credit risk.

### Intergovernmental Receivables

Intergovernmental receivables consisted of the following at June 30, 2011:

Sales tax	\$	59,218
Utility franchise tax		55,000
Due from Craven County		5,799
Grant receivable		15,680
Sales tax refund		43,796
Total		<u>\$ 179,493</u>

### Capital Assets

The following is a summary of changes in the governmental capital assets during the fiscal year:

	<b>Balance July 1, 2010</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2011</b>
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 152,637	\$ -	\$ -	\$ 152,637
<b>Depreciable Capital Assets:</b>				
Buildings and improvements	968,861	8,970	-	977,831
Infrastructure	34,238	-	-	34,238
Computer equipment	46,291	5,393	-	51,684
Equipment	477,944	44,246	-	522,190
Furniture and fixtures	37,249	-	-	37,249
Vehicles	1,111,643	312,118	(12,031)	1,411,730
Total depreciable capital assets	<u>2,676,226</u>	<u>370,727</u>	<u>(12,031)</u>	<u>3,034,922</u>
<b>Less Accumulated Depreciation:</b>				
Buildings and improvements	460,417	24,222	-	484,639
Infrastructure	1,141	2,283	-	3,424
Computer equipment	38,513	7,116	-	45,629
Equipment	275,280	36,702	-	311,982
Furniture and fixtures	37,249	-	-	37,249
Vehicles	912,022	81,653	(12,031)	981,644
Total accumulated depreciation	<u>1,724,622</u>	<u>\$ 151,976</u>	<u>\$ (12,031)</u>	<u>1,864,567</u>
Depreciable capital assets, net	<u>951,604</u>			<u>1,170,355</u>
Capital assets, net	<u>\$ 1,104,241</u>			<u>\$ 1,322,992</u>

# TOWN OF NEWPORT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

**Governmental Activities:**

General government	\$	27,356
Public safety		65,349
Highways and streets		33,435
Cultural and recreational		<u>25,836</u>
Total	\$	<u><u>151,976</u></u>

The following is summary of changes in the enterprise fund-type capital assets for the fiscal year:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2011</u>
<b>Water and Sewer Fund:</b>				
<b>Non-Depreciable Capital Assets:</b>				
Land and improvements	\$ 226,764	\$ -	\$ -	\$ 226,764
Construction in progress	<u>1,122,960</u>	<u>14,883</u>	<u>(1,122,960)</u>	<u>14,883</u>
Total non-depreciable capital assets	<u>1,349,724</u>	<u>14,883</u>	<u>(1,122,960)</u>	<u>241,647</u>
<b>Depreciable Capital Assets:</b>				
Equipment	324,949	264,778	-	589,727
Plant and distribution system	8,232,770	1,122,960	-	9,355,730
Vehicles	<u>365,363</u>	<u>16,010</u>	<u>(6,000)</u>	<u>375,373</u>
Total depreciable capital assets	<u>8,923,082</u>	<u>1,403,748</u>	<u>(6,000)</u>	<u>10,320,830</u>
<b>Less Accumulated Depreciation:</b>				
Equipment	190,805	57,903	-	248,708
Plant and distribution system	4,418,575	197,314	-	4,615,889
Vehicles	<u>92,589</u>	<u>53,870</u>	<u>(6,000)</u>	<u>140,459</u>
Total accumulated depreciation	<u>4,701,969</u>	<u>\$ 309,087</u>	<u>\$ (6,000)</u>	<u>5,005,056</u>
Depreciable capital assets, net	<u>4,221,113</u>			<u>5,315,774</u>
Capital assets, net	<u>\$ 5,570,837</u>			<u>\$ 5,557,421</u>

# TOWN OF NEWPORT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

The total invested in capital assets, net of related debt at June 30, 2011 is composed of the following elements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets, net of depreciation	\$ 1,322,992	\$ 5,557,421
Long-term debt	(179,835)	(3,982,905)
Unspent debt proceeds	-	476,410
Invested in capital assets, net of related debt	<u>\$ 1,143,157</u>	<u>\$ 2,050,926</u>

