

**NEWTON TOWN
CORPORATION**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED**

JUNE 30, 2014

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INDEPENDENT ACCOUNTANT'S REPORT

Honorable Mayor and Town Council
Newton Town Corporation
Newton, Utah

We have compiled the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Newton Town Corporation, Utah (the Town), as of and for the year ended June 30, 2014, which collectively comprise the Town's basic financial statements as listed in the table of contents. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

The management of the Town is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-8 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information has been compiled by us without audit or review and accordingly, we do not express an opinion or provide any assurance on it.

Allred Jackson

December 29, 2014

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NEWTON TOWN CORPORATION
Management's Discussion and Analysis

For the Year Ended June 30, 2014

As management of Newton Town Corporation, we offer readers of Newton Town Corporation's financial statements this narrative overview and analysis of the financial activities of Newton Town Corporation for the fiscal year ended June 30, 2014.

FINANCIAL HIGHLIGHTS

- The total net position of \$1,823,912 is made up of \$709,715 in capital assets net of related debt and \$1,114,197 in other net position.
- In the General Fund, new asset purchases equaled \$8,082.
- Total long-term liabilities of the Town were reduced by \$14,896.

REPORTING THE TOWN AS A WHOLE

This discussion and analysis is intended to serve as an introduction to Newton Town Corporation's basic financial statements. Newton Town Corporation's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of Newton Town Corporation's finances, in a manner similar to a private-sector business.

- The statement of net position presents information on all of Newton Town Corporation's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Newton Town Corporation is improving or deteriorating. However, users should also consider other nonfinancial factors.
- The statement of activities presents information showing how the Town's net position changed during the fiscal year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

NEWTON TOWN CORPORATION
Management's Discussion and Analysis

Continued

Both of the government-wide financial statements distinguish functions of Newton Town Corporation that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on pages 9 & 10 of this report.

REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS

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. Newton Town Corporation also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds, and proprietary funds.

- Governmental funds – These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation included with the fund financial statements.

The only major governmental fund (as determined by generally accepted accounting principles) is the general fund.

- Proprietary funds - Newton Town Corporation maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Newton Town Corporation uses enterprise funds to account for its water utility services.

As determined by generally accepted accounting principles, all enterprise funds meet the criteria of major fund classification.

NEWTON TOWN CORPORATION
Management's Discussion and Analysis

Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of a government's financial position. In the case of Newton Town Corporation, assets exceeded liabilities by \$1,823,912.

By far the greatest portion of Newton Town Corporation's net position (39%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment), less any outstanding debt used to acquire such assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

NEWTON TOWN CORPORATION
Management's Discussion and Analysis

Continued

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 558,043	\$ 522,925	\$ 601,024	\$ 580,649
Capital assets	244,060	251,964	751,540	785,690
Total assets	<u>802,103</u>	<u>774,889</u>	<u>1,352,564</u>	<u>1,366,339</u>
Long-term debt outstanding	-	-	285,885	300,781
Other liabilities	44,870	45,507	-	22,357
Total liabilities	<u>44,870</u>	<u>45,507</u>	<u>285,885</u>	<u>323,138</u>
Net assets:				
Net investment in capital assets	244,060	251,964	465,655	484,909
Restricted	285,490	277,340	32,658	39,244
Unrestricted	227,683	200,078	568,366	519,048
Total net position	<u>\$ 757,233</u>	<u>\$ 729,382</u>	<u>\$ 1,066,679</u>	<u>\$ 1,043,201</u>
CHANGE IN NET POSITION				
	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues				
Program revenues:				
Charges for services	\$ 105,977	\$ 109,948	\$ 90,505	\$ 87,224
Operating grants & contributions	31,215	66,677	-	-
Capital grants & contributions	35,608	37,361	-	-
General revenues:				
Property taxes	38,088	38,902	-	-
Other taxes	78,947	79,144	-	-
Investment income	9,166	3,881	-	4,745
Other revenues	660	593	-	-
Total revenues	<u>299,661</u>	<u>336,506</u>	<u>90,505</u>	<u>91,969</u>
Expenses:				
General Government	139,032	107,420	-	-
Public safety	37,017	59,405	-	-
Highways/public improvement	87,028	70,973	-	-
Parks & recreation	8,733	42,651	-	-
Water	-	-	67,027	79,894
Total expenses	<u>271,810</u>	<u>280,449</u>	<u>67,027</u>	<u>79,894</u>
Increase (decrease) in net position	27,851	56,057	23,478	12,075
Net position, beginning of year	729,382	673,325	1,043,201	1,031,126
Net position, end of year	<u>\$ 757,233</u>	<u>\$ 729,382</u>	<u>\$ 1,066,679</u>	<u>\$ 1,043,201</u>

