

**TOWN OF NEWPORT  
NORTH CAROLINA**

**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2013**

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

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



**MAYOR**

Derryl Garner

**MAYOR PRO-TEM**

Ken Davis

**TOWN COUNCIL MEMBERS**

Steve Blizzard

Chuck Shinn

David Heath

Bena Weires

**TOWN MANAGER**

Dick Casey

**FINANCE OFFICER**

Tim White

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# TOWN OF NEWPORT, NORTH CAROLINA

## ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2013

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# TOWN OF NEWPORT, NORTH CAROLINA

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

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

## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Newport, North Carolina's basic financial statements. The combining and individual fund financial statements, budget and actual schedules, 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 combining and individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2013 on our consideration of the Town of Newport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Newport's internal control over financial reporting and compliance.

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

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
August 20, 2013

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## **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, 2013, 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**

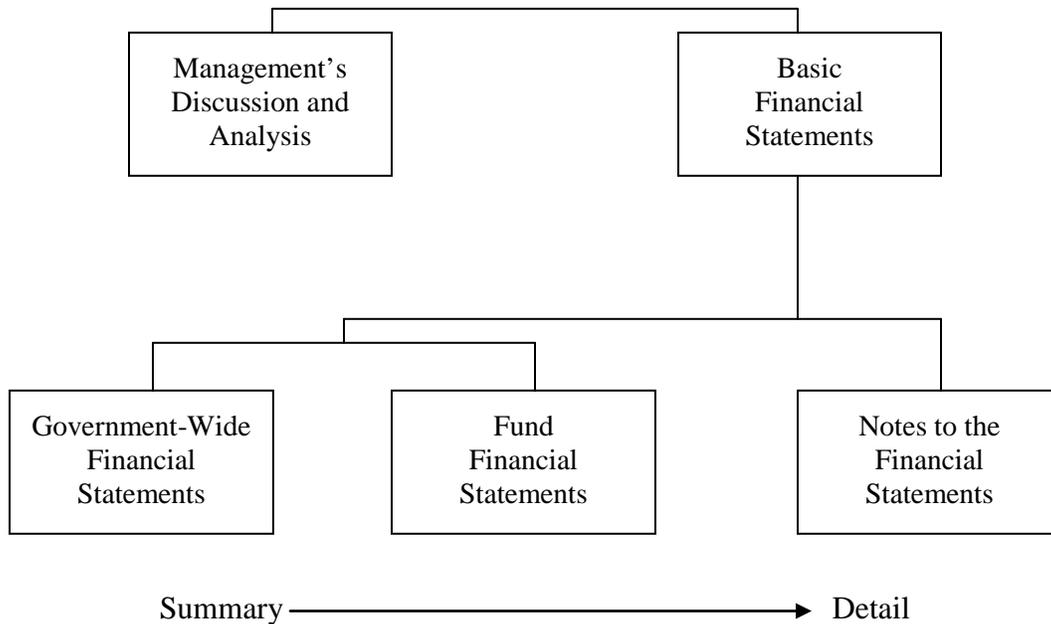
- The Town of Newport's assets exceeded its liabilities at the close of the fiscal year by \$5,899,763 (net position).
- The Town's total net position increased by \$169,340 with approximately 39 percent of the increase coming from governmental activities.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,287,080 with a net change of \$115,526 in fund balance. Approximately 67 percent of this total amount, or \$863,717, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$415,997, or 19 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 Position* presents information on all of the Town of Newport's assets and liabilities and deferred inflows, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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, the Recreation Fund, and 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 D-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 position may serve over time as a useful indicator of a government's financial condition. The Town's assets exceeded liabilities and deferred inflows by \$5,899,763 at the close of the most recent fiscal year. The Town's net position increased by \$169,340 for the fiscal year ended June 30, 2013.

A portion of the Town's net position (50 percent) reflects its net 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 position (15 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$2,068,148) may be used to meet the government's ongoing obligation to citizens and creditors.

## Town of Newport's Net Position

**Figure 2**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Assets:</b>						
Current and other assets	\$ 1,410,861	\$ 1,313,529	\$ 1,730,826	\$ 1,588,786	\$ 3,141,687	\$ 2,902,315
Capital assets	<u>1,401,957</u>	<u>1,458,953</u>	<u>5,181,971</u>	<u>5,418,369</u>	<u>6,583,928</u>	<u>6,877,322</u>
Total assets	<u>2,812,818</u>	<u>2,772,482</u>	<u>6,912,797</u>	<u>7,007,155</u>	<u>9,725,615</u>	<u>9,779,637</u>
<b>Liabilities:</b>						
Long-term liabilities outstanding	407,244	413,124	3,279,947	3,486,861	3,687,191	3,899,985
Other liabilities	<u>29,744</u>	<u>48,868</u>	<u>108,917</u>	<u>100,371</u>	<u>138,661</u>	<u>149,239</u>
Total liabilities	<u>436,988</u>	<u>461,992</u>	<u>3,388,864</u>	<u>3,587,232</u>	<u>3,825,852</u>	<u>4,049,224</u>
<b>Net Position:</b>						
Net investment in capital assets	1,048,093	1,109,999	1,919,805	1,949,002	2,967,898	3,059,001
Restricted	863,717	813,182	-	-	863,717	813,182
Unrestricted	<u>464,020</u>	<u>387,319</u>	<u>1,604,128</u>	<u>1,470,921</u>	<u>2,068,148</u>	<u>1,858,240</u>
Total net position	<u>\$ 2,375,830</u>	<u>\$ 2,310,500</u>	<u>\$ 3,523,933</u>	<u>\$ 3,419,923</u>	<u>\$ 5,899,763</u>	<u>\$ 5,730,423</u>