### B. Liabilities

#### Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2011 were as follows:

<u>Type of Payable</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Trade payables	\$ 49,164	\$ 40,091	\$ 89,255
Accrued salaries and fringes	17,266	5,981	23,247
Total	<u>\$ 66,430</u>	<u>\$ 46,072</u>	<u>\$ 112,502</u>

#### Pension Plan Obligations

##### Local Governmental Employees' Retirement System

**Plan Description.** The Town contributes to the statewide 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.

# TOWN OF NEWPORT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

**Funding Policy.** Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.35% and 6.41%, respectively, of annual covered payroll.

The contribution requirements of members and of the Town are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2009, 2010, and 2011 were \$141,996, \$145,870, and \$180,225 respectively. The contributions made by the Town equaled the required contributions for each year.

### **Law Enforcement Officers' Special Separation Allowance**

**Plan Description.** The Town administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent 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. Plan benefits are funded on a pay-as-you-go basis. The activity of the plan is reported in the General Fund, which is maintained on the modified basis of accounting. The plan does not issue separate, audited GAAP-based financial statements. There was no actuarial study of the plan liabilities and that liability is considered immaterial.

**Contributions.** The Town 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 Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

### **Supplemental Retirement Income Plan for Law Enforcement Officers**

**Plan Description.** The Town contributes to the Supplemental Retirement Income Plan (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 Town. 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 Comprehensive Annual Financial Report (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 Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

# TOWN OF NEWPORT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

**Funding Policy.** Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Employees may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2011 were \$24,007, which consisted of \$18,557 from the Town and \$5,450 from the employees.

### **Supplemental Retirement Income Plan for Non-Law Enforcement Employees**

All non-law enforcement employees employed by the Town participate in the Supplemental Retirement Income Plan, a defined contribution pension plan. Participation begins after the completion of at least three (3) months continuous employment with the Town. The Town has no requirement or obligation under State statutes to contribute to this Plan; however, the Town has adopted the Supplemental Retirement Plan of North Carolina 401(k) for its non-law enforcement employees. The Town contributes three percent of each employee's salary, and all amounts contributed are vested immediately. Also, employees may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2011 were \$60,007, which consisted of \$31,426 from the Town and \$28,581 from the non-law enforcement employees.

### **Deferred/Unearned Revenues**

As discussed in the Summary of Significant Accounting Policies (Note 1), ad valorem taxes receivable are not accrued as revenue because they are not considered to be both "measurable and available". Property taxes which are measurable, but not available, should be initially recorded as deferred revenue. In addition, property taxes collected in advance of the fiscal year to which they apply should also be recorded as deferred revenue. The balance of deferred revenue at year-end is comprised of the following:

	<u>Deferred Revenues</u>	<u>Unearned Revenues</u>
<b>General Fund:</b>		
Property taxes receivable	\$ 35,321	\$ -
Garbage fees receivable	47,050	-
Total	<u>\$ 82,371</u>	<u>\$ -</u>

# TOWN OF NEWPORT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### Long-Term Obligations

#### Notes Payable

#### Governmental Activities Long-Term Debt

\$35,000 note issued August 2008, interest at 3.51%, payable in annual installments of \$12,495 including interest, with a final payment due in fiscal year 2012; secured by dump truck	\$ 12,071
\$27,296 note issued May 2009, interest at 3.69%, payable in annual installments of \$9,778 including interest, with a final payment due in fiscal year 2012; secured by ambulance	9,430
\$140,000 note issued March 2003, interest at 4.02%, payable in annual installments of \$9,333 including interest, with a final payment due in fiscal year 2018; secured by real estate	65,334
\$58,000 note issued February 2011, interest at 2.87%, payable in annual installments of \$15,555 including interest, with a final payment due in fiscal year 2015; secured by vehicles	58,000
\$21,000 note issued August 2010, interest at 3.57%, payable in annual installments of \$7,506 including interest, with a final payment due in fiscal year 2014; secured by equipment	21,000
\$14,000 note issued November 2010, interest at 4.02%, payable in annual installments of \$5,233 including interest, with a final payment due in fiscal year 2014; secured by equipment	<u>14,000</u>
Total installment notes payable - governmental activities	<u>\$ 179,835</u>

