

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

PREPARED BY
CITY OF NEWTON FINANCE DEPARTMENT



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

P.O. Box 550 · Newton, N.C. 28658 · phone 828.695.4300 · fax 828.465.7405

October 31, 2017

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

The Comprehensive Annual Financial Report (CAFR) of the City of Newton, North Carolina, for the fiscal year ended June 30, 2017 is hereby submitted. North Carolina General Statutes require that every local government publish within four months after the close of each fiscal year a complete set of audited financial statements presented in conformity with generally accepted accounting principles. This report is published to fulfill that requirement for the fiscal year ended June 30, 2017.

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

The City of Newton's financial statements have been audited by Martin Starnes and Associates, CPAs, P.A. The objective of the independent audit was to provide reasonable assurance that the financial statements of the City of Newton for the fiscal year ended June 30, 2017, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the financial statements of the City of Newton for the fiscal year ended June 30, 2017 are presented in conformity with Generally Accepted Accounting Principles (GAAP). The report of the independent auditors is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This Letter of Transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Newton's MD&A is presented immediately following the independent auditors' report.

Profile of the City

The City of Newton, founded in 1843 and incorporated in 1855, is the county seat of Catawba County. It is located in the western part of the Piedmont of the State, approximately 39 miles northwest of Charlotte and 10 miles southeast of Hickory. Evidence of our long and distinguished history abounds throughout the stately streets of the City. The State of North Carolina has erected several historical markers to honor some of the important events, landmarks, and distinguished people in Newton's past. The City currently occupies approximately thirteen square miles and serves a population of 13,027.

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

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

Form of Government

The City of Newton is one of several incorporated municipalities in the County and operates under the Council-Manager form of government. The Mayor is elected at-large for a four-year term. The Council is composed of seven members including the Mayor. The Mayor votes only to break tie votes. The City Council has policy making and legislative authority. Members are elected at large on a staggered basis in a City-wide election. Three members of the City Council are elected every two years, serving four year terms. The City Council is

responsible for the City's annual budget and any amendments thereto, approving economic development plans and incentives, zoning and planning issues, and other matters related to the health and welfare of the City. The City Council also appoints the City Manager and City Attorney. The City Manager works at the pleasure of the City Council and is responsible for implementing Council policies and City ordinances, managing daily operations, and acts on all recommendations of employment for the City.

Quality of Life

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

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

The City of Newton provides a full range of services, including planning and zoning; police and fire protection; solid waste and recycling services; the construction and maintenance of streets, curbs, gutters, sidewalks, and other infrastructure; parks, recreation and cultural activities; and electric, water and sewer services. This report includes all of the City's activities in delivering and administering these services. The City also extends financial support to certain boards, agencies, and commissions to assist in their efforts in serving citizens of the City of Newton. Among these are the Catawba Arts Council, the Catawba County Library, the Newton-Conover Auditorium Authority, The Green Room (Old Post Office Playhouse), the Historical Association of Catawba County, and the Newton Depot Authority. Because City allocations do not constitute a major portion of their revenue, and because the City has no authority to designate their management, none of these organizations have been included in this report.

The City of Newton can point to a variety of elements that contribute to and enhance the desirability and livability of its citizens. Examples of cultural amenities are The Green Room (Old Post Office Playhouse) in downtown which provides a modern venue for the performing arts; the Newton-Conover Auditorium which provides a place for artists to thrive in terms of music, sculpture, painting and the theatrical arts;

and the Catawba County Museum of History located in downtown which provides a significant collection of the County's history from early settlers, to the furniture, textile, and telecommunications industries that have thrived in the area. The City has six parks, two recreation centers, a large pool, one and one-half miles of greenway, two and one-half miles of mountain bike trails and an amphitheatre in terms of recreation facilities.

Soldiers Reunion

The annual Soldiers Reunion celebration is believed to be the longest-running patriotic celebration not based on a holiday. Soldiers Reunion is a week-long event, which includes Cruisin' and Car Show, Gospel Music Night, Beach Music Night, two patriotic services, 5K/one-Mile Fun Run, 30-60-100 Mile Century Bike Ride and of course the ever-popular Soldiers Reunion Parade which typically runs for about one and one-half hours through downtown. This year marked the 128th anniversary of the Soldiers Reunion.

Foothills Folk Art Festival

October 2017 marked the second annual Foothills Fork Art Festival. The festival is held around the 1924 Courthouse Square through a partnership between the Downtown Newton Development Association and Hickory Museum of Art. The festival consists of a variety of local and regional contemporary folk artists of more than 90 artists and more than 4,500 guests.

Newton Downtown Historic District

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

Wi-Fi

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

Heritage Trail Greenway

The Heritage Trail Greenway, approximately one and one-half miles in length, was planned and created for the purpose of exercise, a mode of alternative travel, and connectivity of neighborhoods. The Greenway allows residents to enjoy the sounds and beauty of nature while spending time outdoors with family and friends. A one and one-half mile extension of this popular trail is in the planning process. This projected extension to the south will connect two neighborhoods, Westside/Jaycee Park and Southside Park, directly to the trail, adding access and trailheads to the greenway.

Woodland Loop Trail

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

In July 2014, the Catawba Valley Heritage Alliance completed Phase II of the Bike Park Master Plan, which was the construction of the pump track. This track combines cycling with coordination, fitness, balance and control which is complimentary to the Woodland Loop Trail.

Future phases include the development of a mini PBR (Pumps, Berms and Rollers) flow trail, surfaced return trail and woodland skills loop which include wood features and a rock garden.

Newton Depot

The Newton Depot, constructed in 1924, was relocated to its present site, restored and opened to the public in September 2006. The Depot houses a railroad museum and model railroad club, as well as a banquet room available for public and civic rentals. The Newton Depot is the only railroad museum in the southeast that focuses on narrow gauge and shortline aspects of railroad history.

The Newton Depot's Welcome Center features five operating model train displays. Highlights of the historic Newton Depot include displays and artifacts that contain local railroad history and the Southeastern Narrow Gauge and Shortline Museum, an outdoor museum that houses preserved antique railroad rolling stock.

Electric Vehicle Charging Station

The City of Newton in partnership with Catawba County offers an electric charging station at the Newton Branch of the Catawba County Public Library. The electric charging station should prove to be an incentive to draw people to downtown Newton to shop and dine while they charge their vehicle.

Business and Economic Development

Business Advisory Committee

Newton City Council established a Business Advisory Committee (BAC) in the fall of 2011 to encourage and cultivate commercial economic development in all areas of Newton, including but not limited to the downtown area. The BAC has initiated meetings between developers, property owners, architects, and regulators to facilitate new business development and real estate investment. The BAC has been instrumental in developing an incentive plan for new and expanding small businesses, initiating a study of the City's branding and marketing efforts, and developing a database of existing business to be used for retail leakage (supply/demand) studies and for recruiting new businesses.

Downtown Newton Development Association

The Downtown Newton Development Association (DNDA) has been active in promoting interest and investment in downtown Newton. The DNDA worked with the City on public outreach concerning the Streetscape Master Plan and the Strategic Growth Plan initiatives. This year, the DNDA has supported two downtown facade renovations through the City's Facade Grant program and a Solutions grant for a new restaurant awarded by the N.C. Main Street Center.

The City of Newton is one of sixty-one North Carolina Main Street Communities, an organization within the North Carolina Department of Commerce entrusted with the revitalization of the downtown areas of member communities. North Carolina Main Street Center provides education and guidance to help member communities maintain and grow a thriving downtown economy in the context of historic preservation.

Branding and Marketing Initiative

The City continues to work on developing a comprehensive branding and marketing campaign. This City is seeking to focus on growing the City's population through recruiting active adults, professionals and entrepreneurs. This initiative will focus on the following elements:

- Conduct research to determine existing attitudes, perceptions, opportunities and challenges to enhance the City's image;
- Develop a creative "look" to bring the community's current economic strategies, assets and amenities to life;
- Develop strategies and tactical plans to position the messaging statements based on qualitative research and analysis of quantitative data; and
- Define how the core message can be expanded to existing economic development and visitor initiatives as well as broader regional partners and assets.

Other Strategic Initiatives for Economic Development

The City continues to develop and implement strategic initiatives to attract industrial and small business development. These initiatives include the following:

- The City has earned the designation as a "Certified Site" for the Newton Corporate Center, which is a 110-acre business park located on NC Highway 10 West. This official certification ensures that the site is "shovel ready" for industrial development;
- The completion of a Wayfinding project that demonstrates the City's renewed desire to generate interest in the City's core business district where the City can showcase its assets, including shopping, dining, entertainment, and other amenities characteristic of a community with a high quality of living;
- The City has completed a street and sidewalk condition assessment prioritizing the repairs and resurfacing needs of City-owned streets and sidewalks based on condition, age and other factors;
- The development of a Parks and Recreation master plan that will focus on enhancing the overall wellbeing of Newton's residents and promote healthy lifestyles; and

- The City's 2015 Strategic Growth plan identified the need to develop core parking areas in the downtown core business district. As a result, the City has purchased two parking lots which will create additional parking and also enhance the appearance of the downtown area.

Local Economy

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

Major industries located within the City and its environs include manufacturers of consumables for the field of medicine and research, automotive suspension components, baked foods, primary metal products, defense related communications equipment, and traditional furniture and textiles. Upholstered furniture manufacturers are still a significant part of the Newton employment base, with Bassett Furniture and Lee Industries employing over 1,200 people.

The City's list of diversified industries include Bassett Furniture, a manufacturer of quality customer furniture; Flowers Baking Company, a large-scale baker and distributor of fresh bread, hotdog and hamburger buns; General Dynamics, manufacturer of a variety of satellite technology, including U.S. Government contract work; Lee Industries, an innovative upholstered furniture manufacturer; Renwood Mills, producer of Southern Biscuit flour and Tenda-Bake corn meal; Sarstedt, producer of medical, diagnostic, and laboratory supplies; Special Metal Welding Products, which offers the most complete range of high-nickel alloy welding consumables on the market; Technibilt, producer of metal shopping carts, shelving, and more; ZF Lemforder, manufacturer of driveline and chassis technology for BMW, Jaguar, Mercedes-Benz, General Motors, Dodge, Aston Martin, and Ford; and Target Distribution Center, a 1.6 million square foot facility which serves approximately 70 Target stores within a 300- to 400-mile radius.

In addition to its manufacturing sector, the City enjoys a diversity of non-industrial employers including the Catawba County Administrative and Justice Center Complex, administrative offices of the Newton-

Conover and the Catawba County School systems, United Church Homes and Services, Target Distribution Center, and the North American headquarters of Sarstedt Corporation.

The City has very favorable water, sewer and electrical rate structures as well as an aggressive and innovative approach to economic development incentives, which has enabled the City to be competitive and attractive to prospective industries seeking to build new facilities.

Corning Optical Communications (Corning), a worldwide provider of fiber optic communication solutions for voice, data and video networks, will be making a significant investment in Newton. Corning acquired an existing building in Danner Industrial Park; and, the company will be investing \$67 million in site improvements and equipment to produce high tech fiber cabling. 210 new jobs will be created once the facility is in full operation.

Room and Board, a furniture warehouse and distribution center, is constructing a 250,000 square foot distribution facility, with room for expansion to 410,000 square feet, on a 41-acre site at the Newton Corporate Center. This new facility will create 20 new jobs and an investment of \$13 million.

The City actively works with the County Economic Development Corporation to recruit and retain significant business assets in terms of employment, tax base and utility usage. As a testament to the City Council's desire to enhance the business climate of Newton, the Council recently appointed a Business Advisory Committee to guide and direct non-industrial business growth in the City.

Long-term Financial Planning and Major Initiatives

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

10-Year Capital Improvement Plan (CIP)

The City adopted a 10-Year Capital Improvement plan for fiscal years 2018-2027, which encompasses \$59.7 million in long-range capital improvements and coordinates community infrastructure needs with the financial capacity of the City. \$29.3 million or 49% of the total 10-

year period is for infrastructure improvements or new infrastructure related to electric, water, wastewater and stormwater. Key capital projects within the 10-Year CIP are as follows:

- \$7.4 million Downtown Streetscape project based on the City's Downtown Streetscape master plan:
 - Widened sidewalks, bike lanes, two rows of parking and two moving lanes;
 - Improved open spaces, including a redesigned and expanded Yount Park and suggestions for enhancements to the Courthouse grounds; and
 - The addition of an outdoor stage on the west side of the Square to allow outdoor concerts and other events.
- \$2.9 million West A Street Bikeway and Pedestrian Improvements project, which will consist of installation of bike lanes and sidewalks along West A Street between NC 16 Business (Main Avenue) and US 321 Business (Southwest Boulevard) for a distance of one-half mile.
- \$1.9 million and \$4.5 million in water rehabilitation projects and wastewater rehabilitation projects, respectively, to replace deteriorated infrastructure due to age. These improvements will provide better water flows and water pressure to specific areas and reduce infiltration and inflow into the sewer system.
- \$638,600 in stormwater rehabilitation projects due to deteriorated infrastructure.
- The City, in collaboration with Catawba County, will be completing a \$5.8 million project to extend 42,000 linear ft. of 12" water line from N.C. Highway 16 South to Buffalo Shoals Road and Balls Creek Road. Once completed, this project will improve water quality in that area as well as provide a second source of water supply. Right-of-way acquisition has begun.
- \$1.9 million in a back-up transformer for the Jacob Fork Electric Substation which will provide redundancy in the event of an emergency in that specific area and for industrial development in the area of the N.C. Highway 10 and U.S. Highway 321 intersection.
- \$1 million to continue updating existing HPS (High Pressure Sodium) Lighting with Energy Efficiency Lighting.

Jacob Fork Disc Golf Course

Construction is near completion on the Jacob Fork Disc Golf Course located at Jacob Fork Park. The course will encompass about 20 acres of the interior of Jacob Fork Park, and it is designed to serve not only beginners but also players with advanced skills. Once complete, the course will be a championship course that will allow the City to host disc golf tournaments. The object of Disc Golf is much like traditional golf in that players try to complete each hole with the fewest number of strokes, or in the case of disc golf, the fewest number of throws. Disc golf players use a flying disc in lieu of a ball and clubs.

Downtown Streetscape Master Plan

The City of Newton adopted the Newton Streetscape master plan in January 2016. This plan was developed to advance the economic vitality of the historic 1924 Courthouse Square in downtown after its decline over the decades. The citizens and leaders in Newton are planning for growth and success by beginning the community revitalization process in the historic heart of the City. In the Square, a beautiful Beaux Arts Courthouse building is surrounded on four sides with distinguished historic commercial buildings. Providing widened and enhanced sidewalks offers the amenities that attract new businesses and the environment that younger generations demand in order to consider making Newton their home. The creation of a destination in the downtown will help market the community to employers, new residents, and new businesses. Additional recommendations for improvements to entry corridors and enhanced parking and downtown alleys will all work together to make this vision a reality for Newton.

The Streetscape master plan is intended to begin the revitalization process not just for the downtown, but for the entire community. By focusing on the heart of the City, people in Newton and in the surrounding areas will begin to take notice, visit, shop, dine and take pride in the community. Sidewalk widening and open space improvements, accompanied by wayfinding signs, improvements to the corridors approaching the downtown, and increased marketing, will bring new businesses and restaurants to the Square to take advantage of opportunities for outdoor dining and improved community image.

Improvements to the Square include:

- Widened sidewalks, bike lanes, two rows of parking and two moving lanes;

- Improved open spaces, including a redesigned and expanded Yount Park and suggestions for enhancements to the Courthouse grounds; and
- The addition of an outdoor stage on the west side of the Square to allow outdoor concerts and other events.



Before



After

The City has been awarded a \$1.52 million Surface Transportation program – Direct Attributable (STP-DA) Grant for engineering and construction along A Street between downtown and the newly

expanded Catawba County Government Center. This will provide an improved connection between two activity centers for vehicles, bicycles, and pedestrians.

Another important endeavor is a demonstration project for the Streetscape master plan. When fully implemented, the improved streetscape in downtown will improve the quality of life and provide an economic boost to the downtown. In order for the citizens to understand the transformation this project will have, the City will temporarily install the enlarged sidewalk, bicycle lane, and traffic pattern which will serve a tangible example of the future improvements, as well as test the plan recommendations.

❖ *Streetscape Demonstration Project*

City staff developed a “tactical urbanism” demonstration project to temporarily install the recommended improvements from the Downtown Streetscape Master Plan. The importance of the project was for citizens to fully understand the proposed changes, to test to recommended improvements in how they fit into the existing fabric of downtown, and to continue to build on the enthusiasm of the adopted plan for the potential future of Downtown and the City.

In order to get proper feedback on the recommended improvements, a life-size example was built - a tangible example where one could touch, feel, enjoy, and try out the improvements for themselves. This temporary installation gave citizens an authentic representation of what the Courthouse Square and Downtown could become, it made people aware of exactly what the improvements will look like, what will be involved and justifies the associated costs. This type of outreach proved instrumental in calming some concerns over the plan recommendations and also raised a question or two that needed to be refined.

❖ *Virtual Reality Model*

A virtual reality model was created to continue to educate and involve the citizens in the support of the Streetscape Project. The model depicted the streetscape improvements as they would look when completed, and the model has twelve viewpoints in which citizens can virtually stand in future Downtown Newton to see the improvements and how those improvements will look once the project is complete.

NCDOT Pedestrian Plan and Pedestrian Safety Initiative

The North Carolina Department of Transportation awarded the City a \$34,650 grant for a Comprehensive Pedestrian Plan. The planning grant initiative is jointly sponsored by the NCDOT Division of Bicycle and Pedestrian Transportation and the Transportation Planning Branch. The Bicycle and Pedestrian Planning Grant Program helps North Carolina communities develop a comprehensive strategy for expanding bicycle and pedestrian opportunities within the awarded community. The City of Newton was one of nine jurisdictions (out of 17 applicants) to be awarded the grant.

The Pedestrian Safety Initiative began immediately to improve crosswalk safety with solar powered lighted crosswalk signs.

Awards

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Newton for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. This marked the thirty-second consecutive year that the City has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report that satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The North Carolina Chapter of the American Planning Association awarded the City of Newton's Planning Department the 2017 Marvin Collins Outstanding Planning Award for Innovation in Planning Services, Education and Public Involvement for representing the perfect example in the Innovations category illustrating 'tactical urbanism'.

The City has earned the national honor of being named a Tree City USA community for its commitment to urban forestry for the fifth consecutive year by the Arbor Day Foundation, the nation's largest nonprofit organization dedicated to planting trees.

The City has been honored for the fifteenth consecutive year with the Area Wide Optimization Program Award (AWOP) presented by the North Carolina Department of Environment and Natural Resources

(NCDENR). The Area-Wide Optimization Program enhances public health protection by encouraging superior performance and operations at water treatment facilities across the country. Facilities that adopt the program aim to reach sustainable water quality standards far more stringent than those required by government regulators.

Acknowledgements

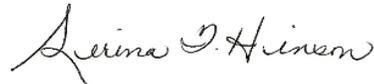
The preparation of this report could not have been accomplished without the efficient and dedicated efforts of the City of Newton Finance Department and our independent auditors, Martin Starnes and Associates, CPAs, P.A. We wish to express our appreciation to all who assisted and contributed to the preparation of this report.

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

Respectfully submitted,



E. Todd Clark
City Manager



Serina T. Hinson
Finance Director



Government Finance Officers Association

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

Presented to

**City of Newton
North Carolina**

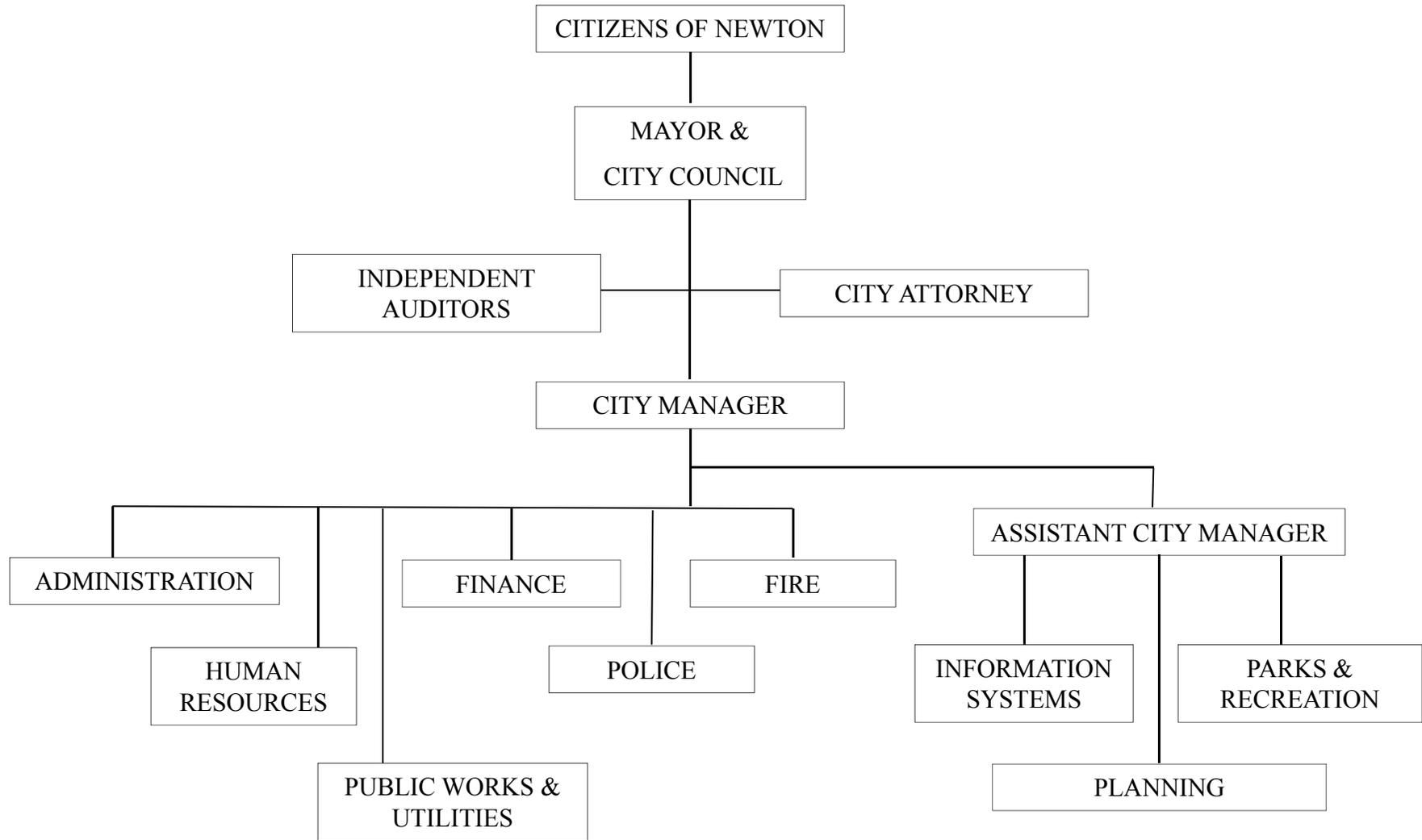
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

CITY OF NEWTON

ORGANIZATIONAL CHART



CITY OF NEWTON, NORTH CAROLINA

LIST OF PRINCIPAL OFFICIALS

CITY COUNCIL



ANNE P. STEDMAN
Mayor



JERRY T. HODGE



WES WEAVER



H. TOM ROWE



JODY DIXON



JOHN STIVER
Mayor Pro Tem



ROBERT C. ABERNETHY JR.