## Town of Newport's Changes in Net Position

**Figure 3**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 590,163	\$ 623,013	\$ 1,636,778	\$ 1,873,086	\$ 2,226,941	\$ 2,496,099
Operating grants and contributions	153,297	57,285	-	-	153,297	57,285
Capital grants and contributions	115,371	111,325	-	-	115,371	111,325
General revenues:						
Property taxes	1,371,510	1,335,589	-	-	1,371,510	1,335,589
Other taxes	688,762	655,144	-	-	688,762	655,144
Other	107	140	275	167	382	307
Total revenues	<u>2,919,210</u>	<u>2,782,496</u>	<u>1,637,053</u>	<u>1,873,253</u>	<u>4,556,263</u>	<u>4,655,749</u>
<b>Expenses:</b>						
General government	469,507	367,683	-	-	469,507	367,683
Public safety	1,577,007	1,514,309	-	-	1,577,007	1,514,309
Public works and streets	456,416	478,934	-	-	456,416	478,934
Sanitation	228,115	214,371	-	-	228,115	214,371
Culture and recreation	114,720	114,326	-	-	114,720	114,326
Interest on long-term debt	8,115	4,915	-	-	8,115	4,915
Water and sewer	-	-	1,589,043	1,701,061	1,589,043	1,701,061
Total expenses	<u>2,853,880</u>	<u>2,694,538</u>	<u>1,589,043</u>	<u>1,701,061</u>	<u>4,442,923</u>	<u>4,395,599</u>
Increase in net position	65,330	87,958	104,010	172,192	169,340	260,150
<b>Net Position:</b>						
Beginning of year, July 1	<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>
End of year, June 30	<u>\$ 2,375,830</u>	<u>\$ 2,310,500</u>	<u>\$ 3,523,933</u>	<u>\$ 3,419,923</u>	<u>\$ 5,899,763</u>	<u>\$ 5,730,423</u>

**Governmental Activities.** Governmental activities increased the Town's net position by \$65,330. Key elements of this increase are as follows:

- Increase in charges for other taxes of \$33,618 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 position by \$104,010. Key elements of this increase are as follows:

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

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

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

**Governmental Funds.** The focus of the Town of Newport's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Newport's financing requirements.

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 \$655,737, and total fund balance was \$852,964. The Town currently has available fund balance of 29.99% of General Fund expenditures and transfers to other funds, less long-term debt issued, while total fund balance represents 39.01% of the same amount.

At June 30, 2013, the governmental funds of the Town of Newport reported a combined fund balance of \$1,287,080, with a net increase in fund balance of \$115,526, which is a 9.86% increase from last year. Included in this change in fund balance is an increase in the General Fund of \$86,201 and an increase in the Fire and Rescue District Special Revenue Fund of \$29,325.

**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 position of the Water and Sewer Fund at the end of the fiscal year amounted to \$1,604,128. The change in net position was \$104,010. 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, 2013 totals \$6,583,928 (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 vehicles and defibrillators.

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

**Figure 4**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Land	\$ 352,637	\$ 352,637	\$ 282,764	\$ 226,764	\$ 635,401	\$ 579,401
Infrastructure	26,249	28,532	-	-	26,249	28,532
Equipment and fixtures	229,392	198,996	238,407	283,934	467,799	482,930
Vehicles	349,377	410,041	143,245	185,923	492,622	595,964
Building and improvements	444,302	468,747	-	-	444,302	468,747
Plant and distribution systems	-	-	4,517,555	4,721,748	4,517,555	4,721,748
<b>Total</b>	<b>\$ 1,401,957</b>	<b>\$ 1,458,953</b>	<b>\$ 5,181,971</b>	<b>\$ 5,418,369</b>	<b>\$ 6,583,928</b>	<b>\$ 6,877,322</b>

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, 2013, the Town of Newport had total bonded debt outstanding of \$2,170,685. Of this, \$2,170,685 is debt backed by the full faith and credit of the Town.

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

**Figure 5**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
General obligation bonds	\$ -	\$ -	\$ 2,170,685	\$ 2,208,185	\$ 2,170,685	\$ 2,208,185
Compensated absences	53,380	64,170	17,781	17,494	71,161	81,664
Notes payable	353,864	348,954	1,091,481	1,261,182	1,445,345	1,610,136
<b>Total</b>	<b>\$ 407,244</b>	<b>\$ 413,124</b>	<b>\$ 3,279,947</b>	<b>\$ 3,486,861</b>	<b>\$ 3,687,191</b>	<b>\$ 3,899,985</b>

**Town of Newport's Outstanding Debt**

The Town of Newport's total debt decreased by \$212,794 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 \$19,992,000.

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, 2014**

**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 POSITION  
JUNE 30, 2013

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 879,857	\$ 1,376,732	\$ 2,256,589
Intergovernmental receivable	182,295	-	182,295
Property taxes receivable	46,987	-	46,987
Accounts receivable	61,982	267,884	329,866
Restricted cash and cash equivalents	239,740	86,210	325,950
Total current assets	<u>1,410,861</u>	<u>1,730,826</u>	<u>3,141,687</u>
Non-current assets:			
Capital assets:			
Capital assets, non-depreciable	352,637	282,764	635,401
Capital assets, net	<u>1,049,320</u>	<u>4,899,207</u>	<u>5,948,527</u>
Total capital assets	<u>1,401,957</u>	<u>5,181,971</u>	<u>6,583,928</u>
Total assets	<u>2,812,818</u>	<u>6,912,797</u>	<u>9,725,615</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued liabilities	29,744	22,707	52,451
Customer deposits	-	86,210	86,210
Long-term debt due within one year	<u>153,425</u>	<u>223,225</u>	<u>376,650</u>
Total current liabilities	<u>183,169</u>	<u>332,142</u>	<u>515,311</u>
Long-term liabilities:			
Long-term debt due in more than one year	<u>253,819</u>	<u>3,056,722</u>	<u>3,310,541</u>
Total liabilities	<u>436,988</u>	<u>3,388,864</u>	<u>3,825,852</u>
<b>Net Position:</b>			
Net investment in capital assets	1,048,093	1,919,805	2,967,898
Restricted for stabilization by State statute	197,227	-	197,227
Restricted for streets	239,740	-	239,740
Restricted for public safety	426,750	-	426,750
Unrestricted	<u>464,020</u>	<u>1,604,128</u>	<u>2,068,148</u>
Total net position	<u>\$ 2,375,830</u>	<u>\$ 3,523,933</u>	<u>\$ 5,899,763</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, 2013**

