

**TOWN OF NEWPORT
NORTH CAROLINA**

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012**

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

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

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TOWN OF NEWPORT, NORTH CAROLINA

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2012

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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, each major fund, and the aggregate remaining fund information of the Town of Newport, North Carolina, as of and for the year ended June 30, 2012, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in 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 opinions.

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, each major fund, and the remaining aggregate fund information of the Town of Newport, North Carolina, as of June 30, 2012, and the respective changes in financial position and cash flows, where appropriate thereof, and the respective budgetary comparison for the General Fund and the Fire and Rescue District Special Revenue 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 August 8, 2012, 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 conducted 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.

August 8, 2012

Management's Discussion and Analysis

As management of the Town of Newport, 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, 2012, 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

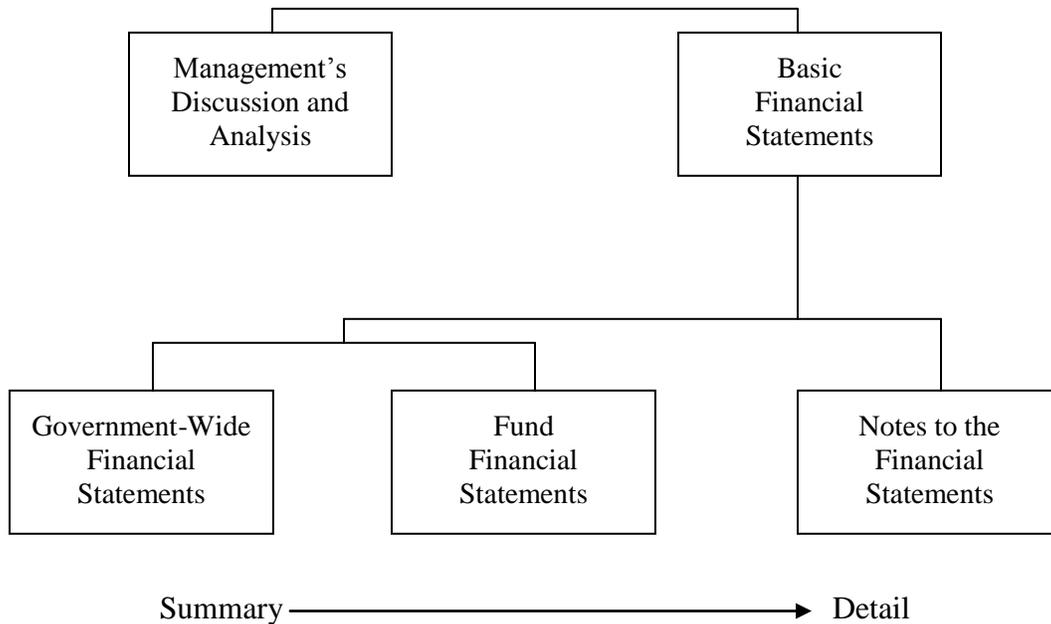
- The Town of Newport's assets exceeded its liabilities at the close of the fiscal year by \$5,730,423 (net assets).
- The Town's total net assets increased by \$260,150 with approximately 34 percent of the increase coming from governmental activities.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,171,554 with a net change of \$110,271 in fund balance. Approximately 69 percent of this total amount, or \$813,182, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$351,006, or 17 percent of total General Fund expenditures and transfers to other funds for the year, less long-term debt issued.

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 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-1 of this report.

Interdependence with Other Entities. The Town depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

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 \$5,730,423 at the close of the most recent fiscal year. The Town's net assets increased by \$260,150 for the fiscal year ended June 30, 2012.

A portion of the Town's net assets (53 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. An additional portion of the Town's net assets (14 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$1,858,240) may be used to meet the government's ongoing obligation to citizens and creditors.

Town of Newport's Net Assets

Figure 2

	Governmental		Business-Type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Assets:						
Current and other assets	\$ 1,313,539	\$ 1,210,084	\$ 1,588,786	\$ 1,820,506	\$ 2,902,325	\$ 3,030,590
Capital assets	<u>1,458,953</u>	<u>1,322,992</u>	<u>5,418,369</u>	<u>5,557,421</u>	<u>6,877,322</u>	<u>6,880,413</u>
Total assets	<u>2,772,492</u>	<u>2,533,076</u>	<u>7,007,155</u>	<u>7,377,927</u>	<u>9,779,647</u>	<u>9,911,003</u>
Liabilities:						
Long-term liabilities						
outstanding	413,124	244,104	3,486,861	4,003,394	3,899,985	4,247,498
Other liabilities	<u>48,868</u>	<u>66,430</u>	<u>100,371</u>	<u>126,802</u>	<u>149,239</u>	<u>193,232</u>
Total liabilities	<u>461,992</u>	<u>310,534</u>	<u>3,587,232</u>	<u>4,130,196</u>	<u>4,049,224</u>	<u>4,440,730</u>
Net Assets:						
Invested in capital assets, net of related debt	1,109,999	1,143,157	1,949,002	2,050,926	3,059,001	3,194,083
Restricted	813,182	767,425	-	-	813,182	767,425
Unrestricted	<u>387,319</u>	<u>311,960</u>	<u>1,470,921</u>	<u>1,196,805</u>	<u>1,858,240</u>	<u>1,508,765</u>
Total net assets	<u>\$ 2,310,500</u>	<u>\$ 2,222,542</u>	<u>\$ 3,419,923</u>	<u>\$ 3,247,731</u>	<u>\$ 5,730,423</u>	<u>\$ 5,470,273</u>