CITY OF NEWTON, NORTH CAROLINA

LIST OF PRINCIPAL OFFICIALS

CITY ADMINISTRATION



E. TODD CLARK
City Manager

DONALD G. BROWN II
Police Chief

KEVIN L. YODER
Fire Chief

SEAN A. HOVIS
Assistant City Manager

SERINA T. HINSON
Finance Director

BRANDON L. ELROD
Human Resources Director

AMY S. FALOWSKI
City Clerk

JAMES (DUSTY) B. WENTZ
Public Works/Utilities Director

CHRISTOPHER B. LITTLE
Information Systems Director

JOHN CILLEY
City Attorney

RANDOLPH (RANDY) WILLIAMS
Planning Director

SANDRA A. WATERS
Parks and Recreation Director



FINANCIAL SECTION

- **Independent Auditor's Report**
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MARTIN ♦ STARNES

& ASSOCIATES, CPAs, P.A.

“A Professional Association of Certified Public Accountants and Management Consultants”

Independent Auditor’s Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newton, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newton, North Carolina, as of June 30, 2017, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 5 to the financial statements, for fiscal year ending June 30, 2017, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2017 on our consideration of the City of Newton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Newton's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Newton's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 31, 2017



Management's Discussion and Analysis

As management of the City of Newton, we offer readers of the City of Newton's financial statements this narrative overview and analysis of the financial activities of the City of Newton for the fiscal year ended June 30, 2017. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

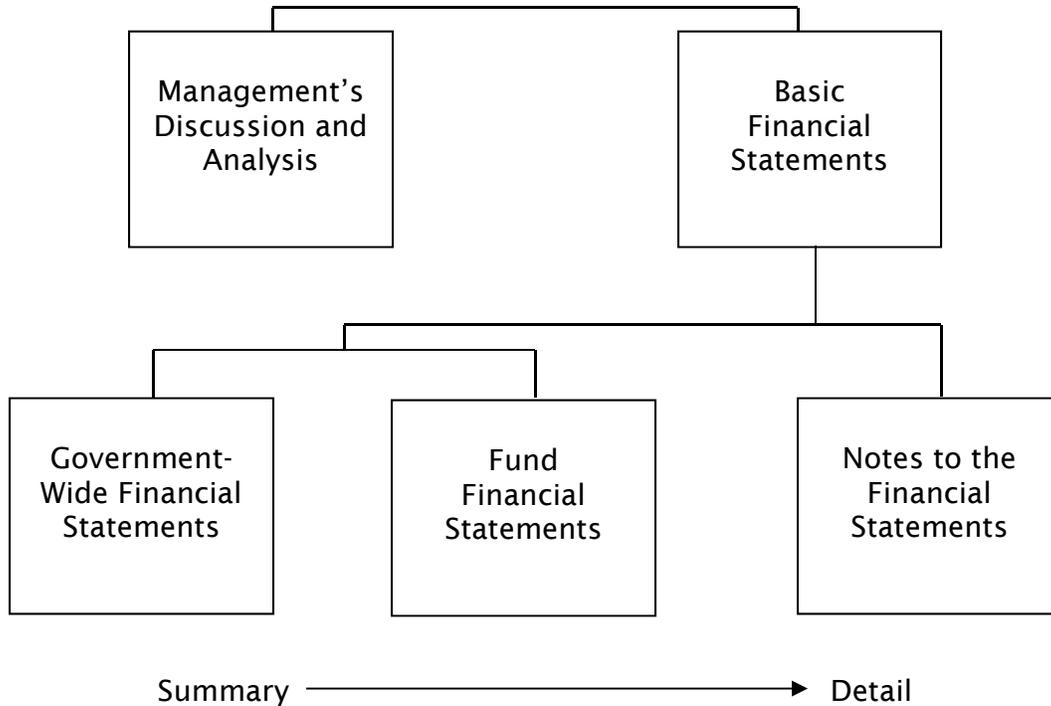
- The assets and deferred outflows of the City of Newton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$54,709,832 (net position). Of this amount, \$14,248,624 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$1,381,524 due to increases in both governmental activities and business-type activities net position.
- As of the close of the current fiscal year, the City of Newton's governmental funds reported combined ending fund balances of \$8,903,794 with a net change of \$261,311 in fund balance. Approximately, 38.82% of this total amount, or \$3,456,323, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,459,761, or 34.54%, of total General Fund expenditures and transfers out for the fiscal year.
- The City of Newton's total long-term debt increased by \$1,499,994 or 6.0%. Outstanding debt principal is \$22,123,917 or \$1,698 per capita.
- The City's legal debt limit is \$80,841,019 (8% of assessed valuation), and the City's legal debt margin is \$58,717,102. The total legal indebtedness of the City is \$22,123,917, which represents 2.19% of assessed valuation.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Newton's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Newton.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits A and B) in the basic financial statements are the **government-wide financial statements**. They provide both short and long-term information about the City's financial status.

The next statements (Exhibits C through I) are **fund financial statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the fund financial statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Following the notes is the required supplemental information. This section contains funding information about the City's pension plans.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net position and how it has changed. Net position is the difference between the City's total assets and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

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

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

Fund Financial Statements

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

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

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

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 45-87 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Newton’s progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees. Required supplementary information can be found beginning on page 88 of this report.

The individual and combining statements of the General Fund, the other governmental funds, the enterprise funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 93-109 of this report.

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

Government-Wide Financial Analysis

City of Newton's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 10,988,118	\$ 10,863,534	\$ 11,549,904	\$ 10,649,991	\$ 22,538,022	\$ 21,513,525
Capital assets	15,204,444	15,058,465	44,223,616	45,091,276	59,428,060	60,149,741
Total assets	<u>26,192,562</u>	<u>25,921,999</u>	<u>55,773,520</u>	<u>55,741,267</u>	<u>81,966,082</u>	<u>81,663,266</u>
Deferred outflows of resources	<u>1,810,074</u>	<u>404,722</u>	<u>550,581</u>	<u>117,943</u>	<u>2,360,655</u>	<u>522,665</u>
Long-term liabilities	8,486,541	6,891,326	14,317,686	14,481,495	22,804,227	21,372,821
Other liabilities	2,044,320	2,157,104	4,547,572	4,352,415	6,591,892	6,509,519
Total liabilities	<u>10,530,861</u>	<u>9,048,430</u>	<u>18,865,258</u>	<u>18,833,910</u>	<u>29,396,119</u>	<u>27,882,340</u>
Deferred inflows of resources	<u>172,120</u>	<u>297,288</u>	<u>48,666</u>	<u>93,306</u>	<u>220,786</u>	<u>390,594</u>
Net Position:						
Net investment in capital assets	9,065,600	8,406,848	28,478,465	28,842,217	37,544,065	37,249,065
Restricted	2,917,143	2,663,217	-	-	2,917,143	2,663,217
Unrestricted	5,316,912	5,910,938	8,931,712	8,089,777	14,248,624	14,000,715
Total net position	<u>\$ 17,299,655</u>	<u>\$ 16,981,003</u>	<u>\$ 37,410,177</u>	<u>\$ 36,931,994</u>	<u>\$ 54,709,832</u>	<u>\$ 53,912,997</u>

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Newton exceeded liabilities and deferred inflows by \$54,709,832 as of June 30, 2017. The City's net position increased by \$1,381,524 for the fiscal year ended June 30, 2017, primarily due to increases in both governmental and business-type activities.

The largest portion is \$37,543,941, or 68.62%, which reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City of Newton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

The restricted portion of the City of Newton's net position, \$2,917,143, or 5.33%, represents resources that are subject to external restrictions on how they may be used.

The final portion of net position is unrestricted, which is \$14,248,624, or 26.04%, of the total net position, which may be used to meet the City's ongoing obligations to citizens and creditors.

For the fiscal year ended June 30, 2017, the City of Newton is able to report positive balances in all three categories of net position, which includes the government as a whole, governmental activities and business-type activities. This would be true for the prior fiscal year as well.

Total net position increased by \$903,341 in the City of Newton's governmental activities, which reflects the continued diligence in the collection of property taxes with a tax collection percentage of 97.91. The City invested in projects, which were directed at economic growth and public safety, which was reflected in the operating and capital grants the City received for these purposes.

For fiscal year 2017, total net position for business-type activities increased \$478,183. This increase can be associated with a 5% water and wastewater rate increase and a 1% electric retail rate increase to the City's customers. The City was also able to add to the total net position by investing in capital assets, which were partially funded by a capital contribution.

City of Newton's Changes in Net Position

Figure 3

	2017			2016		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 1,213,507	\$ 21,854,921	\$ 23,068,428	\$ 1,237,015	\$ 21,562,688	\$ 22,799,703
Operating grants and contributions	662,304	-	662,304	486,903	5,584	492,487
Capital grants and contributions	291,342	221,047	512,389	119,417	31,653	151,070
General revenues:						
Property taxes	5,489,113	-	5,489,113	5,627,039	-	5,627,039
Other taxes	5,233,244	751,171	5,984,415	5,061,027	737,150	5,798,177
Miscellaneous	-	18,320	18,320	-	1,732	1,732
Unrestricted investment earnings	56,263	40,261	96,524	36,540	20,922	57,462
Total revenues	12,945,773	22,885,720	35,831,493	12,567,941	22,359,729	34,927,670
Expenses:						
General government	1,411,267	-	1,411,267	1,352,512	-	1,352,512
Transportation	1,147,668	-	1,147,668	1,347,083	-	1,347,083
Environmental protection	1,165,561	-	1,165,561	1,086,149	-	1,086,149
Public safety	6,357,517	-	6,357,517	5,586,817	-	5,586,817
Culture and recreation	1,636,461	-	1,636,461	1,510,818	-	1,510,818
Economic development	151,185	-	151,185	-	-	-
Operations	-	21,968,725	21,968,725	-	21,252,827	21,252,827
Interest on long-term debt:						
Governmental	172,773	-	172,773	186,606	-	186,606
Water and wastewater	-	278,382	278,382	-	289,175	289,175
Electric	-	160,430	160,430	-	174,868	174,868
Total expenses	12,042,432	22,407,537	34,449,969	11,069,985	21,716,870	32,786,855
Increase in net position	903,341	478,183	1,381,524	1,497,956	642,859	2,140,815
Beginning of year - July 1	16,981,003	36,931,994	53,912,997	15,483,047	36,289,135	51,772,182
Restatement	(584,689)	-	(584,689)	-	-	-
Beginning of year - July 1 as restated	16,396,314	36,931,994	53,328,308	15,483,047	36,289,135	51,772,182
End of year - June 30	\$ 17,299,655	\$ 37,410,177	\$ 54,709,832	\$ 16,981,003	\$ 36,931,994	\$ 53,912,997

Governmental Activities. Governmental activities increased the City’s net position by \$903,341, accounting for a 65.39% of the total growth in the net position of the City of Newton. Key elements of this increase are as follows:

- The collection of property taxes increased from 97.71% to 97.91% compared to the prior year.
- Increased sales tax revenues of \$152,621, or 4.9%, which indicate the economy continues to recover.
- The City has experienced an increase in operating grants and contributions and capital grants and contributions above the prior year in the amount of \$187,037 and \$157,617, respectively.

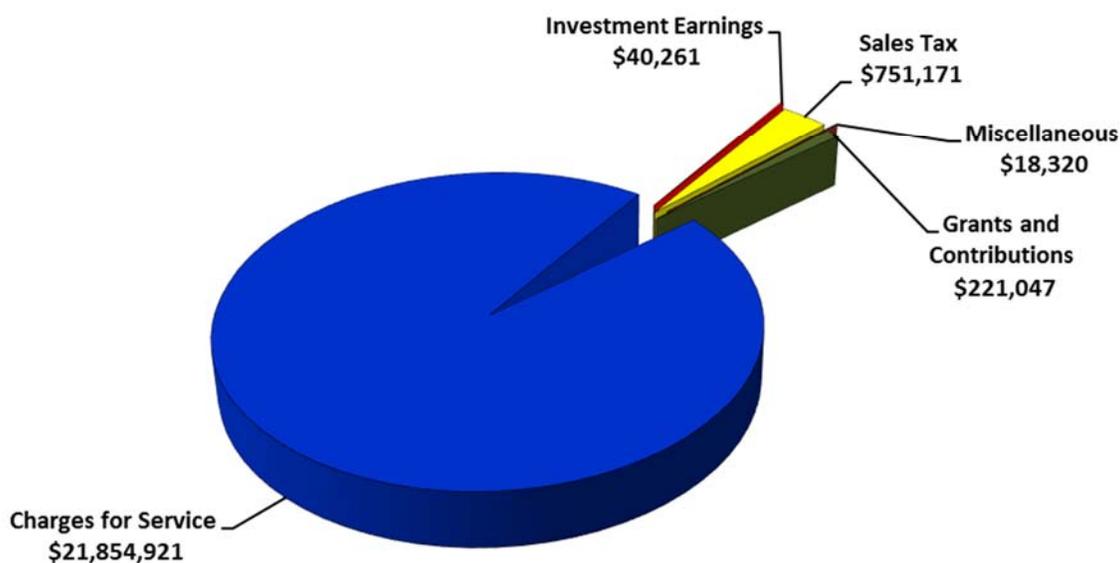
Revenues by Source - Governmental Activities



Business-Type Activities. Business-type activities increased the City of Newton’s net position by \$478,183, accounting for a 34.61% increase of the total growth in the net position of the City of Newton. Key elements of this increase are as follows:

- The City recognized a change in net position of \$478,183 in the proprietary funds, primarily due to the City implementing a 5% rate increase for both water and wastewater and a 1% electric retail rate increase to the City’s customers.
- The City also recognized a \$221,047 capital contribution within the Electric Fund.
- Controlled spending within the Electric Fund.

Revenues by Source - Business-Type Activities



Financial Analysis of the City’s Funds

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

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

The General Fund is the chief operating fund of the City of Newton. At the end of the current fiscal year, available fund balance of the General Fund was \$7,359,821, while total fund balance was \$8,856,266. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 57.00% of the total General Fund expenditures and transfers out, while total fund balance represents 68.59% of that same amount.

At June 30, 2017, the governmental funds of the City of Newton reported a combined fund balance of \$8,903,794 with a net increase in fund balance of \$261,311. Included in this change are an increase of \$235,170 in fund balance in the General Fund and an increase of \$26,141 in fund balance in the special revenue funds and the capital project funds. Key factors in these changes are as follows:

- Other taxes and licenses increased by \$139,649, or 3.9%, primarily due to an increase in sales tax revenues as a result of economic growth.
- Restricted intergovernmental revenues increased \$302,842, or 53%, compared to the prior year as a result of an increase in grant funding.

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

During fiscal year 2017, there was a \$790,600 net increase in appropriations between the original and final amended General Fund budget. The largest component of this increase was for \$309,700 in federal grant funding, \$253,637 of which is for fire rescue equipment. Another large component of this increase is for prior year encumbrances in the amount of \$255,400.

Actual revenues were greater than final budgeted amounts by \$207,641. This was due mainly to increases in collections of property taxes at 1.02% of budget and sales tax at 1.03% of budget.

Actual expenditures were less than final budgeted amounts by \$887,811, a variance of 6.4% from the final budget. These favorable savings resulted mainly from unspent appropriations of \$245,845 in salaries and related benefits due to temporary vacancies in various departments and the remaining savings from controlled spending throughout the City.

Proprietary Funds. The City of Newton's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Water and Wastewater Fund at the end of the fiscal year amounted to \$3,582,809 and for the Electric Fund amounted to \$5,026,282. The total change in net position for the Water and Wastewater Fund and the Electric Fund was \$(182,888) and \$648,721, respectively. The primary change in net position in the Electric Fund is a result of a \$221,047 capital contribution, a 1% electric retail rate increase, and controlled spending.

Capital Asset and Debt Administration

Capital Assets. The City of Newton's investment in capital assets for its governmental and business-type activities as of June 30, 2017 totals \$59,428,060 (net of accumulated depreciation). These assets include buildings and system improvements, land, machinery and equipment, park facilities, roads, highways, and bridges.

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

- Construction in progress for business-type activities is primarily the Westside Drive Wastewater Rehabilitation Project in the amount of \$645,747, implementation of the Advanced Metering Infrastructure (AMI) Technology for \$3.6 million and \$316,832 for the Catawba County Justice Center Generator Project.
- \$141,293 for improvements to the St. Paul's Church Road water line (business-type activities).
- Governmental-type activities consisted of \$364,120 for resurfacing City parking lots and \$304,270 for fire rescue equipment.
- Various equipment and vehicle replacement purchases for governmental and business-type activities of \$327,280 and \$424,768, respectively.

Additional information on the City's capital assets can be found beginning on page 60 of this report.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 2,142,646	\$ 2,144,396	\$ 215,332	\$ 215,332	\$ 2,357,978	\$ 2,359,728
Buildings and improvements	6,261,022	6,171,824	5,525,701	6,066,955	11,786,723	12,238,779
Distribution systems	-	-	30,130,834	31,044,947	30,130,834	31,044,947
Public domain infrastructure	3,724,514	3,901,060	-	-	3,724,514	3,901,060
Equipment	1,339,361	820,448	2,842,095	3,110,345	4,181,456	3,930,793
Vehicles	1,418,937	1,602,154	880,708	696,962	2,299,645	2,299,116
Construction in progress	317,964	418,583	4,628,946	3,956,735	4,946,910	4,375,318
Total	\$15,204,444	\$15,058,465	\$44,223,616	\$45,091,276	\$59,428,060	\$60,149,741

Long-Term Debt. Gross debt obligations of the City are \$22,123,917 as of June 30, 2017, which solely consists of notes payable.

City of Newton's Outstanding Debt

Figure 5

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Loans payable	\$ 6,238,135	\$ 6,937,435	\$ 15,885,782	\$ 16,492,279	\$ 22,123,917	\$ 23,429,714
Compensated absences	544,106	495,622	112,440	118,231	656,546	613,853
Other post-employment benefits	43,267	20,449	17,306	6,715	60,573	27,164
Net pension liability (LGERS)	2,050,413	461,249	647,499	145,657	2,697,912	606,906
Total pension liability (LEOSSA)	974,693	336,010	-	-	974,693	336,010
Total	\$ 9,850,614	\$ 8,250,765	\$ 16,663,027	\$ 16,762,882	\$ 26,513,641	\$ 25,013,647

The City of Newton's total debt increased by \$1,499,994, or 6.0%, primarily due to an increase of \$2,091,006 in the net pension liability for the LGERS plan. Debt associated with the purchase of capital items increased as a result of new debt acquired during the past fiscal year in the amount of \$1,872,800. New debt resulted from installment purchase agreements for replacement of vehicles, motorized equipment and wastewater infrastructure improvements. Existing debt was reduced by \$3,178,597 due to principal payments.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Newton is \$58,717,102.

Additional information regarding the City of Newton's long-term debt can be found beginning on page 79 of this report.

Economic Factors and Next Year's Budgets and Rates

The City of Newton continuously strives to provide a high level of municipal service to our citizens and utility customers. Management has taken great care to evaluate a number of conditions and variables when developing the Fiscal Year 2018 budget. These include a review of local and national economic conditions, forecasted economic changes over the course of the next fiscal year, inflation, and intergovernmental revenues.

- Management carefully considered personnel expenses for all operating funds and has included salary increases that maintain a competitive, market-based approach to help retain the City's most valuable asset. Fiscal year 2018 marks the third year of the City's 2015 Pay and Class Study Implementation.
- The City will start the process for the 2018 Pay and Class Study.
- The City's budget includes capital of \$5.2 million as outlined in the City's 10-Year Capital Improvement plan. 49% of the plan is for infrastructure related to electric, water, wastewater, stormwater, and the City's streetscape project.

- Continuing to move the City forward in accordance with the City's Strategic Growth plan adopted in June 2015.
- Continuation of a marketing and branding study that began in the prior fiscal year, which is directed at encouraging economic development in the City through new marketing efforts. The City has begun marketing efforts directed at showing Newton as a highly desirable place to live, work and play outside Charlotte's northwest corridor. Also, North Carolina Department of Transportation is currently working on the completion of NC Highway 16 in Catawba County to a multi-lane highway connecting Charlotte to Newton, which will establish Newton as a geographically accessible market within the Charlotte Metro Area.
- City Council included an additional \$600,000 for improvements to the City's streets and sidewalks.
- Water and wastewater rates will increase by 3%, primarily to cover increased costs of operations, capital expenses and increased financial stability within the Water and Wastewater Fund. General operating expenses will increase by 2% to cover increased costs of material, supplies and other operating expenses.
- The City will incur a 0.3% wholesale electric rate increase on allocated demand charges. The City intends to absorb this increase in lieu of a retail electric rate increase to the City's electric customers.
- \$612,000 has been budgeted to continue the City's rate stabilization plan in an effort to minimize future electric rate increases to the City's electric customers.
- \$60,000 has been appropriated for an electric load and distribution engineering study.