	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Functions/Programs</b>				
<b>Primary Government :</b>				
<b>Governmental Activities:</b>				
General government	\$ 469,507	\$ 64,838	\$ -	\$ -
Public safety	1,577,007	262,589	153,217	-
Public works and streets	456,416	-	-	115,371
Sanitation	228,115	262,736	-	-
Cultural and recreation	114,720	-	80	-
Interest on long-term debt	8,115	-	-	-
Total governmental activities	<u>2,853,880</u>	<u>590,163</u>	<u>153,297</u>	<u>115,371</u>
<b>Business-Type Activities:</b>				
Water and sewer	<u>1,589,043</u>	<u>1,636,778</u>	<u>-</u>	<u>56,000</u>
Total primary government	<u>\$ 4,442,923</u>	<u>\$ 2,226,941</u>	<u>\$ 153,297</u>	<u>\$ 171,371</u>

**General Revenues:**

- Property tax
- Sales tax
- Other taxes
- Investment earnings

Total general revenues

Change in net position

**Net Position:**

Beginning of year, July 1

End of year, June 30

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

**Exhibit B**

<b>Net (Expense) Revenue and Changes in Net Position</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (404,669)	\$ -	\$ (404,669)
(1,161,201)	-	(1,161,201)
(341,045)	-	(341,045)
34,621	-	34,621
(114,640)	-	(114,640)
(8,115)	-	(8,115)
(1,995,049)	-	(1,995,049)
-	103,735	103,735
(1,995,049)	103,735	(1,891,314)
1,371,510	-	1,371,510
345,691	-	345,691
343,071	-	343,071
107	275	382
2,060,379	275	2,060,654
65,330	104,010	169,340
2,310,500	3,419,923	5,730,423
\$ 2,375,830	\$ 3,523,933	\$ 5,899,763

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

## TOWN OF NEWPORT, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2013

	Major Funds			Total Governmental Funds
	General Fund	Fire and Rescue District Fund	Nonmajor Recreation Fund	
<b>Assets:</b>				
Cash and cash equivalents	\$ 436,462	\$ 434,029	\$ 9,366	\$ 879,857
Property taxes receivable	46,987	-	-	46,987
Intergovernmental receivable	182,295	-	-	182,295
Accounts receivable	61,982	-	-	61,982
Restricted cash and cash equivalents	239,740	-	-	239,740
Total assets	<u>\$ 967,466</u>	<u>\$ 434,029</u>	<u>\$ 9,366</u>	<u>\$ 1,410,861</u>
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 20,465	\$ 7,279	\$ 2,000	\$ 29,744
Total liabilities	<u>20,465</u>	<u>7,279</u>	<u>2,000</u>	<u>29,744</u>
<b>Deferred Inflows of Resources:</b>				
Unavailable taxes	46,987	-	-	46,987
Unavailable garbage fees	47,050	-	-	47,050
Total deferred inflows of resources	<u>94,037</u>	<u>-</u>	<u>-</u>	<u>94,037</u>
<b>Fund Balances:</b>				
Restricted:				
Stabilization by State statute	197,227	-	-	197,227
Highways and streets - Powell Bill	239,740	-	-	239,740
Public safety	-	426,750	-	426,750
Assigned:				
Recreation	-	-	7,366	7,366
Unassigned	415,997	-	-	415,997
Total fund balances	<u>852,964</u>	<u>426,750</u>	<u>7,366</u>	<u>1,287,080</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 967,466</u>	<u>\$ 434,029</u>	<u>\$ 9,366</u>	

Amounts reported for governmental activities in the Statement of Net Position (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.	1,401,957
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(407,244)
Deferred inflows 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 position in the Statement of Net Position.	<u>94,037</u>
Net position of governmental activities per Exhibit A	<u>\$ 2,375,830</u>

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, 2013

	Major Funds			Total Governmental Funds
	General Fund	Fire and Rescue District Fund	Nonmajor Recreation Fund	
<b>Revenues:</b>				
Taxes	\$ 1,069,486	\$ 301,105	\$ -	\$ 1,370,591
Unrestricted intergovernmental	621,221	67,541	-	688,762
Restricted intergovernmental	255,456	13,132	-	268,588
Licenses, permits, and fees	45,771	-	-	45,771
Sales and services	261,805	262,589	-	524,394
Investment earnings	107	-	-	107
Miscellaneous	18,789	1,288	-	20,077
Total revenues	<u>2,272,635</u>	<u>645,655</u>	<u>-</u>	<u>2,918,290</u>
<b>Expenditures:</b>				
Current:				
General government	444,183	-	-	444,183
Public safety	763,605	847,746	-	1,611,351
Public works and streets	425,526	-	-	425,526
Sanitation	229,194	-	-	229,194
Cultural and recreation	89,305	-	-	89,305
Debt service:				
Principal	82,697	6,898	-	89,595
Interest	7,504	611	-	8,115
Total expenditures	<u>2,042,014</u>	<u>855,255</u>	<u>-</u>	<u>2,897,269</u>
Revenues over (under) expenditures	<u>230,621</u>	<u>(209,600)</u>	<u>-</u>	<u>21,021</u>
<b>Other Financing Sources (Uses):</b>				
Long-term debt issued	30,000	64,505	-	94,505
Transfers in	-	174,420	-	174,420
Transfers out	(174,420)	-	-	(174,420)
Total other financing sources (uses)	<u>(144,420)</u>	<u>238,925</u>	<u>-</u>	<u>94,505</u>
Net change in fund balances	86,201	29,325	-	115,526
<b>Fund Balances:</b>				
Beginning of year, July 1	<u>766,763</u>	<u>397,425</u>	<u>7,366</u>	<u>1,171,554</u>
End of year, June 30	<u>\$ 852,964</u>	<u>\$ 426,750</u>	<u>\$ 7,366</u>	<u>\$ 1,287,080</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, 2013**

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) \$ 115,526

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 920

Expenses related to compensated absences that do not require current financial resources are not reported as expenditures in the governmental funds statement. 10,790

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. 95,676

Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement. (152,672)

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. 89,595

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. (94,505)