# TOWN OF NEWPORT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

The future minimum payments of the governmental activities long-term notes payable as of June 30, 2011, are as follows:

<b>Year Ending</b>				
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2012	\$ 55,881	\$ 8,266	\$ 64,147	
2013	35,281	5,986	41,267	
2014	36,218	4,442	40,660	
2015	24,454	2,861	27,315	
2016	9,333	1,820	11,153	
2017-2018	18,668	1,820	20,488	
Total	<u>\$ 179,835</u>	<u>\$ 25,195</u>	<u>\$ 205,030</u>	

### Long-Term Debt

#### Enterprise Fund

#### Installment Notes Payable

\$250,000 note issued November 2009, interest at 3.05%, payable in annual installments of \$54,667 including interest through 2015; secured by vehicle	\$ 202,958
\$2,250,000 NCDENR loan issued May 1991, interest at 2.60%, payable in annual principal installments of \$112,500 and semi-annual interest payments through fiscal year November 2021; secured by plant and equipment	1,125,000
\$137,678 note issued May 2003, interest at 5.75%, payable in annual principal installments of \$7,246 including interest through 2025; secured by system assets	<u>101,447</u>
Total Enterprise Fund notes payable	<u>\$ 1,429,405</u>

# TOWN OF NEWPORT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### General Obligation Bonds

### Enterprise Funds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for proprietary activities. These bonds are reported in the proprietary funds since they are expected to be repaid from proprietary revenues. All general obligation bonds are collateralized by the faith, credit, and taxing power of the Town.

\$1,000,000 - 1998 USDA Water and Sewer bond issued July 2001; interest at 5.25%; due in annual installments (\$62,500 - \$42,100) including interest; final payment due June 2041	\$ 890,500
\$1,700,000 - 2008 USDA Water and Sewer bond issued October 2007; interest at 4.5%; due in annual installments (\$95,590 - \$46,528.77) including interest; final payment due June 2047	1,663,000
Total Enterprise Fund general obligation bonds	\$ 2,553,500

Maturities of long-term debt in the five years subsequent to June 30, 2011, are as follows:

Year Ending <u>June 30</u>	Installment Notes Payable			Bonds Payable		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 168,222	\$ 41,273	\$ 209,495	\$ 35,500	\$ 121,586	\$ 157,086
2013	169,701	36,454	206,155	37,500	119,873	157,373
2014	171,225	31,588	202,813	39,000	118,061	157,061
2015	172,794	26,676	199,470	41,000	116,179	157,179
2016	119,746	21,717	141,463	43,000	114,199	157,199
2017-2021	598,731	58,458	657,189	244,000	538,245	782,245
2022-2026	28,986	4,167	33,153	303,000	487,834	790,834
2027-2031	-	-	-	382,500	411,008	793,508
2032-2036	-	-	-	465,000	314,288	779,288
2037-2041	-	-	-	531,000	199,410	730,410
2042-2046	-	-	-	360,000	83,100	443,100
2047	-	-	-	72,000	9,720	81,720
Total	\$ 1,429,405	\$ 220,333	\$ 1,649,738	\$ 2,553,500	\$ 2,633,503	\$ 5,187,003

# TOWN OF NEWPORT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### Long-Term Debt Obligation Activity

The following is a summary of the changes in the governmental activities long-term debt or obligations as of June 30, 2011:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Current</u> <u>Portion</u>
<b>By Type of Debt:</b>					
Notes payable	\$ 127,696	\$ 93,000	\$ (40,861)	\$ 179,835	\$ 55,881
Accrued vacation pay	66,980	44,428	(47,139)	64,269	47,000
Total	<u>\$ 194,676</u>	<u>\$ 137,428</u>	<u>\$ (88,000)</u>	<u>\$ 244,104</u>	<u>\$ 102,881</u>

The General Fund provides the resources for the retirement of compensated absences payable. The Town's legal debt limit is 8% of the Town's assessed value of taxable property. The Town's legal debt margin as of June 30, 2011 amounts to approximately \$20,000,000.