Requests for Information

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



BASIC FINANCIAL STATEMENTS

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



CITY OF NEWTON, NORTH CAROLINA

Exhibit A

**STATEMENT OF NET POSITION
JUNE 30, 2017**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Current assets:			
Cash and short-term investments	\$ 7,642,814	\$ 7,408,568	\$ 15,051,382
Taxes receivable, net	466,947	-	466,947
Accounts receivable, net	705,631	2,153,414	2,859,045
Interest receivable, net	31	31	62
Due from other governments	156,997	129,500	286,497
Prepays	395,283	362,522	757,805
Internal balances	(322,621)	322,621	-
Inventories	44,606	651,050	695,656
Restricted cash and cash equivalents	1,898,430	522,198	2,420,628
Total current assets	<u>10,988,118</u>	<u>11,549,904</u>	<u>22,538,022</u>
Non-current assets:			
Capital assets:			
Land, non-depreciable assets, and construction in progress	2,460,610	4,844,278	7,304,888
Other capital assets, net of depreciation	12,743,834	39,379,338	52,123,172
Total capital assets	<u>15,204,444</u>	<u>44,223,616</u>	<u>59,428,060</u>
Total non-current assets	<u>15,204,444</u>	<u>44,223,616</u>	<u>59,428,060</u>
Total assets	<u>26,192,562</u>	<u>55,773,520</u>	<u>81,966,082</u>
Deferred Outflows of Resources:			
Pension deferrals	1,312,580	414,498	1,727,078
Contributions to pension plan in current fiscal year	497,494	136,083	633,577
Total deferred outflows of resources	<u>1,810,074</u>	<u>550,581</u>	<u>2,360,655</u>
Liabilities:			
Current liabilities:			
Accounts payable and other current liabilities	661,277	1,774,438	2,435,715
Due to other governments	-	46,226	46,226
Liabilities to be paid from restricted assets	18,970	381,567	400,537
Compensated absences	352,044	112,440	464,484
Current portion of long-term liabilities	1,012,029	2,232,901	3,244,930
Total current liabilities	<u>2,044,320</u>	<u>4,547,572</u>	<u>6,591,892</u>
Long-term liabilities:			
Compensated absences, non-current	192,062	-	192,062
Net pension liability	2,050,413	647,499	2,697,912
Total pension liability	974,693	-	974,693
Unfunded other post-employment benefits Due in more than one year	43,267	17,306	60,573
	5,226,106	13,652,881	18,878,987
Total long-term liabilities	<u>8,486,541</u>	<u>14,317,686</u>	<u>22,804,227</u>
Total liabilities	<u>10,530,861</u>	<u>18,865,258</u>	<u>29,396,119</u>
Deferred Inflows of Resources:			
Prepaid taxes	628	-	628
Pension deferrals	171,492	48,666	220,158
Total deferred inflows of resources	<u>172,120</u>	<u>48,666</u>	<u>220,786</u>
Net Position:			
Net investment in capital assets	9,065,600	28,478,465	37,544,065
Restricted for stabilization by State statute	1,113,173	-	1,113,173
Restricted for transportation	258,481	-	258,481
Restricted for public safety	23,801	-	23,801
Restricted for cultural and recreational	1,521,688	-	1,521,688
Unrestricted	5,316,912	8,931,712	14,248,624
Total net position	<u>\$ 17,299,655</u>	<u>\$ 37,410,177</u>	<u>\$ 54,709,832</u>

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

CITY OF NEWTON, NORTH CAROLINA

Exhibit B

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities:							
General government	\$ 1,411,267	\$ 139,340	\$ 181,352	\$ -	\$ (1,090,575)	\$ -	\$ (1,090,575)
Transportation	1,147,668	-	383,667	-	(764,001)	-	(764,001)
Environmental protection	1,165,561	883,748	7,281	-	(274,532)	-	(274,532)
Public safety	6,357,517	80,173	51,172	274,234	(5,951,938)	-	(5,951,938)
Cultural and recreation	1,636,461	110,246	38,832	17,108	(1,470,275)	-	(1,470,275)
Economic and physical development	151,185	-	-	-	(151,185)	-	(151,185)
Interest on long-term debt	172,773	-	-	-	(172,773)	-	(172,773)
Total governmental activities	<u>12,042,432</u>	<u>1,213,507</u>	<u>662,304</u>	<u>291,342</u>	<u>(9,875,279)</u>	<u>-</u>	<u>(9,875,279)</u>
Business-Type Activities:							
Water and wastewater	7,230,215	7,033,702	-	-	-	(196,513)	(196,513)
Electric	15,177,322	14,821,219	-	221,047	-	(135,056)	(135,056)
Total business-type activities	<u>22,407,537</u>	<u>21,854,921</u>	<u>-</u>	<u>221,047</u>	<u>-</u>	<u>(331,569)</u>	<u>(331,569)</u>
Total primary government	<u>\$ 34,449,969</u>	<u>\$ 23,068,428</u>	<u>\$ 662,304</u>	<u>\$ 512,389</u>	<u>(9,875,279)</u>	<u>(331,569)</u>	<u>(10,206,848)</u>
General Revenues:							
Taxes:							
Property taxes					5,489,113	-	5,489,113
Local option sales tax					3,263,760	-	3,263,760
Utilities sales tax					969,834	-	969,834
Other taxes					999,650	751,171	1,750,821
Miscellaneous revenues, unrestricted					-	18,320	18,320
Investment earnings, unrestricted					56,263	40,261	96,524
Total general revenues					<u>10,778,620</u>	<u>809,752</u>	<u>11,588,372</u>
Change in net position					<u>903,341</u>	<u>478,183</u>	<u>1,381,524</u>
Net Position:							
Beginning of year - July 1					16,981,003	36,931,994	53,912,997
Restatement					(584,689)	-	(584,689)
Beginning of year - July 1, as restated					<u>16,396,314</u>	<u>36,931,994</u>	<u>53,328,308</u>
End of year - June 30					<u>\$ 17,299,655</u>	<u>\$ 37,410,177</u>	<u>\$ 54,709,832</u>

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

CITY OF NEWTON, NORTH CAROLINA

Exhibit C

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017**

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Assets:			
Cash and short-term investments	\$ 6,083,686	\$ 68,809	\$ 6,152,495
Taxes receivable, net	466,947	-	466,947
Accounts receivable, net	705,631	-	705,631
Interest receivable	25	-	25
Due from other governments	100,380	56,617	156,997
Prepays	395,283	-	395,283
Inventories	44,606	-	44,606
Restricted cash and cash equivalents	<u>1,898,430</u>	-	<u>1,898,430</u>
Total assets	<u>\$ 9,694,988</u>	<u>\$ 125,426</u>	<u>\$ 9,820,414</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and other current liabilities	\$ 352,177	\$ 77,898	\$ 430,075
Liabilities to be paid from restricted assets	<u>18,970</u>	-	<u>18,970</u>
Total liabilities	<u>371,147</u>	<u>77,898</u>	<u>449,045</u>
Deferred Inflows of Resources:			
Unavailable revenue - property taxes	466,947	-	466,947
Prepaid taxes	<u>628</u>	-	<u>628</u>
Total deferred inflows of resources	<u>467,575</u>	-	<u>467,575</u>
Fund Balances:			
Non-spendable - inventories	44,606	-	44,606
Non-spendable - prepaids	395,283	-	395,283
Restricted - stabilization by State statute	1,056,556	56,617	1,113,173
Restricted	1,879,460	23,801	1,903,261
Committed	-	242	242
Assigned	1,020,600	-	1,020,600
Unassigned	<u>4,459,761</u>	<u>(33,132)</u>	<u>4,426,629</u>
Total fund balances	<u>8,856,266</u>	<u>47,528</u>	8,903,794
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,694,988</u>	<u>\$ 125,426</u>	
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and therefore are not reported in the funds.			15,204,444
Net pension liability - LGERS			(2,050,413)
Total pension liability - LEOSSA			(974,693)
Benefit payments and pension administration costs for LEOSSA and LGERS are deferred outflows of resources on the Statement of Net Position.			497,494
Deferred outflows of resources related to pension deferrals are not reported in the funds.			1,312,580
Liabilities for earned revenues considered deferred inflows of resources in fund statements			466,947
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.			1,019,165
Long-term liabilities, compensated absences, accrued interest, and unfunded other post-employment benefits are not due and payable in the current period and, therefore, are not reported in the funds.			(6,908,171)
Pension related deferrals			<u>(171,492)</u>
Net position of governmental activities			<u>\$ 17,299,655</u>

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

CITY OF NEWTON, NORTH CAROLINA

Exhibit D

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Revenues:			
Ad valorem taxes	\$ 5,554,119	\$ -	\$ 5,554,119
Other taxes and licenses	3,732,651	-	3,732,651
Unrestricted intergovernmental	1,500,593	-	1,500,593
Restricted intergovernmental	709,713	169,158	878,871
Permits and fees	74,021	-	74,021
Sales and services	1,027,230	-	1,027,230
Investment earnings	48,171	74	48,245
Miscellaneous	<u>184,393</u>	<u>2,638</u>	<u>187,031</u>
Total revenues	<u>12,830,891</u>	<u>171,870</u>	<u>13,002,761</u>
Expenditures:			
Current:			
General government	1,641,718	-	1,641,718
Transportation	876,934	-	876,934
Environmental protection	1,248,865	-	1,248,865
Public safety	6,148,592	12,026	6,160,618
Cultural and recreational	1,780,230	-	1,780,230
Economic and physical development	-	151,185	151,185
Debt service:			
Principal retirement	1,014,600	-	1,014,600
Interest and fees	<u>182,600</u>	<u>-</u>	<u>182,600</u>
Total expenditures	<u>12,893,539</u>	<u>163,211</u>	<u>13,056,750</u>
Revenues over (under) expenditures	<u>(62,648)</u>	<u>8,659</u>	<u>(53,989)</u>
Other Financing Sources (Uses):			
Issuance of debt	315,300	-	315,300
Transfers from other funds	-	17,482	17,482
Transfers to other funds	<u>(17,482)</u>	<u>-</u>	<u>(17,482)</u>
Total other financing sources (uses)	<u>297,818</u>	<u>17,482</u>	<u>315,300</u>
Net change in fund balances	235,170	26,141	261,311
Fund Balances:			
Beginning of year - July 1	<u>8,621,096</u>	<u>21,387</u>	<u>8,642,483</u>
End of year - June 30	<u>\$ 8,856,266</u>	<u>\$ 47,528</u>	<u>\$ 8,903,794</u>

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

CITY OF NEWTON, NORTH CAROLINA

Exhibit E

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

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

Net changes in fund balances - total governmental funds (Exhibit D)	\$ 261,311
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Property taxes	(65,006)
Change in deferred outflow - pension	57,444
Change in deferred inflows - pension	141,360
Change in net pension liability	(1,589,164)
Change in pension deferral	1,312,580
Expenses related to compensated absences and other post-employment benefits that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(71,302)
Expenses related to interest expense that do not require current financial resources are not reported as expenditures.	9,827
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	1,351,583
Net book value of capital assets disposed of during the year, not recognized on the modified accrual basis.	(20,397)
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(1,185,207)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	497,494
Expenses related to pensions that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(497,494)
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.	1,014,600
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.	(315,300)
Expenses that do not require current financial resources are not reported in expenditures in the governmental funds statement.	
LEO expense	(36,052)
The net revenue of the internal service funds are reported with governmental activities.	<u>37,064</u>
Total changes in net position of governmental activities (Exhibit B)	<u>\$ 903,341</u>

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

CITY OF NEWTON, NORTH CAROLINA

Exhibit F

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	General Fund			Variance with Final Budget Over/Under
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 5,474,400	\$ 5,474,400	\$ 5,554,119	\$ 79,719
Other taxes and licenses	3,618,650	3,618,650	3,732,651	114,001
Unrestricted intergovernmental	1,524,150	1,524,150	1,500,593	(23,557)
Restricted intergovernmental	426,850	736,550	709,713	(26,837)
Permits and fees	78,400	78,400	74,021	(4,379)
Sales and services	983,900	983,900	1,027,230	43,330
Investment earnings	16,900	16,900	48,171	31,271
Miscellaneous	<u>143,300</u>	<u>190,300</u>	<u>184,393</u>	<u>(5,907)</u>
Total revenues	<u>12,266,550</u>	<u>12,623,250</u>	<u>12,830,891</u>	<u>207,641</u>
Expenditures:				
Current:				
General government	1,962,850	1,900,400	1,641,718	258,682
Transportation	1,070,350	1,102,750	876,934	225,816
Environmental protection	1,059,050	1,286,050	1,248,865	37,185
Public safety	5,870,650	6,438,400	6,148,592	289,808
Cultural and recreation	1,847,550	1,855,950	1,780,230	75,720
Debt service:				
Principal retirement	1,014,900	1,014,900	1,014,600	300
Interest and fees	<u>182,900</u>	<u>182,900</u>	<u>182,600</u>	<u>300</u>
Total expenditures	<u>13,008,250</u>	<u>13,781,350</u>	<u>12,893,539</u>	<u>887,811</u>
Revenues over (under) expenditures	<u>(741,700)</u>	<u>(1,158,100)</u>	<u>(62,648)</u>	<u>1,095,452</u>
Other Financing Sources (Uses):				
Issuance of debt	315,300	315,300	315,300	-
Transfers to other funds	-	(17,500)	(17,482)	18
Appropriated fund balance	<u>426,400</u>	<u>860,300</u>	<u>-</u>	<u>(860,300)</u>
Total other financing sources (uses)	<u>741,700</u>	<u>1,158,100</u>	<u>297,818</u>	<u>(860,282)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	235,170	<u>\$ 235,170</u>
Fund Balance:				
Beginning of year - July 1			<u>8,621,096</u>	
End of year - June 30			<u>\$ 8,856,266</u>	

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

CITY OF NEWTON, NORTH CAROLINA

Exhibit G

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2017

	Major			Internal Service Fund
	Water and Wastewater Fund	Electric Fund	Total	
Assets:				
Current assets:				
Cash and cash equivalents	\$ 3,436,931	\$ 3,971,637	\$ 7,408,568	\$ 1,490,319
Accounts receivable, net	774,157	1,379,257	2,153,414	-
Interest receivable	14	17	31	6
Due from other governments	57,242	72,258	129,500	-
Prepays	94,767	267,755	362,522	-
Inventories	99,568	551,482	651,050	-
Restricted cash and cash equivalents	199,723	322,475	522,198	-
Total current assets	4,662,402	6,564,881	11,227,283	1,490,325
Capital assets:				
Non-depreciable capital assets	894,375	3,949,903	4,844,278	-
Depreciable capital assets, net	28,840,743	10,538,595	39,379,338	-
Total capital assets, net	29,735,118	14,488,498	44,223,616	-
Total assets	34,397,520	21,053,379	55,450,899	1,490,325
Deferred Outflows of Resources:				
Pension deferrals	276,332	138,166	414,498	-
Contributions to pension plan in current fiscal year	91,162	44,921	136,083	-
Total deferred outflows of resources	367,494	183,087	550,581	-
Liabilities:				
Current liabilities:				
Accounts payable and other current liabilities	516,562	1,044,260	1,560,822	148,539
Accrued interest payable	126,266	87,350	213,616	-
Due to other government	46,226	-	46,226	-
Accrued compensated absences - current	81,613	30,827	112,440	-
Installment loans payable - current	1,497,472	735,429	2,232,901	-
Liabilities to be paid from restricted assets	95,118	286,449	381,567	-
Total current liabilities	2,363,257	2,184,315	4,547,572	148,539
Non-current liabilities:				
Long-term installment loans payable	8,935,856	4,717,025	13,652,881	-
Net pension liability	431,666	215,833	647,499	-
Other post-employment benefits obligation	12,587	4,719	17,306	-
Total non-current liabilities	9,380,109	4,937,577	14,317,686	-
Total liabilities	11,743,366	7,121,892	18,865,258	148,539
Deferred Inflows of Resources:				
Pension deferrals	32,444	16,222	48,666	-
Net Position:				
Net investment in capital assets	19,406,395	9,072,070	28,478,465	-
Unrestricted	3,582,809	5,026,282	8,609,091	1,341,786
Total net position	\$ 22,989,204	\$ 14,098,352	37,087,556	\$ 1,341,786
Internal balance due from (to) governmental activities due to consolidation of Internal Service Fund			322,621	
Business-type activities net position (Exhibit A)			\$ 37,410,177	

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

CITY OF NEWTON, NORTH CAROLINA

Exhibit H

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Major			Internal Service Fund
	Water and Wastewater Fund	Electric Fund	Total	
Operating Revenues:				
Charges for services	\$ 6,495,380	\$ 14,330,067	\$ 20,825,447	\$ 1,588,586
Other operating revenues	441,852	412,653	854,505	-
Total operating revenues	<u>6,937,232</u>	<u>14,742,720</u>	<u>21,679,952</u>	<u>1,588,586</u>
Operating Expenses:				
Administration	1,035,814	846,652	1,882,466	11,904
Power for resale	-	10,885,064	10,885,064	-
Operations	2,722,450	2,571,198	5,293,648	1,535,286
Maintenance	1,218,421	-	1,218,421	-
Depreciation	1,981,323	720,153	2,701,476	-
Total operating expenses	<u>6,958,008</u>	<u>15,023,067</u>	<u>21,981,075</u>	<u>1,547,190</u>
Operating income (loss)	<u>(20,776)</u>	<u>(280,347)</u>	<u>(301,123)</u>	<u>41,396</u>
Non-Operating Revenues (Expenses):				
Sales tax	-	751,171	751,171	-
Investment earnings	17,586	22,675	40,261	8,018
Interest expense	(278,382)	(160,430)	(438,812)	-
Rental income and other non-operating items	96,470	78,499	174,969	-
Gain on sale of capital assets	2,214	16,106	18,320	-
Total non-operating revenues (expenses)	<u>(162,112)</u>	<u>708,021</u>	<u>545,909</u>	<u>8,018</u>
Income (loss) before capital contributions	(182,888)	427,674	244,786	49,414
Capital contributions	-	221,047	221,047	-
Change in net position	(182,888)	648,721	465,833	49,414
Net Position:				
Beginning of year - July 1	<u>23,172,092</u>	<u>13,449,631</u>		<u>1,292,372</u>
End of year - June 30	<u>\$ 22,989,204</u>	<u>\$ 14,098,352</u>		<u>\$ 1,341,786</u>
Internal service activities allocated to business-type activities			<u>12,350</u>	
Change in net position-business type activities (Exhibit B)			<u>\$ 478,183</u>	

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

CITY OF NEWTON, NORTH CAROLINA

Exhibit I

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Major			Internal Service Fund
	Water and Wastewater Fund	Electric Fund	Total	
Cash Flows from Operating Activities:				
Cash received from customers and users	\$ 6,991,620	\$ 14,813,173	\$ 21,804,793	\$ 1,588,586
Cash paid for goods and services	(2,953,430)	(13,719,036)	(16,672,466)	(1,591,320)
Cash paid to or on behalf of employees for services	(1,630,517)	(712,739)	(2,343,256)	-
Net cash provided (used) by operating activities	<u>2,407,673</u>	<u>381,398</u>	<u>2,789,071</u>	<u>(2,734)</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(1,115,676)	(722,596)	(1,838,272)	-
Capital contributions - grants	-	221,047	221,047	-
Proceeds from sale of capital assets	6,670	16,106	22,776	-
Sales tax	-	751,171	751,171	-
Payments of installment loans payable	(1,423,206)	(740,791)	(2,163,997)	-
Interest paid on general obligation bonds and loans payable	(278,754)	(172,619)	(451,373)	-
Proceeds from issuance of general obligation bonds and loans payable	1,504,600	52,900	1,557,500	-
Net cash provided (used) by capital and related financing activities	<u>(1,306,366)</u>	<u>(594,782)</u>	<u>(1,901,148)</u>	<u>-</u>
Cash Flows from Investing Activities:				
Interest on investments	18,430	24,039	42,469	8,516
Net cash provided (used) by investing activities	<u>18,430</u>	<u>24,039</u>	<u>42,469</u>	<u>8,516</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,119,737	(189,345)	930,392	5,782
Cash and Cash Equivalents:				
Beginning of Year - July 1	<u>2,516,917</u>	<u>4,483,457</u>	<u>7,000,374</u>	<u>1,484,537</u>
End of Year - June 30	<u>\$ 3,636,654</u>	<u>\$ 4,294,112</u>	<u>\$ 7,930,766</u>	<u>\$ 1,490,319</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (20,776)	\$ (280,347)	\$ (301,123)	\$ 41,396
Adjustments to reconcile operating income (loss) to:				
Depreciation	1,981,323	720,153	2,701,476	-
Rental income and other non-operating revenues	96,470	78,499	174,969	-
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(42,156)	12,388	(29,768)	-
(Increase) decrease in due from other governmental agencies	(16,123)	142,705	126,582	-
(Increase) decrease in inventories	18,186	(8,325)	9,861	-
(Increase) decrease in prepaid items	(48,151)	(17,903)	(66,054)	23,613
(Increase) decrease in net pension liability	(97,105)	(48,552)	(145,657)	-
(Increase) decrease in deferred outflows of resources for pension	(288,425)	(144,213)	(432,638)	-
Increase (decrease) in due to other governmental agencies	3,944	-	3,944	-
Increase (decrease) in accounts payable and accrued expenses	407,054	(262,240)	144,814	(67,743)
Increase (decrease) in accrued vacation pay	(365)	(5,426)	(5,791)	-
Increase (decrease) in deferred inflows of resources for pension	(29,760)	(14,880)	(44,640)	-
Increase (decrease) in net pension liability	431,666	215,833	647,499	-
Increase (decrease) in other post-employment benefits	7,703	2,888	10,591	-
Increase (decrease) in customer deposits	4,188	(9,182)	(4,994)	-
Net cash provided (used) by operating activities	<u>\$ 2,407,673</u>	<u>\$ 381,398</u>	<u>\$ 2,789,071</u>	<u>\$ (2,734)</u>

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



NOTES TO THE FINANCIAL STATEMENTS

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



CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

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

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

The City reports the following major governmental fund:

General Fund. The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

The City reports the following nonmajor governmental funds:

Emergency Telephone Systems Fund. This special revenue fund is used to account for 911 revenues received by the State 911 Board to enhance the State's 911 system.

Special Revenue Fund - General. The Special Revenue Fund - General is used to account for the proceeds of specific revenue sources that are legally restricted to specified purposes.

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

The City reports the following major enterprise funds:

Water and Wastewater Fund. This fund is used to account for the City's water and wastewater operations.

Electric Fund. This fund is used to account for the City's electric fund operations.

The City reports the following fund type:

Internal Service Fund. The Health Insurance Fund is used to account for the payment of medical claims of the City's employees and their covered dependents.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting.

Government-Wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund 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 at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the City, are recognized as revenue. Sales taxes are considered a shared revenue for the City of Newton because the tax is levied by Catawba County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Emergency Telephone System Special Revenue Fund and the enterprise funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the General Capital Projects Fund, special revenue fund, and the enterprise capital projects funds, which are consolidated with the operating funds for reporting purposes. The City's Health Insurance Fund, an Internal Service Fund, operates under a financial plan that was adopted by the governing board at the time the City's budget ordinance was approved, as is required by the General Statutes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

the multi-year funds. Amendments are required for any revisions that alter the total expenditures of any fund. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted. Budget transfers are approved by the City Council as follows:

- 1) The Director of Finance is hereby authorized to approve transfers of appropriations between line items within a division budget.
- 2) In accordance with G.S. 159-13(b)(3), each expenditure to be charged against a contingency appropriation shall be authorized only by Resolution of the City Council. In an emergency situation, the City Manager may approve an expenditure to be charged to a contingency account provided that such emergency expenditure is reported to the City Council at its next meeting.
- 3) The City Manager is hereby authorized to approve budget transfers within a department from one division to another.
- 4) The Director of Finance shall prepare forms necessary to document each budget transfer and comply with the reporting of the budget transfers as specified hereinabove.

E. Estimates

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

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

Deposits and Investments

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

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

State law [G.S. 159-30 (c)] authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust ("NCCMT").

The City's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, an SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

Cash and Cash Equivalents

The City pools monies from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered to be cash and cash equivalents.

Restricted Assets

The unexpended loan proceeds plus interest in the governmental funds and enterprise funds are classified as restricted assets, because their use is completely restricted to the purpose for which the financing was originally issued. Customer deposits held by the General Fund, the Water/Wastewater Fund and the Electric Fund before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.4. In addition, funds for Cultural and Recreational activities held in the General Fund are classified as restricted assets because the contributor placed a restriction that the principal only be utilized for capital costs of recreational facilities.

CITY OF NEWTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

	General Fund	Other Governmental Funds	Total Restricted Cash
Governmental Activities:			
Unexpended debt proceeds plus interest	\$ 99,291	\$ -	\$ 99,291
Liabilities to be paid from restricted assets	18,970	-	18,970
Transportation	258,481	-	258,481
Cultural and Recreational	1,521,688	-	1,521,688
Total governmental activities	\$ 1,898,430	\$ -	\$ 1,898,430
	Water and Wastewater Fund	Electric Fund	Total Restricted Cash
Business-Type Activities:			
Unexpended debt proceeds plus interest	\$ 104,605	\$ 36,026	\$ 140,631
Liabilities to be paid from restricted assets	95,118	286,449	381,567
Total business-type activities	\$ 199,723	\$ 322,475	\$ 522,198

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. These taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6th. Liens are placed on these taxes as of March 1st each year. These taxes are based on the assessed values as of January 1, 2016.

Allowance for Doubtful Accounts

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

Inventory

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

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

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a \$5,000 amount and an estimated useful life in excess of one year. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Infrastructure	15-50 years
Buildings and improvements	20-50 years
Vehicles and equipment	5-20 years
Distribution system - electric	20-30 years
Distribution system - water and wastewater	20-40 years

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has two items that meet this criterion, contributions made to the pension plan in the 2017 fiscal year and pension deferrals. 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 and so will not be recognized as revenue until then. The City has several items that meet the criteria for this category - prepaid taxes, property taxes receivable, and deferrals of pension expense.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Long-Term Obligations

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

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

Compensated Absences

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

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

Net Position

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

CITY OF NEWTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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.

