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**CITY OF NEWTON, MISSISSIPPI**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

SEP 20 2013

**CITY OF NEWTON, MISSISSIPPI  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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## **INDEPENDENT AUDITORS' REPORT**

Honorable Mayor, Members of the  
Board of Aldermen, and City Clerk  
City of Newton, Mississippi

### **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, Mississippi, as of and for the year ended September 30, 2013 and the related notes to the financial statements, which collectively comprise the basic financial statements of the City's primary government 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.

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

### Basis for Qualified Opinion on the Governmental and Business-type Activities

As discussed in Note 3 to the financial statements, management has not maintained adequate subsidiary records of capital assets. Accounting principles generally accepted in the United States of America require that assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities and business-type activities is not reasonably determinable.

### Qualified Opinion

In our opinion, because of the effects of the matter discussed in the previous section, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental and business-type activities of the City of Newton, Mississippi, as of September 30, 2013, and the changes in financial position thereof for the year then ended.

### Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the City of Newton, Mississippi, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's discussion and Analysis and the Budgetary Comparison Schedules and corresponding notes 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.

#### Omission of Required Supplementary Information

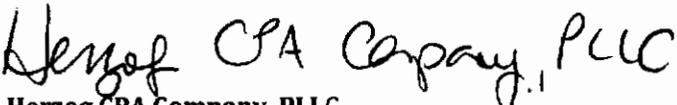
The City of Newton, Mississippi, has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

The schedule of surety Bonds for Municipal Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated *July 31, 2015*, on our consideration of the City of Newton, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Newton, Mississippi's internal control over financial reporting and compliance.

  
Herzog CPA Company, PLLC  
July 31, 2015

**CITY OF NEWTON, MISSISSIPPI  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2013**

**EXHIBIT 1**

<b>Assets</b>	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Cash and cash equivalents	\$ 750,330	\$ 561,113	\$ 1,311,443
Receivables (net of uncollectibles):			
Property taxes	812,500	-	812,500
Accounts	67,779	97,766	165,545
Prepaid items	5,668	1,903	7,571
Internal balances	(567,578)	567,578	-
Inventory of supplies, at cost	-	25,188	25,188
Capital assets:			
Land	401,642	119,051	520,693
Buildings	1,541,966	-	1,541,966
Improvements other than buildings	1,801,578	-	1,801,578
Mobile equipment	1,749,304	589,955	2,339,259
Other furniture and equipment	152,057	-	152,057
Water and sewer lines and facilities	-	8,185,026	8,185,026
Infrastructure	1,169,986	-	1,169,986
Less: accumulated depreciation	(2,876,366)	(4,148,538)	(7,024,904)
Net capital assets	<u>3,940,167</u>	<u>4,745,494</u>	<u>8,685,661</u>
<b>Total Assets</b>	<b><u>\$ 5,008,866</u></b>	<b><u>\$ 5,999,042</u></b>	<b><u>\$11,007,908</u></b>
<b>Liabilities and Net Position</b>			
Accounts payable	\$ 140,076	\$ 26,214	\$ 166,290
Other accrued liabilities	42,440	-	42,440
Customer deposits	-	90,935	90,935
Unearned revenue	812,500	-	812,500
Long-term liabilities:			
Due within one year:			
Capital debt	102,312	108,108	210,420
Due in more than one year:			
Non-capital debt	58,276	3,614	61,890
Capital debt	119,135	2,333,462	2,452,597
<b>Total Liabilities</b>	<u>1,274,739</u>	<u>2,562,333</u>	<u>3,837,072</u>
<b>Net Position:</b>			
Net investment in capital assets	3,718,720	2,303,924	6,022,644
Unrestricted	15,407	1,132,785	1,148,192
<b>Total Net Position</b>	<u>3,734,127</u>	<u>3,436,709</u>	<u>7,170,836</u>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 5,008,866</u></b>	<b><u>\$ 5,999,042</u></b>	<b><u>\$11,007,908</u></b>

The notes to the financial statements are an integral part of this statement.

9/30/2013

**CITY OF NEWTON, MISSISSIPPI  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**EXHIBIT 2**

Function/Programs:	Program Revenues				Business-Type Activities	
	Expenses	Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Total
<b>Governmental Activities:</b>						
General government	\$ (517,420)	\$ 317,213	\$ -	\$ -	\$ (200,207)	\$ (200,207)
Public safety	(1,447,852)	-	35,025	-	(1,412,827)	(1,412,827)
Public works	(904,571)	-	-	-	(904,571)	(904,571)
Culture and recreation	(382,048)	-	24,376	-	(357,672)	(357,672)
Economic development	(104,019)	-	-	104,019	-	-
Interest and fiscal charges on long-term debt	(9,992)	-	-	-	(9,992)	(9,992)
<b>Total Governmental Activities</b>	<b>(3,365,902)</b>	<b>317,213</b>	<b>59,401</b>	<b>104,019</b>	<b>(2,885,269)</b>	<b>(2,885,269)</b>
<b>Business-Type Activities:</b>						
Water, sewer, and garbage	(1,085,870)	894,264	-	-	-	(191,606)
<b>Total Functions/Programs</b>	<b>(4,451,772)</b>	<b>1,211,477</b>	<b>59,401</b>	<b>104,019</b>	<b>(2,885,269)</b>	<b>(3,076,875)</b>
<b>General Revenues:</b>						
Property tax					\$ 744,780	\$ 744,780
Licenses and permits					304,439	304,439
Intergovernmental, not restricted to specific functions/programs					1,141,197	1,255,428
Fines and forfeitures					55,865	55,865
Other revenue					157,901	166,911
Transfer in (out)					118,814	-
<b>Total General Revenues and Transfers</b>					<b>2,522,996</b>	<b>2,527,423</b>
Change in Net Position					(362,273)	(549,452)
Net Position, Beginning of Year					4,096,400	7,720,288
Net Position, End of Year					\$ 3,734,127	\$ 7,170,836

The notes to the financial statements are an integral part of this statement.