NEWTON TOWN CORPORATION
Management's Discussion and Analysis

Continued

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

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

As of June 30, 2014, the Town's governmental fund (general) reported a fund balance of \$513,173. This represents an increase of \$35,755 (7%) over last year's ending balances.

The general fund is the chief operating fund of the Town. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Taxes continue to be the largest source of revenue in the general fund and represent 39% of total general fund revenues. The largest element of tax revenue continues to be sales taxes, which represent 64% of total tax revenues and 25% of total general fund revenues. This compares with 22% in the prior fiscal year ended June 30, 2013.

As stated previously, the Town maintains one enterprise fund to account for the business-type activities of the Town. The separate fund statements included in this report provide the same information for business-type activities as is provided in the government-wide financial statements. However, the fund statements provide much more detail.

Significant changes in the governmental funds include an increase in capital assets during the year totaling \$8,082.

Significant changes in business-type activities include a \$14,896 decrease in debt due to regular principal payments.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year the General Fund original budget was amended from an original budget expenditure total of \$345,000 to a final budget of \$351,826 (2%). The increase in budget was due to higher expenses in streets and transfers.

NEWTON TOWN CORPORATION
Management's Discussion and Analysis

Continued

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – Newton Town Corporation's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to \$995,600 (net of accumulated depreciation) infrastructure (streets, sidewalks, etc.), and machinery and equipment. The total decrease in the Town's investment in fixed assets for the current year was 4% (due to depreciation exceeding new purchases).

Major capital asset events during the current fiscal year included the following:

- \$8,082 for library improvements

TOWN OF NEWTON'S CAPITAL ASSETS

	Governmental Activities	Business-type Activities
Land	\$ 51,500	\$ 10,000
Buildings and improvements	210,625	55,956
System improvements	-	1,467,832
Infrastructure	838,552	-
Machinery & equipment	275,662	26,302
Less: Accumulated depreciation	(1,132,279)	(808,550)
Total	<u>\$ 244,060</u>	<u>\$ 751,540</u>

Additional information on the Town's capital assets can be found in the footnotes to this financial report.

Long-term debt – At June 30, 2014, the Town had total bonded debt outstanding of \$285,885. Of this amount \$285,885 is debt which is secured solely by specific revenue sources (i.e., revenue bonds).

TOWN OF NEWTON'S OUTSTANDING DEBT

	Business-type Activities
Revenue bonds	\$ 285,885
Total outstanding debt	<u>\$ 285,885</u>

The Town's total debt decreased by \$14,896 during the fiscal year. Additional information on the outstanding debt obligations of the Town can be found in the footnotes to this report.