Town of Newport's Changes in Net Assets

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 623,013	\$ 721,574	\$ 1,873,086	\$ 2,085,967	\$ 2,496,099	\$ 2,807,541
Operating grants and contributions	57,285	342,753	-	-	57,285	342,753
Capital grants and contributions	111,325	116,699	-	-	111,325	116,699
General revenues:						
Property taxes	1,335,589	1,310,262	-	-	1,335,589	1,310,262
Other taxes	655,144	573,673	-	-	655,144	573,673
Other	140	293	167	749	307	1,042
Total revenues	<u>2,782,496</u>	<u>3,065,254</u>	<u>1,873,253</u>	<u>2,086,716</u>	<u>4,655,749</u>	<u>5,151,970</u>
Expenses:						
General government	367,683	403,083	-	-	367,683	403,083
Public safety	1,514,309	1,518,812	-	-	1,514,309	1,518,812
Public works and streets	478,934	461,260	-	-	478,934	461,260
Sanitation	214,371	199,861	-	-	214,371	199,861
Culture and recreation	114,326	107,808	-	-	114,326	107,808
Interest on long-term debt	4,915	5,140	-	-	4,915	5,140
Water and sewer	-	-	1,701,061	1,603,906	1,701,061	1,603,906
Total expenses	<u>2,694,538</u>	<u>2,695,964</u>	<u>1,701,061</u>	<u>1,603,906</u>	<u>4,395,599</u>	<u>4,299,870</u>
Increase in net assets	87,958	369,290	172,192	482,810	260,150	852,100
Net Assets:						
Beginning of year, July 1	<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>
End of year, June 30	<u>\$ 2,310,500</u>	<u>\$ 2,222,542</u>	<u>\$ 3,419,923</u>	<u>\$ 3,247,731</u>	<u>\$ 5,730,423</u>	<u>\$ 5,470,273</u>

Governmental Activities. Governmental activities increased the Town's net assets by \$87,958. Key elements of this increase are as follows:

- Increase in charges for other taxes of \$81,471 due to the increases in sales tax, motor vehicle tax, and ABC Board revenues.

Business-Type Activities. Business-type activities increased the Town of Newport's net assets by \$172,192. Key elements of this increase are as follows:

- Increase in charges for services due to rate increases in the current year and an increase in the number of customers.

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.

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 \$580,813 and total fund balance was \$766,763. The Town currently has available fund balance of 28.29% of General Fund expenditures and transfers to other funds, less long-term debt issued, while total fund balance represents 37.34% of the same amount.

At June 30, 2012, the governmental funds of the Town of Newport reported a combined fund balance of \$1,171,554, with a net increase in fund balance of \$110,271, which is a 10.39% increase from last year. Included in this change in fund balance is an increase in the General Fund of \$74,930 and an increase in the Fire and Rescue District Special Revenue Fund of \$35,341.

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 \$1,470,921. The change in net assets was \$172,192. 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, 2012 totals \$6,877,322 (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 purchase of real estate in the amount of \$200,000.

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

Figure 4

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 352,637	\$ 152,637	\$ 226,764	\$ 226,764	\$ 579,401	\$ 379,401
Construction in progress	-	-	-	14,883	-	14,883
Infrastructure	28,532	30,814	-	-	28,532	30,814
Equipment and fixtures	198,996	216,263	283,934	341,019	482,930	557,282
Vehicles	410,041	430,086	185,923	234,914	595,964	665,000
Building and improvements	468,747	493,192	-	-	468,747	493,192
Plant and distribution systems	-	-	4,721,748	4,739,841	4,721,748	4,739,841
Total	<u>\$ 1,458,953</u>	<u>\$ 1,322,992</u>	<u>\$ 5,418,369</u>	<u>\$ 5,557,421</u>	<u>\$ 6,877,322</u>	<u>\$ 6,880,413</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, 2012, the Town of Newport had total bonded debt outstanding of \$2,208,185. Of this, \$2,208,185 is debt backed by the full faith and credit of the Town.

**Town of Newport's
Long-Term Debt**

Figure 5

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General obligation bonds	\$ -	\$ -	\$ 2,208,185	\$ 2,553,500	\$ 2,208,185	\$ 2,553,500
Compensated absences	64,170	64,269	17,494	20,489	81,664	84,758
Notes payable	348,954	179,835	1,261,182	1,429,405	1,610,136	1,609,240
Total	<u>\$ 413,124</u>	<u>\$ 244,104</u>	<u>\$ 3,486,861</u>	<u>\$ 4,003,394</u>	<u>\$ 3,899,985</u>	<u>\$ 4,247,498</u>

Town of Newport's Outstanding Debt

The Town of Newport's total debt decreased by \$347,513 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 \$19,400,000.

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, 2013

Governmental Activities. Property tax revenues are expected to remain at the same rate of \$.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 5% inflation driven rate increase. General operating expenses are expected to increase during the next budget year.

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.

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TOWN OF NEWPORT, NORTH CAROLINA

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Current assets:			
Cash and cash equivalents	\$ 804,665	\$ 1,233,965	\$ 2,038,630
Intergovernmental receivable	185,950	-	185,950
Property taxes receivable	46,067	-	46,067
Accounts receivable	47,050	270,866	317,916
Restricted cash and cash equivalents	229,807	83,955	313,762
Total current assets	<u>1,313,539</u>	<u>1,588,786</u>	<u>2,902,325</u>
Non-current assets:			
Capital assets:			
Capital assets, non-depreciable	352,637	226,764	579,401
Capital assets, net	<u>1,106,316</u>	<u>5,191,605</u>	<u>6,297,921</u>
Total capital assets	<u>1,458,953</u>	<u>5,418,369</u>	<u>6,877,322</u>
Total assets	<u>2,772,492</u>	<u>7,007,155</u>	<u>9,779,647</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	48,868	16,416	65,284
Customer deposits	-	83,955	83,955
Long-term debt due within one year	<u>131,595</u>	<u>220,201</u>	<u>351,796</u>
Total current liabilities	<u>180,463</u>	<u>320,572</u>	<u>501,035</u>
Long-term liabilities:			
Long-term debt due in more than one year	<u>281,529</u>	<u>3,266,660</u>	<u>3,548,189</u>
Total liabilities	<u>461,992</u>	<u>3,587,232</u>	<u>4,049,224</u>
Net Assets:			
Invested in capital assets, net of related debt	1,109,999	1,949,002	3,059,001
Restricted for stabilization by State statute	185,950	-	185,950
Restricted for streets	229,807	-	229,807
Restricted for public safety	397,425	-	397,425
Unrestricted	<u>387,319</u>	<u>1,470,921</u>	<u>1,858,240</u>
Total net assets	<u>\$ 2,310,500</u>	<u>\$ 3,419,923</u>	<u>\$ 5,730,423</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, 2012**