**CITY OF NEWTON, MISSISSIPPI  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2013**

**EXHIBIT 3**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 459,255	\$ 291,075	\$ 750,330
Property tax receivable	812,500	-	812,500
Accounts receivable - net	67,779	-	67,779
Due from other funds	158,565	3,790	162,355
Prepaid items	5,668	-	5,668
<b>Total Assets</b>	<b>\$ 1,503,767</b>	<b>\$ 294,865</b>	<b>\$ 1,798,632</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 139,313	\$ 763	\$ 140,076
Other accrued liabilities	42,440	-	42,440
Due to other funds	729,674	259	729,933
Unearned revenue	812,500	-	812,500
<b>Total Liabilities</b>	<b>1,723,927</b>	<b>1,022</b>	<b>1,724,949</b>
<b>Fund Balances:</b>			
<b>Committed:</b>			
Debt service	-	168,346	168,346
Unassigned	(220,160)	125,497	(94,663)
<b>Total Fund Balances (Deficits)</b>	<b>(220,160)</b>	<b>293,843</b>	<b>73,683</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,503,767</b>	<b>\$ 294,865</b>	<b>\$ 1,798,632</b>

The notes to the financial statements are an integral part of this statement.

**CITY OF NEWTON, MISSISSIPPI  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2013**

**EXHIBIT 3.1**

**Fund Balances - Total Governmental Funds**

**\$ 73,683**

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Governmental Capital Assets	6,816,533	
Less: Accumulated Depreciation	<u>(2,876,366)</u>	3,940,167

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Notes Payable	(102,620)	
Capital Leases Payable	(118,827)	
Compensated Absences	<u>(58,276)</u>	<u>(279,723)</u>

**Net Position of Governmental Activities**

**\$ 3,734,127**

The notes to the financial statements are an integral part of this statement.

**CITY OF NEWTON, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**EXHIBIT 4**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Property taxes	\$ 744,780	\$ -	\$ 744,780
Licenses and permits	304,439	-	304,439
Intergovernmental	1,114,599	190,019	1,304,618
Charges for services	304,333	12,880	317,213
Fines and forfeitures	55,865	-	55,865
Use of money and property	3,549	339	3,888
Miscellaneous	144,293	9,719	154,012
<b>Total Revenues</b>	<u>2,671,858</u>	<u>212,957</u>	<u>2,884,815</u>
<b>Expenditures</b>			
Current:			
General government	412,328	-	412,328
Public safety	1,407,127	-	1,407,127
Public works	776,644	70,073	846,717
Culture and recreation	332,472	-	332,472
Economic development	-	104,019	104,019
Debt service:			
Principal	101,718	15,000	116,718
Interest and fiscal charges	8,423	1,569	9,992
<b>Total Expenditures</b>	<u>3,038,712</u>	<u>190,661</u>	<u>3,229,373</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(366,854)</u>	<u>22,296</u>	<u>(344,558)</u>
<b>Other Financing Sources and (Uses)</b>			
Proceeds from debt issuances	24,769	-	24,769
Transfers in (out)	132,231	(13,417)	118,814
<b>Total Other Financing Sources and (Uses)</b>	<u>157,000</u>	<u>(13,417)</u>	<u>143,583</u>
<b>Net Change in Fund Balances</b>	(209,854)	8,879	(200,975)
<b>Fund Balances - Beginning</b>	<u>(10,306)</u>	<u>284,964</u>	<u>274,658</u>
<b>Fund Balances - Ending</b>	<u>\$ (220,160)</u>	<u>\$ 293,843</u>	<u>\$ 73,683</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF NEWTON, MISSISSIPPI  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**EXHIBIT 4.1**

<b>Net Changes in Fund Balances - Total Governmental Funds</b>		<b>\$ (200,975)</b>
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is depreciated over their estimated useful lives.

Less: Current Year Depreciation	<u>(260,304)</u>	(260,304)
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Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. Thus, the change in net position differs from the change in fund balance by the following item:

Deferred Compensation	<u>(17,712)</u>	(17,712)
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Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Principal Payments	<u>116,718</u>	<u>116,718</u>
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<b>Change in Net Position of Governmental Activities</b>		<b><u>\$ (362,273)</u></b>
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The notes to the financial statements are an integral part of this statement.

**CITY OF NEWTON, MISSISSIPPI  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2013**

**EXHIBIT 5**

	<b>Enterprise Funds</b>			<b>Total Enterprise Funds</b>
	<b>Water &amp; Sewer</b>	<b>ARRA</b>	<b>Wastewater Treatment Project</b>	
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 561,113	\$ -	\$ -	\$ 561,113
Accounts receivable, (net of allowance of \$91,862)	97,766	-	-	97,766
Inventories	25,188	-	-	25,188
Due from other funds	725,884	-	-	725,884
Prepaid Items	1,903	-	-	1,903
<b>Total Current Assets</b>	<b>1,411,854</b>	<b>-</b>	<b>-</b>	<b>1,411,854</b>
<b>Noncurrent Assets:</b>				
<b>Capital Assets:</b>				
Property, plant, and equipment	6,881,200	894,813	1,118,019	8,894,032
Less: Accumulated depreciation	<u>(4,047,896)</u>	<u>(44,741)</u>	<u>(55,901)</u>	<u>(4,148,538)</u>
<b>Total Noncurrent Assets</b>	<b>2,833,304</b>	<b>850,072</b>	<b>1,062,118</b>	<b>4,745,494</b>
<b>Total Assets</b>	<b>\$ 4,245,158</b>	<b>\$ 850,072</b>	<b>\$ 1,062,118</b>	<b>\$ 6,157,348</b>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts payable	\$ 26,214	\$ -	\$ -	\$ 26,214
Customer deposits	90,935	-	-	90,935
Due to other funds	158,306	-	-	158,306
Revenue bonds payable - current portion	15,127	-	-	15,127
Other loans-current portion	-	34,750	48,364	83,114
Capital leases payable - current portion	9,867	-	-	9,867
<b>Total Current Liabilities</b>	<b>300,449</b>	<b>34,750</b>	<b>48,364</b>	<b>383,563</b>
<b>Noncurrent Liabilities:</b>				
Compensated absences payable	3,614	-	-	3,614
Long-term debt	678,843	666,806	987,813	2,333,462
<b>Total Noncurrent Liabilities</b>	<b>682,457</b>	<b>666,806</b>	<b>987,813</b>	<b>2,337,076</b>
<b>Total Liabilities</b>	<b>982,906</b>	<b>701,556</b>	<b>1,036,177</b>	<b>2,720,639</b>
<b>NET POSITION</b>				
Net investment in capital assets	2,129,467	148,516	25,941	2,303,924
Unrestricted	1,132,785	-	-	1,132,785
<b>Total Net Position</b>	<b>\$ 3,262,252</b>	<b>\$ 148,516</b>	<b>\$ 25,941</b>	<b>\$ 3,436,709</b>

The notes to the financial statements are an integral part of this statement.