The following is a summary of changes in the Town's business-type activities long-term debt:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Current</u> <u>Portion</u>
<b>By Type of Debt:</b>					
Bonds payable	\$ 2,587,000	\$ -	\$ (33,500)	\$ 2,553,500	\$ 35,500
Notes payable	1,596,193	-	(166,788)	1,429,405	168,222
Compensated absences	18,503	14,164	(12,178)	20,489	12,000
Total	<u>\$ 4,201,696</u>	<u>\$ 14,164</u>	<u>\$ (212,466)</u>	<u>\$ 4,003,394</u>	<u>\$ 215,722</u>

### Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The Town carries commercial coverage for all risks of loss. The Town participates in self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage up to \$1 million per building per occurrence, workers' compensation coverage up to the statutory limits, and employee health insurance up to a \$1 million lifetime limit. The pools are reinsured through commercial companies for varying limits of losses based on the type of coverage. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request. There have been no significant reductions in insurance coverage from the previous year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town does not carry flood insurance as it is in area "X" regarding flood zoning.

# TOWN OF NEWPORT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Town Clerk/Tax Collector and Finance Officer are individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

### **Interfund Balances and Activity**

#### **Transfers to/from Other Funds**

Transfers to/from other funds at June 30, 2011 consisted of the following:

	<u>Amount</u>
From the General Fund to the Fire and Rescue District Fund to fund operations	<u>\$ 187,700</u>

### **3. Contingencies**

The Town 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 amounts to be refunded to be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

**TOWN OF NEWPORT, NORTH CAROLINA**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
<b>Taxes:</b>				
<b>Ad Valorem Taxes:</b>				
Current year property tax	\$ 908,913	\$ 911,357	\$ 2,444	\$ 829,951
Motor vehicle tax - current and delinquent	72,000	67,922	(4,078)	60,500
Prior years' property tax	31,351	31,459	108	18,386
Total ad valorem taxes	1,012,264	1,010,738	(1,526)	908,837
<b>Unrestricted Intergovernmental Revenues:</b>				
Franchise tax	220,000	229,662	9,662	230,138
Beer and wine tax	15,000	18,573	3,573	5,925
Local option sales tax	290,000	267,158	(22,842)	209,592
Carteret County ABC revenues	-	2,764	2,764	-
Total unrestricted intergovernmental revenues	525,000	518,157	(6,843)	445,655
<b>Restricted Intergovernmental Revenues:</b>				
Powell Bill	109,416	109,333	(83)	107,824
Federal, State, and local grants	56,820	59,811	2,991	13,750
Total restricted intergovernmental revenues	166,236	169,144	2,908	121,574
<b>Licenses, Permits, and Fees:</b>				
Building permits	93,634	114,319	20,685	29,808
Privilege license	22,711	23,165	454	7,626
Impact/facility fee charges	26,000	26,257	257	250
Cable franchise fees	-	-	-	1,164
Total licenses and permits	142,345	163,741	21,396	38,848
<b>Sales and Services:</b>				
Commission - trash stickers	2,000	3,450	1,450	2,650
Contribution from recreation	250	80	(170)	225
Fees for garbage pickup	265,000	246,317	(18,683)	251,573
School resource officer fees	-	-	-	50,818
Total sales and services	267,250	249,847	(17,403)	305,266
<b>Interest:</b>				
Investment earnings	1,000	293	(707)	585