	Other Governmental		
	General Fund	Special Revenue	Total
<i>Inventories</i> - portion of fund balance that is not an available resource because it represents the year-end balance of inventories, which are not spendable resource.	<u>\$ 44,606</u>	<u>\$ -</u>	<u>\$ 44,606</u>
<i>Prepays</i> - portion of fund balance that is not an available resource because it represents prepaid amounts, which are not spendable resources.	<u>\$ 395,283</u>	<u>\$ -</u>	<u>\$ 395,283</u>

Restricted Fund Balance. This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors or imposed by law. Restricted fund balance is summarized as follows:

		Other Governmental		
	General Fund	Special Revenue	Capital Projects	Total
<i>Restricted for Stabilization by State Statute</i> - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].	<u>\$1,056,556</u>	<u>\$ 56,617</u>	<u>\$ -</u>	<u>\$1,113,173</u>

CITY OF NEWTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>General Fund</u>	<u>Other Governmental Special Revenue</u>	<u>Total</u>
<i>Restricted for Streets</i> - Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures.	\$ 258,481	\$ -	\$ 258,481
<i>Restricted for Public Safety</i> - portion of fund balance that is restricted by revenue source for certain emergency telephone system expenditures.	-	23,801	23,801
<i>Restricted for Environmental Protection</i> - portion of fund balance that is restricted by revenue source (unspent debt proceeds plus interest) for sanitation.	29	-	29
<i>Restricted for Public Safety</i> - portion of fund balance that is restricted by revenue source (unspent debt proceeds plus interest) for police.	91,055	-	91,055
<i>Restricted for Public Safety</i> - portion of fund balance that is restricted by revenue source (unspent debt proceeds plus interest) for fire.	6,435	-	6,435
<i>Restricted for Cultural and Recreational</i> - portion of fund balance that is restricted by revenue source (unspent debt proceeds plus interest) for recreational building improvements.	1,772	-	1,772
<i>Restricted for Cultural and Recreational</i> - portion of fund balance that is restricted by revenue source for the Frank and Sue Jones Recreation Fund for capital improvements to recreational facilities.	<u>1,521,688</u>	-	<u>1,521,688</u>
Total restricted fund balance (Exhibit C)	<u>\$ 1,879,460</u>	<u>\$ 23,801</u>	<u>\$ 1,903,261</u>

Restricted net position on Exhibit A varies from restricted fund balance on Exhibit C by the amount of unspent debt proceeds plus interest of \$99,291 as of June 30, 2017.

CITY OF NEWTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Committed Fund Balance - portion of fund balance that can only be used for specific purpose imposed by majority vote of the City's governing body. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, any changes or removal of specific purposes requires majority action by the Council through another ordinance.

	<u>General Capital Projects Fund</u>
<i>Committed for capital projects</i> - portion of fund balance that is committed by the governing body for capital improvements.	\$ 242
Total Committed Fund Balance (Exhibit C)	<u>\$ 242</u>

Assigned Fund Balance - portion of fund balance that the City of Newton has budgeted or earmarked to use for specific purposes. The City's governing body has the authority to assign fund balance. Assigned fund balance is summarized as follows:

	<u>General Fund</u>
<i>Assigned for Cultural and Recreational</i> - portion of fund balance that has been earmarked by the governing body for cemetery perpetual care. Utilization of these funds are made at the discretion of the City Manager.	\$ 55,050
<i>Subsequent Year's Expenditures</i> - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.	<u>965,550</u>
Total Assigned Fund Balance (Exhibit C)	<u>\$1,020,600</u>

Unassigned Fund Balance - portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. Only the General Fund may report a positive unassigned fund balance.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Fund Balance Available for Appropriation

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

Total fund balance - General Fund	\$ 8,856,266
Less:	
Inventories	(44,606)
Prepays	(395,283)
Stabilization by State statute	<u>(1,056,556)</u>
Available fund balance	<u>\$ 7,359,821</u>

The City has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-City funds, and City funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and, lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it's in the best interest of the City. The City has not adopted a formal fund balance policy.

The outstanding encumbrances represent amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year end. Encumbrances in the General Fund at June 30, 2017 were \$250,520.

Defined Benefit Cost Sharing Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Newton's employer contributions are recognized when due and the City of Newton has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

2. Detail Notes On All Funds

A. Assets

Deposits

All of the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agent in the respective unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agent in their name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2017, the City's deposits had a carrying amount of \$3,341,321 and a bank balance of \$4,578,789. The City also had petty cash and cash on hand of \$835. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Investments

At June 30, 2017, the City's investment balances were as follows:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2017</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust - Government Portfolio	Amortized Cost	\$ 1,494,905	N/A	AAAm
NC Capital Management Trust - Term Portfolio	Fair Value Level 1	<u>12,634,949</u>	0.14 years	Unrated
		<u>\$ 14,129,854</u>		

All investments are measured using the market approach; using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

Interest Rate Risk. The City has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City purchases certificates of deposit with an average maturity of 120 days. Also, the City purchases certificates of deposit to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than two years.

Credit Risk. The City has no formal policy regarding credit risk, but has internal management procedures that limits the City's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City's investment in the NC Capital Management Trust Government Portfolio carried a rating of AAAm by Standard and Poor's as of June 30, 2017. The City's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statute 159-30 as amended.

CITY OF NEWTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Receivables

Receivables at the government-wide level at June 30, 2017 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:					
General	\$ 705,631	\$ 492,947	\$ 100,380	\$ 31	\$ 1,298,989
Other governmental	-	-	56,617	-	56,617
Total receivables	705,631	492,947	156,997	31	1,355,606
Allowance for doubtful accounts	-	(26,000)	-	-	(26,000)
Total governmental activities	<u>\$ 705,631</u>	<u>\$ 466,947</u>	<u>\$ 156,997</u>	<u>\$ 31</u>	<u>\$ 1,329,606</u>
Business-Type Activities:					
Water and wastewater	\$ 786,757	\$ -	\$ 57,242	\$ 14	\$ 844,013
Electric	1,399,457	-	72,258	17	1,471,732
Total receivables	2,186,214	-	129,500	31	2,315,745
Allowance for doubtful accounts	(32,800)	-	-	-	(32,800)
Total business-type activities	<u>\$ 2,153,414</u>	<u>\$ -</u>	<u>\$ 129,500</u>	<u>\$ 31</u>	<u>\$ 2,282,945</u>

The total due from other governments consists of the following:

Governmental activities	\$ 156,997
Business-type activities	129,500
Total due from other governments	<u>\$ 286,497</u>
Sales tax reimbursement	\$ 229,880
Special Revenue Fund-Restricted Inter- governmental revenue	54,762
Emergency telephone system revenue	1,855
Total due from other governments	<u>\$ 286,497</u>

CITY OF NEWTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Balances June 30, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Adjust/ Trans</u>	<u>Balances June 30, 2017</u>
Governmental activities:					
<i>Capital assets not being depreciated:</i>					
Land	\$ 2,144,396	\$ -	\$ (1,750)	\$ -	\$ 2,142,646
Construction in progress	418,583	326,296	-	(426,915)	317,964
<i>Total assets not being depreciated:</i>	<u>2,562,979</u>	<u>326,296</u>	<u>(1,750)</u>	<u>(426,915)</u>	<u>2,460,610</u>
<i>Capital assets being depreciated:</i>					
Buildings and improvements	12,091,823	382,899	-	-	12,474,722
Equipment	3,520,576	364,722	-	426,915	4,312,213
Vehicles	7,630,277	277,666	(140,906)	-	7,767,037
Infrastructure	6,530,462	-	-	-	6,530,462
<i>Total assets being depreciated:</i>	<u>29,773,138</u>	<u>1,025,287</u>	<u>(140,906)</u>	<u>426,915</u>	<u>31,084,434</u>
<i>Less accumulated depreciation:</i>					
Building and improvements	(5,919,999)	(293,701)	-	-	(6,213,700)
Equipment	(2,700,128)	(272,724)	-	-	(2,972,852)
Vehicles	(6,028,123)	(442,236)	122,259	-	(6,348,100)
Infrastructure	(2,629,402)	(176,546)	-	-	(2,805,948)
<i>Total accumulated depreciation</i>	<u>(17,277,652)</u>	<u>(1,185,207)</u>	<u>122,259</u>	<u>-</u>	<u>(18,340,600)</u>
<i>Total assets being depreciated, net</i>	<u>12,495,486</u>	<u>(159,920)</u>	<u>(18,647)</u>	<u>426,915</u>	<u>12,743,834</u>
Governmental activities capital assets, net	<u>\$ 15,058,465</u>	<u>\$ 166,376</u>	<u>\$(20,397)</u>	<u>\$ -</u>	<u>\$ 15,204,444</u>

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

General government	\$ 109,904
Public safety	577,237
Transportation	276,371
Environmental protection	108,952
Cultural and recreation	<u>112,743</u>
Total depreciation expense - governmental activities	<u>\$ 1,185,207</u>

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

	Balances June 30, 2016	Additions	Disposals	Adjust/ Trans	Balances June 30, 2017
Business-type activities:					
Water and Wastewater Fund:					
<i>Capital assets not being depreciated:</i>					
Land	\$ 210,332	\$ -	\$ -	\$ -	\$ 210,332
Construction in progress	26,976	657,067	-	-	684,043
<i>Total assets not being depreciated:</i>	<u>237,308</u>	<u>657,067</u>	<u>-</u>	<u>-</u>	<u>894,375</u>
<i>Capital assets being depreciated:</i>					
Buildings and improvements	23,013,154	59,353	-	-	23,072,507
Equipment	1,209,328	20,900	(7,500)	-	1,222,728
Vehicles	1,192,786	142,525	(8,624)	-	1,326,687
Distribution systems	40,448,101	235,831	-	-	40,683,932
Total assets being depreciated:	<u>65,863,369</u>	<u>458,609</u>	<u>(16,124)</u>	<u>-</u>	<u>66,305,854</u>
Less accumulated depreciation:					
Building and improvements	(17,156,883)	(587,952)	-	-	(17,744,835)
Equipment	(668,541)	(83,406)	7,500	-	(744,447)
Vehicles	(778,564)	(115,886)	4,168	-	(890,282)
Distribution systems	(16,891,468)	(1,194,079)	-	-	(18,085,547)
Total accumulated depreciation	<u>(35,495,456)</u>	<u>(1,981,323)</u>	<u>11,668</u>	<u>-</u>	<u>(37,465,111)</u>
<i>Total assets being depreciated, net</i>	<u>30,367,913</u>				<u>28,840,743</u>
Water and Wastewater Fund capital assets, net	<u>30,605,221</u>				<u>29,735,118</u>
Electric Fund:					
<i>Capital assets not being depreciated:</i>					
Land	5,000	-	-	-	5,000
Construction in progress	3,929,759	272,843	-	(257,699)	3,944,903
<i>Total assets not being depreciated:</i>	<u>3,934,759</u>	<u>272,843</u>	<u>-</u>	<u>(257,699)</u>	<u>3,949,903</u>
<i>Capital assets being depreciated:</i>					
Buildings and improvements	375,032	-	-	-	375,032
Equipment	7,970,578	59,707	(56,247)	-	7,974,038
Vehicles	961,650	201,635	(138,131)	55,184	1,080,338
Distribution systems	11,905,443	188,411	-	202,515	12,296,369
Total assets being depreciated:	<u>21,212,703</u>	<u>449,753</u>	<u>(194,378)</u>	<u>257,699</u>	<u>21,725,777</u>
Less accumulated depreciation:					
Building and improvements	(164,348)	(12,655)	-	-	(177,003)
Equipment	(5,401,020)	(265,451)	56,247	-	(5,610,224)
Vehicles	(678,910)	(95,256)	138,131	-	(636,035)
Distribution systems	(4,417,129)	(346,791)	-	-	(4,763,920)
Total accumulated depreciation	<u>(10,661,407)</u>	<u>\$ (720,153)</u>	<u>\$ 194,378</u>	<u>\$ -</u>	<u>(11,187,182)</u>
<i>Total assets being depreciated, net</i>	<u>10,551,296</u>				<u>10,538,595</u>
Electric Fund capital assets, net	<u>14,486,055</u>				<u>14,488,498</u>
Business-type activities capital assets, net	<u>\$ 45,091,276</u>				<u>\$ 44,223,616</u>

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2017 is composed of the following elements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 15,204,444	\$ 44,223,616
Long-term debt	(9,850,614)	(16,663,027)
Accrued compensated absences, OPEB, LEO, LGERS	3,612,479	777,245
Unspent debt proceeds	99,291	140,631
Net investment in capital assets	<u>\$ 9,065,600</u>	<u>\$ 28,478,465</u>

Construction Commitments

The government has active construction projects as of June 30, 2017. The government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to Date</u>	<u>Remaining Commitment</u>
Governmental activities		
Police Vehicle Replacements	\$ 264,274	\$ 2,375
Roof replacement at old fire station #1	-	25,000
Parking lot improvements	603	-
Disc golf course	53,085	6,696
Business-type activities		
Water rehabilitation projects	677,067	790,595
Catawba County Justice Center expansion	316,832	-
Smart grid	3,635,047	-
Total	<u>\$ 4,946,908</u>	<u>\$ 824,666</u>

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

B. Liabilities

Accounts Payable

Payables at the government-wide level at June 30, 2017 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Total</u>
Governmental Activities:				
General	\$ 440,976	\$ 137,638	\$ 82,663	\$ 661,277
Business-Type Activities:				
Water and wastewater	\$ 490,300	\$ 26,262	\$ 126,266	\$ 642,828
Electric	1,032,789	11,471	87,350	1,131,610
Total payables	<u>\$ 1,523,089</u>	<u>\$ 37,733</u>	<u>\$ 213,616</u>	<u>\$ 1,774,438</u>

Pension Plan and Post Employment Obligations

Local Governmental Employees' Retirement System

Plan Description. The City is a participating employer in 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 membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members - nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. 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, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Newton employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Newton's contractually required contribution rate for the year ended June 30, 2017, was 8.0% of compensation for law enforcement officers and 7.35% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Newton were \$598,249 for the year ended June 30, 2017.

Refunds of Contributions. City employees, who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By State law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2017, the City reported a liability of \$2,697,912 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing updated procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the City's proportion was 0.127%, which was a decrease of 0.008% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of \$700,591. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 50,689	\$ 94,538
Changes of assumptions	184,783	-
Net difference between projected and actual earnings on pension plan investments	1,491,606	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	108,234
City contributions subsequent to the measurement date	598,249	-
Total	<u>\$ 2,325,327</u>	<u>\$ 202,772</u>

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

\$598,249 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	
2018	\$ 213,404
2019	213,654
2020	680,974
2021	416,274
2022	-
	<u>\$ 1,524,306</u>

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are, therefore, not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital market data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	6.0%	4.0%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF NEWTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the City’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
City’s proportionate share of the net pension liability (asset)	\$ 6,403,404	\$ 2,697,912	\$ (397,190)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

Law Enforcement Officers’ Special Separation Allowance

Plan Description. The City administers a public employee retirement system (the “Separation Allowance”), a single-employer, defined benefit pension plan that provides retirement benefits to the City’s qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2016, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	5
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	33
Total	38

A separate report was not issued for the plan.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Summary of Significant Accounting Policies

Basis of Accounting. The City has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the criteria, which are outlined in GASB Statement 73.

Actuarial Assumptions. The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.86 percent

The discount rate used to measure the total pension liability is the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

Deaths After Retirement (Healthy): RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 104% for males and 100% for females.

Deaths Before Retirement: RP-2014 Employee base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015.

Deaths After Retirement (Beneficiary): RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 123% for males and females.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Deaths After Retirement (Disabled): RP-2014 Disabled Retiree base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 103% for males and 99% for females.

Contributions. The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$61,345 as benefits came due for the reporting period.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2017, the City reported a total pension liability of \$974,693. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the City recognized pension expense of \$71,597.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 17,386
Benefit payments and administrative expenses subsequent to the measurement date	35,328	-
Total	<u>\$ 35,328</u>	<u>\$ 17,386</u>

CITY OF NEWTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

\$35,328 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>		
2018	\$	3,456
2019		3,456
2020		3,456
2021		3,456
2022		3,456
Thereafter		<u>106</u>
	\$	<u>17,386</u>

\$35,328 paid as benefits came due subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the City's Total Pension Liability to Changes in the Discount Rate. The following presents the City's total pension liability calculated using the discount rate of 3.86%, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86%) or 1-percentage-point higher (4.86%) than the current rate:

	<u>1% Decrease (2.86%)</u>	<u>Discount Rate (3.86%)</u>	<u>1% Increase (4.86%)</u>
Total pension liability	<u>\$ 1,048,885</u>	<u>\$ 974,693</u>	<u>\$ 906,878</u>

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Schedule of Changes in Total Pension Liability Law Enforcement Officers' Special Separation Allowance

	2017
Beginning balance	\$ 982,044
Service cost	40,872
Interest on the total pension liability	33,964
Changes of assumptions or other inputs	(20,842)
Benefit payments	(61,345)
Ending balance of the total pension liability	<u>\$ 974,693</u>

The plan currently used mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The City 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 City. Article 5 of G. S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the CAFR for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Comptroller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to their plan. Contributions for the year ended June 30, 2017 were \$90,030, which consisted of \$78,953 from the City and \$11,077 from the law enforcement officers. No amounts were forfeited.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Other Post-Employment Benefits - Healthcare Benefits

Plan Description. The City administers a single-employer defined benefit Healthcare Benefits Plan. According to the City of Newton Personnel Policy, the City provides post-employment healthcare benefits up to age 65 to retirees of the City, whether or not they qualify for Medicare at that time, provided they meet the retirement qualifications outlined by the North Carolina Local Government Employees Retirement System, they are at least 55 years of age, and their last 20 full-time consecutive creditable years of service were with the City. This benefit will not be offered to any employee hired on or after July 1, 2006. Also, the City's retirees can purchase coverage for their dependents at the City's group rates. Currently eight retirees can purchase coverage for post-employment health benefits. For the fiscal year ended June 30, 2017, the City made payments for post-retirement health benefit premiums of \$60,249. The City purchases insurance from a private carrier for healthcare coverage. A separate report was not issued for the Plan.

Membership of the HCB Plan consisted of the following at June 30, 2016, the date of the latest actuarial valuation:

	<u>General Employees</u>	<u>Law Enforcement Officers</u>
Retirees and dependents receiving benefits	7	1
Terminated plan members entitled to, but not yet receiving, benefits	-	-
Active plan members	<u>59</u>	<u>10</u>
Total	<u>66</u>	<u>11</u>

Funding Policy. The City pays the full cost of coverage for the healthcare benefits paid to qualified retirees having 30 or more creditable years of service under a City resolution that can be amended by the City Council. The City's members pay the City's group rate for qualified retirees having 20 full-time consecutive creditable years of service. The City's members pay the City's group rates for dependent coverage, if enrolled in dependent coverage at the time of retirement. The City has chosen to fund the healthcare benefits on a pay-as-you-go basis.

The current ARC rate is 3.07% of annual covered payroll. For the current year, the City contributed \$60,249, or 1.97% of annual covered payroll. The City's required contributions, under a City resolution, for employees not engaged in law enforcement and for law enforcement officers represented 1.93 and 0.21% of covered payroll, respectively. There were no contributions made by employees, except for dependent coverage in the amount of \$8,986. Retirees are responsible for the difference between the amount charged for an active

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

employee and the retiree rate, which is paid on a monthly basis. The City self-insures health and dental coverage for employees and retirees, which is administered by a third party administrator. The City's obligation to contribute to the HCB Plan is established and may be amended by the City Council.

Summary of Significant Accounting Policies

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

Annual OPEB Cost and Net Obligation

The City's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$	94,081
Interest on net OPEB obligation		1,087
Adjustments to annual required contribution		<u>(1,510)</u>
Annual OPEB cost (expense)		93,658
Contributions made		<u>(60,249)</u>
Increase (decrease) in net OPEB obligation		33,409
Net OPEB obligation:		
Beginning of year - July 1		<u>27,164</u>
End of year - June 30	\$	<u>60,573</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2017 were as follows:

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 91,872	227.6%	\$ 69,265
2016	84,035	150.1%	27,164
2017	93,658	64.3%	60,573

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Funding Status and Funding Progress

As of June 30, 2016, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$1,073,058. The covered payroll (annual payroll of active employees covered by the plan) was \$3,060,842, and the ratio of the UAAL to the covered payroll was 35.1 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations. In the June 30, 2016 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.75 to 5.00% annually. Both rates included a 3.00% inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level dollar amount on a closed basis. The remaining amortization period at June 30, 2016 was 30 years.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Deferred Outflows and Inflows of Resources

The City has several deferred outflows of resources. Deferred outflows of resources are comprised of the following:

<u>Source</u>	<u>Amount</u>
Benefit payments and plan administrative expense made subsequent to the measurement date - LEOSA	\$ 35,328
Differences between expected and actual experience - LGERS	50,689
Changes of assumptions - LGERS	184,783
Net difference between projected and actual earnings on pension plan investments - LGERS	1,491,606
Contributions subsequent to the measurement date - LGERS	598,249
Total	<u>\$ 2,360,655</u>

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

<u>Source</u>	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Prepaid taxes (General Fund)	\$ 628	\$ 628
Taxes receivable, (net) (General Fund)	-	466,947
Differences between expected and actual experience	94,538	-
Changes of assumptions	17,386	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	108,234	-
Total	<u>\$ 220,786</u>	<u>\$ 467,575</u>

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster for which the City carries commercial insurance. The City has workers' compensation coverage up to statutory limits, law enforcement officers' liability and public official liability of \$1 million per occurrence, with a \$2 million umbrella policy, auto liability of \$1 million per accident, public entity general liability of \$1 million per occurrence, \$3 million aggregate; commercial inland marine of \$1,757,094. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

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

Other Employment Benefits

The City has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service, and have at least one year of contributing membership service in the System at the time of death, are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The City considers these contributions to be immaterial.

The City has also elected to provide a city paid Employee Term Life Coverage and Accidental Death and Dismemberment Coverage for all regular full-time employees who have completed the employment-waiting period. The beneficiaries of those employees who die while employed are eligible for the life benefit payable from Prudential Life Insurance Company equal to 100% of

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

the employee's annual earnings not to exceed \$100,000. A limitation of 65% applies to employees 65 to 70 years in age, and 50% limitation at age 70 and above. Benefits payable for Accidental Death are equal to same, and benefits for dismemberment pay in accordance to the terms outlined in the purchased policy. The City has no liability beyond the payment of monthly contributions.

Claims, Judgments and Contingent Liabilities

At June 30, 2017, the City was a defendant to various lawsuits. In the opinion of the City's management and the City attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

Self-Insurance

The City is self-insured for health and dental coverage for all full-time employees. Funding is provided by charges to various funds of the City and employee contributions based upon estimated claims and employee participation. The claims administrator determines estimated claims annually. Aggregate and specific stop loss insurance coverage is provided annually by Blue Cross Blue Shield of North Carolina, who also provides contracted third-party claims administration. The City has recognized a provision of \$148,539 for claims incurred but not reported, in the accompanying financial statements. This provision is estimated upon analysis of historical claims experience reviewed by the City's third party administrator.