**CITY OF NEWTON, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**EXHIBIT 6**

	<b>Enterprise Funds</b>			<b>Total Enterprise Funds</b>
	<b>Water &amp; Sewer</b>	<b>ARRA</b>	<b>Wastewater Treatment Project</b>	
<b>Operating Revenues:</b>				
Charges for services	\$ 894,264	\$ -	\$ -	\$ 894,264
Intergovernmental	-	48,121	66,110	114,231
<b>Total Operating Revenues</b>	<b>894,264</b>	<b>48,121</b>	<b>66,110</b>	<b>1,008,495</b>
<b>Operating Expenses:</b>				
Personnel services	248,295	-	-	248,295
Contractual services, materials, and supplies	456,256	-	-	456,256
Depreciation	213,860	44,741	55,901	314,502
<b>Total Operating Expenses</b>	<b>918,411</b>	<b>44,741</b>	<b>55,901</b>	<b>1,019,053</b>
<b>Operating Income (Loss)</b>	<b>(24,147)</b>	<b>3,380</b>	<b>10,209</b>	<b>(10,558)</b>
<b>Nonoperating Revenues (Expenses):</b>				
Interest income	372	-	-	372
Interest expense	(34,191)	(14,041)	(18,585)	(66,817)
Miscellaneous revenue (expenses)	8,638	-	-	8,638
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(25,181)</b>	<b>(14,041)</b>	<b>(18,585)</b>	<b>(57,807)</b>
<b>Income (Loss) Before Transfers</b>	<b>(49,328)</b>	<b>(10,661)</b>	<b>(8,376)</b>	<b>(68,365)</b>
Transfers out	(118,814)	-	-	(118,814)
<b>Total Transfers</b>	<b>(118,814)</b>	<b>-</b>	<b>-</b>	<b>(118,814)</b>
<b>Change in Net Position</b>	<b>(168,142)</b>	<b>(10,661)</b>	<b>(8,376)</b>	<b>(187,179)</b>
<b>Total Net Position - Beginning</b>	<b>3,430,394</b>	<b>159,177</b>	<b>34,317</b>	<b>3,623,888</b>
<b>Total Net Position - Ending</b>	<b>\$ 3,262,252</b>	<b>\$ 148,516</b>	<b>\$ 25,941</b>	<b>\$ 3,436,709</b>

The notes to the financial statements are an integral part of this statement.

**CITY OF NEWTON, MISSISSIPPI  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

EXHIBIT 7

	Enterprise Fund			Total Enterprise Funds
	Water & Sewer	ARRA	Wastewater Treatment Project	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers and users	\$ 901,034	\$ 48,121	\$ 66,110	\$ 1,015,265
Cash payments to suppliers	(609,802)	-	-	(609,802)
Cash payments to employees	(249,933)	-	-	(249,933)
Net cash provided by operating activities	<u>41,299</u>	<u>48,121</u>	<u>66,110</u>	<u>155,530</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers to other funds	(118,814)	-	-	(118,814)
Other receipts	8,638	-	-	8,638
Net cash (used) by noncapital financing activities	<u>(110,176)</u>	<u>-</u>	<u>-</u>	<u>(110,176)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Principal paid on long-term debt	(60,213)	(34,080)	(47,525)	(141,818)
Interest expense	(34,191)	(14,041)	(18,585)	(66,817)
Net cash (used) by capital and related financing activities	<u>(94,404)</u>	<u>(48,121)</u>	<u>(66,110)</u>	<u>(208,635)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest received on money market account	372	-	-	372
Net cash provided by investing activities	<u>372</u>	<u>-</u>	<u>-</u>	<u>372</u>
Net (decrease) in cash and cash equivalents	(162,909)	-	-	(162,909)
Cash and cash equivalents, October 1, 2012	724,022	-	-	724,022
Cash and cash equivalents, September 30, 2013	<u>\$ 561,113</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 561,113</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (24,147)	\$ 3,380	\$ 10,209	\$ (10,558)
Adjustments:				
Depreciation expense	213,860	44,741	55,901	314,502
Changes in assets and liabilities:				
Decrease in accounts receivable	6,770	-	-	6,770
(Increase) in prepaid items	(1,903)	-	-	(1,903)
(Increase) in due from other funds	(334,959)	-	-	(334,959)
Increase in accounts payable	25,910	-	-	25,910
(Decrease) in other accrued liabilities	(900)	-	-	(900)
Increase in due to other funds	158,306	-	-	158,306
(Decrease) in compensated absences payable	(1,638)	-	-	(1,638)
Total adjustments	<u>65,446</u>	<u>44,741</u>	<u>55,901</u>	<u>166,088</u>
Net cash provided by operating activities	<u>\$ 41,299</u>	<u>\$ 48,121</u>	<u>\$ 66,110</u>	<u>\$ 155,530</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF NEWTON, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

The City of Newton, Mississippi, was incorporated in 1867. The City operates under a Mayor/Aldermen form of government and provides the following services as authorized by its charter: public safety (police and volunteer fire protection), highways and streets, sanitation, culture and recreation, public improvements, planning and zoning, and general administrative services.

**B. Basis of Presentation**

The City's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities and fund financial statements, which provide a detailed level of financial information.