Total changes in net position of governmental activities per Exhibit B \$ 65,330

*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, 2013**

	<b>General Fund</b>			<b>Variance with Final Budget Over/Under</b>
	<b>Budgeted Amounts</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Ad valorem taxes	\$ 1,054,264	\$ 1,054,264	\$ 1,069,486	\$ 15,222
Unrestricted intergovernmental	589,500	589,500	621,221	31,721
Restricted intergovernmental	124,000	259,956	255,456	(4,500)
Licenses, permits, and fees	78,000	78,000	45,771	(32,229)
Sales and services	270,100	270,100	261,805	(8,295)
Investment earnings	100	100	107	7
Miscellaneous	11,600	12,098	18,789	6,691
Total revenues	<u>2,127,564</u>	<u>2,264,018</u>	<u>2,272,635</u>	<u>8,617</u>
<b>Expenditures:</b>				
Current:				
General government	354,676	482,676	444,183	38,493
Public safety	772,783	777,616	763,605	14,011
Highways and streets	446,512	449,883	425,526	24,357
Sanitation	233,500	229,400	229,194	206
Cultural and recreation	90,240	89,790	89,305	485
Debt service:				
Principal	82,697	82,697	82,697	-
Interest	2,736	7,536	7,504	32
Total expenditures	<u>1,983,144</u>	<u>2,119,598</u>	<u>2,042,014</u>	<u>77,584</u>
Revenues over (under) expenditures	<u>144,420</u>	<u>144,420</u>	<u>230,621</u>	<u>86,201</u>
<b>Other Financing Sources (Uses):</b>				
Long-term debt issued	30,000	30,000	30,000	-
Transfers in	-	-	-	-
Transfers out	(174,420)	(174,420)	(174,420)	-
Total other financing sources (uses)	<u>(144,420)</u>	<u>(144,420)</u>	<u>(144,420)</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	86,201	<u>\$ 86,201</u>
<b>Fund Balances:</b>				
Beginning of year, July 1			<u>766,763</u>	
End of year, June 30			<u>\$ 852,964</u>	

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

**Exhibit F**

<b>Fire and Rescue District Special Revenue Fund</b>				
<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Over/Under</b>	
<b>Original</b>	<b>Final</b>			
\$ 301,105	\$ 301,105	\$ 301,105	\$ -	
75,000	75,000	67,541	(7,459)	
-	13,132	13,132	-	
-	-	-	-	
250,410	250,410	262,589	12,179	
-	-	-	-	
550	1,268	1,288	20	
<u>627,065</u>	<u>640,915</u>	<u>645,655</u>	<u>4,740</u>	
-	-	-	-	
793,973	872,329	847,746	24,583	
-	-	-	-	
-	-	-	-	
-	-	-	-	
6,901	6,900	6,898	2	
611	612	611	1	
<u>801,485</u>	<u>879,841</u>	<u>855,255</u>	<u>24,586</u>	
<u>(174,420)</u>	<u>(238,926)</u>	<u>(209,600)</u>	<u>29,326</u>	
-	64,506	64,505	(1)	
174,420	174,420	174,420	-	
-	-	-	-	
<u>174,420</u>	<u>238,926</u>	<u>238,925</u>	<u>(1)</u>	
<u>\$ -</u>	<u>\$ -</u>	29,325	<u>\$ 29,325</u>	
		<u>397,425</u>		
		<u>\$ 426,750</u>		

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

## TOWN OF NEWPORT, NORTH CAROLINA

STATEMENT OF FUND NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2013

	<u>Water and Sewer Fund</u>
<b>Assets:</b>	
Current assets:	
Cash and cash equivalents	\$ 1,376,732
Accounts receivable, net	267,884
Cash and cash equivalents, restricted	86,210
Total current assets	<u>1,730,826</u>
Non-current assets:	
Land	282,764
Capital assets, net	4,899,207
Total non-current assets	<u>5,181,971</u>
Total assets	<u>6,912,797</u>
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable and accrued liabilities	22,707
Compensated absences - current portion	13,000
Current portion of long-term debt	210,225
Customer deposits	86,210
Total current liabilities	<u>332,142</u>
Non-current liabilities:	
Compensated absences payable	4,781
Other long-term debt	3,051,941
Total non-current liabilities	<u>3,056,722</u>
Total liabilities	<u>3,388,864</u>
<b>Net Position</b>	
Net investment in capital assets	1,919,805
Unrestricted	<u>1,604,128</u>
Total net position	<u>\$ 3,523,933</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 POSITION - PROPRIETARY FUND FOR THE YEAR ENDED JUNE 30, 2013

	<u>Water and Sewer Fund</u>
<b>Operating Revenues:</b>	
Charges for sales and services	\$ 1,589,363
Impact fees	45,290
Miscellaneous revenue	2,125
Total operating revenues	<u>1,636,778</u>
<b>Operating Expenses:</b>	
Salaries and benefits	477,869
Supplies, maintenance, and administration	649,225
Depreciation	322,635
Total operating expenses	<u>1,449,729</u>
Operating income (loss)	<u>187,049</u>
<b>Non-Operating Revenues (Expenses):</b>	
Interest income	275
Interest expense and fiscal charges	<u>(139,314)</u>
Total non-operating revenues (expenses)	<u>(139,039)</u>
Income (loss) before transfers and capital contributions	48,010
Capital contributions	<u>56,000</u>
Change in net position	104,010
<b>Net Position</b>	
Beginning of year, July 1	<u>3,419,923</u>
End of year, June 30	<u>\$ 3,523,933</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, 2013

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
<b>Cash Flows from Operating Activities:</b>	
Cash received from customers	\$ 1,642,015
Cash paid for goods and services	(642,934)
Cash paid to employees	(477,582)
Net cash provided (used) by operating activities	<u>521,499</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Acquisition and construction of capital assets	(30,237)
Principal paid on long-term debt	(207,201)
Interest paid on long-term debt	(139,314)
Net cash provided (used) for capital and related financing activities	<u>(376,752)</u>
<b>Cash Flows from Investing Activities:</b>	
Interest received from investments	<u>275</u>
Net increase (decrease) in cash and cash equivalents	145,022
<b>Cash and Cash Equivalents:</b>	
Beginning of year, July 1	<u>1,317,920</u>
End of year, June 30	<u>\$ 1,462,942</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating income (loss)	\$ 187,049
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	322,635
Changes in assets and liabilities:	
(Increase) decrease accounts receivable	2,982
Increase (decrease) trade accounts payable and accrued liabilities	6,578
Increase (decrease) customer deposits	<u>2,255</u>
Net cash provided (used) by operating activities	<u>\$ 521,499</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, 2013

### 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 Position and Exhibit B - Statement of Activities) 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 charged to external parties.