**TOWN OF NEWPORT, NORTH CAROLINA**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	<b>2011</b>		<b>Variance Over/Under</b>	<b>2010</b>
	<b>Budget</b>	<b>Actual</b>		<b>Actual</b>
<b>Miscellaneous Revenues:</b>				
Court facility fees and refunds	1,500	1,694	194	1,719
Insurance proceeds	1,495	3,537	2,042	-
Sale of capital assets	4,000	4,795	795	300
Miscellaneous	5,500	14,290	8,790	12,218
Total miscellaneous revenues	<u>12,495</u>	<u>24,316</u>	<u>11,821</u>	<u>14,237</u>
Total revenues	<u>2,126,590</u>	<u>2,136,236</u>	<u>9,646</u>	<u>1,835,002</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>General Government:</b>				
<b>Governing Body:</b>				
Fees paid to elected officials	807	604	203	621
Operating expenses	<u>137,545</u>	<u>41,906</u>	<u>95,639</u>	<u>50,591</u>
Total governing body	<u>138,352</u>	<u>42,510</u>	<u>95,842</u>	<u>51,212</u>
<b>Administration:</b>				
Salaries and benefits	173,261	171,219	2,042	170,406
Operating expenses	164,642	162,540	2,102	105,868
Capital outlay	<u>1,000</u>	<u>-</u>	<u>1,000</u>	<u>839</u>
Total administration	<u>338,903</u>	<u>333,759</u>	<u>5,144</u>	<u>277,113</u>
Total general government	<u>477,255</u>	<u>376,269</u>	<u>100,986</u>	<u>328,325</u>
<b>Public Safety:</b>				
<b>Police:</b>				
Salaries and benefits	465,835	464,724	1,111	517,576
Operating expenses	72,725	71,948	777	81,514
Capital outlay	<u>40,500</u>	<u>13,638</u>	<u>26,862</u>	<u>9,752</u>
Total police	<u>579,060</u>	<u>550,310</u>	<u>28,750</u>	<u>608,842</u>
<b>Planning and Inspections:</b>				
Salaries and benefits	114,916	115,039	(123)	120,520
Operating expenses	<u>6,500</u>	<u>4,368</u>	<u>2,132</u>	<u>4,095</u>
Total planning and inspections	<u>121,416</u>	<u>119,407</u>	<u>2,009</u>	<u>124,615</u>

**TOWN OF NEWPORT, NORTH CAROLINA**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	<u>2011</u>			<u>2010</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
<b>Emergency Management:</b>				
Capital outlay	<u>1,500</u>	<u>755</u>	<u>745</u>	<u>-</u>
Total emergency management	<u>1,500</u>	<u>755</u>	<u>745</u>	<u>-</u>
Total public safety	<u>701,976</u>	<u>670,472</u>	<u>31,504</u>	<u>733,457</u>
<b>Public Works and Streets:</b>				
<b>Public Works:</b>				
Salaries and benefits	136,242	134,905	1,337	127,223
Operating expenses	34,011	22,166	11,845	25,265
Capital outlay	<u>30,000</u>	<u>29,415</u>	<u>585</u>	<u>1,457</u>
Total public works	<u>200,253</u>	<u>186,486</u>	<u>13,767</u>	<u>153,945</u>
<b>Fleet Maintenance:</b>				
Salaries and benefits	23,567	23,663	(96)	23,334
Operating expenses	80,955	74,705	6,250	76,930
Capital outlay	<u>210</u>	<u>210</u>	<u>-</u>	<u>1,390</u>
Total fleet maintenance	<u>104,732</u>	<u>98,578</u>	<u>6,154</u>	<u>101,654</u>
<b>Powell Bill Funds:</b>				
Salaries and benefits	36,654	36,883	(229)	35,620
Operating expenses	20,250	15,370	4,880	12,152
Capital outlay	<u>34,395</u>	<u>28,671</u>	<u>5,724</u>	<u>31,921</u>
Total Powell Bill funds	<u>91,299</u>	<u>80,924</u>	<u>10,375</u>	<u>79,693</u>
<b>Non-Powell Bill Funds:</b>				
Operating expenses	<u>62,515</u>	<u>62,515</u>	<u>-</u>	<u>63,122</u>
Total non-Powell Bill funds	<u>62,515</u>	<u>62,515</u>	<u>-</u>	<u>63,122</u>
<b>Highways and Streets</b>	<u>458,799</u>	<u>428,503</u>	<u>30,296</u>	<u>398,414</u>
<b>Sanitation:</b>				
Operating expenses	<u>230,212</u>	<u>228,274</u>	<u>1,938</u>	<u>218,302</u>
Total sanitation	<u>230,212</u>	<u>228,274</u>	<u>1,938</u>	<u>218,302</u>