**Government-wide Financial Statements:**

The Statement of Net Position and the Statement of Activities display information concerning the City as a whole. The statements include all nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues, and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

The Statement of Net Position presents the financial condition of the governmental activities and business-type activities of the City at year-end. The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the City's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the City.

**Fund Financial Statements:**

Fund financial statements of the City are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into governmental, proprietary, and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

**CITY OF NEWTON, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**C. Measurement Focus and Basis of Accounting**

The government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenues in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the City. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting

The City's Proprietary Fund applies all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The City reports the following major Governmental Funds:

General Fund - This fund is used to account for all activities of the general government for which a separate fund has not been established.

The City reports the following major Proprietary Funds:

Water and Sewer Fund - This fund accounts for the provision of water and sewer services to customers within the service area.

Wastewater Treatment Project Fund - This fund accounts for a wastewater treatment project.

ARRA Fund - This fund accounts for a drinking water grant.

**CITY OF NEWTON, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**C. Measurement Focus and Basis of Accounting-continued**

**GOVERNMENTAL FUND TYPES**

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among other, certain federal grant programs, taxes and levied with statutorily defined distributions and other resources restricted as to purpose.

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related cost.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and federal grants. However, the City did not have any active Capital Projects Funds in the current year.

**PROPRIETARY FUND TYPES**

Enterprise Funds - These funds are used to Account for those operations that are financed and operated in a manner similar to private business enterprises or where the City has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

**D. Capital Assets**

Property and equipment purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Pursuant to GASB Statement 34, small governmental entities (less than \$10 million in annual revenue) are not required to retroactively state the values of infrastructure purchased or constructed in prior years. Therefore, infrastructure acquired prior to October 1, 2002 has not been recorded, unless the value was already included in the City's inventory of capital assets.

Depreciation has been provided using the straight-line method, which approximates those methods used under Generally Accepted Accounting Principles, over the following estimated useful lives:

Building & Improvements	20-40 Years
Machinery & Equipment	5-10 Years
Other Furniture & Equipment	5-10 Years
Infrastructure	20-50 Years
Water & Sewer Lines & Facilities	5-20 Years

**E. Cash and Cash Equivalents**

For purposes of the statement of cash flows for the City's Proprietary Fund, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

**CITY OF NEWTON, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**F. Allowances for Doubtful Accounts**

The City uses the reserve method for uncollectible accounts.

**G. Inventories**

Inventories for the Proprietary Fund are stated at cost, which approximates market.

**H. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration.

**I. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**J. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond September 30, 2013 are prepaid items.

**K. Sick and Vacation Leave**

The City allows for five days sick leave per year, with no maximum accumulation of unused leave. All unused sick leave shall be counted as creditable service for the purpose of the retirement system, but employees will not be paid for accumulated sick leave.

Annual leave is accumulated at a rate of one day per month of employment. Annual leave accumulated will be paid to employees upon termination for up to fourteen days' accumulation. Any excess of fourteen days will be counted as creditable service for purposes of the retirement system.

**L. Equity Classifications**

Government-wide Financial Statements:

Equity is classified as net position and displayed in three components:

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvements of those assets.

Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or law through constitutional provisions or enabling legislation.

**CITY OF NEWTON, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**L. Equity Classifications-continued**

Unrestricted net position - All other net position not meeting the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the city:

*Nonspendable fund balance* includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

*Restricted fund balance* includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

*Committed fund balance* includes amounts that can be used only for specific purposes pursuant to constraints imposed by a formal action of the Board of Aldermen as approved in the board minutes.

*Assigned fund balance* includes amounts that are constrained by the city's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. Assignments of fund balance are created by the Board of Aldermen pursuant to authorization established by the policy adopted by the City.

*Unassigned fund balance* is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the city's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the city's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

**CITY OF NEWTON, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**M. Mississippi Municipal Compliance Questionnaire**

The Mississippi Municipal Compliance Questionnaire was completed and entered into the City's Minute Book as prescribed by law.

**N. Construction in Progress**

Construction in progress represents costs accumulated for various construction and improvement and expansion projects that were not completed at year end.

**O. Interfund Transactions and Balances**

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

**NOTE 2 - CASH AND INVESTMENTS**

The City deposits funds in financial institutions selected by the Board of Aldermen in accordance with state statutes. Various restrictions on deposits are imposed by statutes.

Code Sec. 21-33-323 allows municipalities to invest their surplus funds. The City may only invest in direct obligations of the United States, or the State of Mississippi, or certain local Mississippi governments. They may also invest in certificates of deposit from municipal depositories or State of Mississippi depositories located within the municipality. There is no authority to invest in mutual funds or brokerage firm accounts.

All investments of the City throughout the year and at year-end were interest bearing time certificates of deposit which are recorded at cost plus interest earned at September 30, 2013. The market value equals the carrying amount of these investments.

The collateral for public entities' deposits in financial institutions are now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972).

Under this program, the City's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation. The City's deposits, which include all cash accounts and certificates of deposits, with a carrying value of \$1,311,443 and a bank balance of \$1,402,812 at September 30, 2013, are covered by federal depository insurance and by deposits held in banks that are members of the State of Mississippi's Collateral Pool.