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs				
Primary Government :				
Governmental Activities:				
General government	\$ 367,683	\$ 94,537	\$ -	\$ -
Public safety	1,514,309	248,858	57,205	-
Public works and streets	478,934	-	-	111,325
Sanitation	214,371	279,618	-	-
Cultural and recreation	114,326	-	80	-
Interest on long-term debt	4,915	-	-	-
Total governmental activities	<u>2,694,538</u>	<u>623,013</u>	<u>57,285</u>	<u>111,325</u>
Business-Type Activities:				
Water and sewer	<u>1,701,061</u>	<u>1,873,086</u>	-	-
Total primary government	<u>\$ 4,395,599</u>	<u>\$ 2,496,099</u>	<u>\$ 57,285</u>	<u>\$ 111,325</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

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (273,146)	\$ -	\$ (273,146)
(1,208,246)	-	(1,208,246)
(367,609)	-	(367,609)
65,247	-	65,247
(114,246)	-	(114,246)
(4,915)	-	(4,915)
(1,902,915)	-	(1,902,915)
-	172,025	172,025
(1,902,915)	172,025	(1,730,890)
1,335,589	-	1,335,589
319,269	-	319,269
335,875	-	335,875
140	167	307
1,990,873	167	1,991,040
87,958	172,192	260,150
2,222,542	3,247,731	5,470,273
\$ 2,310,500	\$ 3,419,923	\$ 5,730,423

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

TOWN OF NEWPORT, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>General Fund</u>	<u>Fire and Rescue District Fund</u>	<u>Nonmajor Recreation Fund</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and cash equivalents	\$ 379,033	\$ 418,266	\$ 7,366	\$ 804,665
Property taxes receivable	46,067	-	-	46,067
Intergovernmental receivable	185,950	-	-	185,950
Accounts receivable	47,050	-	-	47,050
Restricted cash and cash equivalents	229,807	-	-	229,807
Total assets	<u>\$ 887,907</u>	<u>\$ 418,266</u>	<u>\$ 7,366</u>	<u>\$ 1,313,539</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 28,027	\$ 20,841	\$ -	\$ 48,868
Deferred revenue	93,117	-	-	93,117
Total liabilities	<u>121,144</u>	<u>20,841</u>	<u>-</u>	<u>141,985</u>
Fund Balances:				
Restricted:				
Stabilization by State statute	185,950	-	-	185,950
Highways and streets - Powell Bill	229,807	-	-	229,807
Public safety	-	397,425	-	397,425
Assigned:				
Recreation	-	-	7,366	7,366
Unassigned	351,006	-	-	351,006
Total fund balances	<u>766,763</u>	<u>397,425</u>	<u>7,366</u>	<u>1,171,554</u>
Total liabilities and fund balances	<u>\$ 887,907</u>	<u>\$ 418,266</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. 1,458,953

Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds. (413,124)

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. 93,117

Net assets of governmental activities per Exhibit A \$ 2,310,500

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, 2012

	<u>General Fund</u>	<u>Fire and Rescue District Fund</u>	<u>Nonmajor Recreation Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 1,021,427	\$ 303,415	\$ -	\$ 1,324,842
Unrestricted intergovernmental	591,933	63,211	-	655,144
Restricted intergovernmental	151,024	17,506	-	168,530
Licenses, permits, and fees	61,866	-	-	61,866
Sales and services	269,237	248,859	-	518,096
Investment earnings	140	-	-	140
Miscellaneous	32,665	10,467	-	43,132
Total revenues	<u>2,128,292</u>	<u>643,458</u>	<u>-</u>	<u>2,771,750</u>
Expenditures:				
Current:				
General government	539,342	-	-	539,342
Public safety	756,474	772,197	-	1,528,671
Public works and streets	444,295	-	-	444,295
Sanitation	225,831	-	-	225,831
Cultural and recreation	87,544	-	-	87,544
Debt service:				
Principal	39,745	16,136	-	55,881
Interest	3,763	1,152	-	4,915
Total expenditures	<u>2,096,994</u>	<u>789,485</u>	<u>-</u>	<u>2,886,479</u>
Revenues over (under) expenditures	<u>31,298</u>	<u>(146,027)</u>	<u>-</u>	<u>(114,729)</u>
Other Financing Sources (Uses):				
Long-term debt issued	225,000	-	-	225,000
Transfers in	-	181,368	-	181,368
Transfers out	(181,368)	-	-	(181,368)
Total other financing sources (uses)	<u>43,632</u>	<u>181,368</u>	<u>-</u>	<u>225,000</u>
Net change in fund balances	74,930	35,341	-	110,271
Fund Balances:				
Beginning of year, July 1	<u>691,833</u>	<u>362,084</u>	<u>7,366</u>	<u>1,061,283</u>
End of year, June 30	<u>\$ 766,763</u>	<u>\$ 397,425</u>	<u>\$ 7,366</u>	<u>\$ 1,171,554</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, 2012**

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)	\$ 110,271
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Exhibit D reports revenues using a current financial resources basis, which generally means revenue is recognized when collected, or is expected to be collected, within 90 days of year-end. Exhibit B reports revenues when the earning process is complete, regardless of when it is collected. This measurement difference causes timing of revenue recognition differences for the following revenue types:

Property taxes and solid waste fees	10,746
-------------------------------------	--------

Expenses related to compensated absences that do not require current financial resources are not reported as expenditures in the governmental funds statement.	99
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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.	293,523
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Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(157,562)
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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.	55,881
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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>(225,000)</u>
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Total changes in net assets of governmental activities per Exhibit B	<u>\$ 87,958</u>
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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, 2012**