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

	<u>2017</u>	<u>2016</u>
Claims liability, beginning of year	\$ 216,282	\$ 269,491
Claims incurred	1,147,606	1,129,004
Payments on claims	<u>(1,215,349)</u>	<u>(1,182,213)</u>
Claims liability, end of year	<u>\$ 148,539</u>	<u>\$ 216,282</u>

CITY OF NEWTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Long-Term Obligations

Loans Payable

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

Loans payable at June 30, 2017 are comprised of the following:

	Serviced by:		
	General Fund	Water / Wastewater Fund	Electric Fund
\$131,000, 2008, 3.69% loan to bank in annual installments of \$15,903 for a vehicle due in 2017	\$ 15,337	\$ -	\$ -
\$2,702,929, 2005, 2.59% loan payable to bank in annual installments of \$239,684 for water and wastewater capital projects due in 2018	-	461,368	-
\$250,000, 2011, 2.65% loan payable to bank in annual installments of a fixed payment of \$35,714 plus interest for street/sidewalk infrastructure due in 2018	35,714	-	-
\$432,763, 2013, 1.56% loan payable to bank in annual installments of a fixed payment of \$86,553 plus interest for vehicles and equipment due in 2018	47,396	39,156	-
\$370,000, 2005, 3.97% loan payable to bank in annual installments of \$33,208 for fire truck due in 2019	92,210	-	-
\$2,300,000, 2005, 2.63% loan payable to bank in annual installments of \$193,614 for water and wastewater capital improvements due in 2019	-	551,577	-

CITY OF NEWTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

	Serviced by:		
	General Fund	Water / Wastewater Fund	Electric Fund
\$1,742,775, 2012, 1.91% loan payable to bank in annual installments of a fixed payment of \$248,968 plus interest for vehicles and equipment due in 2019	294,383	176,655	26,898
\$273,000, 2014, 1.57% loan payable to bank in annual installments of a fixed payment of \$54,600 plus interest for vehicles and equipment due in 2019	109,200	-	-
\$2,500,000, 2005, 2.73% loan payable to bank in annual installments of \$214,606 for water and wastewater capital improvements due in 2020	-	610,202	-
\$207,369, 2013, 1.78% loan payable to bank in annual installments of a fixed payment of \$29,624.14 plus interest for an electrical vehicle due in 2020	-	-	88,872
\$388,359, 2015, 1.60% loan payable to bank in annual installments of a fixed payment of \$77,672 plus interest for vehicle and equipment due in 2020	233,016	-	-
\$108,200, 2015, 1.71% loan payable to bank in annual installments of a fixed payment of \$21,640 plus interest for vehicles due in 2020	42,720	-	43,840
\$4,000,000, 2005, 2.97% loan payable to bank in annual installments of \$344,788 for water and wastewater, electric and general capital improvements and equipment due in 2021	243,260	191,977	1,145,145
\$472,800, 2017, 1.64% loan payable to bank in annual installments of a fixed payment of \$94,560 plus interest for vehicles and equipment due in 2021	315,300	104,600	52,900

CITY OF NEWTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u> Served by:</u>		
	<u>General</u> <u>Fund</u>	<u>Water /</u> <u>Wastewater</u> <u>Fund</u>	<u>Electric</u> <u>Fund</u>
\$651,000, 2008, 2.97% loan to bank in annual installments of a fixed payment of \$43,400 plus interest for real property improvements and equipment due in 2022	260,400	-	-
\$626,100, 2015, 1.97% loan to bank in annual installments of a fixed payment of \$89,443 plus interest for vehicles due in 2022	172,886	-	363,771
\$4,940,000, 2009, 3.03% loan payable to bank in annual installments of a fixed payment of \$329,333 plus interest for water and wastewater, electric and general capital improvements and equipment due in 2024	163,573	788,309	1,353,451
\$290,000, 2014, 2.59% loan payable to bank in annual installments of a fixed payment of \$29,000 plus interest for a fire truck refurbishment due in 2024	203,000	-	-
\$896,033, 2015, 2.37% loan payable to bank in annual installments of a fixed payment of \$89,603 plus interest for police radio communication system and a fire tanker due in 2025	716,827	-	-
\$3,256,225, 2012, 3.11% loan payable to bank in annual installments of a fixed payment of \$217,082 plus interest for water and wastewater, and electric capital improvements and equipment due in 2027	-	1,698,233	472,583
\$403,790, 2013, 2.60% loan payable to bank in annual installments of a fixed payment of \$26,919 plus interest for street and water capital improvements due in 2028	151,580	144,533	-
\$1,340,265, 2013, 2.58% loan payable to bank in annual installments of a fixed payment of \$89,351 plus interest for water and wastewater, and electric capital improvements due in 2028	-	537,867	444,994

CITY OF NEWTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

	Serviced by:		
	General Fund	Water / Wastewater Fund	Electric Fund
\$3,460,000, 2014, 2.91% loan payable to bank in annual installments of a fixed payment of \$230,667 plus interest for construction of a Fire Department headquarters due in 2029	2,768,000	-	-
\$592,200, 2014, 2.91% loan payable to bank in annual installments of a fixed payment of \$39,480 plus interest for water and electric capital improvements due in 2029	-	313,760	160,000
\$3,940,000, 2015, 2.78% loan payable to bank in annual installments of a fixed payment of \$262,667 plus interest for water and electric smart grid AMI metering system due in 2029	-	2,114,667	1,300,000
\$498,921, 2012, 2.22% loan payable to the State in annual installments of a fixed payment of \$26,259 plus interest for wastewater capital improvements due in 2031	-	367,626	-
\$400,000, 2016, 2.90% loan payable to the bank annual installments of a fixed payment of \$26,667 plus interest for stormwater infrastructure due in 2031	373,333	-	-
\$1,400,000, 2017, 2.67% loan payable to bank in annual installments of a fixed payment of \$93,333 plus interest for wastewater capital improvements due in 2032	-	1,400,000	-
\$1,097,409, 2014, 2.00% loan payable to the State in annual installments of a fixed payment of \$54,870 plus interest for wastewater capital improvements due in 2034	-	932,798	-
	<u>\$ 6,238,135</u>	<u>\$ 10,433,328</u>	<u>\$ 5,452,454</u>

CITY OF NEWTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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

Year Ending <u>June 30</u>	<u>Loans Payable</u>	
	<u>Principal</u>	<u>Interest</u>
Governmental activities:		
2018	\$ 1,012,029	\$ 163,847
2019	916,117	139,647
2020	716,947	117,613
2021	608,778	99,181
2022	599,585	83,083
2023-2027	1,802,898	221,739
2028-2032	581,781	27,984
Total governmental activities	<u>6,238,135</u>	<u>853,094</u>
Business-type activities:		
Water and Wastewater Fund:		
2018	1,497,472	281,041
2019	1,475,403	241,550
2020	1,164,935	202,213
2021	768,519	170,304
2022	769,692	148,996
2023-2027	3,199,181	451,193
2028-2032	1,448,385	101,663
2033-2037	109,741	3,292
Total Water and Wastewater	<u>10,433,328</u>	<u>1,600,252</u>
Electric Fund:		
2018	735,429	152,867
2019	741,839	132,579
2020	734,990	112,100
2021	712,162	91,682
2022	708,200	71,575
2023-2027	1,452,713	154,786
2028-2032	367,121	18,888
Total Electric Fund	<u>5,452,454</u>	<u>734,477</u>
Total business-type activities	<u>15,885,782</u>	<u>2,334,729</u>
Total all activities	<u>\$ 22,123,917</u>	<u>\$ 3,187,823</u>

At June 30, 2017, the City of Newton had a legal debt margin of \$58,717,102.

CITY OF NEWTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Changes in Long-Term Liabilities

The following is a summary of changes in long-term debt for the year ended June 30, 2017.

	<u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2017</u>	<u>Current Portion of Balance</u>
Governmental activities:					
Loans payable	\$ 6,937,435	\$ 315,300	\$1,014,600	\$ 6,238,135	\$1,012,029
Compensated absences	495,622	392,507	344,023	544,106	352,044
Other post-employment benefits	20,449	66,900	44,082	43,267	-
Net pension liability (LGERS)	461,249	1,589,164	-	2,050,413	-
Total pension liability (LEO)	336,010	638,683	-	974,693	-
Total governmental activities	<u>\$ 8,250,765</u>	<u>\$3,002,554</u>	<u>\$1,402,705</u>	<u>\$ 9,850,614</u>	<u>\$1,364,073</u>
Business-type activities:					
Loans payable	\$10,351,934	\$1,504,600	\$1,423,206	\$10,433,328	\$1,497,472
Compensated absences	81,978	80,168	80,533	81,613	81,613
Other post-employment benefits	4,884	19,462	11,759	12,587	-
Net pension liability (LGERS)	97,105	334,561	-	431,666	-
Total Water and Wastewater Fund	<u>10,535,901</u>	<u>1,938,791</u>	<u>1,515,498</u>	<u>10,959,194</u>	<u>1,579,085</u>
Loans payable	6,140,345	52,900	740,791	5,452,454	735,429
Compensated absences	36,253	31,973	37,399	30,827	30,827
Other post-employment benefits	1,831	7,296	4,408	4,719	-
Net pension liability (LGERS)	48,552	167,281	-	215,833	-
Total Electric Fund	<u>6,226,981</u>	<u>259,450</u>	<u>782,598</u>	<u>5,703,833</u>	<u>766,256</u>
Total business-type activities	<u>\$16,762,882</u>	<u>\$2,198,241</u>	<u>\$2,298,096</u>	<u>\$16,663,027</u>	<u>\$2,345,341</u>

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

C. Interfund Balances and Activity

Interfund loans are summarized as follows:

Due from Governmental Activities for Internal Service Fund activity allocation to Business-type Activities	<u>\$ 322,621</u>
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The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Transfers to/from other funds at June 30, 2017 consist of the following:

From the General Fund to the Special Revenue Fund for grant expenditures	\$ 16,200
From the General Fund to the Emergency Telephone System Fund for ineligible expenditures	<u>1,282</u>
Total	<u>\$ 17,482</u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

D. Revenues, Expenditures and Expenses

On-Behalf Payments for Fringe Benefits and Salaries

The City has recognized as a revenue and an expenditure on-behalf payment for fringe benefits and salaries of \$10,971 for the salary supplement and stipend benefits paid to eligible firefighters by the local Board of Trustees of the Firefighter's Relief Fund during the fiscal year ended June 30, 2017. Under State law, the local Board of Trustees for the Fund receives an amount each year, which the Board may use at its own discretion for eligible firefighters or their departments.

3. Jointly Governed Organization

North Carolina Municipal Power Agency Number 1 (NCMPA1)

The City, in conjunction with 18 other local governments in the Piedmont and Foothills Region of North Carolina, is a member of the North Carolina Municipal Power Agency Number 1 (NCMPA1). The NCMPA1 has 75% ownership interest in Catawba Nuclear Station Unit 2, located in York County, South Carolina, which is operated by Duke Energy. It also has an agreement with Duke Energy that provides for electric power via McGuire Nuclear Station and Catawba Unit 1 should Catawba Nuclear Station Unit 2 be unavailable for service. NCMPA1 is governed by a Board of Commissioners, which consists of fourteen members elected throughout North Carolina. Each participating government appoints one Commissioner and an alternate Commissioner to the Board. The 19 members, who receive power from the NCMPA1, have signed power sales agreements to purchase a specified share of the power generated by the NCMPA1. NCMPA1 revenues derived from the Power Sales Agreement are pledged as security for the Power Agency bonds outstanding. The City's purchase of power for the fiscal year ended June 30, 2017 was \$10,816,810.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Newton-Conover Auditorium Authority

The Newton-Conover Auditorium Authority was organized and incorporated by the Secretary of State of North Carolina as a non-profit corporation on December 27, 1990. It is composed of a Board of Directors including members appointed by the City of Newton (four members); Newton-Conover School Board (three members); and the Catawba County Board of Commissioners (three members). The Authority's responsibilities include the restoration and renovation of the former Newton-Conover High School auditorium for use as a civic auditorium for a wide range of community activities. This community auditorium is available for use by individuals, civic groups, the schools and the local community theater group. The City funded \$25,000 to the Newton-Conover Auditorium Authority during fiscal year ended June 30, 2017.

Western Piedmont Council of Governments

The Western Piedmont Council of Governments (WPCOG) is a regional planning organization. It consists of 24 municipalities and four counties within western North Carolina. The WPCOG's governing board is comprised of one elected official from each of these local governments and seven at-large citizen members. Each local government has one vote. The City paid membership dues of \$13,440 during fiscal year ended June 30, 2017.

Western Piedmont Regional Transit Authority

Western Piedmont Regional Transit Authority (WPRTA) is the first regional public transportation authority with consolidated urban-rural transit service in North Carolina. Alexander, Burke, Caldwell, and Catawba counties in conjunction with the municipalities of Conover, Hickory, and Newton each appoint one member to the governing board of the WPRTA. The City paid \$50,747 to WPRTA during fiscal year ended June 30, 2017.

4. Summary Disclosure of Significant Contingencies

Federal and State-Assisted Programs

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

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

5. Change in Accounting Principles/Restatement

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 in the fiscal year ending June 30, 2017. The implementation of the statement required the City to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the City to the Law Enforcement Officers' Special Separation Allowance during the measurement period. As a result, net position for governmental activities decreased by \$584,689.

REQUIRED SUPPLEMENTARY INFORMATION

This section contains additional information required by generally accepted accounting principles

- Schedule of Changes in Total Pension Liability for the Law Enforcement Officers' Special Separation Allowance
 - Schedule of Total Pension Liability as a Percentage of Covered Payroll for the Law Enforcement Officers' Special Separation Allowance
 - Schedule of Funding Progress for the Other Post-Employment Benefits
 - Schedule of Employer Contributions for the Other Post-Employment Benefits
 - Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System
 - Schedule of Contributions for Local Government Employees' Retirement System
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CITY OF NEWTON, NORTH CAROLINA

Schedule A-1

SCHEDULES OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
FOR THE YEAR ENDED JUNE 30, 2017

	<u>2017</u>
Beginning balance	\$ 982,044
Service cost	40,872
Interest on the total pension liability	33,964
Changes of assumptions or other inputs	(20,842)
Benefit payments	<u>(61,345)</u>
Ending balance of the total pension liability	<u>\$ 974,693</u>

The amounts presented for each fiscal year were determined as of the prior December 31.

CITY OF NEWTON, NORTH CAROLINA

Schedule A-2

SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
FOR THE YEAR ENDED JUNE 30, 2017

	<u>2017</u>
Total pension liability	\$ 974,693
Covered payroll	1,484,503
Total pension liability as a percentage of covered payroll	65.66%

Notes to the Schedules:

The City of Newton has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

CITY OF NEWTON, NORTH CAROLINA

Schedule A-3

**OTHER POST-EMPLOYMENT BENEFITS -
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2017**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
6/30/2016	\$ -	\$ 1,073,058	\$ 1,073,058	0.00%	\$ 3,060,842	35.06%
12/31/2014	-	957,931	957,931	0.00%	3,327,307	28.79%
12/31/2013	-	1,037,619	1,037,619	0.00%	3,297,882	31.46%
12/31/2011	-	1,240,188	1,240,188	0.00%	4,214,285	29.43%
12/31/2010	-	1,124,469	1,124,469	0.00%	4,555,127	24.69%
12/31/2009	-	998,624	998,624	0.00%	5,112,117	19.53%
12/31/2008	-	1,789,597	1,789,597	0.00%	5,694,669	31.43%
12/31/2007	-	2,408,866	2,408,866	0.00%	6,077,871	39.63%

Note: The City of Newton implemented GASB Statement No. 45 for the fiscal year ended June 30, 2009. As the City has additional actuary valuations performed, information will be added to this schedule.

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2017	\$ 94,081	64.04%
2016	85,116	148.19%
2015	94,691	220.63%
2014	114,661	90.84%
2013	114,661	91.25%
2012	102,543	137.30%
2011	95,458	115.25%
2010	187,915	47.32%

Notes to the Required Schedules:

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

Valuation date	June 30, 2016
Actuarial cost method	Projected unit credit
Amortization method	Level dollar amount, closed
Remaining amortization period	30 years
Amortization factor	17.9837
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Pre-Medicare trend rate	7.75% - 5.00%
Year of ultimate trend rate	2023

* Includes inflation at 3.00%

CITY OF NEWTON, NORTH CAROLINA

Schedule A-4

**LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
LAST FOUR FISCAL YEARS***

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability (asset) (%)	0.12712%	0.13523%	0.13913%	0.13720%
Proportion of the net pension liability (asset) (\$)	\$ 2,697,912	\$ 606,906	\$ (820,513)	\$ 1,653,787
Covered-employee payroll	\$ 7,564,686	\$ 7,169,996	\$ 7,082,583	\$ 6,704,520
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	35.66%	8.46%	-11.58%	24.67%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ended June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

CITY OF NEWTON, NORTH CAROLINA

Schedule A-5

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION
 CONTRIBUTIONS
 LAST FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 598,249	\$ 522,665	\$ 530,698	\$ 503,617
Contributions in relation to the contractually required contribution	<u>598,249</u>	<u>522,665</u>	<u>530,698</u>	<u>503,617</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 7,998,926	\$ 7,564,686	\$ 7,169,996	\$ 7,082,583
Contributions as a percentage of covered-employee payroll	7.48%	6.91%	7.40%	7.11%



GOVERNMENTAL ACTIVITIES MAJOR FUND

GENERAL FUND

The General Fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.



CITY OF NEWTON, NORTH CAROLINA

Schedule 1
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**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016**

	2017			2016 Actual
	Final Budget	Actual	Variance Over/Under	
Revenues:				
Ad Valorem Taxes:				
Current year	\$ 5,294,400	\$ 5,355,637	\$ 61,237	\$ 5,467,059
Prior years	130,000	151,044	21,044	144,898
Penalties and interest	50,000	47,438	(2,562)	49,779
Total	<u>5,474,400</u>	<u>5,554,119</u>	<u>79,719</u>	<u>5,661,736</u>
Other Taxes and Licenses:				
Local option sales tax	3,156,350	3,263,760	107,410	3,111,139
Solid waste disposal tax	8,300	8,720	420	8,437
Other taxes and licenses	10,000	16,203	6,203	12,906
Rural fire district tax	444,000	443,968	(32)	460,520
Total	<u>3,618,650</u>	<u>3,732,651</u>	<u>114,001</u>	<u>3,593,002</u>
Unrestricted Intergovernmental Revenues:				
Payments in lieu of taxes	472,000	472,000	-	438,900
Utilities sales tax	985,000	969,834	(15,166)	971,859
Beer and wine tax	67,150	58,759	(8,391)	57,266
Total	<u>1,524,150</u>	<u>1,500,593</u>	<u>(23,557)</u>	<u>1,468,025</u>
Restricted Intergovernmental Revenues:				
Federal grants	311,950	311,310	(640)	152,794
Federal asset seizure allocation	-	1,496	1,496	6,092
Other	-	2,269	2,269	5,571
On-behalf payments - fire	25,000	10,971	(14,029)	10,936
Powell Bill State street aid allocation	399,600	383,667	(15,933)	390,092
Total	<u>736,550</u>	<u>709,713</u>	<u>(26,837)</u>	<u>565,485</u>
Permits and Fees:				
Licenses	400	210	(190)	90
Local franchise - cable tv	78,000	73,811	(4,189)	73,972
Total	<u>78,400</u>	<u>74,021</u>	<u>(4,379)</u>	<u>74,062</u>
Sales and Services:				
Supportive court services	5,250	2,671	(2,579)	3,501
Refuse collection fees	860,650	862,115	1,465	859,531
Recreation fees and concessions	60,000	63,454	3,454	54,521
Other	58,000	98,990	40,990	56,592
Total	<u>983,900</u>	<u>1,027,230</u>	<u>43,330</u>	<u>974,145</u>
Investment Earnings	<u>16,900</u>	<u>48,171</u>	<u>31,271</u>	<u>31,649</u>

CITY OF NEWTON, NORTH CAROLINA

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**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016**

	2017			2016 Actual
	Final Budget	Actual	Variance Over/Under	
Miscellaneous:				
Rentals and sale of property	71,850	46,702	(25,148)	71,356
Other	118,450	137,691	19,241	147,743
Total	190,300	184,393	(5,907)	219,099
Total revenues	12,623,250	12,830,891	207,641	12,587,203
Expenditures:				
General Government:				
Governing Body:				
Salaries and employee benefits	44,900	37,031		40,086
Other operating expenditures	23,650	23,572		23,848
Interdepartmental charges	(41,250)	(41,250)		(49,800)
Total	27,300	19,353	7,947	14,134
Administration:				
Salaries and employee benefits	402,300	397,922		383,746
Other operating expenditures	230,100	187,382		131,938
Interdepartmental charges	(352,000)	(352,000)		(314,000)
Total	280,400	233,304	47,096	201,684
Finance:				
Salaries and employee benefits	503,000	499,775		475,504
Other operating expenditures	230,100	183,650		193,636
Interdepartmental charges	(623,450)	(623,450)		(588,200)
Total	109,650	59,975	49,675	80,940
Purchasing/Warehouse:				
Salaries and employee benefits	117,500	116,232		110,511
Other operating expenditures	15,350	12,330		7,919
Interdepartmental charges	(112,450)	(112,450)		(105,900)
Total	20,400	16,112	4,288	12,530
Technology/MIS:				
Salaries and employee benefits	143,950	142,146		118,021
Other operating expenditures	204,400	195,845		153,208
Capital outlay	11,150	10,838		15,097
Interdepartmental charges	(190,700)	(190,700)		(188,600)
Total	168,800	158,129	10,671	97,726

CITY OF NEWTON, NORTH CAROLINA

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**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016**

	2017			2016 Actual
	Final Budget	Actual	Variance Over/Under	
Human Resources:				
Salaries and employee benefits	314,350	311,340		301,135
Other operating expenditures	164,000	151,585		156,153
Interdepartmental charges	(80,450)	(80,450)		(78,050)
Total	<u>397,900</u>	<u>382,475</u>	<u>15,425</u>	<u>379,238</u>
Planning:				
Salaries and employee benefits	254,050	249,458		219,228
Other operating expenditures	250,250	151,371		87,205
Interdepartmental charges	(74,050)	(74,050)		(53,700)
Total	<u>430,250</u>	<u>326,779</u>	<u>103,471</u>	<u>252,733</u>
Municipal Building:				
Other operating expenditures	<u>184,350</u>	<u>184,231</u>	<u>119</u>	<u>125,834</u>
Total	<u>184,350</u>	<u>184,231</u>	<u>119</u>	<u>125,834</u>
Public Works Administration:				
Salaries and employee benefits	168,850	167,566		154,900
Other operating expenditures	80,600	75,513		63,566
Interdepartmental charges	(171,800)	(171,800)		(151,150)
Total	<u>77,650</u>	<u>71,279</u>	<u>6,371</u>	<u>67,316</u>
Garage:				
Salaries and employee benefits	117,600	116,097		111,850
Other operating expenditures	71,950	63,936		46,600
Interdepartmental charges	(64,000)	(64,000)		(55,800)
Total	<u>125,550</u>	<u>116,033</u>	<u>9,517</u>	<u>102,650</u>
Downtown Public Parking:				
Other operating expenditures	16,400	13,030		7,136
Capital outlay	<u>61,750</u>	<u>61,018</u>		<u>99,266</u>
Total	<u>78,150</u>	<u>74,048</u>	<u>4,102</u>	<u>106,402</u>
Total general government	<u>1,900,400</u>	<u>1,641,718</u>	<u>258,682</u>	<u>1,441,187</u>
Transportation:				
Streets:				
Salaries and employee benefits	310,500	306,652		295,414
Other operating expenditures	286,350	147,914		192,177
Capital outlay	<u>11,650</u>	<u>11,600</u>		<u>41,172</u>
Total	<u>608,500</u>	<u>466,166</u>	<u>142,334</u>	<u>528,763</u>

CITY OF NEWTON, NORTH CAROLINA

Schedule 1
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**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016**

	2017		Variance Over/Under	2016 Actual
	Final Budget	Actual		
Powell Bill:				
Salaries and employee benefits	148,100	130,926		138,685
Other operating expenditures	346,150	279,842		449,460
Total	<u>494,250</u>	<u>410,768</u>	<u>83,482</u>	<u>588,145</u>
Total transportation	<u>1,102,750</u>	<u>876,934</u>	<u>225,816</u>	<u>1,116,908</u>
Environmental Protection:				
Sanitation:				
Salaries and employee benefits	661,600	630,634		622,954
Other operating expenditures	421,650	415,539		388,645
Capital outlay	202,800	202,692		53,456
Total	<u>1,286,050</u>	<u>1,248,865</u>	<u>37,185</u>	<u>1,065,055</u>
Total environmental protection	<u>1,286,050</u>	<u>1,248,865</u>	<u>37,185</u>	<u>1,065,055</u>
Public Safety:				
Police Department:				
Salaries and employee benefits	2,702,350	2,632,367		2,495,942
Other operating expenditures	514,950	456,406		432,192
Capital outlay	468,050	461,563		161,760
Interdepartmental charges	(2,550)	(2,550)		(2,400)
Total	<u>3,682,800</u>	<u>3,547,786</u>	<u>135,014</u>	<u>3,087,494</u>
Fire Department:				
Salaries and employee benefits	2,081,400	2,012,549		1,945,472
Other operating expenditures	432,750	374,353		370,505
Capital outlay	360,600	333,054		469,796
Interdepartmental charges	(119,150)	(119,150)		(107,400)
Total	<u>2,755,600</u>	<u>2,600,806</u>	<u>154,794</u>	<u>2,678,373</u>
Total public safety	<u>6,438,400</u>	<u>6,148,592</u>	<u>289,808</u>	<u>5,765,867</u>
Cultural and Recreational:				
Administration:				
Salaries and employee benefits	612,550	602,480		579,537
Other operating expenditures	158,100	157,620		172,316
Capital outlay	-	-		78,601
Total	<u>770,650</u>	<u>760,100</u>	<u>10,550</u>	<u>830,454</u>
Central Recreation Center:				
Salaries and employee benefits	27,100	20,535		20,376
Other operating expenditures	36,700	34,649		32,746
Total	<u>63,800</u>	<u>55,184</u>	<u>8,616</u>	<u>53,122</u>