NEWTON TOWN CORPORATION
Statement of Net Position

As of June 30, 2014

ASSETS	Governmental Activities	Business-type Activities	Memorandum Totals	
			2014 Total	2013 Total
Cash	\$ 114,482	\$ 565,354	\$ 679,836	\$ 625,234
Certificates of deposit	112,082	-	112,082	107,644
Account receivable	8,060	3,012	11,072	16,183
Taxes receivable	37,929	-	37,929	37,929
Restricted taxes receivable	6,605	-	6,605	7,990
Restricted cash	239,222	32,658	271,880	269,035
Restricted certificate of deposit	39,663	-	39,663	39,559
Capital assets				
Land	51,500	10,000	61,500	61,500
Buildings and improvements	210,625	55,956	266,581	266,581
System improvements	-	1,467,832	1,467,832	1,467,832
Infrastructure	838,552	-	838,552	838,552
Machinery & equipment	275,662	26,302	301,964	293,882
Less: Accumulated depreciation	(1,132,279)	(808,550)	(1,940,829)	(1,890,693)
Total assets	802,103	1,352,564	2,154,667	2,141,228
LIABILITIES				
Accounts payable	8,707	-	8,707	31,363
Interest payable	-	-	-	338
Bonds payable:				
Due within one year	-	7,520	7,520	14,896
Due in more than one year	-	278,365	278,365	285,885
Deferred revenue	36,163	-	36,163	36,163
Total liabilities	44,870	285,885	330,755	368,645
NET POSITION				
Net investment in capital assets	244,060	465,655	709,715	736,873
Restricted for:				
Debt service	-	21,732	21,732	29,486
Library	39,663	-	39,663	39,559
Roads and town improvements	245,827	10,926	256,753	247,539
Unrestricted	227,683	568,366	796,049	719,126
Total Net Position	\$ 757,233	\$ 1,066,679	\$ 1,823,912	\$ 1,772,583

NEWTON TOWN CORPORATION
Statement of Activities

For the Year Ended June 30, 2014

	Program Revenues					Business-type Activities	Memorandum Totals	
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Net Governmental Activities		2014 Total	2013 Total
Governmental activities:								
General government	\$ 139,032	\$ 46,220	\$ 17,074	\$ -	\$ (75,738)	\$ -	\$ (75,738)	\$ (42,072)
Public safety	37,017	6,578	13,290	-	(17,149)	-	(17,149)	(938)
Highways & public improvements	87,028	50,222	-	35,608	(1,198)	-	(1,198)	16,158
Parks, recreation & public property	8,733	2,957	851	-	(4,925)	-	(4,925)	(39,611)
Total governmental activities	<u>271,810</u>	<u>105,977</u>	<u>31,215</u>	<u>35,608</u>	<u>(99,010)</u>	<u>-</u>	<u>(99,010)</u>	<u>(66,463)</u>
Business-type activities:								
Water	67,027	90,505	-	-	-	23,478	23,478	7,330
Total business-type activities	<u>67,027</u>	<u>90,505</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,478</u>	<u>23,478</u>	<u>7,330</u>
General Revenues:								
Taxes:								
Property taxes levied for general purposes					38,088	-	38,088	38,902
Franchise taxes					3,941	-	3,941	3,667
General sales taxes & highway sales taxes					75,006	-	75,006	75,477
Business licenses					660	-	660	593
Investment income					9,166	-	9,166	8,626
Total general revenues & transfers					<u>126,861</u>	<u>-</u>	<u>126,861</u>	<u>127,265</u>
Change in net position					27,851	23,478	51,329	68,132
Net position - beginning					729,382	1,043,201	1,772,583	1,704,451
Net position - ending					<u>\$ 757,233</u>	<u>\$ 1,066,679</u>	<u>\$ 1,823,912</u>	<u>\$ 1,772,583</u>