	General Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Over/Under
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 1,026,906	\$ 1,026,906	\$ 1,021,427	\$ (5,479)
Unrestricted intergovernmental	540,000	540,000	591,933	51,933
Restricted intergovernmental	118,573	149,272	151,024	1,752
Licenses, permits, and fees	123,000	123,000	61,866	(61,134)
Sales and services	267,100	267,100	269,237	2,137
Investment earnings	300	300	140	(160)
Miscellaneous	12,200	28,377	32,665	4,288
Total revenues	<u>2,088,079</u>	<u>2,134,955</u>	<u>2,128,292</u>	<u>(6,663)</u>
Expenditures:				
Current:				
General government	395,864	598,946	539,342	59,604
Public safety	721,700	737,167	756,474	(19,307)
Highways and streets	447,625	481,420	444,295	37,125
Sanitation	238,580	228,080	225,831	2,249
Cultural and recreation	83,000	88,032	87,544	488
Debt service:				
Principal	39,745	39,745	39,745	-
Interest	5,197	5,197	3,763	1,434
Total expenditures	<u>1,931,711</u>	<u>2,178,587</u>	<u>2,096,994</u>	<u>81,593</u>
Revenues over (under) expenditures	<u>156,368</u>	<u>(43,632)</u>	<u>31,298</u>	<u>74,930</u>
Other Financing Sources (Uses):				
Appropriated fund balance	-	-	-	-
Long-term debt issued	25,000	225,000	225,000	-
Transfers in	-	-	-	-
Transfers out	(181,368)	(181,368)	(181,368)	-
Total other financing sources (uses)	<u>(156,368)</u>	<u>43,632</u>	<u>43,632</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	74,930	<u>\$ 74,930</u>
Fund Balances:				
Beginning of year, July 1			<u>691,833</u>	
End of year, June 30			<u>\$ 766,763</u>	

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

Exhibit F

Fire and Rescue District Special Revenue Fund				
Budgeted Amounts		Actual	Variance with Final Budget Over/Under	
Original	Final			
\$ 288,281	\$ 288,281	\$ 303,415	\$	15,134
55,000	55,000	63,211		8,211
-	17,506	17,506		-
-	-	-		-
240,000	240,000	248,859		8,859
125	125	-		(125)
550	8,213	10,467		2,254
<u>583,956</u>	<u>609,125</u>	<u>643,458</u>		<u>34,333</u>
-	-	-		-
784,600	809,769	772,197		37,572
-	-	-		-
-	-	-		-
-	-	-		-
16,137	16,136	16,136		-
1,151	1,152	1,152		-
<u>801,888</u>	<u>827,057</u>	<u>789,485</u>		<u>37,572</u>
<u>(217,932)</u>	<u>(217,932)</u>	<u>(146,027)</u>		<u>71,905</u>
36,564	36,564	-		(36,564)
-	-	-		-
181,368	181,368	181,368		-
-	-	-		-
<u>217,932</u>	<u>217,932</u>	<u>181,368</u>		<u>(36,564)</u>
<u>\$ -</u>	<u>\$ -</u>	35,341	<u>\$</u>	<u>35,341</u>
		<u>362,084</u>		
		<u>\$ 397,425</u>		

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

TOWN OF NEWPORT, NORTH CAROLINA

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012

	<u>Water and Sewer Fund</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 1,233,965
Accounts receivable, net	270,866
Cash and cash equivalents, restricted	<u>83,955</u>
Total current assets	<u>1,588,786</u>
Non-current assets:	
Land	226,764
Capital assets, net	<u>5,191,605</u>
Total non-current assets	<u>5,418,369</u>
Total assets	<u>7,007,155</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	16,416
Compensated absences - current portion	13,000
Current portion of long-term debt	207,201
Customer deposits	<u>83,955</u>
Total current liabilities	<u>320,572</u>
Non-current liabilities:	
Compensated absences payable	4,494
Other long-term debt	<u>3,262,166</u>
Total non-current liabilities	<u>3,266,660</u>
Total liabilities	<u>3,587,232</u>
Net Assets:	
Invested in capital assets, net of related debt	1,949,002
Unrestricted	<u>1,470,921</u>
Total net assets	<u>\$ 3,419,923</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, 2012**

	<u>Water and Sewer Fund</u>
Operating Revenues:	
Charges for sales and services	\$ 1,571,648
Impact fees	297,114
Miscellaneous revenue	<u>4,324</u>
Total operating revenues	<u>1,873,086</u>
Operating Expenses:	
Salaries and benefits	481,955
Supplies, maintenance, and administration	738,385
Depreciation	<u>324,773</u>
Total operating expenses	<u>1,545,113</u>
Operating income (loss)	<u>327,973</u>
Non-Operating Revenues (Expenses):	
Interest income	167
Interest expense and fiscal charges	<u>(155,948)</u>
Total non-operating revenues (expenses)	<u>(155,781)</u>
Change in net assets	172,192
Net Assets:	
Beginning of year, July 1	<u>3,247,731</u>
End of year, June 30	<u>\$ 3,419,923</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, 2012

	<u>Enterprise Fund</u>
	<u>Water and</u> <u>Sewer Fund</u>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 1,886,602
Cash paid for goods and services	(768,041)
Cash paid to employees	(484,950)
Net cash provided (used) by operating activities	<u>633,611</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(185,721)
Principal paid on long-term debt	(513,538)
Interest paid on long-term debt	(155,948)
Net cash provided (used) for capital and related financing activities	<u>(855,207)</u>
Cash Flows from Investing Activities:	
Interest received from investments	<u>167</u>
Net increase (decrease) in cash and cash equivalents	(221,429)
Cash and Cash Equivalents:	
Beginning of year, July 1	<u>1,539,349</u>
End of year, June 30	<u>\$ 1,317,920</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 327,973
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	324,773
Changes in assets and liabilities:	
(Increase) decrease accounts receivable	10,291
Increase (decrease) trade accounts payable and accrued liabilities	(32,651)
Increase (decrease) customer deposits	<u>3,225</u>
Net cash provided (used) by operating activities	<u>\$ 633,611</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, 2012

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, 2012

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, and Water and Sewer Fund are the major funds of the Town for the year ended June 30, 2012. 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 Water and Sewer Fund provides utility services to the citizens of Newport.

Nonmajor Funds

The nonmajor Recreation Special Revenue Fund accounts for fees charged to developers assigned to providing recreational services or functions.

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/expenses and the related assets and liabilities are recognized in the accounts and are 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.

TOWN OF NEWPORT, NORTH CAROLINA

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

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.