**CITY OF NEWTON, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**NOTE 3 - CAPITAL ASSETS**

The following is a summary of changes in capital assets during the year ended September 30, 2013:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>					
<i>Capital assets not being depreciated:</i>					
Land	\$ 401,642	\$ -	\$ -	\$ -	\$ 401,642
Construction in progress	1,036,621	-	-	(1,036,621)	-
Total capital assets not being depreciated	<u>1,438,263</u>	<u>-</u>	<u>-</u>	<u>(1,036,621)</u>	<u>401,642</u>
<i>Capital assets being depreciated:</i>					
Buildings	1,541,966	-	-	-	1,541,966
Improvements other than Buildings	1,801,578	-	-	-	1,801,578
Mobile Equipment	1,724,535	24,769	-	-	1,749,304
Other furniture and equipment	152,057	-	-	-	152,057
Infrastructure	133,365	-	-	1,036,621	1,169,986
Total capital assets being depreciated	<u>5,353,501</u>	<u>24,769</u>	<u>-</u>	<u>1,036,621</u>	<u>6,414,891</u>
Less: Accumulated depreciation	<u>(2,616,062)</u>	<u>(260,304)</u>	<u>-</u>	<u>-</u>	<u>(2,876,366)</u>
Total capital assets being depreciated, net	<u>2,737,439</u>	<u>(235,535)</u>	<u>-</u>	<u>1,036,621</u>	<u>3,538,525</u>
Governmental activities capital assets, net	<u>\$ 4,175,702</u>	<u>\$ (235,535)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,940,167</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Ending Balance</u>
<b>Business-type Activities:</b>					
<i>Capital assets not being depreciated:</i>					
Land	\$ 119,051	\$ -	\$ -	\$ -	\$ 119,051
Construction in progress	2,075,040	-	-	(2,075,040)	-
Total capital assets not being depreciated	<u>2,194,091</u>	<u>-</u>	<u>-</u>	<u>(2,075,040)</u>	<u>119,051</u>
<i>Capital assets being depreciated:</i>					
Water and sewer lines and facilities	6,109,986	-	-	2,075,040	8,185,026
Mobile equipment	589,955	-	-	-	589,955
Total capital assets being depreciated	<u>6,699,941</u>	<u>-</u>	<u>-</u>	<u>2,075,040</u>	<u>8,774,981</u>
Less: Accumulated depreciation	<u>(3,834,036)</u>	<u>(314,502)</u>	<u>-</u>	<u>-</u>	<u>(4,148,538)</u>
Total capital assets being depreciated, net	<u>2,865,905</u>	<u>(314,502)</u>	<u>-</u>	<u>2,075,040</u>	<u>4,626,443</u>
Business-type activities capital assets, net	<u>\$ 5,059,996</u>	<u>\$ (314,502)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,745,494</u>
Depreciation expense was charged to the following functions:					
Governmental Activities:					
General government			\$ 92,334		
Public safety			60,540		
Public works			57,854		
Culture and recreation			49,576		
Total Depreciation Expense			<u>\$ 260,304</u>		
Business-type Activities:					
Water & sewer			<u>\$ 314,502</u>		

During some of the previous years, the subsidiary records of capital assets and depreciation were not maintained.

**CITY OF NEWTON, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**NOTE 4 - LONG-TERM DEBT**

Debt outstanding as of September 30, 2013, consisted of the following:

**Governmental Activities:**

**A. General Obligation Bonds**

Description	Original Issue	Int. Rate	Balance			Balance	
			Outstanding 10/01/12	Additions	Reductions	Outstanding 9/30/13	Current Maturity
1992 Fire Station	\$ 225,000	6.25	\$ 15,000	\$ -	\$ (15,000)	\$ -	\$ -

**B. Capital Leases**

Description	Original Issue	Int. Rate	Balance			Balance	
			Outstanding 10/01/12	Additions	Reductions	Outstanding 9/30/13	Current Maturity
Fire Truck	\$ 200,000	3.29	\$ 74,424	\$ -	\$ (22,291)	\$ 52,133	\$ 23,388
John Deere Tractor	24,000	3.27	62,444	-	(13,093)	49,351	13,530
Equipment	24,769	1.81	-	24,769	(7,426)	17,343	8,243
	<u>\$ 248,769</u>		<u>\$ 136,868</u>	<u>\$ 24,769</u>	<u>\$ (42,810)</u>	<u>\$ 118,827</u>	<u>\$ 45,161</u>

**C. Other Loans**

Description	Original Issue	Int. Rate	Balance			Balance	
			Outstanding 10/01/12	Additions	Reductions	Outstanding 9/30/13	Current Maturity
NCB BLDG	\$ 81,124	4.10	\$ 55,821	\$ -	\$ (5,070)	\$ 50,751	\$ 5,282
NCB BLDG	250,000	3.85	105,706	-	(53,837)	51,869	51,869
	<u>\$ 331,124</u>		<u>\$ 161,527</u>	<u>\$ -</u>	<u>\$ (58,907)</u>	<u>\$ 102,620</u>	<u>\$ 57,151</u>

**D. Compensated Absences**

Compensated Absences	Balance			Balance	
	Outstanding 10/01/12	Additions	Reductions	Outstanding 9/30/13	Current Maturity
	\$ 40,565	\$ 17,711	\$ -	\$ 58,276	\$ -

**CITY OF NEWTON, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**NOTE 4 - LONG-TERM DEBT - Continued**

**Business-type Activities:**

**A. General Obligation Bonds**

Description	Original Issue	Int. Rate	Balance Outstanding 10/01/12	Additions	Reductions	Balance Outstanding 9/30/13	Current Maturity
Series 2003 RUS Water & Sewer Revenue	\$ 800,000	4.00	\$ 708,468	\$ -	\$ (14,498)	\$ 693,970	\$ 15,127

**B. Capital Leases**

Description	Original Issue	Int. Rate	Balance Outstanding 10/01/12	Additions	Reductions	Balance Outstanding 9/30/13	Current Maturity
Excavator-ref.	\$ 55,850	3.55	\$ 24,237	\$ -	\$ (14,370)	\$ 9,867	\$ 9,867
Caterpillar D3G	82,083	4.44	31,345	-	(31,345)	-	-
	<u>\$ 137,933</u>		<u>\$ 55,582</u>	<u>\$ -</u>	<u>\$ (45,715)</u>	<u>\$ 9,867</u>	<u>\$ 9,867</u>

**C. Other Loans**

Description	Original Issue	Int. Rate	Balance Outstanding 10/01/12	Additions	Reductions	Balance Outstanding 9/30/13	Current Maturity
Water System Improvement	\$ 785,527	1.95	\$ 735,636	\$ -	\$ (34,080)	\$ 701,556	\$ 34,750
Lagoon Improvement	1,095,454	1.75	1,083,702	-	(47,525)	1,036,177	48,364
	<u>\$ 1,880,981</u>		<u>\$ 1,819,338</u>	<u>\$ -</u>	<u>\$ (81,605)</u>	<u>\$ 1,737,733</u>	<u>\$ 83,114</u>