CITY OF NEWTON, NORTH CAROLINA

Schedule 1
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**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016**

	2017		Variance Over/Under	2016 Actual
	Final Budget	Actual		
Swimming Pool:				
Salaries and employee benefits	39,150	33,390		37,653
Other operating expenditures	38,300	35,843		29,264
Total	<u>77,450</u>	<u>69,233</u>	8,217	<u>66,917</u>
Parks:				
Salaries and employee benefits	63,550	63,657		44,325
Other operating expenditures	106,900	104,817		73,220
Capital outlay	246,200	233,602		22,134
Total	<u>416,650</u>	<u>402,076</u>	14,574	<u>139,679</u>
Cemeteries:				
Salaries and employee benefits	177,700	170,620		166,371
Other operating expenditures	23,600	22,335		22,088
Capital outlay	37,350	37,215		-
Total	<u>238,650</u>	<u>230,170</u>	8,480	<u>188,459</u>
Special Appropriations:				
Other operating expenditures	288,750	263,467		252,961
Total	<u>288,750</u>	<u>263,467</u>	25,283	<u>252,961</u>
Total cultural and recreational	<u>1,855,950</u>	<u>1,780,230</u>	75,720	<u>1,531,592</u>
Debt Service:				
Principal paid on installment purchase	1,014,900	1,014,600		1,064,396
Interest and fees	182,900	182,600		192,638
Total debt service	<u>1,197,800</u>	<u>1,197,200</u>	600	<u>1,257,034</u>
Total expenditures	<u>13,781,350</u>	<u>12,893,539</u>	887,811	<u>12,177,643</u>
Revenues over (under) expenditures	<u>(1,158,100)</u>	<u>(62,648)</u>	1,095,452	<u>409,560</u>
Other Financing Sources (Uses):				
Issuance of debt	315,300	315,300	-	255,100
Transfers from General Capital Projects Fund	-	-	-	26,628
Transfers to Special Revenue Fund	(4,800)	(4,782)	18	-
Transfers to General Capital Projects Fund	(12,700)	(12,700)	-	(2,785)
Appropriated fund balance	860,300	-	(860,300)	-
Total other financing sources (uses)	<u>1,158,100</u>	<u>297,818</u>	<u>(860,282)</u>	<u>278,943</u>
Net change in fund balance	<u>\$ -</u>	<u>235,170</u>	<u>\$ 235,170</u>	<u>\$ 688,503</u>
Fund Balance:				
Beginning of year - July 1		<u>8,621,096</u>		
End of year - June 30		<u>\$ 8,856,266</u>		



GOVERNMENTAL ACTIVITIES NONMAJOR FUNDS

SPECIAL REVENUE FUND

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

Special Revenue Fund - General - This fund is used to account for financial resources that are legally restricted for special purposes not accounted for by an individual fund.

Emergency Telephone System Fund - Established in accordance with North Carolina law to account for the revenues received by the Communication Center for the 911 charges and the expenditure of those funds for the emergency telephone systems.

CAPITAL PROJECTS FUND

Capital Projects Funds account for funds to be used for the acquisition or construction of major capital facilities other than those financed by propriety funds.

General Capital Projects Fund - This fund is used to account for financial resources to be used for the acquisition or construction of general capital projects not accounted for by an individual fund.



CITY OF NEWTON, NORTH CAROLINA

Schedule 2

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017**

	Special Revenue Funds		Capital Project Fund	
	Special Revenue Fund - General	Emergency Telephone System Fund	General Capital Projects Fund	Total Nonmajor Governmental Funds
Assets:				
Current assets:				
Cash and investments	\$ 44,766	\$ 23,801	\$ 242	\$ 68,809
Due from other governments	<u>54,762</u>	<u>1,855</u>	<u>-</u>	<u>56,617</u>
Total assets	<u>\$ 99,528</u>	<u>\$ 25,656</u>	<u>\$ 242</u>	<u>\$ 125,426</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and other current liabilities	<u>\$ 77,898</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,898</u>
Fund Balances:				
Restricted - stabilization by State statute	54,762	1,855	-	56,617
Restricted	-	23,801	-	23,801
Committed	-	-	242	242
Unassigned	<u>(33,132)</u>	<u>-</u>	<u>-</u>	<u>(33,132)</u>
Total fund balances	<u>21,630</u>	<u>25,656</u>	<u>242</u>	<u>47,528</u>
Total liabilities and fund balances	<u>\$ 99,528</u>	<u>\$ 25,656</u>	<u>\$ 242</u>	<u>\$ 125,426</u>

CITY OF NEWTON, NORTH CAROLINA

Schedule 3

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017**

	Special Revenue Funds		Capital Project Fund	Total Nonmajor Governmental Funds
	Special Revenue Fund - General	Emergency Telephone System Fund	General Capital Projects Fund	
Revenues:				
Restricted intergovernmental	\$ 147,214	\$ 21,944	\$ -	\$ 169,158
Interest earned	-	74	-	74
Miscellaneous	2,638	-	-	2,638
Total revenues	<u>149,852</u>	<u>22,018</u>	<u>-</u>	<u>171,870</u>
Expenditures:				
Current:				
Public safety	-	12,026	-	12,026
Economic and physical development	151,185	-	-	151,185
Total expenditures	<u>151,185</u>	<u>12,026</u>	<u>-</u>	<u>163,211</u>
Revenues over (under) expenditures	<u>(1,333)</u>	<u>9,992</u>	<u>-</u>	<u>8,659</u>
Other Financing Sources (Uses):				
Transfers from other funds	<u>16,200</u>	<u>1,282</u>	<u>-</u>	<u>17,482</u>
Net change in fund balances	14,867	11,274	-	26,141
Fund Balances:				
Beginning of year - July 1	<u>6,763</u>	<u>14,382</u>	<u>242</u>	<u>21,387</u>
End of year - June 30	<u>\$ 21,630</u>	<u>\$ 25,656</u>	<u>\$ 242</u>	<u>\$ 47,528</u>

CITY OF NEWTON, NORTH CAROLINA

Schedule 4

**SPECIAL REVENUE FUND - GENERAL
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Project Authorization</u>	<u>Actual</u>			<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Closed Projects</u>	
Revenues:					
Restricted intergovernmental revenue	\$ 473,930	\$ 50,000	\$ 147,214	\$ (119,316)	\$ 77,898
Miscellaneous	2,750	7,763	2,638	-	10,401
Total revenues	<u>476,680</u>	<u>57,763</u>	<u>149,852</u>	<u>(119,316)</u>	<u>88,299</u>
Expenditures:					
Economic and physical development Main Street Solutions Fund grant	150,180	50,000	69,316	(119,316)	-
Building Reuse grant	339,950	-	81,869	-	81,869
CDBG rehabilitation	2,750	1,000	-	-	1,000
Total expenditures	<u>492,880</u>	<u>51,000</u>	<u>151,185</u>	<u>(119,316)</u>	<u>82,869</u>
Revenues over (under) expenditures	(16,200)	6,763	(1,333)	-	5,430
Other Financing Sources (Uses):					
Transfers in - General Fund	<u>16,200</u>	<u>-</u>	<u>16,200</u>	<u>-</u>	<u>16,200</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 6,763</u>	<u>\$ 14,867</u>	<u>\$ -</u>	<u>\$ 21,630</u>

CITY OF NEWTON, NORTH CAROLINA

Schedule 5

**EMERGENCY TELEPHONE SYSTEM FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental revenue	\$ 15,750	\$ 21,944	\$ 6,194
Interest earned	50	74	24
Total revenues	<u>15,800</u>	<u>22,018</u>	<u>6,218</u>
Expenditures:			
Public Safety:			
Other operating expenditures	<u>17,100</u>	<u>12,026</u>	<u>5,074</u>
Revenues over (under) expenditures	(1,300)	9,992	11,292
Other Financing Sources (Uses):			
Transfers in - General Fund	<u>1,300</u>	<u>1,282</u>	<u>(18)</u>
Change in net position	<u>\$ -</u>	11,274	<u>\$ 11,274</u>
Fund Balance:			
Beginning of year - July 1		<u>14,382</u>	
End of year - June 30		<u>\$ 25,656</u>	

CITY OF NEWTON, NORTH CAROLINA

Schedule 6

GENERAL CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017

	Project Authorization	Actual			Total to Date
		Prior Years	Current Year	Closed Projects	
Revenues:					
Restricted Intergovernmental	\$ 1,186,450	\$ -	\$ -	\$ -	\$ -
Interest earned	-	242	-	-	242
Total revenues	1,186,450	242	-	-	242
Expenditures:					
Capital Outlay:					
West A Street bikeway and pedestrian improvements:					
Culvert replacement	49,050	-	-	-	-
Streets and sidewalks	1,452,850	-	-	-	-
Total expenditures	1,501,900	-	-	-	-
Revenues over (under) expenditures	(315,450)	242	-	-	242
Other Financing Sources (Uses):					
Issuance of long-term debt	315,450	-	-	-	-
Net change in fund balance	\$ -	\$ 242	\$ -	\$ -	\$ 242



BUSINESS-TYPE ACTIVITIES

ENTERPRISE FUNDS

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

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

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

INTERNAL SERVICE FUND

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

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



CITY OF NEWTON, NORTH CAROLINA

Schedule 7
Page 1 of 2

**WATER AND WASTEWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services	\$ 6,350,950	\$ 6,495,380	\$ 144,430
Other	<u>391,700</u>	<u>441,852</u>	<u>50,152</u>
Total operating revenues	<u>6,742,650</u>	<u>6,937,232</u>	<u>194,582</u>
Non-operating revenues:			
Other non-operating revenue	98,000	96,470	(1,530)
Federal grant	300,000	-	(300,000)
Interest earned	<u>1,750</u>	<u>17,586</u>	<u>15,836</u>
Total non-operating revenues	<u>399,750</u>	<u>114,056</u>	<u>(285,694)</u>
Total revenues	<u>7,142,400</u>	<u>7,051,288</u>	<u>(91,112)</u>
Expenditures:			
Operations	2,855,450	2,698,736	156,714
Maintenance	1,706,650	1,218,421	488,229
Administration	1,034,750	1,035,814	(1,064)
Capital outlay	1,132,400	469,929	662,471
Debt principal	1,423,350	1,423,206	144
Interest and fees	<u>278,850</u>	<u>278,754</u>	<u>96</u>
Total expenditures	<u>8,431,450</u>	<u>7,124,860</u>	<u>1,306,590</u>
Revenues over (under) expenditures	<u>(1,289,050)</u>	<u>(73,572)</u>	<u>1,215,478</u>
Other Financing Sources (Uses):			
Issuance of long-term debt	568,500	104,600	(463,900)
Proceeds from sale of capital assets	2,000	2,214	214
Appropriated fund balance	<u>718,550</u>	<u>-</u>	<u>(718,550)</u>
Total other financing sources (uses)	<u>1,289,050</u>	<u>106,814</u>	<u>(1,182,236)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 33,242</u>	<u>\$ 33,242</u>

CITY OF NEWTON, NORTH CAROLINA

Schedule 7
Page 2 of 2

**WATER AND WASTEWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Reconciliation from Budgetary Basis			
(Modified Accrual to Full Accrual):			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 33,242	
Reconciling items:			
Capital project expenditures		645,747	
Capital project expenditures capitalized to CIP		(645,747)	
Depreciation		(1,981,323)	
Capital outlay capitalized		469,929	
Payment of debt principal		1,423,206	
Increase (decrease) in deferred outflows of resources - pensions		288,425	
(Increase) decrease in net pension liability		(334,561)	
(Increase) decrease in deferred inflows of resources - pensions		29,760	
(Increase) decrease in accrued interest payable		372	
(Increase) decrease in other post-employment benefit accrual		(7,703)	
(Increase) decrease in compensated absences		365	
Issuance of long-term debt		<u>(104,600)</u>	
Change in net position		<u>\$ (182,888)</u>	

CITY OF NEWTON, NORTH CAROLINA

Schedule 8

WATER AND WASTEWATER CAPITAL PROJECTS FUND

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental	\$ 583,550	\$ -	\$ -	\$ -
Capital contribution	1,459,850	-	-	-
Interest earned	-	27	-	27
Total revenues	<u>2,043,400</u>	<u>27</u>	<u>-</u>	<u>27</u>
Expenditures:				
Capital outlay:				
West A Street:				
Water rehabilitation	723,650	-	-	-
Sewer rehabilitation	443,100	-	-	-
Water extension projects:				
S Hwy 16 - Buffalo Shoals	5,839,350	-	-	-
Sewer rehabilitation projects:				
Ashe Avenue and 1st Street	<u>1,400,000</u>	<u>-</u>	<u>645,747</u>	<u>645,747</u>
Total expenditures	<u>8,406,100</u>	<u>-</u>	<u>645,747</u>	<u>645,747</u>
Revenues over (under) expenditures	(6,362,700)	27	(645,747)	(645,720)
Other Financing Sources (Uses):				
Issuance of long-term debt	<u>6,362,700</u>	<u>-</u>	<u>1,400,000</u>	<u>1,400,000</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 27</u>	<u>\$ 754,253</u>	<u>\$ 754,280</u>

CITY OF NEWTON, NORTH CAROLINA

Schedule 9

Page 1 of 2

**ELECTRIC ENTERPRISE FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues			
Charges for services	\$ 15,166,450	\$ 14,330,067	\$ (836,383)
Other	<u>322,400</u>	<u>412,653</u>	<u>90,253</u>
Total operating revenues	<u>15,488,850</u>	<u>14,742,720</u>	<u>(746,130)</u>
Non-operating revenues:			
Other non-operating revenue	73,700	78,499	4,799
Interest earned	4,200	22,654	18,454
Sales tax	<u>765,000</u>	<u>751,171</u>	<u>(13,829)</u>
Total non-operating revenues	<u>842,900</u>	<u>852,324</u>	<u>9,424</u>
Total revenues	<u>16,331,750</u>	<u>15,595,044</u>	<u>(736,706)</u>
Expenditures:			
Power for resale	10,970,300	10,816,810	153,490
Renewable energy	68,300	68,254	46
Operations	3,656,292	2,565,548	1,090,744
Administration	843,950	846,652	(2,702)
Capital outlay	677,158	458,396	218,762
Debt principal	740,900	740,791	109
Interest and fees	<u>172,650</u>	<u>172,619</u>	<u>31</u>
Total expenditures	<u>17,129,550</u>	<u>15,669,070</u>	<u>1,460,480</u>
Revenues over (under) expenditures	<u>(797,800)</u>	<u>(74,026)</u>	<u>723,774</u>
Other Financing Sources (Uses):			
Issuance of long-term debt	231,000	52,900	(178,100)
Proceeds from sale of capital assets	1,000	16,106	15,106
Intrafund transfers from - Electric Capital project	31,500	31,485	(15)
Appropriated fund balance	<u>534,300</u>	<u>-</u>	<u>(534,300)</u>
Total other financing sources (uses)	<u>797,800</u>	<u>100,491</u>	<u>(697,309)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 26,465</u>	<u>\$ 26,465</u>

CITY OF NEWTON, NORTH CAROLINA

Schedule 9
Page 2 of 2

**ELECTRIC ENTERPRISE FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 26,465	
Reconciling items:			
Capital project income		221,068	
Capital project expenditures		(264,200)	
Capital project expenditures capitalized to CIP		264,200	
Transfers to (from) - Capital Project Fund		(31,485)	
Capital outlay capitalized		458,396	
Payment of debt principal		740,791	
Depreciation		(720,153)	
Increase (decrease) in deferred outflows of resources - pensions		144,213	
(Increase) decrease in net pension liability		(167,281)	
(Increase) decrease in deferred inflows of resources - pensions		14,880	
(Increase) decrease in accrued interest payable		12,189	
(Increase) decrease in other post-employment benefit accrual		(2,888)	
(Increase) decrease in compensated absences		5,426	
Issuance of long-term debt		<u>(52,900)</u>	
Change in net position		<u>\$ 648,721</u>	

CITY OF NEWTON, NORTH CAROLINA

Schedule 10

**ELECTRIC FUND CAPITAL PROJECTS
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Project Authorization</u>	<u>Actual</u>			<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Closed Projects</u>	
Revenues:					
Restricted intergovernmental	\$ 468,550	\$ 51,518	\$ 221,047	\$ -	\$ 272,565
Interest earned	-	13	21	-	34
Total revenues	<u>468,550</u>	<u>51,531</u>	<u>221,068</u>	<u>-</u>	<u>272,599</u>
Expenditures:					
Smart grid implementation	3,700,000	3,620,572	7,499	-	3,628,071
Catawba County Justice Center	557,400	73,207	243,625	-	316,832
West A Street electric infrastructure rehabilitation	266,800	-	-	-	-
Voltage regulators	<u>231,000</u>	<u>189,439</u>	<u>13,076</u>	<u>(202,515)</u>	<u>-</u>
Total expenditures	<u>4,755,200</u>	<u>3,883,218</u>	<u>264,200</u>	<u>(202,515)</u>	<u>3,944,903</u>
Revenues over (under) expenditures	<u>(4,286,650)</u>	<u>(3,831,687)</u>	<u>(43,132)</u>	<u>202,515</u>	<u>(3,672,304)</u>
Other Financing Sources (Uses):					
Issuance of long-term debt	2,029,300	1,734,000	-	(234,000)	1,500,000
Transfers from - Electric Fund	188,850	188,850	-	-	188,850
Transfers from - Water and Wastewater Fund	2,100,000	2,100,000	-	-	2,100,000
Transfers to - Electric Fund	<u>(31,500)</u>	<u>-</u>	<u>(31,485)</u>	<u>31,485</u>	<u>-</u>
Total other financing sources (uses)	<u>4,286,650</u>	<u>4,022,850</u>	<u>(31,485)</u>	<u>(202,515)</u>	<u>3,788,850</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 191,163</u>	<u>\$ (74,617)</u>	<u>\$ -</u>	<u>\$ 116,546</u>

CITY OF NEWTON, NORTH CAROLINA

Schedule 11

**HEALTH INSURANCE INTERNAL SERVICE FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
PLAN AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Operating Revenues:			
Charges for services	\$ 1,655,250	\$ 1,588,586	\$ (66,664)
Total operating revenues	<u>1,655,250</u>	<u>1,588,586</u>	<u>(66,664)</u>
Operating Expenditures - Group Insurance:			
Claims paid	1,337,200	1,215,349	121,851
Claims incurred but not reported	-	13,792	(13,792)
Stop-loss insurance fees	306,150	306,145	5
Administrative charges	<u>13,900</u>	<u>11,904</u>	<u>1,996</u>
Total operating expenditures	<u>1,657,250</u>	<u>1,547,190</u>	<u>110,060</u>
Operating income (loss)	<u>(2,000)</u>	<u>41,396</u>	<u>43,396</u>
Non-Operating Revenues:			
Investment earnings	<u>2,000</u>	<u>8,018</u>	<u>6,018</u>
Total non-operating revenues	<u>2,000</u>	<u>8,018</u>	<u>6,018</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ 49,414</u>	<u>\$ 49,414</u>



OTHER SCHEDULES

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

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



CITY OF NEWTON, NORTH CAROLINA

Schedule 12

**SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2017**

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2016</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2017</u>
2016-2017	\$ -	\$ 5,464,152	\$ 5,349,828	\$ 114,324
2015-2016	128,374	-	64,637	63,737
2014-2015	84,755	-	33,584	51,171
2013-2014	72,005	-	18,733	53,272
2012-2013	73,765	-	16,316	57,449
2011-2012	45,374	-	7,770	37,604
2010-2011	38,067	-	3,682	34,385
2009-2010	31,822	-	5,610	26,212
2008-2009	29,899	-	1,882	28,017
2007-2008	28,326	-	1,550	26,776
2006-2007	<u>33,566</u>	<u>-</u>	<u>33,566</u>	<u>-</u>
Total	<u>\$ 565,953</u>	<u>\$ 5,464,152</u>	<u>\$ 5,537,158</u>	492,947
Less allowance for uncollectible ad valorem taxes receivable				<u>26,000</u>
Ad valorem taxes receivable, net				<u>\$ 466,947</u>
Ad Valorem Taxes Receivable, Net				
General Fund				<u>\$ 466,947</u>
Reconcilement with Revenues:				
Ad valorem taxes - General Fund				\$ 5,554,119
Amounts written off per Statute of Limitations				33,566
Miscellaneous				(3,089)
Interest and penalties collected				<u>(47,438)</u>
Total collections and credits				<u>\$ 5,537,158</u>

CITY OF NEWTON, NORTH CAROLINA

Schedule 13

**ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2017**

	City-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Total property taxed at current year's rate	\$ 923,333,965	\$ 0.54	\$ 4,986,003	\$ 4,986,003	\$ -
Registered motor vehicles taxed at current year's tax rate	84,607,013	0.54	456,878	-	456,878
Penalties	-		3,022	3,022	-
Total	<u>1,007,940,978</u>		<u>5,445,903</u>	<u>4,989,025</u>	<u>456,878</u>
Discoveries:					
Current year taxes	16,089,106		86,881	86,881	-
Prior year taxes	702,533		3,794	3,794	-
Penalties	-		4,401	4,401	-
Total	<u>16,791,639</u>		<u>95,076</u>	<u>95,076</u>	<u>-</u>
Releases:					
Property:					
Current year taxes	(9,604,209)		(51,863)	(51,863)	-
Prior year taxes	(343,948)		(1,717)	(1,717)	-
Motor Vehicles:					
Current year taxes	(4,071,143)		(21,984)	-	(21,984)
Prior year taxes	(200,575)		(959)	-	(959)
Penalties	-		(304)	(304)	-
Total	<u>(14,219,875)</u>		<u>(76,827)</u>	<u>(53,884)</u>	<u>(22,943)</u>
Total property valuation	<u>\$ 1,010,512,742</u>				
Net Levy			5,464,152	5,030,217	433,935
Less uncollected taxes at June 30, 2017			<u>(114,324)</u>	<u>(114,320)</u>	<u>(4)</u>
Current Year's Taxes Collected			<u>\$ 5,349,828</u>	<u>\$ 4,915,897</u>	<u>\$ 433,931</u>
Current Levy Collection Percentage			<u>97.91%</u>	<u>97.73%</u>	<u>100.00%</u>

STATISTICAL SECTION

(Unaudited)

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

Contents

Financial Trends

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

Net Position by Component	Table 1
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Governmental Activities Tax Revenues by Source	Table 3
Fund Balances, Governmental Funds	Table 4
Changes in Fund Balance, Governmental Funds	Table 5

Revenue Capacity

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

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Property Tax Rates-Direct and Overlapping Governments	Table 7
Principal Property Taxpayers	Table 8
Property Tax Levies and Collections	Table 9
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Debt Capacity

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

Ratio of Outstanding Debt by Type	Table 12
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Direct and Overlapping Government Activities Debt	Table 14
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STATISTICAL SECTION (continued)

(Unaudited)