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, 2012. 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 2011 through February 2012 apply to the fiscal year ended June 30, 2012. 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, 2012

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, 2012

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, 2012.

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 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, 2012

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.

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 1st (lien date); however, penalties and interest do not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2011. 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, 2012

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, 2012

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, laws or regulations of other governments, or imposed by law through State statute.

TOWN OF NEWPORT, NORTH CAROLINA

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

Non-Spendable Fund Balance

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

Restricted Fund Balance

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

	General Fund	Fire and Rescue District Fund
<i>Restricted for Stabilization by State Statute</i> – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)]	\$ 185,950	\$ -
<i>Restricted for Highways and 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.	229,807	-
<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	-	397,425
Total restricted fund balances/net assets	\$ 415,757	\$ 397,425

TOWN OF NEWPORT, NORTH CAROLINA

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

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.

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, 2012 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	\$	766,763
Less:		
Non-spendable		-
Stabilization by State statute		(185,950)
Available for appropriation	\$	<u>580,813</u>

TOWN OF NEWPORT, NORTH CAROLINA

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

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.

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.

TOWN OF NEWPORT, NORTH CAROLINA

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

At June 30, 2012, the Town's deposits had a carrying amount of \$2,120,421 and a bank balance of \$2,141,408, of which \$250,000 was covered by federal depository insurance and \$1,891,408 was covered by collateral held under the Pooling Method by the State Treasurer. At June 30, 2012, the Town's petty cash on hand totaled \$450.

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

Investments

At June 30, 2012, the Town had \$231,521 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, 2012. The Town has no policy regarding credit risk.

Intergovernmental Receivables

Intergovernmental receivables consisted of the following at June 30, 2012:

Sales tax	\$	78,598
Utility franchise tax		55,000
Grant receivable		9,000
Sales tax refund		43,352
Total	\$	<u>185,950</u>

TOWN OF NEWPORT, NORTH CAROLINA

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

Capital Assets

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

	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012
Non-Depreciable Capital Assets:				
Land	\$ 152,637	\$ 200,000	\$ -	\$ 352,637
Depreciable Capital Assets:				
Buildings and improvements	977,831	-	-	977,831
Infrastructure	34,238	-	-	34,238
Computer equipment	51,684	6,860	-	58,544
Equipment	522,190	16,736	-	538,926
Furniture and fixtures	37,249	-	-	37,249
Vehicles	1,411,730	69,927	(7,000)	1,474,657
Total depreciable capital assets	3,034,922	93,523	(7,000)	3,121,445
Less Accumulated Depreciation:				
Buildings and improvements	484,639	24,445	-	509,084
Infrastructure	3,424	2,282	-	5,706
Computer equipment	45,629	3,862	-	49,491
Equipment	311,982	37,001	-	348,983
Furniture and fixtures	37,249	-	-	37,249
Vehicles	981,644	89,972	(7,000)	1,064,616
Total accumulated depreciation	1,864,567	\$ 157,562	\$ (7,000)	2,015,129
Depreciable capital assets, net	1,170,355			1,106,316
Capital assets, net	\$ 1,322,992			\$ 1,458,953

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

Governmental Activities:	
General government	\$ 28,362
Public safety	67,752
Highways and streets	34,663
Cultural and recreational	26,785
Total	\$ 157,562

TOWN OF NEWPORT, NORTH CAROLINA

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

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

	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012
Water and Sewer Fund:				
Non-Depreciable Capital Assets:				
Land and improvements	\$ 226,764	\$ -	\$ -	\$ 226,764
Construction in progress	14,883	166,677	(181,560)	-
Total non-depreciable capital assets	241,647	166,677	(181,560)	226,764
Depreciable Capital Assets:				
Equipment	589,727	13,560	-	603,287
Plant and distribution system	9,355,730	181,560	-	9,537,290
Vehicles	375,373	5,484	-	380,857
Total depreciable capital assets	10,320,830	200,604	-	10,521,434
Less Accumulated Depreciation:				
Equipment	248,708	70,645	-	319,353
Plant and distribution system	4,615,889	199,653	-	4,815,542
Vehicles	140,459	54,475	-	194,934
Total accumulated depreciation	5,005,056	\$ 324,773	\$ -	5,329,829
Depreciable capital assets, net	5,315,774			5,191,605
Capital assets, net	\$ 5,557,421			\$ 5,418,369

TOWN OF NEWPORT, NORTH CAROLINA

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

Invested in Capital Assets, Net of Related Debt

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

	Governmental Activities	Business-Type Activities
Capital assets, net of depreciation	\$ 1,458,953	\$ 5,418,369
Long-term debt	(348,954)	(3,469,367)
Invested in capital assets, net of related debt	\$ 1,109,999	\$ 1,949,002

B. Liabilities

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2012 were as follows:

Type of Payable	Governmental Activities	Business-Type Activities	Total
Trade payables	\$ 31,122	\$ 10,762	\$ 41,884
Accrued salaries and fringes	17,746	5,654	23,400
Total	\$ 48,868	\$ 16,416	\$ 65,284

Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. The Town contributes to the State-wide Local Governmental Employees' Retirement System (LGERS), a cost sharing, multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The LGERS is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

TOWN OF NEWPORT, NORTH CAROLINA

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

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 6.88% and 6.94%, 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, 2010, 2011, and 2012 were \$145,870, \$180,225, and \$176,721, 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, 2012

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, 2012 were \$23,543, which consisted of \$18,193 from the Town and \$5,350 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, 2012 were \$60,759, which consisted of \$39,124 from the Town and \$21,635 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>
General Fund:		
Property taxes receivable	\$ 46,067	\$ -
Garbage fees receivable	47,050	-
Total	<u>\$ 93,117</u>	<u>\$ -</u>

TOWN OF NEWPORT, NORTH CAROLINA

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

Long-Term Obligations

Notes Payable

Governmental Activities Long-Term Debt

\$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	\$ 56,000
\$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	44,110
\$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	14,244
\$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	9,600
\$200,000 note issued October 2011, interest at 2.34%, payable in annual installments of \$52,959, including interest, with a final payment due in Fiscal Year 2016; secured by real estate	200,000
\$25,000 note issued March 2012, interest at 2.34%, payable in annual installments of \$6,620, including interest, with a final payment due in Fiscal Year 2016; secured by vehicle	<u>25,000</u>
Total installment notes payable - governmental activities	<u>\$ 348,954</u>