**D. Compensated Absences**

	Balance Outstanding 10/01/12	Additions	Reductions	Balance Outstanding 9/30/13	Current Maturity
Compensated Absences	\$ 5,252	\$ -	\$ (1,638)	\$ 3,614	\$ -

**CITY OF NEWTON, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**NOTE 4 - LONG-TERM DEBT - Continued**

The following is a schedule by years of the total capital lease payments due as of September 30, 2013:

Year	Governmental-type Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 45,161	\$ 3,656	\$ 9,867	\$ 132
2015	47,617	1,896	-	-
2016	18,649	524	-	-
2017	7,400	71	-	-
	<u>\$ 118,827</u>	<u>\$ 6,147</u>	<u>\$ 9,867</u>	<u>\$ 132</u>

Annual debt service requirements to maturity for all long-term debt are as follows:

Year	Governmental-type Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 57,151	\$ 3,912	\$ 98,241	\$ 60,318
2015	5,499	1,764	100,433	58,126
2016	5,728	1,536	102,683	55,877
2017	5,971	1,292	104,991	53,568
2018	6,221	1,043	107,359	51,200
2019-2023	22,050	1,557	574,578	218,220
2024-2028	-	-	644,038	148,759
2029-2033	-	-	471,772	74,498
2034-2038	-	-	192,681	28,959
2039	-	-	34,927	663
	<u>\$ 102,620</u>	<u>\$ 11,104</u>	<u>\$ 2,431,703</u>	<u>\$ 750,188</u>

**Legal Debt Margin** - The amount of debt, excluding specific exempted debt that can be incurred by the City is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the City, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a city issues bonds to repair or replace washed out or collapsed bridges on the public roads of the City. As of September 30, 2013, the amount of outstanding debt was within appropriate Limits.

**NOTE 5 - INDUSTRIAL REVENUE BOND**

Long-term debt does not include amounts for Industrial Revenue Bonds issued under authority §57-3-1 through §57-3-33 of the Mississippi Code of 1972. Industrial Revenue Bonds are issued to provide funds for direct financing leases to aid industries which manufacture, process, or assemble agricultural or manufactured products or any industry engaged in storing or warehousing products of agriculture, mining, or industry. These leases are administered by trustees with terms, which provide for transfer of title of the property after all bonds are paid in full.

**CITY OF NEWTON, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**NOTE 6 - RISK MANAGEMENT**

The City has purchased commercial insurance policies for various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; injuries to employees; or acts of God. Payments of premiums for these policies are recorded as expenditures/expenses. Insurance settlements have not exceeded insurance coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

**NOTE 7 - PROPERTY TAXES**

Property taxes on real and personal property, exclusive of automobiles, become an enforceable lien on January 1, for the preceding year. Taxes are levied before September 15, and are due before February 1. The City bills and collects its own property taxes, except for automobile ad valorem. The City's levy on automobile taxes is collected by Newton County and remitted to the City monthly. Newton County also remits to the City a pro-rata share of road and bridge taxes collected by them. The City levies taxes based on 15% of fair value of property. The City may levy taxes as necessary to meet bonded debt retirement. Tax millage levies for the current fiscal year were as follows:

<u>Fund</u>	<u>Millage</u>	<u>Purpose</u>
General Fund	32	General Government

**NOTE 8 - DEFINED BENEFIT PENSION PLAN**

Plan Description

The City of Newton, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy

PERS members are required to contribute 9% of their annual covered salary and the City of Newton, Mississippi, is required to contribute at an actuarially determined rate. The rate at September 30, 2013 was 12% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature.

The City of Newton, Mississippi's contributions to PERS for the years ending September 30, 2013, 2012, and 2011 were \$203,902, \$180,071, and \$170,434, respectively, equal to the required contributions for each year.



DAVID GARR  
MAYOR

CHARLENE EVANS  
CITY CLERK

FRED SNOW  
DIRECTOR OF PUBLIC WORKS

STEVEN KELLY  
FIRE CHIEF

HARVEY GURRY  
CHIEF OF POLICE

JAY POWELL  
DIRECTOR OF PARKS AND RECREATION

203 EAST CHURCH STREET  
P.O. BOX 300  
NEWTON, MISSISSIPPI 38845  
TELEPHONE: 601-683-6181  
FAX 601-683-6118

ALDERMEN:  
MICHAEL HIGLEY, WARD 1  
MURRAY WIEBMS, WARD 2  
EVA LOIS McDONALD, WARD 3  
RAPHAEL "RAY" PAYNE, WARD 4  
DON VARES, WARD 5

September 17, 2015

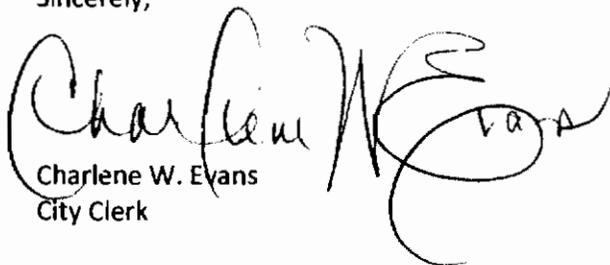
Mississippi Office of the State Auditor  
501 North West Street  
Suite 801, Woolfolk Building  
Jackson, Ms 39201

RE: 2013 Municipal Audit

Dear Sir:

Accompanying this letter are one copies of the annual audit of the City Of Newton for the fiscal year ended September 30, 2013. If you have any questions, or need additional Information, please call me at 601/683-6181.

Sincerely,

A handwritten signature in black ink, appearing to read "Charlene W. Evans". The signature is stylized and cursive.

Charlene W. Evans  
City Clerk

Enclosures

RECEIVED

SEP 28 2015

**CITY OF NEWTON, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**NOTE 9 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended September 30, 2013 consisted of the following:

Transfers To	Transfers From	Total
General Fund	Debt Service Fund	\$ 13,417
General Fund	Water and Sewer Fund	118,814
		\$ 132,231

This transfer was made for general operating purposes.