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

*Fund Financial Statements:* 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, 2013

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

### **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, 2013. 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 position is segregated into (1) net investment in capital assets, (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 position.

# **TOWN OF NEWPORT, NORTH CAROLINA**

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

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, 2013. 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 2012 through February 2013 apply to the fiscal year ended June 30, 2013. 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 position 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, 2013

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.

# TOWN OF NEWPORT, NORTH CAROLINA

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

### **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 Water and Sewer Fund. Appropriations for funds that adopt annual budgets lapse at the end of the budget year. 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, 2013.

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, Deferred Outflows/Inflows of Resources, 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, 2013

### 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 1<sup>st</sup> (lien date); however, penalties and interest do not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2012. 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 a deferred inflow 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:

	<b>General Fund</b>	<b>Water and Sewer Enterprise Fund</b>
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, 2013

### 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 Position. General governmental infrastructure assets acquired prior to July 1, 2005 were not retroactively reported; therefore, the infrastructure capital assets in the Statement of Net Position 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

### Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of items, which arise only under a modified accrual basis of accounting, that qualify for reporting in this

# **TOWN OF NEWPORT, NORTH CAROLINA**

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

category. Accordingly, the items, unavailable revenue, are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and garbage fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

### **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 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.

### **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 Position. 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 Position/Fund Balances**

Net position in the government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represent constraints on resources that are either 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, 2013**

	<b>General Fund</b>	<b>Fire and Rescue District Fund</b>
<i>Restricted for Stabilization by State Statute</i> – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)]	\$ 197,227	\$ -
<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.	239,740	-
<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	-	426,750
Total restricted fund balances/net assets	\$ 436,967	\$ 426,750

**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.

# TOWN OF NEWPORT, NORTH CAROLINA

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

### 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, 2013 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	\$ 852,964
<b>Less:</b>	
Non-spendable	-
Stabilization by State statute	<u>(197,227)</u>
Available for appropriation	<u>\$ 655,737</u>

# TOWN OF NEWPORT, NORTH CAROLINA

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

### **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.

### **Change in Accounting Principles**

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

## **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

# TOWN OF NEWPORT, NORTH CAROLINA

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

measure the exact amount of collateral pledged for the Town under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all Pooling Method financial institutions and to monitor them for compliance. The Town complies with G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2013, the Town's deposits had a carrying amount of \$2,348,139 and a bank balance of \$2,354,084, of which \$250,000 was covered by federal depository insurance and \$2,104,084 was covered by collateral held under the Pooling Method by the State Treasurer. At June 30, 2013, the Town's petty cash on hand totaled \$450.

### Investments

At June 30, 2013, the Town had \$233,950 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, 2013. The Town has no policy regarding credit risk.

### Intergovernmental Receivables

Intergovernmental receivables presented in the Balance Sheet and the Statement of Net Position consisted of the following at June 30, 2013:

Sales tax	\$	66,000
Utility franchise tax		55,000
Grant receivable		7,246
Sales tax refund		54,049
Total	\$	<u>182,295</u>

# TOWN OF NEWPORT, NORTH CAROLINA

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

### Capital Assets

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

	<b>Balance June 30, 2012</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2013</b>
<b>By Type:</b>				
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 352,637	\$ -	\$ -	\$ 352,637
<b>Depreciable Capital Assets:</b>				
Buildings and improvements	977,831	-	-	977,831
Infrastructure	34,238	-	-	34,238
Computer equipment	58,544	-	-	58,544
Equipment	538,926	62,943	-	601,869
Furniture and fixtures	37,249	-	-	37,249
Vehicles	1,474,657	32,733	-	1,507,390
Total depreciable capital assets	3,121,445	95,676	-	3,217,121
<b>Less Accumulated Depreciation:</b>				
Buildings and improvements	509,084	24,445	-	533,529
Infrastructure	5,706	2,283	-	7,989
Computer equipment	49,491	4,084	-	53,575
Equipment	348,983	28,463	-	377,446
Furniture and fixtures	37,249	-	-	37,249
Vehicles	1,064,616	93,397	-	1,158,013
Total accumulated depreciation	2,015,129	\$ 152,672	\$ -	2,167,801
Depreciable capital assets, net	1,106,316			1,049,320
Capital assets, net	\$ 1,458,953			\$ 1,401,957

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

#### Governmental Activities:

General government	\$ 27,482
Public safety	65,648
Highways and streets	33,588
Cultural and recreational	25,954
Total	\$ 152,672

# TOWN OF NEWPORT, NORTH CAROLINA

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

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

	<b>Balance June 30, 2012</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2013</b>
<b>Water and Sewer Fund:</b>				
<b>Non-Depreciable Capital Assets:</b>				
Land and improvements	\$ 226,764	\$ 56,000	\$ -	\$ 282,764
Construction in progress	-	-	-	-
Total non-depreciable capital assets	226,764	56,000	-	282,764
<b>Depreciable Capital Assets:</b>				
Equipment	603,287	17,831	-	621,118
Plant and distribution system	9,537,290	-	-	9,537,290
Vehicles	380,857	12,406	-	393,263
Total depreciable capital assets	10,521,434	30,237	-	10,551,671
<b>Less Accumulated Depreciation:</b>				
Equipment	319,353	63,358	-	382,711
Plant and distribution system	4,815,542	204,193	-	5,019,735
Vehicles	194,934	55,084	-	250,018
Total accumulated depreciation	5,329,829	\$ 322,635	\$ -	5,652,464
Depreciable capital assets, net	5,191,605			4,899,207
Capital assets, net	\$ 5,418,369			\$ 5,181,971

# TOWN OF NEWPORT, NORTH CAROLINA

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

### Net Investment in Capital Assets

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

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Capital assets, net of depreciation	\$ 1,401,957	\$ 5,181,971
Long-term debt	(353,864)	(3,262,166)
Net investment in capital assets	\$ 1,048,093	\$ 1,919,805

### B. Liabilities

#### Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2013 were as follows:

<u>Type of Payable</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Trade payables	\$ 10,948	\$ 15,718	\$ 26,666
Accrued salaries and fringes	18,796	6,989	25,785
Total	\$ 29,744	\$ 22,707	\$ 52,451

#### 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, 2013

**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 6.74% and 6.81%, 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, 2011, 2012, and 2013 were \$180,225, \$176,721, and \$171,743, 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, 2013

**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, 2013 were \$25,430, which consisted of \$17,830 from the Town and \$7,600 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, 2013 were \$55,463, which consisted of \$39,895 from the Town and \$15,568 from the non-law enforcement employees.