**TOWN OF NEWPORT, NORTH CAROLINA**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011		Variance Over/Under	2010
	Budget	Actual		Actual
<b>Cultural and Recreation:</b>				
<b>Cultural:</b>				
Library operations	73,000	73,000	-	73,000
Total cultural	73,000	73,000	-	73,000
<b>Recreation:</b>				
Special projects	5,000	4,562	438	6,354
Operating expenses	5,000	4,546	454	9,226
Total recreation	10,000	9,108	892	15,580
Total cultural and recreation	83,000	82,108	892	88,580
<b>Debt Service:</b>				
Principal	31,766	31,766	-	30,812
Interest	6,882	4,457	-	5,794
Total debt service	38,648	36,223	2,425	36,606
Total expenditures	1,989,890	1,821,849	168,041	1,803,684
Revenue over (under) expenditures	136,700	314,387	177,687	31,318
<b>Other Financing Sources (Uses):</b>				
Long-term debt issued	51,000	65,000	14,000	-
Transfers out	(187,700)	(187,700)	-	(235,818)
Total other financing sources (uses)	(136,700)	(122,700)	14,000	(235,818)
Net change in fund balance	\$ -	191,687	\$ 191,687	(204,500)
<b>Fund Balance:</b>				
Beginning of year, July 1		500,146		704,646
End of year, June 30		\$ 691,833		\$ 500,146

## TOWN OF NEWPORT, NORTH CAROLINA

**FIRE AND RESCUE DISTRICT - MAJOR SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2011**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Ad valorem taxes	\$ 311,011	\$ 311,010	\$ (1)	\$ 336,000
Local option sales tax	74,000	55,516	(18,484)	65,327
Ambulance transport fees	252,368	261,383	9,015	264,353
Grant revenues	282,862	282,862	-	8,930
Investment earnings	300	-	(300)	122
Miscellaneous income	9,037	11,656	2,619	12,471
Total revenues	<u>929,578</u>	<u>922,427</u>	<u>(7,151)</u>	<u>687,203</u>
<b>Expenditures:</b>				
<b>Public Safety:</b>				
Salaries and benefits	564,312	529,994	34,318	478,736
Operating expenses	243,188	242,524	664	239,415
Capital outlay	350,000	354,142	(4,142)	103,949
Total public safety	<u>1,157,500</u>	<u>1,126,660</u>	<u>30,840</u>	<u>822,100</u>
<b>Debt Service:</b>				
Principal	9,095	9,095	-	41,424
Interest	683	683	-	2,627
Total debt service	<u>9,778</u>	<u>9,778</u>	<u>-</u>	<u>44,051</u>
Total expenditures	<u>1,167,278</u>	<u>1,136,438</u>	<u>30,840</u>	<u>866,151</u>
Revenues over (under) expenditures	<u>(237,700)</u>	<u>(214,011)</u>	<u>23,689</u>	<u>(178,948)</u>
<b>Other Financing Sources (Uses):</b>				
Transfer from General Fund	187,700	187,700	-	235,818
Long-term debt issued	28,000	28,000	-	-
Appropriated fund balance	22,000	-	(22,000)	-
Total other financing sources (uses)	<u>237,700</u>	<u>215,700</u>	<u>(22,000)</u>	<u>235,818</u>
Net change in fund balance	<u>\$ -</u>	1,689	<u>\$ 1,689</u>	56,870
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>360,395</u>		<u>303,525</u>
End of year - June 30		<u>\$ 362,084</u>		<u>\$ 360,395</u>