Interfund loans for the year ended September 30, 2013 consisted of the following:

Due to (Payable) Other Funds	Due from (Receivable) Other Funds	Total
General Fund	Water and Sewer Fund	\$ 725,884
General Fund	Bond Fund	3,790
Water and Sewer Fund	General Fund	158,306
Motel Tax Fund	General Fund	259
		\$ 888,239

This interfund loan was set up to offset cash flow problems.

**Note 10-Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the City of Newton, Mississippi evaluated the activity of the City through July 31, 2015, (the date the financial statements were available to be issued) and determined that the following subsequent events required disclosure in the notes to the financial statements:

- 1). On October 15, 2013, the City accepted a \$200,000 Community Development Block Grant from the Mississippi Development Authority.
- 2). On November 5, 2013, the City approved General Obligation Bonds with Duncan Williams for \$2,100,000 at an average interest rate of 1.81% for street improvements.
- 3). On January 21, 2014, the City approved purchase of two new cars for \$54,031 with a down payment of \$20,000 and a lease purchase for 36 months at 2.07% and a monthly payment of \$976.

**CITY OF NEWTON, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**Note 10-Subsequent Events-continued**

- 4). On March 4, 2014, the City approved the purchase of a bulldozer for \$94,000 with a down payment of \$40,000 and a lease purchase for 36 months at 2.04% and a monthly payment of \$690. The City also approved the purchase of an excavator with a down payment of \$43,500 and a lease purchase for 36 months at 2.04% and a monthly payment of \$1,688.
- 5). On July 31, 2014, the City approved a Mississippi Development Authority Grant in the amount of \$150,000 for downtown sidewalk improvements.
- 6). On September 16, 2014, the City approved payments in the amount of \$1,757,880 for the Community Development Block Grant paving project.
- 7). On October 7, 2014, the City approved payments for \$130,500 to property owners to be reimbursed through the Federal Aviation Administration Grant.
- 8). On December 2, 2014, the City approved a lease purchase of a tire loader in the amount of \$194,604 for 60 months at 2.15% and a monthly payment of \$1,765.
- 9). On February 3, 2015, the City approved a lease purchase of a tractor and ditcher for 60 months at 2.24% and a monthly payment of \$866.
- 10). On March 3, 2015, the City approved the lease purchase of a police car for 36 months at 2.07% and a monthly payment of \$757.
- 11). On March 17, 2015, the City approved a CAP Loan Resolution for water system improvements in the amount of \$600,000.

**CITY OF NEWTON, MISSISSIPPI  
 SCHEDULE OF SURETY BONDS OF MUNICIPAL OFFICIALS AND OTHERS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

<u>Name</u>	<u>Position</u>	<u>Bond Amount</u>	<u>Bonding Company</u>
Michel Hillie	Alderman	\$ 50,000	Travelers
Murray Weems	Alderman	50,000	Travelers
Eva MacDonald	Alderman	50,000	Travelers
Don Vares	Alderman	50,000	Travelers
Ray Payne	Alderman	50,000	Travelers
David Carr	Mayor	50,000	Travelers
Charlene Evans	Deputy City Clerk	50,000	Travelers
Doris McMillan	Water Clerk	50,000	Travelers
Shelia Jackson	Court Clerk	50,000	Travelers
Barbara Ann Mapp	City Clerk	50,000	FCCI Insurance
Harvey Curry	Police Chief	50,000	Travelers

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF NEWTON, MISSISSIPPI**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual (Budgetary Basis)	
<b>REVENUES</b>				
Property taxes	\$ 727,500	\$ 727,500	\$ 744,780	\$ 17,280
Licenses, commissions and other revenue	352,500	352,500	297,500	(55,000)
Fines and forfeitures	66,000	66,000	55,865	(10,135)
Intergovernmental revenues	1,021,500	1,021,500	1,114,599	93,099
Charges for services	276,000	276,000	304,333	28,333
Miscellaneous revenues	187,700	187,700	144,581	(43,119)
<b>Total Revenues</b>	<u>2,631,200</u>	<u>2,631,200</u>	<u>2,661,658</u>	<u>30,458</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government	429,600	429,600	420,421	9,179
Public safety	1,396,300	1,396,300	1,404,725	(8,425)
Public works	979,126	979,126	747,742	231,384
Culture and recreation	357,850	357,850	320,243	37,607
<b>Total Expenditures</b>	<u>3,162,876</u>	<u>3,162,876</u>	<u>2,893,131</u>	<u>269,745</u>
Excess of Revenues over (under) Expenditures	<u>(531,676)</u>	<u>(531,676)</u>	<u>(231,473)</u>	<u>300,203</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other financing sources	88,000	88,000	114,231	26,231
<b>Total Other Financing Sources</b>	<u>88,000</u>	<u>88,000</u>	<u>114,231</u>	<u>26,231</u>
<b>Net Change in Fund Balance</b>	<u>(443,676)</u>	<u>(443,676)</u>	<u>(117,242)</u>	<u>326,434</u>
Fund Balances - Beginning	475,000	475,000	66,997	(408,003)
<b>Fund Balances - Ending</b>	<u>\$ 31,324</u>	<u>\$ 31,324</u>	<u>\$ (50,245)</u>	<u>\$ (81,569)</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

**CITY OF NEWTON, MISSISSIPPI  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**A. Budgetary Information**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

Prior to September 1, the Mayor submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following October. The operating budget includes proposed expenditures and the means of financing them. A public hearing is conducted at the City Hall to obtain taxpayer comments. Prior to October 1, the budget is legally enacted through passage of an ordinance. All budget amendments are approved by the board and are in compliance with the municipal law as determined by the Mississippi Code.

The Board of Aldermen has not taken any official action to authorize anyone to transfer budgeted amounts between departments within any fund. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Fund. Formal budgetary control is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.