### **Deferred Inflows**

The balance in deferred inflows on the fund statements at year-end are composed of the following elements:

	<u>Unavailable Revenues</u>
<b>General Fund:</b>	
Property taxes receivable	\$ 46,987
Garbage fees receivable	<u>47,050</u>
Total	<u>\$ 94,037</u>

# TOWN OF NEWPORT, NORTH CAROLINA

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

### 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	\$ 46,667
\$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	29,820
\$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	7,247
\$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	4,939
\$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	151,721
\$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	18,965
\$30,000 note issued February 2013, interest at 2.08%, payable in annual installments of \$7,894, including interest, with a final payment due in fiscal year 2017; secured by equipment	30,000
\$64,505 note issued February 2013, interest at 2.08%, payable in annual installments of \$7,894, including interest, with a final payment due in fiscal year 2017; secured by equipment	<u>64,505</u>
Total installment notes payable - governmental activities	<u>\$ 353,864</u>

**TOWN OF NEWPORT, NORTH CAROLINA**

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

The future minimum payments of the governmental activities long-term notes payable as of June 30, 2013 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 111,425	\$ 10,460	\$ 121,885
2015	101,382	7,159	108,541
2016	88,020	4,359	92,379
2017	30,241	1,951	32,192
2018	<u>22,796</u>	<u>898</u>	<u>23,694</u>
Total	<u>\$ 353,864</u>	<u>\$ 24,827</u>	<u>\$ 378,691</u>

**Long-Term Debt**

**Enterprise Fund**

**Installment Notes Payable**

\$250,000 note issued November 2009, interest at 3.05%, payable in annual installments of \$54,667, including interest through 2015; secured by vehicle	\$ 104,527
\$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	900,000
\$137,678 note issued May 2003, interest at 5.75%, payable in annual principal installments of \$7,246, including interest through 2025; secured by system assets	<u>86,954</u>
Total Enterprise Fund notes payable	<u>\$ 1,091,481</u>

# TOWN OF NEWPORT, NORTH CAROLINA

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

### 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 \$ 858,500

\$1,700,000 - 2008 USDA Water and Sewer bond issued October 2007; interest at 4.5%; due in annual installments (\$95,590 - \$46,528.77), including interest; final payment due June 2047 1,312,185

Total Enterprise Fund general obligation bonds \$ 2,170,685

Maturities of long-term debt in the five years subsequent to June 30, 2013 are as follows:

Year Ending June 30	Installment Notes Payable			Bonds Payable		
	Principal	Interest	Total	Principal	Interest	Total
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	119,746	15,033	134,779	46,000	109,999	155,999
2019-2023	373,731	27,966	401,697	267,000	514,163	781,163
2024-2028	14,493	1,250	15,743	332,500	443,861	776,361
2029-2033	-	-	-	419,000	355,575	774,575
2034-2038	-	-	-	490,000	247,095	737,095
2039-2043	-	-	-	420,815	125,460	546,275
2044-2048	-	-	-	28,370	32,400	60,770
Total	<u>\$ 1,091,481</u>	<u>\$ 142,605</u>	<u>\$ 1,234,086</u>	<u>\$ 2,170,685</u>	<u>\$ 2,289,113</u>	<u>\$ 4,459,798</u>

# TOWN OF NEWPORT, NORTH CAROLINA

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

### 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, 2013:

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Current</u> <u>Portion</u>
<b>By Type of Debt:</b>					
Notes payable	\$ 348,954	\$ 94,505	\$ (89,595)	\$ 353,864	\$ 111,425
Accrued vacation pay	64,170	36,379	(47,169)	53,380	42,000
Total	<u>\$ 413,124</u>	<u>\$ 130,884</u>	<u>\$ (136,764)</u>	<u>\$ 407,244</u>	<u>\$ 153,425</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, 2013 amounts to approximately \$19,992,000.

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

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Current</u> <u>Portion</u>
<b>By Type of Debt:</b>					
Bonds payable	\$ 2,208,185	\$ -	\$ (37,500)	\$ 2,170,685	\$ 39,000
Notes payable	1,261,182	-	(169,701)	1,091,481	171,225
Compensated absences	17,494	13,109	(12,822)	17,781	13,000
Total	<u>\$ 3,486,861</u>	<u>\$ 13,109</u>	<u>\$ (220,023)</u>	<u>\$ 3,279,947</u>	<u>\$ 223,225</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, 2013

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 during the year ended June 30, 2013 consisted of the following:

	<u>Amount</u>
From the General Fund to the Fire and Rescue District Fund to fund operations	<u>\$ 174,420</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, 2013  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
<b>Taxes:</b>				
<b>Ad Valorem Taxes:</b>				
Current year property tax	\$ 960,264	\$ 967,301	\$ 7,037	\$ 931,091
Motor vehicle tax - current and delinquent	72,000	86,264	14,264	76,727
Prior years' property tax	22,000	15,921	(6,079)	13,609
Total ad valorem taxes	<u>1,054,264</u>	<u>1,069,486</u>	<u>15,222</u>	<u>1,021,427</u>
<b>Unrestricted Intergovernmental Revenues:</b>				
Franchise tax	230,000	226,451	(3,549)	222,440
Beer and wine tax	19,500	17,111	(2,389)	18,020
Local option sales tax	310,000	345,691	35,691	319,269
Carteret County ABC revenues	30,000	31,968	1,968	32,204
Total unrestricted intergovernmental revenues	<u>589,500</u>	<u>621,221</u>	<u>31,721</u>	<u>591,933</u>
<b>Restricted Intergovernmental Revenues:</b>				
Powell Bill	115,371	115,371	-	111,325
Federal, State, and local grants	144,585	140,085	(4,500)	39,699
Total restricted intergovernmental revenues	<u>259,956</u>	<u>255,456</u>	<u>(4,500)</u>	<u>151,024</u>
<b>Licenses, Permits, and Fees:</b>				
Building permits	45,000	20,465	(24,535)	28,833
Privilege license	23,000	24,296	1,296	22,572
Impact/facility fee charges	10,000	1,010	(8,990)	10,461
Total licenses, permits, and fees	<u>78,000</u>	<u>45,771</u>	<u>(32,229)</u>	<u>61,866</u>
<b>Sales and Services:</b>				
Commission - trash stickers	5,000	2,778	(2,222)	7,627
Contribution from recreation	100	80	(20)	80
Fees for garbage pickup	265,000	258,947	(6,053)	261,530
Total sales and services	<u>270,100</u>	<u>261,805</u>	<u>(8,295)</u>	<u>269,237</u>
<b>Interest:</b>				
Investment earnings	<u>100</u>	<u>107</u>	<u>7</u>	<u>140</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, 2013  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
<b>Miscellaneous Revenues:</b>				
Contributions from private sources	250	250	-	5,033
Court facility fees and refunds	1,500	1,342	(158)	1,263
Insurance proceeds	-	-	-	1,078
Sale of capital assets	4,000	10,055	6,055	7,489
Miscellaneous	6,348	7,142	794	17,802
Total miscellaneous revenues	<u>12,098</u>	<u>18,789</u>	<u>6,691</u>	<u>32,665</u>
Total revenues	<u>2,264,018</u>	<u>2,272,635</u>	<u>8,617</u>	<u>2,128,292</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>General Government:</b>				
<b>Governing Body:</b>				
Fees paid to elected officials	9,150	8,709	441	478
Operating expenses	202,110	167,100	35,010	57,138
Capital outlay	-	-	-	206,200
Total governing body	<u>211,260</u>	<u>175,809</u>	<u>35,451</u>	<u>263,816</u>
<b>Administration:</b>				
Salaries and benefits	172,306	175,151	(2,845)	169,862
Operating expenses	99,110	93,223	5,887	105,664
Total administration	<u>271,416</u>	<u>268,374</u>	<u>3,042</u>	<u>275,526</u>
Total general government	<u>482,676</u>	<u>444,183</u>	<u>38,493</u>	<u>539,342</u>
<b>Public Safety:</b>				
<b>Police:</b>				
Salaries and benefits	505,262	502,131	3,131	492,808
Operating expenses	103,655	96,508	7,147	71,686
Capital outlay	43,200	41,342	1,858	71,142
Total police	<u>652,117</u>	<u>639,981</u>	<u>12,136</u>	<u>635,636</u>
<b>Planning and Inspections:</b>				
Salaries and benefits	117,751	118,239	(488)	116,703
Operating expenses	7,748	5,385	2,363	4,135
Total planning and inspections	<u>125,499</u>	<u>123,624</u>	<u>1,875</u>	<u>120,838</u>
Total public safety	<u>777,616</u>	<u>763,605</u>	<u>14,011</u>	<u>756,474</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, 2013  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
<b>Public Works and Streets:</b>				
<b>Public Works:</b>				
Salaries and benefits	127,141	121,152	5,989	123,672
Operating expenses	32,770	28,124	4,646	24,868
Capital outlay	-	-	-	11,970
Total public works	159,911	149,276	10,635	160,510
<b>Fleet Maintenance:</b>				
Salaries and benefits	24,626	24,705	(79)	24,320
Operating expenses	91,550	83,939	7,611	82,298
Capital outlay	-	-	-	5,496
Total fleet maintenance	116,176	108,644	7,532	112,114
<b>Powell Bill Funds:</b>				
Salaries and benefits	56,750	55,949	801	56,062
Operating expenses	22,175	18,424	3,751	28,719
Capital outlay	32,471	31,065	1,406	24,700
Total Powell Bill funds	111,396	105,438	5,958	109,481
<b>Non-Powell Bill Funds:</b>				
Operating expenses	62,400	62,168	232	62,190
Total non-Powell Bill funds	62,400	62,168	232	62,190
<b>Highways and Streets</b>	449,883	425,526	24,357	444,295
<b>Sanitation:</b>				
Operating expenses	229,400	229,194	206	225,831
Total sanitation	229,400	229,194	206	225,831

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

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
<b>Cultural and Recreation:</b>				
<b>Cultural:</b>				
Library operations	77,240	77,240	-	73,000
Total cultural	77,240	77,240	-	73,000
<b>Recreation:</b>				
Special projects	6,550	6,425	125	5,137
Operating expenses	6,000	5,640	360	9,407
Total recreation	12,550	12,065	485	14,544
Total cultural and recreation	89,790	89,305	485	87,544
<b>Debt Service:</b>				
Principal	82,697	82,697	-	39,745
Interest	7,536	7,504	32	3,763
Total debt service	90,233	90,201	32	43,508
Total expenditures	2,119,598	2,042,014	77,584	2,096,994
Revenue over (under) expenditures	144,420	230,621	86,201	31,298
<b>Other Financing Sources (Uses):</b>				
Long-term debt issued	30,000	30,000	-	225,000
Transfers out	(174,420)	(174,420)	-	(181,368)
Total other financing sources (uses)	(144,420)	(144,420)	-	43,632
Net change in fund balance	\$ -	86,201	\$ 86,201	74,930
<b>Fund Balance:</b>				
Beginning of year, July 1		766,763		691,833
End of year, June 30		\$ 852,964		\$ 766,763