TOWN OF NEWPORT, NORTH CAROLINA

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

The future minimum payments of the governmental activities long-term notes payable as of June 30, 2012 are as follows:

Year Ending June 30	Principal	Interest	Total
2013	\$ 89,595	\$ 11,251	\$ 100,846
2014	91,802	8,436	100,238
2015	81,340	5,554	86,894
2016	67,551	3,182	70,733
2017	9,333	1,213	10,546
2018	9,333	607	9,940
Total	\$ 348,954	\$ 30,243	\$ 379,197

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	\$ 154,482
\$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	1,012,500
\$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>94,200</u>
Total Enterprise Fund notes payable	<u><u>\$ 1,261,182</u></u>

TOWN OF NEWPORT, NORTH CAROLINA

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

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	\$ 875,000
\$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	<u>1,333,185</u>
Total Enterprise Fund general obligation bonds	<u>\$ 2,208,185</u>

Maturities of long-term debt in the five years subsequent to June 30, 2012 are as follows:

Year Ending June 30	Installment Notes Payable			Bonds Payable		
	Principal	Interest	Total	Principal	Interest	Total
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	119,746	18,375	138,121	44,000	112,121	156,121
2018-2022	486,231	41,750	527,981	255,000	526,470	781,470
2023-2027	21,739	2,500	24,239	317,500	459,188	776,688
2028-2032	-	-	-	401,000	374,940	775,940
2033-2037	-	-	-	478,000	270,105	748,105
2038-2042	-	-	-	502,000	149,250	651,250
2043-2047	-	-	-	50,185	48,600	98,785
Total	<u>\$ 1,261,182</u>	<u>\$ 179,060</u>	<u>\$ 1,440,242</u>	<u>\$ 2,208,185</u>	<u>\$ 2,408,986</u>	<u>\$ 4,617,171</u>

TOWN OF NEWPORT, NORTH CAROLINA

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

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, 2012:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2012</u>	<u>Current Portion</u>
By Type of Debt:					
Notes payable	\$ 179,835	\$ 225,000	\$ (55,881)	\$ 348,954	\$ 89,595
Accrued vacation pay	64,269	42,712	(42,811)	64,170	42,000
Total	<u>\$ 244,104</u>	<u>\$ 267,712</u>	<u>\$ (98,692)</u>	<u>\$ 413,124</u>	<u>\$ 131,595</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, 2012 amounts to approximately \$19,400,000.

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

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2012</u>	<u>Current Portion</u>
By Type of Debt:					
Bonds payable	\$ 2,553,500	\$ -	\$ (345,315)	\$ 2,208,185	\$ 37,500
Notes payable	1,429,405	-	(168,223)	1,261,182	169,701
Compensated absences	20,489	10,042	(13,037)	17,494	13,000
Total	<u>\$ 4,003,394</u>	<u>\$ 10,042</u>	<u>\$ (526,575)</u>	<u>\$ 3,486,861</u>	<u>\$ 220,201</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, 2012

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, 2012 consisted of the following:

	<u>Amount</u>
From the General Fund to the Fire and Rescue District Fund to fund operations	<u>\$ 181,368</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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Taxes:				
Ad Valorem Taxes:				
Current year property tax	\$ 931,906	\$ 931,091	\$ (815)	\$ 911,357
Motor vehicle tax - current and delinquent	65,000	76,727	11,727	67,922
Prior years' property tax	30,000	13,609	(16,391)	31,459
Total ad valorem taxes	<u>1,026,906</u>	<u>1,021,427</u>	<u>(5,479)</u>	<u>1,010,738</u>
Unrestricted Intergovernmental Revenues:				
Franchise tax	230,000	222,440	(7,560)	229,662
Beer and wine tax	15,000	18,020	3,020	18,573
Local option sales tax	290,000	319,269	29,269	267,158
Carteret County ABC revenues	5,000	32,204	27,204	2,764
Total unrestricted intergovernmental revenues	<u>540,000</u>	<u>591,933</u>	<u>51,933</u>	<u>518,157</u>
Restricted Intergovernmental Revenues:				
Powell Bill	108,473	111,325	2,852	109,333
Federal, State, and local grants	40,799	39,699	(1,100)	59,811
Total restricted intergovernmental revenues	<u>149,272</u>	<u>151,024</u>	<u>1,752</u>	<u>169,144</u>
Licenses, Permits, and Fees:				
Building permits	70,000	28,833	(41,167)	114,319
Privilege license	23,000	22,572	(428)	23,165
Impact/facility fee charges	30,000	10,461	(19,539)	26,257
Total licenses and permits	<u>123,000</u>	<u>61,866</u>	<u>(61,134)</u>	<u>163,741</u>
Sales and Services:				
Commission - trash stickers	2,000	7,627	5,627	3,450
Contribution from recreation	100	80	(20)	80
Fees for garbage pickup	265,000	261,530	(3,470)	246,317
Total sales and services	<u>267,100</u>	<u>269,237</u>	<u>2,137</u>	<u>249,847</u>
Interest:				
Investment earnings	<u>300</u>	<u>140</u>	<u>(160)</u>	<u>293</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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
Miscellaneous Revenues:				
Contributions from private sources	5,033	5,033	-	-
Court facility fees and refunds	1,500	1,263	(237)	1,694
Insurance proceeds	1,078	1,078	-	3,537
Sale of capital assets	4,000	7,489	3,489	4,795
Miscellaneous	16,766	17,802	1,036	14,290
Total miscellaneous revenues	<u>28,377</u>	<u>32,665</u>	<u>4,288</u>	<u>24,316</u>
Total revenues	<u>2,134,955</u>	<u>2,128,292</u>	<u>(6,663)</u>	<u>2,136,236</u>
Expenditures:				
Current:				
General Government:				
Governing Body:				
Fees paid to elected officials	760	478	282	604
Operating expenses	114,954	57,138	57,816	41,906
Capital outlay	200,000	206,200	(6,200)	-
Total governing body	<u>315,714</u>	<u>263,816</u>	<u>51,898</u>	<u>42,510</u>
Administration:				
Salaries and benefits	169,590	169,862	(272)	171,219
Operating expenses	113,642	105,664	7,978	162,540
Total administration	<u>283,232</u>	<u>275,526</u>	<u>7,706</u>	<u>333,759</u>
Total general government	<u>598,946</u>	<u>539,342</u>	<u>59,604</u>	<u>376,269</u>
Public Safety:				
Police:				
Salaries and benefits	497,223	492,808	4,415	464,724
Operating expenses	71,543	71,686	(143)	71,948
Capital outlay	46,751	71,142	(24,391)	13,638
Total police	<u>615,517</u>	<u>635,636</u>	<u>(20,119)</u>	<u>550,310</u>
Planning and Inspections:				
Salaries and benefits	117,150	116,703	447	115,039
Operating expenses	4,500	4,135	365	4,368
Total planning and inspections	<u>121,650</u>	<u>120,838</u>	<u>812</u>	<u>119,407</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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
Emergency Management:				
Capital outlay	-	-	-	755
Total emergency management	-	-	-	755
Total public safety	737,167	756,474	(19,307)	670,472
Public Works and Streets:				
Public Works:				
Salaries and benefits	124,833	123,672	1,161	134,905
Operating expenses	36,245	24,868	11,377	22,166
Capital outlay	12,000	11,970	30	29,415
Total public works	173,078	160,510	12,568	186,486
Fleet Maintenance:				
Salaries and benefits	24,395	24,320	75	23,663
Operating expenses	99,392	82,298	17,094	74,705
Capital outlay	-	5,496	(5,496)	210
Total fleet maintenance	123,787	112,114	11,673	98,578
Powell Bill Funds:				
Salaries and benefits	56,041	56,062	(21)	36,883
Operating expenses	32,414	28,719	3,695	15,370
Capital outlay	31,000	24,700	6,300	28,671
Total Powell Bill funds	119,455	109,481	9,974	80,924
Non-Powell Bill Funds:				
Operating expenses	65,100	62,190	2,910	62,515
Total non-Powell Bill funds	65,100	62,190	2,910	62,515
Highways and Streets	481,420	444,295	37,125	428,503
Sanitation:				
Operating expenses	228,080	225,831	2,249	228,274
Total sanitation	228,080	225,831	2,249	228,274