Mississippi law requires that municipalities budget governmental funds on a modified-cash basis. Claims that have been incurred prior to the end of the year and that are paid within 30 days are recorded under the accrual basis. Prior year claims that are paid after 30 days revert to the cash basis. All revenue is accounted for under the cash basis. Capital project funds, however, are budgeted per project and do not lapse at year-end. The required budgetary basis is therefore not considered a generally accepted accounting principle.

**B. Basis of Presentation**

The Budgetary Comparison Schedule- Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major special revenue fund.

**C. Budget/GAAP Reconciliation**

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major special revenue fund:

<u>Governmental Fund Types</u>	
	<u>General Fund</u>
Budget (Cash Basis)	\$ (117,242)
Increase (Decrease)	
Net adjustments for revenue accruals	10,200
Net adjustments for expenditure accruals	<u>(102,812)</u>
GAAP Basis	<u>\$ (209,854)</u>

**SPECIAL REPORTS**

## HERZOG CPA COMPANY, PLLC

Angela T. Herzog, CPA

12 98 Place Boulevard • P.O. Box 17986 • Hattiesburg, Mississippi 39404

Phone 601-271-8860 • Fax 601-271-8921

1020 Northpark Drive • Ridgeland, Mississippi 39157

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### INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE GOVERNMENT FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor, Members of the  
Board of Aldermen, and City Clerk  
City of Newton, Mississippi

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Newton, Mississippi, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 31, 2015. The report is qualified on the governmental and business-type activities because the county did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets as required by accounting principles generally accepted in the United States of America.

#### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Newton, Mississippi's internal control over financial reporting 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the Schedule of Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying Schedule of Findings as 13-2 to be a material weakness.

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. We consider the deficiencies described in the accompanying Schedule of Findings as 13-1, 13-3, and 13-4 to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Newton, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

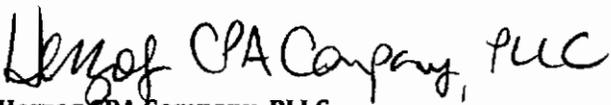
However, we noted certain matters that we reported to the management of the City of Newton, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated July 31, 2015.

#### City of Newton's Responses to Findings

The City of Newton, Mississippi's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Newton, Mississippi's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the 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. However, this report is a matter of public record and its distribution is not limited.

  
Herzog CPA Company, PLLC  
July 31, 2015

## HERZOG CPA COMPANY, PLLC

Angela T. Herzog, CPA

12 98 Place Boulevard • P.O. Box 17986 • Hattiesburg, Mississippi 39404

Phone 601-271-8860 • Fax 601-271-8921

1020 Northpark Drive • Ridgeland, Mississippi 39157

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### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Honorable Mayor, Members of the  
Board of Alderman, and City Clerk  
City of Newton, Mississippi

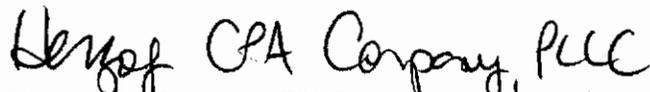
We have audited the basic financial statements of City of Newton, Mississippi for the year ended September 30, 2013 and have issued our report dated July 31, 2015. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the general purpose financial statements disclosed no material instances of noncompliance with state laws and regulations.

The Office of the State Auditor or a public accounting firm will review, on a subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

This report is intended solely for the information of the City's management and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

  
Herzog CPA Company, PLLC  
July 31, 2015

**SCHEDULE OF FINDINGS**

**CITY OF NEWTON, MISSISSIPPI  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**Section 1: Summary of Auditors' Results**

***Financial Statements:***

1. Type of auditors' report issued on the financial statements:

Governmental Activities	Qualified
Business-Type Activities	Qualified
General Fund	Unmodified
ARRA Fund	Unmodified
Wastewater Treatment Project Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

2. Internal Control over financial reporting:

A. Material weakness identified?	Yes
B. Significant Deficiency identified that is not considered to be a material weakness?	Yes

3. Noncompliance material to the financial statements? None reported

**CITY OF NEWTON, MISSISSIPPI  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Section 2: Financial Statement Findings

13-1. Finding

Significant Deficiency

As reported in the prior year report, controls were not in use requiring accounting personnel to maintain various subsidiary records to establish necessary controls over all transactions. There were no subsidiary records in the following areas:

- a. Investments - The City does not maintain a list of investments that allows them to identify amounts invested at any point in time. To determine investment amounts, statements have to be reviewed and/or calls to entity holding investments have to be made.
- b. Debts - The City does not maintain a list of outstanding debt obligations, including bonds, notes, leases, or any other type of debt obligation the City incurs. City personnel are not able to determine exactly what the amount of debt is at any point in time. Calls to debt holders are sometimes necessary to determine what is owed. Without such debt records there is a possibility that some debt holders could be overpaid.
- c. Interfund loans - The City does not maintain a record of loans between City funds allowing appropriate control over said interfund loans. This could cause loans to be forgotten or not be repaid in a timely manner.
- d. Fines receivable - The City does not maintain a list of fines receivable for the police department. This creates an inability to record fines receivable on the general ledger as well as lack of appropriate collections for fines.

Recommendation

The City should establish control procedures by developing and maintaining the subsidiary records mentioned above.

Response

The City will address these issues before the next audit.

13-2. Finding

Significant Deficiency - Material Weakness

As reported in the prior year report, controls were not in use requiring accounting personnel to maintain capital assets subsidiary records to establish necessary controls over all transactions.

**CITY OF NEWTON, MISSISSIPPI  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Recommendation

The City should establish control procedures by developing and maintaining fixed asset subsidiary records.

Response

The City will address this issue.

13-3. Finding

Significant Deficiency

As reported in the prior year report, the general fund had a deficit fund balance at September 30, 2013.

Recommendation

A transfer should be made before year end to prevent a negative general fund balance.

Response

The City will address this issue.

13-4. Finding

Significant Deficiency

The public safety expenditures exceeded the budget for the year ended September 30, 2013.

Recommendation

The budget should be amended to reflect actual results during the October board meetings each year.

Response

The City will address this issue.