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

	2013		Variance Over/Under	2012
	Budget	Actual		Actual
<b>Revenues:</b>				
Ad valorem taxes	\$ 301,105	\$ 301,105	\$ -	\$ 303,415
Local option sales tax	75,000	67,541	(7,459)	63,211
Ambulance transport fees	250,410	262,589	12,179	248,859
Grant revenues	13,132	13,132	-	17,506
Miscellaneous income	1,268	1,288	20	10,467
Total revenues	<u>640,915</u>	<u>645,655</u>	<u>4,740</u>	<u>643,458</u>
<b>Expenditures:</b>				
<b>Public Safety:</b>				
Salaries and benefits	521,543	523,585	(2,042)	500,361
Operating expenses	278,780	253,208	25,572	246,730
Capital outlay	72,006	70,953	1,053	25,106
Total public safety	<u>872,329</u>	<u>847,746</u>	<u>24,583</u>	<u>772,197</u>
<b>Debt Service:</b>				
Principal	6,900	6,898	2	16,136
Interest	612	611	1	1,152
Total debt service	<u>7,512</u>	<u>7,509</u>	<u>3</u>	<u>17,288</u>
Total expenditures	<u>879,841</u>	<u>855,255</u>	<u>24,586</u>	<u>789,485</u>
Revenues over (under) expenditures	<u>(238,926)</u>	<u>(209,600)</u>	<u>29,326</u>	<u>(146,027)</u>
<b>Other Financing Sources (Uses):</b>				
Transfer from General Fund	174,420	174,420	-	181,368
Long-term debt issued	64,506	64,505	(1)	-
Total other financing sources (uses)	<u>238,926</u>	<u>238,925</u>	<u>(1)</u>	<u>181,368</u>
Net change in fund balance	<u>\$ -</u>	<u>29,325</u>	<u>\$ 29,325</u>	<u>35,341</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>397,425</u>		<u>362,084</u>
End of year - June 30		<u>\$ 426,750</u>		<u>\$ 397,425</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, 2013

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

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Fees	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Net change in fund balance	\$ -	-	\$ -	-
<b>Fund Balance:</b>				
Beginning of year - July 1		7,366		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, 2013

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

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
<b>Operating Revenues:</b>				
Charges for sales and services:				
Water charges	\$ 1,621,035	\$ 1,589,363	\$ (31,672)	\$ 1,571,648
Miscellaneous	3,672	2,125	(1,547)	4,324
Total operating revenues	<u>1,624,707</u>	<u>1,591,488</u>	<u>(33,219)</u>	<u>1,575,972</u>
<b>Non-Operating Revenues:</b>				
Impact fees	169,500	45,290	(124,210)	297,114
Interest income	100	275	175	86
Total non-operating revenues	<u>169,600</u>	<u>45,565</u>	<u>(124,035)</u>	<u>297,200</u>
Total revenues	<u>1,794,307</u>	<u>1,637,053</u>	<u>(157,254)</u>	<u>1,873,172</u>
<b>Operating Expenditures:</b>				
Salaries and employee benefits	-	477,582	-	484,950
Supplies, maintenance, and administration	-	531,434	-	525,629
Maintenance and repairs	-	117,600	-	113,964
Capital outlay	-	30,428	-	117,836
Total operating expenditures	<u>1,429,477</u>	<u>1,157,044</u>	<u>272,433</u>	<u>1,242,379</u>
<b>Debt Service:</b>				
Principal repayment	-	207,201	-	203,723
Interest	-	139,314	-	155,948
Total debt service	<u>364,830</u>	<u>346,515</u>	<u>18,315</u>	<u>359,671</u>
Total expenditures	<u>1,794,307</u>	<u>1,503,559</u>	<u>290,748</u>	<u>1,602,050</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, 2013**

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

	<u>2013</u>			<u>2012</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues over (under) expenditures	-	133,494	133,494	271,122
<b>Other Financing Sources (Uses):</b>				
Transfer to Water and Sewer Capital Project Fund	-	-	-	(311)
Total other financing sources (uses)	-	-	-	(311)
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>133,494</u>	<u>\$ 133,494</u>	<u>\$ 270,811</u>

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

Depreciation	(322,635)
Capital contribution	56,000
Principal payment	207,201
Change in accrued vacation	(287)
Capital outlay, capitalized	<u>30,237</u>
Change in net position	<u>\$ 104,010</u>

## TOWN OF NEWPORT, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
JUNE 30, 2013

Fiscal Year	Uncollected Balance July 1, 2012	Additions	Collections and Credits	Uncollected Balance June 30, 2013
2012-2013	\$ -	\$ 1,053,510	\$ 1,015,943	\$ 37,567
2011-2012	41,299	-	28,371	12,928
2010-2011	9,424	-	4,021	5,403
2009-2010	2,645	-	386	2,259
2008-2009	1,354	-	393	961
2007-2008	2,434	-	2,034	400
2006-2007	1,400	-	1,264	136
2005-2006	154	-	(20)	174
2004-2005	139	-	(20)	159
2003-2004	218	-	218	-
Total	<u>\$ 59,067</u>	<u>\$ 1,053,510</u>	<u>\$ 1,052,590</u>	59,987
Less allowance for uncollectible ad valorem taxes receivable				(13,000)
<b>Ad Valorem Taxes Receivable, Net</b>				<u>\$ 46,987</u>
<b>Reconciliation with Revenues:</b>				
Taxes, ad valorem - General Fund				\$ 1,069,486
Penalties and interest				(5,173)
Miscellaneous adjustments				(11,723)
Total collections and credits				<u>\$ 1,052,590</u>

## TOWN OF NEWPORT, NORTH CAROLINA

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

	Town-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property taxed at current year's rate	\$ 316,847,339	\$ 0.357	\$ 1,131,145	\$ 1,131,145	\$ -
Utility levy	3,682,913	0.357	13,148	13,148	-
Motor vehicle levy	27,320,168	0.357	97,533	-	97,533
Exemptions	<u>(52,749,580)</u>	0.357	<u>(188,316)</u>	<u>(188,316)</u>	<u>-</u>
Total property valuation	<u>\$ 295,100,840</u>				
<b>Net Levy</b>			1,053,510	955,977	97,533
Uncollected taxes at June 30, 2013			<u>37,567</u>	<u>18,982</u>	<u>18,585</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 1,015,943</u>	<u>\$ 936,995</u>	<u>\$ 78,948</u>
<b>Current Levy Collection Percentage</b>			<u>96.43%</u>	<u>98.01%</u>	<u>80.94%</u>
<b>Prior Year Levy Collection Percentage</b>			<u>96.96%</u>	<u>98.17%</u>	<u>81.57%</u>