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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
Cultural and Recreation:				
Cultural:				
Library operations	73,000	73,000	-	73,000
Total cultural	73,000	73,000	-	73,000
Recreation:				
Special projects	5,449	5,137	312	4,562
Operating expenses	9,583	9,407	176	4,546
Total recreation	15,032	14,544	488	9,108
Total cultural and recreation	88,032	87,544	488	82,108
Debt Service:				
Principal	39,745	39,745	-	31,766
Interest	5,197	3,763	-	4,457
Total debt service	44,942	43,508	1,434	36,223
Total expenditures	2,178,587	2,096,994	81,593	1,821,849
Revenue over (under) expenditures	(43,632)	31,298	74,930	314,387
Other Financing Sources (Uses):				
Long-term debt issued	225,000	225,000	-	65,000
Transfers out	(181,368)	(181,368)	-	(187,700)
Total other financing sources (uses)	43,632	43,632	-	(122,700)
Net change in fund balance	\$ -	74,930	\$ 74,930	191,687
Fund Balance:				
Beginning of year, July 1		691,833		500,146
End of year, June 30		\$ 766,763		\$ 691,833

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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012		Variance Over/Under	2011
	Budget	Actual		Actual
Revenues:				
Ad valorem taxes	\$ 288,281	\$ 303,415	\$ 15,134	\$ 311,010
Local option sales tax	55,000	63,211	8,211	55,516
Ambulance transport fees	240,000	248,859	8,859	261,383
Grant revenues	17,506	17,506	-	282,862
Investment earnings	125	-	(125)	-
Miscellaneous income	8,213	10,467	2,254	11,656
Total revenues	<u>609,125</u>	<u>643,458</u>	<u>34,333</u>	<u>922,427</u>
Expenditures:				
Public Safety:				
Salaries and benefits	493,087	500,361	(7,274)	529,994
Operating expenses	290,791	246,730	44,061	242,524
Capital outlay	25,891	25,106	785	354,142
Total public safety	<u>809,769</u>	<u>772,197</u>	<u>37,572</u>	<u>1,126,660</u>
Debt Service:				
Principal	16,136	16,136	-	9,095
Interest	1,152	1,152	-	683
Total debt service	<u>17,288</u>	<u>17,288</u>	<u>-</u>	<u>9,778</u>
Total expenditures	<u>827,057</u>	<u>789,485</u>	<u>37,572</u>	<u>1,136,438</u>
Revenues over (under) expenditures	<u>(217,932)</u>	<u>(146,027)</u>	<u>71,905</u>	<u>(214,011)</u>
Other Financing Sources (Uses):				
Transfer from General Fund	181,368	181,368	-	187,700
Long-term debt issued	-	-	-	28,000
Appropriated fund balance	36,564	-	(36,564)	-
Total other financing sources (uses)	<u>217,932</u>	<u>181,368</u>	<u>(36,564)</u>	<u>215,700</u>
Net change in fund balance	<u>\$ -</u>	<u>35,341</u>	<u>\$ 35,341</u>	<u>1,689</u>
Fund Balance:				
Beginning of year - July 1		<u>362,084</u>		<u>360,395</u>
End of year - June 30		<u>\$ 397,425</u>		<u>\$ 362,084</u>

TOWN OF NEWPORT, NORTH CAROLINA

RECREATION FUND - NONMAJOR SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2012

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Fees	\$ -	\$ -	\$ -	\$ 7,366
Total revenues	-	-	-	7,366
Net change in fund balance	\$ -	-	\$ -	7,366
Fund Balance:				
Beginning of year - July 1		7,366		-
End of year - June 30		\$ 7,366		\$ 7,366