Demographic and Economic Information

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

Demographic and Economic Statistics	Table 16
Principal Employers	Table 17

Operating Information

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

Full-Time Equivalent City Government Employees	
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Capital Asset Statistics by Function	Table 20

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

CITY OF NEWTON, NORTH CAROLINA

Table 1

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities:										
Net investment in capital assets	\$ 6,427,305	\$ 6,559,160	\$ 7,025,672	\$ 7,130,316	\$ 7,704,679	\$ 7,819,537	\$ 8,097,287	\$ 7,984,441	\$ 8,406,848	\$ 9,065,600
Restricted	250,152	159,090	393,488	1,127,790	2,141,848	2,365,037	2,814,243	3,125,095	2,663,217	2,917,143
Unrestricted	4,200,628	4,136,962	3,381,059	2,640,730	2,783,144	3,163,055	3,517,744	4,373,511	5,910,938	5,316,912
Total governmental activities net position	<u>\$ 10,878,085</u>	<u>\$ 10,855,212</u>	<u>\$ 10,800,219</u>	<u>\$ 10,898,836</u>	<u>\$ 12,629,671</u>	<u>\$ 13,347,629</u>	<u>\$ 14,429,274</u>	<u>\$ 15,483,047</u>	<u>\$ 16,981,003</u>	<u>\$ 17,299,655</u>
Business-type Activities:										
Net investment in capital assets	\$ 28,311,430	\$ 28,914,131	\$ 29,030,185	\$ 29,078,708	\$ 30,854,510	\$ 30,063,136	\$ 29,665,815	\$ 29,007,878	\$ 28,842,217	\$ 28,478,465
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	1,012,074	1,620,541	3,128,651	4,403,843	4,137,292	5,702,567	6,650,083	7,281,257	8,089,777	8,931,712
Total business-type activities net position	<u>\$ 29,323,504</u>	<u>\$ 30,534,672</u>	<u>\$ 32,158,836</u>	<u>\$ 33,482,551</u>	<u>\$ 34,991,802</u>	<u>\$ 35,765,703</u>	<u>\$ 36,315,898</u>	<u>\$ 36,289,135</u>	<u>\$ 36,931,994</u>	<u>\$ 37,410,177</u>
Primary Government:										
Net investment in capital assets	\$ 34,738,735	\$ 35,473,291	\$ 36,055,857	\$ 36,209,024	\$ 38,559,189	\$ 37,882,673	\$ 37,763,102	\$ 36,992,319	\$ 37,249,065	\$ 37,544,065
Restricted	250,152	159,090	393,488	1,127,790	2,141,848	2,365,037	2,814,243	3,125,095	2,663,217	2,917,143
Unrestricted	5,212,702	5,757,503	6,509,710	7,044,573	6,920,436	8,865,622	10,167,827	11,654,768	14,000,715	14,248,624
Total primary government net position	<u>\$ 40,201,589</u>	<u>\$ 41,389,884</u>	<u>\$ 42,959,055</u>	<u>\$ 44,381,387</u>	<u>\$ 47,621,473</u>	<u>\$ 49,113,332</u>	<u>\$ 50,745,172</u>	<u>\$ 51,772,182</u>	<u>\$ 53,912,997</u>	<u>\$ 54,709,832</u>

CITY OF NEWTON, NORTH CAROLINA

Table 2, page 1 of 3

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses:										
Governmental activities:										
General government	\$ 1,661,543	\$ 1,678,411	\$ 1,591,739	\$ 1,946,752	\$ 1,313,202	\$ 1,016,494	\$ 1,280,351	\$ 1,389,614	\$ 1,352,512	\$ 1,411,267
Transportation	976,990	1,004,258	839,025	975,976	954,979	1,047,081	1,162,093	1,162,092	1,347,083	1,147,668
Environmental protection	901,985	935,190	927,344	917,124	938,935	1,006,970	1,051,744	1,043,820	1,086,149	1,165,561
Public safety	4,714,227	4,982,326	4,770,652	4,776,714	4,917,591	5,124,114	5,245,701	5,316,433	5,586,817	6,357,517
Cultural and recreational	1,451,556	1,526,225	2,108,551	2,076,673	2,089,168	2,076,132	1,906,260	1,551,277	1,510,818	1,636,461
Economic and physical development	3,000	271,659	105,699	42,698	-	1,000	50,000	-	-	151,185
Interest on long-term debt	170,515	173,087	150,324	98,794	151,154	102,178	140,224	190,377	186,606	172,773
Total governmental activities expenses	9,879,816	10,571,156	10,493,334	10,834,731	10,365,029	10,373,969	10,836,373	10,653,613	11,069,985	12,042,432
Business-type activities:										
Water and wastewater	5,748,155	5,695,133	5,696,945	5,751,998	6,165,378	6,279,211	6,762,583	6,590,574	6,747,790	7,230,215
Electric	11,701,113	12,039,436	12,055,754	13,080,453	13,419,024	13,804,985	14,673,951	15,599,254	14,969,080	15,177,322
Total business-type activities expenses	17,449,268	17,734,569	17,752,699	18,832,451	19,584,402	20,084,196	21,436,534	22,189,828	21,716,870	22,407,537
Total primary government expenses	\$ 27,329,084	\$ 28,305,725	\$ 28,246,033	\$ 29,667,182	\$ 29,949,431	\$ 30,458,165	\$ 32,272,907	\$ 32,843,441	\$ 32,786,855	\$ 34,449,969
Program Revenues:										
Governmental activities:										
Charges for services										
General government	\$ 520,456	\$ 499,368	\$ 505,982	\$ 219,066	\$ 208,600	\$ 273,757	\$ 169,502	\$ 179,212	\$ 199,335	\$ 139,340
Transportation	13,494	4,514	488	-	-	2,104	-	24,975	4,767	-
Environmental protection	476,222	587,051	578,162	574,846	575,067	757,023	881,425	886,194	880,225	883,748
Public safety	120,337	205,268	178,450	86,706	119,909	102,231	75,350	79,765	73,717	80,173
Cultural and recreational	87,959	119,893	110,732	83,628	68,561	68,544	175,478	81,399	78,971	110,246
Economic and physical development	20,883	14,889	14,273	-	-	-	-	-	-	-
Operating grants and contributions	477,979	479,868	447,973	30,879	482,714	486,590	624,303	524,449	486,903	662,304
Capital grants and contributions	13,938	31,508	105,522	448,357	1,364,849	36,089	125,805	294,285	119,417	291,342
Total governmental activities program revenues	1,731,268	1,942,359	1,941,582	1,443,482	2,819,700	1,726,338	2,051,863	2,070,279	1,843,335	2,167,153
									continued	continued

CITY OF NEWTON, NORTH CAROLINA

Table 2, page 2 of 3

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Business-type activities:										
Charges for services - water and wastewater	4,433,887	5,094,620	5,699,745	6,094,148	5,970,545	6,010,519	6,143,604	6,342,485	6,681,287	7,033,702
Charges for services - electric	11,323,152	11,796,063	12,536,124	13,721,107	13,801,529	14,529,294	15,265,571	15,087,077	14,881,401	14,821,219
Operating grants and contributions	-	-	-	-	-	161	1,441	240,491	5,584	-
Capital grants and contributions	2,050,276	1,179,515	(3,868)	52,815	1,039,758	23,667	195,592	19,865	31,653	221,047
Total business-type activities	17,807,315	18,070,198	18,232,001	19,868,070	20,811,832	20,563,641	21,606,208	21,689,918	21,599,925	22,075,968
program revenues	17,807,315	18,070,198	18,232,001	19,868,070	20,811,832	20,563,641	21,606,208	21,689,918	21,599,925	22,075,968
Total primary government program revenues	<u>\$ 19,538,583</u>	<u>\$ 20,012,557</u>	<u>\$ 20,173,583</u>	<u>\$ 21,311,552</u>	<u>\$ 23,631,532</u>	<u>\$ 22,289,979</u>	<u>\$ 23,658,071</u>	<u>\$ 23,760,197</u>	<u>\$ 23,443,260</u>	<u>\$ 24,243,121</u>
Net revenue (expense)										
Governmental activities	\$ (8,148,550)	\$ (8,628,797)	\$ (8,551,752)	\$ (9,391,248)	\$ (7,545,329)	\$ (8,647,631)	\$ (8,784,510)	\$ (8,583,334)	\$ (9,226,650)	\$ (9,875,279)
Business-type activities	358,046	335,628	479,303	1,035,619	1,227,430	479,445	169,674	(499,910)	(116,945)	(331,569)
Total primary government net expense	<u>\$ (7,790,504)</u>	<u>\$ (8,293,169)</u>	<u>\$ (8,072,449)</u>	<u>\$ (8,355,629)</u>	<u>\$ (6,317,899)</u>	<u>\$ (8,168,186)</u>	<u>\$ (8,614,836)</u>	<u>\$ (9,083,244)</u>	<u>\$ (9,343,595)</u>	<u>\$ (10,206,848)</u>

General Revenues and Other Changes in Net Position:

Governmental activities:										
Ad valorem taxes	\$ 4,472,139	\$ 4,768,707	\$ 5,080,456	\$ 5,175,540	\$ 5,091,914	\$ 5,201,384	\$ 5,535,417	\$ 5,723,810	\$ 5,627,039	\$ 5,489,113
Local option sales tax	2,979,005	2,717,347	2,457,645	2,566,400	2,580,288	2,595,442	2,694,664	2,917,919	3,111,139	3,263,760
Utilities sales tax	735,324	768,977	776,181	785,773	781,701	759,087	810,418	935,345	971,859	969,834
Other taxes and licenses	332,767	354,549	390,137	948,139	811,413	788,672	813,734	917,719	978,029	999,650
Unrestricted investment earnings	144,014	37,402	6,913	9,013	7,498	11,004	7,922	16,443	36,540	56,263
Miscellaneous	(16,610)	173,943	252,347	-	-	-	-	-	-	-
Transfers	(143,500)	(215,000)	(466,921)	5,000	3,350	10,000	4,000	-	-	-
Total governmental activities	<u>8,503,139</u>	<u>8,605,925</u>	<u>8,496,758</u>	<u>9,489,865</u>	<u>9,276,164</u>	<u>9,365,589</u>	<u>9,866,155</u>	<u>10,511,236</u>	<u>10,724,606</u>	<u>10,778,620</u>

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CITY OF NEWTON, NORTH CAROLINA

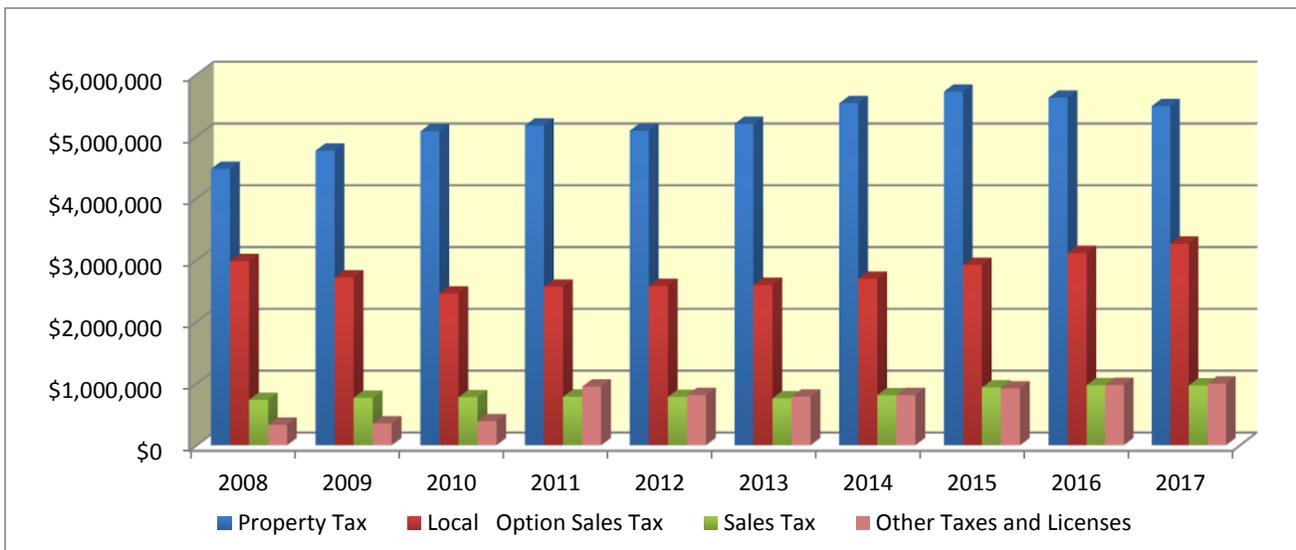
Table 2, page 3 of 3

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Business-type activities:										
Other taxes and licenses	293,824	285,311	293,352	286,181	277,993	297,967	319,537	735,702	737,150	751,171
Unrestricted investment earnings	91,899	20,600	8,464	6,915	7,177	6,490	5,081	8,758	20,922	40,261
Miscellaneous	363,383	354,628	376,124	-	-	-	31,870	4,728	1,732	18,320
Capital contributions	-	-	-	-	-	-	28,033	-	-	-
Transfers	143,500	215,000	466,921	(5,000)	(3,350)	(10,000)	(4,000)	-	-	-
Total business-type activities	892,606	875,539	1,144,861	288,096	281,820	294,457	380,521	749,188	759,804	809,752
Total primary government	<u>\$ 9,395,745</u>	<u>\$ 9,481,464</u>	<u>\$ 9,641,619</u>	<u>\$ 9,777,961</u>	<u>\$ 9,557,984</u>	<u>\$ 9,660,046</u>	<u>\$ 10,246,676</u>	<u>\$ 11,260,424</u>	<u>\$ 11,484,410</u>	<u>\$ 11,588,372</u>
Change in Net Position:										
Governmental activities	\$ 354,589	\$ (22,873)	\$ (54,993)	\$ 98,617	\$ 1,730,835	\$ 717,958	\$ 1,081,645	\$ 1,927,902	\$ 1,497,956	\$ 903,341
Business-type activities	1,250,654	1,211,168	1,624,165	1,323,715	1,509,250	773,902	550,195	249,278	642,859	478,183
Total primary government	<u>\$ 1,605,243</u>	<u>\$ 1,188,295</u>	<u>\$ 1,569,172</u>	<u>\$ 1,422,332</u>	<u>\$ 3,240,085</u>	<u>\$ 1,491,860</u>	<u>\$ 1,631,840</u>	<u>\$ 2,177,180</u>	<u>\$ 2,140,815</u>	<u>\$ 1,381,524</u>

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

Fiscal Year	Property Tax	Local Option Sales Tax	Utilities Sales Tax	Other Taxes and Licenses	Total
2008	\$ 4,472,139	\$ 2,979,005	\$ 735,324	\$ 332,767	\$ 8,519,235
2009	4,768,707	2,717,347	768,977	354,549	8,609,580
2010	5,080,456	2,457,645	776,181	390,137	8,704,419
2011	5,175,540	2,566,400	785,773	948,139	9,475,852
2012	5,091,914	2,580,288	781,701	811,413	9,265,316
2013	5,201,384	2,595,441	759,087	788,672	9,344,584
2014	5,535,417	2,694,664	810,418	813,734	9,854,233
2015	5,723,810	2,917,919	935,345	917,719	10,494,793
2016	5,627,039	3,111,139	971,859	978,029	10,688,066
2017	5,489,113	3,263,760	969,834	999,650	10,722,357



CITY OF NEWTON, NORTH CAROLINA

Table 4

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund:										
Reserved	\$ 1,482,789	\$ 804,056	\$ 1,388,536							
Unreserved										
Designated	275,500	323,250	415,000							
Undesignated	2,353,432	2,694,337	1,872,934							
Non-Spendable - inventory	-	-	-	\$ 47,797	\$ 46,555	\$ 62,836	\$ 56,653	\$ 41,363	\$ 41,442	\$ 44,606
Non-Spendable - prepaids	-	-	-	-	-	-	-	194,572	214,392	395,283
Restricted - Stabilization by State statute	-	-	-	633,240	672,248	735,016	1,114,520	1,145,967	944,907	1,056,556
Restricted	-	-	-	413,353	2,368,989	1,763,479	2,017,530	2,374,069	1,985,557	1,879,460
Assigned	-	-	-	-	-	47,490	42,750	45,690	474,790	1,020,600
Unassigned	-	-	-	2,871,206	2,636,336	2,615,140	3,190,736	4,130,932	4,960,008	4,459,761
Total General Fund	<u>\$ 4,111,721</u>	<u>\$ 3,821,643</u>	<u>\$ 3,676,470</u>	<u>\$ 3,965,596</u>	<u>\$ 5,724,128</u>	<u>\$ 5,223,961</u>	<u>\$ 6,422,189</u>	<u>\$ 7,932,593</u>	<u>\$ 8,621,096</u>	<u>\$ 8,856,266</u>
All other Governmental Funds:										
Unreserved, reported in										
Special revenue funds	\$ 115,667	\$ (4,758)	\$ 10,587							
Capital projects funds	1,132,305	562,662	3,696							
Non-Spendable - prepaids										
Special revenue funds	-	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,693	\$ -
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Restricted - Stabilization by State statute										
Special revenue funds	-	-	-	6,864	893	-	-	1,076	1,412	56,617
Capital projects funds	-	-	-	3,303	280	127,364	27,619	75,443	8,204	-
Restricted										
Special revenue funds	-	-	-	-	1,369	1,734	5,781	17,505	9,040	23,801
Capital projects funds	-	-	-	-	-	-	2,302,634	7,634	-	-
Committed										
Special revenue funds	-	-	-	14,919	2,595	-	-	-	-	-
Capital projects funds	-	-	-	35,724	87,538	97,930	-	-	-	242
Unassigned										
Special revenue funds	-	-	-	(6,748)	(893)	-	(251,783)	-	-	(33,132)
Capital projects funds	-	-	-	-	-	-	-	(71,264)	(7,962)	-
Total expenditures	<u>\$ 1,247,972</u>	<u>\$ 557,904</u>	<u>\$ 14,283</u>	<u>\$ 54,062</u>	<u>\$ 91,782</u>	<u>\$ 227,028</u>	<u>\$ 2,084,251</u>	<u>\$ 30,394</u>	<u>\$ 21,387</u>	<u>\$ 47,528</u>

Note: The City implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011.

CITY OF NEWTON, NORTH CAROLINA

Table 5

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

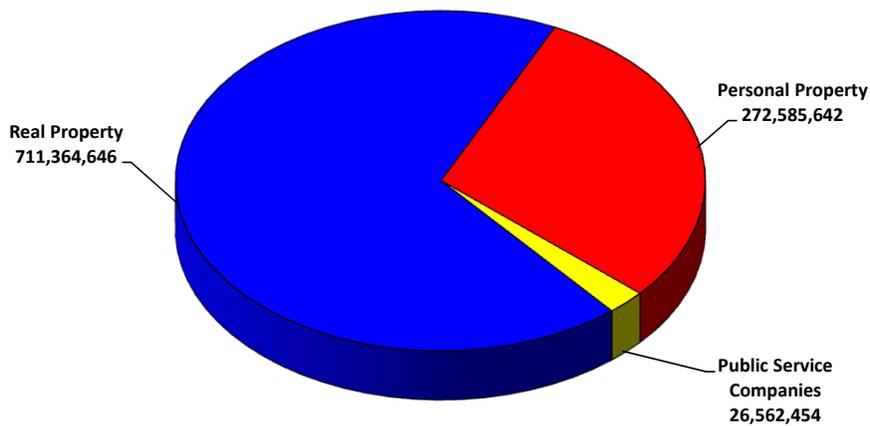
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues:										
Ad valorem taxes	\$ 4,438,510	\$ 4,778,068	\$ 5,055,130	\$ 5,122,713	\$ 5,045,726	\$ 5,136,073	\$ 5,522,391	\$ 5,820,879	\$ 5,661,736	\$ 5,554,119
Other taxes and licenses	3,311,772	3,078,204	2,857,098	2,930,535	2,969,847	2,961,194	3,062,603	3,374,238	3,593,002	3,732,651
Unrestricted intergovernmental	1,118,050	1,191,910	1,204,608	1,369,777	1,203,555	1,182,007	1,256,213	1,396,745	1,468,025	1,500,593
Restricted intergovernmental	529,144	513,078	597,264	474,851	667,112	495,228	734,785	505,854	576,029	878,871
Permits and fees	96,389	93,689	93,514	89,953	85,022	120,130	77,535	77,621	74,062	74,021
Sales and services	585,753	695,115	678,966	688,134	668,236	869,564	1,068,745	987,234	974,145	1,027,230
Investment earnings	144,014	37,581	6,934	7,244	6,751	10,271	6,955	14,278	31,686	48,245
Miscellaneous	165,048	219,541	134,051	190,544	1,399,330	241,416	170,798	499,570	219,099	187,031
Total revenues	10,388,680	10,607,186	10,627,565	10,873,751	12,045,579	11,015,883	11,900,025	12,676,419	12,597,784	13,002,761
Expenditures:										
Current:										
General government	1,653,311	1,509,016	1,473,652	1,421,950	1,226,079	1,190,651	1,297,639	1,424,326	1,441,187	1,641,718
Transportation	872,692	893,155	705,417	860,236	990,918	1,106,278	932,167	1,205,132	1,116,908	876,934
Environmental protection	819,716	848,560	853,462	853,954	899,515	1,276,480	994,820	987,293	1,065,055	1,248,865
Public safety	4,317,743	4,613,889	4,512,692	4,607,757	5,377,827	4,942,898	5,422,069	5,934,798	5,773,881	6,160,618
Cultural and recreational	1,411,037	1,480,708	2,072,172	2,009,886	2,008,898	2,080,553	1,699,457	1,605,676	1,531,592	1,780,230
Economic and physical development	908,077	920,126	170,216	391,090	133,577	1,000	50,000	-	-	151,185
Capital Outlay	673,591	1,002,279	712,186	-	-	251,314	1,605,278	2,066,766	387,731	-
Debt service:										
Principal	566,692	792,708	748,659	772,042	777,353	878,663	768,247	1,086,464	1,064,396	1,014,600
Interest	125,270	161,982	178,738	133,930	136,849	122,930	101,897	193,809	192,638	182,600
Total expenditures	11,348,129	12,222,423	11,427,194	11,050,845	11,551,016	11,850,767	12,871,574	14,504,264	12,573,388	13,056,750
Revenues over (under) expenditures	(959,449)	(1,615,237)	(799,629)	(177,094)	494,563	(834,884)	(971,549)	(1,827,845)	24,396	(53,989)
Other Financing Sources (Uses):										
Issuance of debt	1,554,750	823,000	509,150	501,000	1,298,339	443,682	4,023,000	1,284,392	655,100	315,300
Other miscellaneous receipts	-	57,626	45,631	-	-	-	-	-	-	-
Transfers from other funds	1,208,843	215,650	418,136	375,330	177,685	445,417	267,676	-	29,413	17,482
Transfers to other funds	(1,352,343)	(430,650)	(885,057)	(370,330)	(174,335)	(435,417)	(263,676)	-	(29,413)	(17,482)
Capital contributions	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	1,411,250	665,626	87,860	506,000	1,301,689	453,682	4,027,000	1,284,392	655,100	315,300
Net change in fund balances	\$ 451,801	\$ (949,611)	\$ (711,769)	\$ 328,906	\$ 1,796,252	\$ (381,202)	\$ 3,055,451	\$ (543,453)	\$ 679,496	\$ 261,311
Debt service as a percentage of non-capital expenditures	7.1%	9.0%	8.7%	8.7%	8.9%	9.5%	8.3%	11.6%	11.2%	10.2%

Assessed Valuation of Property
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Assessed Value ⁽¹⁾				Property Tax Rate (Per \$100 Assessed Value)	Percent Increase in Value ⁽²⁾
	Real Property	Personal Property ⁽³⁾	Public Service Companies	Total		
2008 (2)	\$ 696,935,560	\$ 238,549,720	\$ 20,026,093	\$ 955,511,373	0.48	6.8%
2009	706,624,707	248,484,115	20,151,953	975,260,775	0.48	2.1%
2010	769,143,484	277,326,569	22,460,684	1,068,930,737	0.48	9.6%
2011	773,519,907	279,668,240	21,178,162	1,074,366,309	0.48	0.5%
2012 (2)	767,118,238	273,986,190	19,646,031	1,060,750,459	0.48	-1.3%
2013	770,022,896	293,650,012	19,881,983	1,083,554,891	0.48	2.1%
2014	769,626,622	353,362,911	18,978,817	1,141,968,350	0.48	5.4%
2015	771,410,548	318,829,225	20,837,982	1,111,077,755	0.51	-2.7%
2016 (2)	704,869,272	304,781,289	24,281,708	1,033,932,269	0.54	-6.9%
2017	711,364,646	272,585,642	26,562,454	1,010,512,742	0.54	-2.3%

NOTES:

- (1) Assessed value is established by Catawba County Assessor's office.
- (2) North Carolina General Statutes require that a reappraisal of real property be conducted every eight years. A revaluation of real property is conducted every four years for the City of Newton.
- (3) Includes vehicles.