## TOWN OF NEWPORT, NORTH CAROLINA

RECREATION FUND - MAJOR SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2011  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Fees	\$ 7,366	\$ 7,366	\$ -	\$ -
Total revenues	<u>7,366</u>	<u>7,366</u>	<u>-</u>	<u>-</u>
<b>Expenditures:</b>				
<b>Recreation:</b>				
Operating expenses	<u>7,366</u>	<u>-</u>	<u>7,366</u>	<u>-</u>
Total expenditures	<u>7,366</u>	<u>-</u>	<u>7,366</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>7,366</u>	<u>\$ 7,366</u>	<u>-</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>-</u>		<u>-</u>
End of year - June 30		<u>\$ 7,366</u>		<u>\$ -</u>

## TOWN OF NEWPORT, NORTH CAROLINA

## ENTERPRISE FUND - WATER AND SEWER FUND

## SCHEDULE OF REVENUES AND EXPENDITURES

## BUDGET AND ACTUAL (NON-GAAP)

## FOR THE YEAR ENDED JUNE 30, 2011

## WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
<b>Operating Revenues:</b>				
Charges for sales and services:				
Water charges	\$ 1,455,468	\$ 1,446,949	\$ (8,519)	\$ 1,384,902
Miscellaneous	5,000	2,517	(2,483)	34,741
Total operating revenues	<u>1,460,468</u>	<u>1,449,466</u>	<u>(11,002)</u>	<u>1,419,643</u>
<b>Non-Operating Revenues:</b>				
Impact fees	529,709	636,501	106,792	24,743
Interest income	1,000	70	(930)	1,038
Total non-operating revenues	<u>530,709</u>	<u>636,571</u>	<u>105,862</u>	<u>25,781</u>
Total revenues	<u>1,991,177</u>	<u>2,086,037</u>	<u>94,860</u>	<u>1,445,424</u>
<b>Operating Expenditures:</b>				
Salaries and employee benefits	-	477,534	-	473,564
Supplies, maintenance, and administration	-	512,477	-	423,924
Maintenance and repairs	-	134,063	-	115,237
Capital outlay	-	74,983	-	311,423
Total operating expenditures	<u>1,623,448</u>	<u>1,199,057</u>	<u>424,391</u>	<u>1,324,148</u>
<b>Debt Service:</b>				
Principal repayment	200,288	200,288	-	151,746
Interest	167,372	167,372	-	164,508
Total debt service	<u>367,660</u>	<u>367,660</u>	<u>-</u>	<u>316,254</u>
Total expenditures	<u>1,991,108</u>	<u>1,566,717</u>	<u>424,391</u>	<u>1,640,402</u>

**TOWN OF NEWPORT, NORTH CAROLINA**

**ENTERPRISE FUND - WATER AND SEWER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	<u>2011</u>			<u>2010</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues over (under) expenditures	<u>69</u>	<u>519,320</u>	<u>519,251</u>	<u>(194,978)</u>
<b>Other Financing Sources (Uses):</b>				
Long-term debt issued	-	-	-	250,000
Transfer to Water and Sewer CPF	<u>(69)</u>	<u>(69)</u>	-	-
Total other financing sources (uses)	<u>(69)</u>	<u>(69)</u>	-	<u>250,000</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>519,251</u>	<u>\$ 519,251</u>	<u>\$ 55,022</u>

**Reconciliation from Budgetary Basis (Modified Accrual)  
to Full Accrual Basis:**

Depreciation	(309,087)
Transfers to Water and Sewer Capital Project Fund	69
Investment earnings - capital project	679
Principal payment	200,288
Change in accrued vacation	(1,986)
Capital outlay, capitalized	<u>73,596</u>
Change in net assets	<u>\$ 482,810</u>