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, 2012

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	<u>2012</u>			<u>2011</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Operating Revenues:				
Charges for sales and services:				
Water charges	\$ 1,457,477	\$ 1,571,648	\$ 114,171	\$ 1,446,949
Miscellaneous	2,500	4,324	1,824	2,517
Total operating revenues	<u>1,459,977</u>	<u>1,575,972</u>	<u>115,995</u>	<u>1,449,466</u>
Non-Operating Revenues:				
Impact fees	177,000	297,114	120,114	636,501
Interest income	300	86	(214)	70
Total non-operating revenues	<u>177,300</u>	<u>297,200</u>	<u>119,900</u>	<u>636,571</u>
Total revenues	<u>1,637,277</u>	<u>1,873,172</u>	<u>235,895</u>	<u>2,086,037</u>
Operating Expenditures:				
Salaries and employee benefits	-	484,950	-	477,534
Supplies, maintenance, and administration	-	525,629	-	512,477
Maintenance and repairs	-	113,964	-	134,063
Capital outlay	-	117,836	-	74,983
Total operating expenditures	<u>1,329,723</u>	<u>1,242,379</u>	<u>87,344</u>	<u>1,199,057</u>
Debt Service:				
Principal repayment	-	203,723	-	200,288
Interest	-	155,948	-	167,372
Total debt service	<u>364,830</u>	<u>359,671</u>	<u>5,159</u>	<u>367,660</u>
Total expenditures	<u>1,694,553</u>	<u>1,602,050</u>	<u>92,503</u>	<u>1,566,717</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, 2012

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	<u>2012</u>			<u>2011</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues over (under) expenditures	<u>(57,276)</u>	<u>271,122</u>	<u>328,398</u>	<u>519,320</u>
Other Financing Sources (Uses):				
Transfer from Water and Sewer Capital Project Fund	57,276	-	(57,276)	(69)
Transfer to Water and Sewer Capital Project Fund	<u>-</u>	<u>(311)</u>	<u>(311)</u>	<u>-</u>
Total other financing sources (uses)	<u>57,276</u>	<u>(311)</u>	<u>(57,587)</u>	<u>(69)</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>270,811</u>	<u>\$ 270,811</u>	<u>\$ 519,251</u>

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

Depreciation	(324,773)
Transfers to Water and Sewer Capital Project Fund	311
Investment earnings - capital project	81
Principal payment	203,723
Change in accrued vacation	2,995
Capital outlay, capitalized	<u>19,044</u>
Change in net assets	<u>\$ 172,192</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, 2012**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Restricted intergovernmental revenues	\$ 250,000	\$ 118,860	\$ -	\$ 118,860
Investment earnings	-	1,126	81	1,207
Total revenues	<u>250,000</u>	<u>119,986</u>	<u>81</u>	<u>120,067</u>
Expenditures:				
Sewer rehabilitation	-	168,846	-	168,846
Capital outlay - sewer plant improvements	-	21,872	-	21,872
Engineering and administrative fees	-	783,263	166,677	949,940
Re-use water	-	371,054	-	371,054
USDA principal payment	-	-	309,815	309,815
Total expenditures	<u>2,300,000</u>	<u>1,345,035</u>	<u>476,492</u>	<u>1,821,527</u>
Revenues over (under) expenditures	<u>(2,050,000)</u>	<u>(1,225,049)</u>	<u>(476,411)</u>	<u>(1,701,460)</u>
Other Financing Sources (uses):				
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>69</u>	<u>311</u>	<u>380</u>
Total other financing sources (uses)	<u>2,050,000</u>	<u>1,701,149</u>	<u>311</u>	<u>1,701,460</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 476,100</u>	<u>\$ (476,100)</u>	<u>\$ -</u>

TOWN OF NEWPORT, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2012

Fiscal Year	Uncollected Balance July 1, 2011	Additions	Collections and Credits	Uncollected Balance June 30, 2012
2011-2012	\$ -	\$ 1,038,038	\$ 996,739	\$ 41,299
2010-2011	30,231	-	20,807	9,424
2009-2010	9,175	-	6,530	2,645
2008-2009	1,554	-	200	1,354
2007-2008	885	-	(1,549)	2,434
2006-2007	2,874	-	1,474	1,400
2005-2006	2,905	-	2,751	154
2004-2005	133	-	(6)	139
2003-2004	173	-	(45)	218
2002-2003	391	-	391	-
Total	<u>\$ 48,321</u>	<u>\$ 1,038,038</u>	<u>\$ 1,027,292</u>	59,067
Less allowance for uncollectible ad valorem taxes receivable				<u>(13,000)</u>
Ad Valorem Taxes Receivable, Net				<u>\$ 46,067</u>
Reconciliation with Revenues:				
Taxes, ad valorem - General Fund			\$ 1,021,427	
Penalties and interest			(1,756)	
Adjustments for prior year motor vehicle levy			3,659	
Miscellaneous adjustments			<u>3,962</u>	
Total collections and credits			<u>\$ 1,027,292</u>	

TOWN OF NEWPORT, NORTH CAROLINA

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

	Town-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 308,826,891	\$ 0.357	\$ 1,102,512	\$ 1,102,512	\$ -
Utility levy	3,725,770	0.357	13,301	13,301	-
Motor vehicle levy	24,849,580	0.357	88,713	-	88,713
Discoveries	61,345	0.357	219	-	219
Abatements	(1,414,006)	0.357	(5,048)	(97)	(4,951)
Exemptions	<u>(45,282,633)</u>	0.357	<u>(161,659)</u>	<u>(161,659)</u>	<u>-</u>
Total property valuation	<u>\$ 290,766,947</u>				
Net Levy			1,038,038	954,057	83,981
Uncollected taxes at June 30, 2012			<u>41,299</u>	<u>25,035</u>	<u>16,264</u>
Current Year's Taxes Collected			<u>\$ 996,739</u>	<u>\$ 929,022</u>	<u>\$ 67,717</u>
Current Levy Collection Percentage			<u>96.02%</u>	<u>97.38%</u>	<u>80.63%</u>
Prior Year Levy Collection Percentage			<u>96.96%</u>	<u>98.17%</u>	<u>81.57%</u>