CITY OF NEWTON, NORTH CAROLINA

Table 7

**Property Tax Rates-Direct and Overlapping Governments
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	City of Newton	Catawba County	Total City and County Rate
2008	\$ 0.48	\$ 0.535	\$ 1.015
2009	0.48	0.535	1.015
2010	0.48	0.535	1.015
2011	0.48	0.530	1.010
2012	0.48	0.530	1.010
2013	0.48	0.530	1.010
2014	0.48	0.530	1.010
2015	0.51	0.530	1.040
2016	0.54	0.575	1.115
2017	0.54	0.575	1.115

Other Tax Data:

Tax rates are established on a per \$100 valuation basis and are levied on July 1, the first day of the fiscal year.

There is a State statutory tax rate limit of \$1.50 per hundred dollars valuation for operating expenses, but no limitation on the rate of tax, which may be levied for debt service.

The City has no financial responsibility for the public school system. The school system is funded with revenue derived from the County, State and federal governments.

CITY OF NEWTON, NORTH CAROLINA

Table 8

Principal Property Taxpayers
Nine Years Ago and Current Year
(Unaudited)

Taxpayer	Type of Enterprise	2017			2008		
		Total Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Total Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Target Corp.	Distribution center	\$ 77,318,485	1	7.65%			
ZF Lemforder Corp.	Automotive product mfg.	43,026,229	2	4.26%	\$ 29,636,703	2	3.10%
Sarstedt, Inc.	Pharmaceutical plastics	22,607,473	3	2.24%	10,615,047	5	1.11%
Flowers Baking Co.	Bread and pastries	16,410,817	4	1.62%	31,628,421	1	3.31%
Technibilt, Ltd.	Shopping cart manufacturing	14,648,725	5	1.45%	8,387,195	9	0.88%
International Paper	Paper products	12,178,305	6	1.21%			
Renwood Mills	Flour mill	10,616,402	7	1.05%			
Peoples Bank	Banking	8,822,213	8	0.87%	9,095,445	8	0.95%
Bassett Furniture Industries	Furniture manufacturing	8,609,971	9	0.85%	9,246,077	7	0.97%
Duke Energy Corporation	Electric power	8,158,215	10	0.81%			
Comm Scope, Inc.	Fiber optic cable				10,266,015	6	1.07%
Bell South Telephone Co.	Utility				7,475,956	10	0.78%
Willamette Industries	Paper products				10,944,255	4	1.15%
Midstate Mills, Inc.	Flour mill				14,681,001	3	1.54%
Totals		<u>\$ 222,396,835</u>		<u>22.01%</u>	<u>\$ 141,976,115</u>		<u>14.86%</u>

Source: Catawba County Tax Office

CITY OF NEWTON, NORTH CAROLINA

Table 9

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

<u>Fiscal Year</u>	<u>Total Tax Levy for Fiscal Year</u>	<u>Current Year's Taxes Collected/ Credited</u>	<u>Percentage of Levy Collected</u>	<u>Collections in Subsequent Years</u>	<u>Total Collections and Credits</u>	<u>Percentage of Total Tax Collections To Net Levy</u>	<u>Taxes Receivable Balance- June 30⁽¹⁾</u>
2008	\$ 4,445,586	\$ 4,263,276	95.9%	\$ 155,536	\$ 4,418,812	99.4%	\$ 26,774
2009	4,727,721	4,543,983	96.1%	155,721	4,699,704	99.4%	28,017
2010	5,160,638	4,983,452	96.6%	150,973	5,134,425	99.5%	26,213
2011	5,162,400	4,945,369	95.8%	182,646	5,128,015	99.3%	34,385
2012	5,095,309	4,853,555	95.3%	204,150	5,057,705	99.3%	37,604
2013	5,225,531	4,951,737	94.8%	216,345	5,168,082	98.9%	57,449
2014	5,495,149	5,267,703	95.9%	174,174	5,441,877	99.0%	53,272
2015	5,674,945	5,538,243	97.6%	85,531	5,623,774	99.1%	51,171
2016	5,595,433	5,467,059	97.7%	64,637	5,531,696	98.9%	63,737
2017	5,464,152	5,349,828	97.9%	-	5,349,828	97.9%	114,324

NOTES:

⁽¹⁾ Includes current portion only of taxes receivable.

CITY OF NEWTON, NORTH CAROLINA

Table 10

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

Fiscal Year	Type of Customer			Total
	Residential	Industrial	Commercial	
2008	47.5	52.9	40.6	141.0
2009	47.9	50.7	42.6	141.2
2010	45.9	52.0	53.2	151.1
2011	51.8	55.1	51.8	158.7
2012	46.9	56.3	47.4	150.6
2013	47.4	55.0	46.9	149.3
2014	48.5	52.8	47.6	148.9
2015	47.6	51.5	47.0	146.1
2016	46.9	50.2	47.6	144.7
2017	47.3	47.7	47.8	142.8

Source: City of Newton Utility Billing

CITY OF NEWTON, NORTH CAROLINA

Table 11

Electricity Rates
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Residential				Industrial				
	Basic Facilities	Rate per kWh 1st 350	Rate per kWh next 950	Rate per kWh over 1300	Basic Facilities	Demand over 30 KW (per KW)	Rate per kWh 1st 3000	Rate per kWh next 9000	Rate per kWh over 12000
2008	\$ 9.35	\$ 0.078960	\$ 0.088745	\$ 0.079883	\$ 19.15	\$ 6.1800	\$ 0.109120	\$ 0.059666	\$ 0.052286
2009	9.63	0.081329	0.091407	0.082279	19.53	6.3000	0.111302	0.060859	0.053332
2010	10.02	0.084582	0.095063	0.085570	20.12	6.4900	0.114641	0.062685	0.054932
2011	10.52	0.088811	0.099816	0.089849	21.13	6.8100	0.120373	0.065819	0.057679
2012	11.10	0.093696	0.105306	0.094791	22.29	7.1800	0.126994	0.069439	0.060851
2013	11.79	0.099505	0.111835	0.100668	23.67	7.6300	0.134868	0.073744	0.064624
2014	12.45	0.105077	0.118098	0.106305	25.00	8.0573	0.142421	0.077874	0.068243
2015	12.45	0.105077	0.118098	0.106305	25.00	8.0573	0.142421	0.077874	0.068243
2016	12.45	0.105077	0.118098	0.106305	25.00	8.0573	0.142421	0.077874	0.068243
2017	12.57	0.106128	0.119279	0.107368	25.25	8.1379	0.143845	0.078653	0.068925

Commercial					
	Basic Facilities	Demand over 30 KW	Rate per kWh 1st 3000	Rate per kWh next 9000	Rate per kWh over 12000
2008	\$ 12.55	\$ 6.8500	\$ 0.110936	\$ 0.058262	\$ 0.052546
2009	12.93	7.0524	0.114264	0.060010	0.054122
2010	13.45	7.3345	0.118835	0.062410	0.056287
2011	14.12	7.7012	0.124777	0.065531	0.059101
2012	14.90	8.1248	0.131640	0.069135	0.062352
2013	15.82	8.6285	0.139802	0.073421	0.066218
2014	16.71	9.1117	0.147631	0.077533	0.069926
2015	16.71	9.1117	0.147631	0.077533	0.069926
2016	16.71	9.1117	0.147631	0.077533	0.069926
2017	16.88	9.2028	0.149107	0.078308	0.070625

Source: City of Newton Utility Billing

CITY OF NEWTON, NORTH CAROLINA

Table 12

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

Fiscal Year	Governmental Activities		Business-type Activities		Total Government	Percentage of Personal Income ⁽¹⁾	Per Capita ⁽¹⁾
	General Obligation Bonds	Loans Payable	General Obligation Bonds	Loans Payable			
2008	\$ 74,088	\$ 4,214,217	\$ 1,375,912	\$ 14,856,831	\$ 20,521,048	4.76%	\$ 1,514
2009	50,329	4,268,268	934,671	17,749,555	23,002,823	5.42%	1,683
2010	27,080	4,052,008	502,920	15,939,600	20,521,608	4.57%	1,485
2011	4,343	3,803,702	80,657	13,923,727	17,812,429	4.11%	1,371
2012	-	4,329,031	-	16,468,617	20,797,648	4.62%	1,603
2013	-	3,894,050	-	16,571,480	20,465,530	4.48%	1,579
2014	-	7,148,803	-	16,068,940	23,217,743	4.85%	1,782
2015	-	7,346,731	-	18,160,439	25,507,170	N/A	1,959
2016	-	6,937,435	-	16,492,279	23,429,714	N/A	1,805
2017	-	6,238,135	-	15,885,782	22,123,917	N/A	1,698

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See Schedule of Demographic and Economic Statistics.

CITY OF NEWTON, NORTH CAROLINA

Table 13

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

Fiscal Year	Population ⁽¹⁾	Total Assessed Value	Gross Bonded Debt	Percentage of Estimated Actual Taxable Value of Property	Percentage of Personal Income	Per Capita
2008	13,554	\$ 955,511,373	\$ 1,450,000	0.15%	0.34%	107
2009	13,670	975,260,775	985,000	0.10%	0.23%	72
2010	13,819	1,068,930,737	530,000	0.05%	0.12%	38
2011	12,995	1,074,366,309	85,000	0.01%	0.02%	7
2012	12,971	1,060,750,459	-	0.00%	0.00%	-
2013	12,961	1,083,554,891	-	0.00%	0.00%	-
2014	13,031	1,141,968,350	-	0.00%	0.00%	-
2015	13,018	1,111,077,755	-	0.00%	0.00%	-
2016	12,982	1,033,932,269	-	0.00%	N/A	-
2017	13,027	1,010,512,742	-	0.00%	N/A	-

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See Schedule of Demographic and Economic Statistics.

CITY OF NEWTON, NORTH CAROLINA

Table 14

**Direct and Overlapping Government Activities Debt
June 30, 2017
(Unaudited)**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
County of Catawba	\$ 170,255,375	6.42%	\$ 10,930,395
Subtotal, overlapping debt			<u>10,930,395</u>
City of Newton direct debt			<u>6,937,435</u>
Total			<u><u>\$ 17,867,830</u></u>

Note: The percentage of overlapping debt is based on the June 30, 2017 assessed valuation of the County of Catawba of \$16,421,192,679 as compared to the June 30, 2017 assessed valuation for the City of Newton of \$1,010,512,742.

CITY OF NEWTON, NORTH CAROLINA

Table 15

Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Assessed value of taxable property	\$ 955,511,373	\$ 975,260,775	\$ 1,068,930,737	\$ 1,074,366,309	\$ 1,060,750,459	\$ 1,083,554,891	\$ 1,141,968,350	\$ 1,111,077,755	\$ 1,033,932,269	\$ 1,010,512,742
Debt limit, 8% of assessed value (statutory limitation)	\$ 76,440,910	\$ 78,020,862	\$ 85,514,459	\$ 85,949,305	\$ 84,860,037	\$ 86,684,391	\$ 91,357,468	\$ 88,886,220	\$ 82,714,582	\$ 80,841,019
Debt applicable to limit:										
General obligation bonds	1,450,000	985,000	530,000	85,000	-	-	-	-	-	-
Loans payable	19,071,048	22,017,823	19,991,608	17,727,429	20,797,648	20,465,530	23,217,743	25,507,170	23,429,714	22,123,917
Total net debt applicable to limit	20,521,048	23,002,823	20,521,608	17,812,429	20,797,648	20,465,530	23,217,743	25,507,170	23,429,714	22,123,917
Legal debt margin	\$ 55,919,862	\$ 55,018,039	\$ 64,992,851	\$ 68,136,876	\$ 64,062,389	\$ 66,218,861	\$ 68,139,725	\$ 63,379,050	\$ 59,284,868	\$ 58,717,102
Total net debt applicable to the limit as a percentage of assessed property tax value	2.15%	2.36%	1.92%	1.66%	1.96%	1.89%	2.03%	2.30%	2.27%	2.19%

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

CITY OF NEWTON, NORTH CAROLINA

Table 16

Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Population ⁽¹⁾	Personal Income (amounts expressed in thousands) ⁽⁵⁾	Per Capita Personal Income ⁽²⁾⁽⁵⁾	Median Age ⁽¹⁾	School Enrollment ⁽³⁾	Unemployment Rate ⁽⁴⁾
2008	13,554	\$ 431,329	\$ 31,823	37.0	2,863	7.2%
2009	13,670	424,481	31,052	38.1	2,808	15.5%
2010	13,819	449,173	32,504	38.2	2,861	13.0%
2011	12,995	432,993	33,320	39.6	2,863	12.1%
2012	12,971	450,301	34,716	40.0	2,889	11.3%
2013	12,961	456,875	35,250	40.3	2,977	10.8%
2014	13,031	478,785	36,742	40.5	3,073	7.1%
2015	13,018	524,170	40,265	40.7	3,094	6.1%
2016	12,982	N/A	N/A	40.9	3,078	4.9%
2017	13,027	N/A	N/A	41.0	2,994	4.0%

Data sources

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

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

CITY OF NEWTON, NORTH CAROLINA

Table 17

Principal Employers
Current Year and Nine Years Ago
(Unaudited)

Employer	2017			2008		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Catawba County Schools	1,960	1	2.54%	2,150	1	2.81%
Catawba County Government	1,040	2	1.35%	1,266	2	1.65%
Lee Industries	695	3	0.90%	484	4	0.63%
Target Distribution Center	565	4	0.73%			
Bassett Furniture	550	5	0.71%			
Newton-Conover City Schools	434	6	0.56%	423	6	0.55%
United Church Homes & Services (Abernethy Laurels)	388	7	0.50%	321	8	0.42%
McCreary Modern	376	8	0.49%	829	3	1.08%
Technibilt	370	9	0.48%	350	7	0.46%
City of Newton	276	10	0.36%			
Goldtoe-Moretz				425	5	0.56%
General Dynamics				250	9	0.33%
Flowers Baking Company				240	10	0.31%
Total	<u>6,654</u>		<u>8.62%</u>	<u>6,738</u>		<u>8.80%</u>
Total Civilian Labor Force	<u>77,073</u>			<u>76,506</u>		

Source: City of Newton Public Information Office

CITY OF NEWTON, NORTH CAROLINA

Table 18

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

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government										
Administration	3	3	3	3	3	4	4	4	4	4
Finance	8	9	9	9	9	9	9	9	9	9
Finance-purchasing/warehouse	2	2	2	2	2	2	2	2	2	2
Technology/MIS	2	2	2	2	2	2	2	2	2	2
Human resources	2	2	2	2	2	2	2	2	2	2
Planning	4	5	5	4	4	3	3	3	3	3
Public works administration	2	3	3	2	2	2	2	2	2	2
Garage	2	2	2	2	2	2	2	2	2	2
Transportation										
Street	10	7	7	6	6	6	6	6	6	6
Powell Bill		3	3	3	3	3	3	3	3	3
Environmental protection										
Sanitation	13	13	13	13	13	13	14	14	14	14
Public Safety										
Police										
Officers	35	35	34	35	35	35	36	36	36	36
Civilians	8	8	9	8	8	9	8	8	8	8
Fire	25	26	25	26	26	26	26	26	28	28
Cultural and Recreational										
Administration	11	11	11	10	10	10	10	10	10	10
Cemeteries	4	4	4	4	4	4	4	4	4	4
Water and Sewer										
Distribution & collection	11	10	10	10	11	11	11	11	11	11
Water treatment plant	8	8	8	8	9	9	8	8	8	8
Waste water treatment plant	13	13	13	12	12	12	12	12	12	12
Electric	15	15	15	15	15	15	14	14	13	13
Total	178	181	180	176	178	179	178	178	179	179

Source: Budgeted personnel records

CITY OF NEWTON, NORTH CAROLINA

Table 19, page 1 of 2

Operating Indicators By Function
Last Ten Fiscal Years
(Unaudited)

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police**										
Calls for service	17,812	22,720	25,078	26,517	23,609	22,265	20,352	21,951	18,171	19,657
Arrests	712	739	599	601	742	659	644	578	668	580
Traffic stops	1,801	2,169	1,580	2,903	2,779	2,596	2,242	2,181	2,122	2,421
Citations	1,677	1,945	1,435	2,665	2,561	1,797	1,597	1,400	1,229	1,084
Property checks*	347	5,554	8,611	8,669	6,148	4,656	5,255	5,719	3,239	3,451
Incidents	2,097	2,145	1,944	2,003	1,823	1,817	2,408	2,445	2,655	2,626
Fire										
Emergency incidents (calls)	828	806	826	883	911	1,110	1,098	1,634	1,829	1,884
Fire inspections completed	546	601	543	492	575	535	578	604	602	617
Fire prevention programs	265	237	257	176	244	131	76	51	77	24
Permits issued	51	39	28	40	42	42	24	89	127	81
Training hours completed	10,181	7,829	8,721	9,282	10,453	8,638	8,795	5,735	9,269	7,660
Highways & streets										
Paved/resurfaced (miles)	1.39	3.00	2.00	2.00	1.27	1.04	-	3.44	0.25	0.60
Potholes repaired	65	11	69	72	28	35	54	20	65	20
Sanitation										
Residential collections (tons)	4,495	4,114	4,263	4,343	4,281	4,260	4,360	4,269	4,505	5,112
Recyclables (tons)	418	472	464	418	439	418	387	383	409	407
Yardwaste collected (tons)	279	440	733	1,940	994	2,115	1,191	975	919	936
Households served**	5,368	5,368	5,368	5,440	5,440	4,632	4,642	4,645	4,652	4,701

CITY OF NEWTON, NORTH CAROLINA

Table 19, page 2 of 2

Operating Indicators By Function
Last Ten Fiscal Years
(Unaudited)

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Culture & recreation (participants)										
Center activities	18,011	19,252	21,126	23,351	24,123	24,150	26,149	27,800	23,542	40,258
Athletics	36,250	56,205	58,093	60,874	70,326	65,987	60,175	61,152	58,388	60,188
Fitness room	2,565	3,575	3,721	3,250	3,200	1,200	1,204	1,351	2,015	2,352
Swimming pool	5,611	6,571	-	983	3,106	3,227	3,424	3,972	4,250	4,324
Shelters	842	1,085	1,750	2,345	2,514	3,255	4,215	5,497	8,000	8,500
Cemetery burials	60	50	59	48	46	57	90	65	45	31
Water										
New connection	83	38	28	21	15	20	11	17	22	20
Water main breaks	44	46	32	33	23	12	12	12	17	14
Avg daily consumption (MGD)	3.40	3.4	3.6	3.8	3.6	3.7	3.7	3.5	3.7	3.8
Number of customers	6,007	6,010	5,989	5,956	5,977	5,965	5,974	6,032	6,063	6,044
Wastewater										
Average daily usage (MGD)	1.64	1.64	1.90	1.80	1.70	1.80	1.95	1.80	1.85	1.77
Number of customers	4,682	4,681	4,663	4,679	4,653	4,656	4,670	4,687	4,688	4,771
Electric										
Average daily usage (Kwh)	386,553	387,314	411,850	434,421	436,351	431,198	426,462	422,703	414,894	402,620
Peak demand	31,033	28,969	33,758	35,394	32,221	31,076	34,514	35,316	30,137	30,223
Number of customers	4,571	4,560	4,526	4,428	4,428	4,425	4,435	4,456	4,485	4,509

Sources: Various government departments.

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

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

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

CITY OF NEWTON, NORTH CAROLINA

Table 20, page 1 of 2

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

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police										
Police stations	3	3	3	3	3	3	3	3	3	3
Police patrol vehicles	29	30	35	30	31	30	35	33	31	31
Other police vehicles	19	18	18	18	22	16	16	16	16	17
Fire										
Fire stations	3	3	3	3	3	3	3	3	3	3
Fire suppression vehicles	9	9	9	9	9	10	10	10	8	8
Other fire vehicles	7	7	7	7	7	7	7	6	6	6
Highways & streets										
Streets maintained (miles)	77.39	77.39	76.34	76.58	77.39	77.39	77.39	77.39	77.39	77.39
Storm sewer (miles)	26.52	26.52	56.48	56.53	65.36	65.4	65.4	65.4	65.4	65.4
Sidewalk (miles)	27.84	27.84	27.84	27.84	27.84	27.84	27.84	27.84	27.84	27.84
Catch basin inlets	1,380	1,380	1,380	1,380	1,380	1,380	1,380	1,380	1,380	1,380
Powell Bill equipment	15	15	15	15	15	9	9	8	8	8
Street equipment	18	18	18	18	18	28	30	26	26	28
Sanitation										
Residential trucks	4	4	4	4	4	4	4	4	4	4
Dumpster Trucks	2	2	2	2	2	2	2	2	2	2
Other equipment	11	11	11	11	11	10	10	10	10	10

CITY OF NEWTON, NORTH CAROLINA

Table 20, page 2 of 2

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

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Culture & Recreation										
Recreation centers	2	2	2	2	2	2	2	2	2	2
Parks	5	5	5	5	5	5	5	5	5	5
Park acreage	63.5	63.5	153.5	153.5	153.5	153.5	153.5	153.5	153.5	153.5
Swimming pool	1	1	1	1	1	1	1	1	1	1
Tennis courts	8	8	8	8	8	8	8	8	8	8
Cemeteries	3	3	3	3	3	3	3	3	3	3
Water										
Water lines (miles)	182.9	182.9	182.9	182.9	182.5	182.5	182.5	182.5	182.5	182.5
Fire hydrants	1,075	1,075	1,077	1,077	1,077	1,022	1,022	1,024	1,024	1,024
Max. daily capacity (MGD)	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Wastewater										
Max. daily capacity (MGD)	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Sanitary sewer lines (miles)	130.5	132.5	132.5	132.5	134.7	132	132	132	132	132
Electric										
Substations	5	5	5	5	3	2	2	2	2	2
Service lines (miles)	125	125	125	125	125	125	125	125	125	125

Sources: Various government departments.

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

COMPLIANCE SECTION

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

Schedule of Findings and Responses

Summary Schedule of Prior Year's Audit Findings



MARTIN ♦ STARNES

& ASSOCIATES, CPAs, P.A.

“A Professional Association of Certified Public Accountants and Management Consultants”

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

Independent Auditor’s Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newton, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Newton’s basic financial statements, and have issued our report thereon dated October 31, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Newton's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 31, 2017

CITY OF NEWTON, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017**

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance to GAAP:

Unmodified

Internal control over financial reporting:

• Material weakness identified?

No

• Significant deficiency identified?

None reported

Non-compliance material to financial statements noted?

No

2. Financial Statements Findings

None reported.

CITY OF NEWTON, NORTH CAROLINA

**SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

None Reported