## TOWN OF NEWPORT, NORTH CAROLINA

**WATER AND SEWER CAPITAL PROJECT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total</u>
		<u>Prior Years</u>	<u>Current Year</u>	
<b>Revenues:</b>				
Restricted intergovernmental revenues	\$ 250,000	\$ 118,860	\$ -	\$ 118,860
Investment earnings	-	447	679	1,126
Total revenues	<u>250,000</u>	<u>119,307</u>	<u>679</u>	<u>119,986</u>
<b>Expenditures:</b>				
Sewer rehabilitation	-	49,842	119,004	168,846
Capital outlay - sewer plant improvements	-	9,994	11,878	21,872
Engineering and administrative fees	-	692,070	91,193	783,263
Re-use water	-	371,054	-	371,054
Total expenditures	<u>2,300,000</u>	<u>1,122,960</u>	<u>222,075</u>	<u>1,345,035</u>
Revenues over (under) expenditures	<u>(2,050,000)</u>	<u>(1,003,653)</u>	<u>(221,396)</u>	<u>(1,225,049)</u>
<b>Other Financing Sources (uses):</b>				
Loan issued - USDA	1,800,000	1,701,080	-	1,701,080
Issuance of loan anticipation note	900,000	900,000	-	900,000
Principal repayment of anticipation loan	(900,000)	(900,000)	-	(900,000)
Operating transfers in - Sewer Fund	<u>250,000</u>	<u>-</u>	<u>69</u>	<u>69</u>
Total other financing sources (uses)	<u>2,050,000</u>	<u>1,701,080</u>	<u>69</u>	<u>1,701,149</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 697,427</u>	<u>\$ (221,327)</u>	<u>\$ 476,100</u>

## TOWN OF NEWPORT, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
JUNE 30, 2011

Fiscal Year	Uncollected Balance July 1, 2010	Additions	Collections and Credits	Uncollected Balance June 30, 2011
2010-2011	\$ -	\$ 995,026	\$ 964,795	\$ 30,231
2009-2010	40,433	-	31,258	9,175
2008-2009	12,132	-	10,578	1,554
2007-2008	2,331	-	1,446	885
2006-2007	3,269	-	395	2,874
2005-2006	2,923	-	18	2,905
2004-2005	127	6	-	133
2003-2004	166	7	-	173
2002-2003	384	7	-	391
2001-2002	42	-	42	-
Total	\$ 61,807	\$ 995,046	\$ 1,008,532	48,321
Less allowance for uncollectible ad valorem taxes receivable				(13,000)
<b>Ad Valorem Taxes Receivable, Net</b>				<b>\$ 35,321</b>
<b>Reconciliation with Revenues:</b>				
Taxes, ad valorem, General Fund			\$ 1,010,738	
Penalties and interest			(4,437)	
Adjustments for prior year motor vehicle levy			3,166	
Miscellaneous adjustments			(935)	
Total collections and credits			\$ 1,008,532	

## TOWN OF NEWPORT, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY  
FOR THE YEAR ENDED JUNE 30, 2011

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property taxed at current year's rate	\$ 327,880,303	0.33	\$ 1,082,005	\$ 1,082,005	\$ -
Utility levy	3,720,606	0.33	12,278	12,278	-
Motor vehicle levy	22,989,091	0.33	75,864	-	75,864
Discoveries	56,061	0.33	185	52	133
Abatements	(1,260,606)	0.33	(4,160)	(429)	(3,731)
Exemptions	<u>(51,862,424)</u>	0.33	<u>(171,146)</u>	<u>(171,146)</u>	<u>-</u>
Total property valuation	<u>\$ 301,523,030</u>				
<b>Net Levy</b>			995,026	922,760	72,266
Uncollected taxes at June 30, 2011			<u>30,231</u>	<u>16,915</u>	<u>13,316</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 964,795</u>	<u>\$ 905,845</u>	<u>\$ 58,950</u>
<b>Current Levy Collection Percentage</b>			<u>96.96%</u>	<u>98.17%</u>	<u>81.57%</u>
<b>Prior Year Levy Collection Percentage</b>			<u>95.67%</u>	<u>96.70%</u>	<u>82.55%</u>