NEWTON TOWN CORPORATION
Balance Sheet
Governmental Funds

As of June 30, 2014

	Total Governmental Funds	
	2014	2013
ASSETS		
Cash	\$ 114,482	\$ 90,093
Certificates of deposit	112,082	107,644
Accounts receivable	8,060	9,919
Taxes receivable	37,929	37,929
Restricted assets:		
Cash	239,222	229,791
Certificate of deposit	39,663	39,559
Taxes receivable	6,605	7,990
Total assets	\$ 558,043	\$ 522,925
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 8,707	\$ 9,344
Deferred revenue	36,163	36,163
Total liabilities	44,870	45,507
Fund Balance:		
Restricted for roads	245,808	237,762
Restricted for liquor law	19	19
Restricted for library	39,663	39,559
Unrestricted - unassigned	227,683	200,078
Total fund balance	513,173	477,418
Total liabilities and fund balance	\$ 558,043	\$ 522,925
 Amounts reported for governmental activities in the statement of net position are different because: capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
	\$ 244,060	\$ 251,964
Fund balance, balance sheet	513,173	477,418
Net position reconciled to the Statement of Activities	\$ 757,233	\$ 729,382

NEWTON TOWN CORPORATION
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds

For the Year Ended June 30, 2014

	Total Governmental Funds	
	2014	2013
Revenues:		
Taxes & special assessments	\$ 117,035	\$ 118,046
Licenses and permits	11,559	3,181
Intergovernmental	60,056	96,330
Charges for services	57,550	63,250
Fines and forfeitures	23,985	30,203
Investment income	9,166	3,881
Miscellaneous	20,310	21,615
Total revenues	<u>299,661</u>	<u>336,506</u>
Expenditures:		
Current:		
General government	131,188	133,047
Public safety	35,557	55,629
Highways & public improvements	83,837	68,483
Parks, recreation & public property	13,324	37,918
Total expenditures	<u>263,906</u>	<u>295,077</u>
Excess (deficiency) of revenues over expenditures	35,755	41,429
Fund balances, beginning of year	<u>477,418</u>	<u>435,989</u>
Fund balances, end of year	<u>\$ 513,173</u>	<u>\$ 477,418</u>

NEWTON TOWN CORPORATION
Reconciliation to the Statement of Revenues, Expenditures, and Changes in Fund
Balance of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2014

Net change in fund balances - total governmental funds	\$ 35,755
Amounts reported for governmental activities in the statement of activities differs from the amounts reported in the statement of revenues, expenditures, and changes in fund balance because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	<u>(7,904)</u>
Change in net position of governmental activities	<u>\$ 27,851</u>

NEWTON TOWN CORPORATION
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
General property taxes	\$ 39,000	\$ 39,000	\$ 38,088	\$ (912)
General sales & use taxes	76,000	70,000	75,006	5,006
Franchise taxes	3,700	3,200	3,941	741
Total taxes	118,700	112,200	117,035	4,835
Licenses & permits:				
Business licenses & permits	600	700	660	(40)
Non-business licenses & permits	4,400	11,500	10,899	(601)
Total licenses & permits	5,000	12,200	11,559	(641)
Intergovernmental revenues:				
Class "C" roads	36,000	36,000	35,608	(392)
State liquor allotment	900	-	-	-
State/Local Grants	21,500	27,200	24,448	(2,752)
Total intergovernmental revenues	58,400	63,200	60,056	(3,144)
Charges for services:				
Sanitation	51,000	45,000	50,222	5,222
Parks & recreation	800	2,000	1,350	(650)
Communication center	6,100	5,000	5,978	978
Fire department	1,000	500	-	(500)
First responders	-	-	-	-
Total charges for services	58,900	52,500	57,550	5,050
Fines and forfeitures	34,000	31,000	23,985	(7,015)
Miscellaneous:				
Interest	6,200	5,150	9,166	4,016
Celebrations	7,500	7,200	7,151	(49)
Other	56,300	15,776	13,159	(2,617)
Total Miscellaneous	70,000	28,126	29,476	1,350
Total Revenues	\$ 345,000	\$ 299,226	\$ 299,661	\$ 435

NEWTON TOWN CORPORATION
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund

Continued

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
General government:				
Administration	\$ 54,150	\$ 64,020	\$ 58,316	\$ 5,704
Building & grounds	78,800	13,800	7,072	6,728
Library	34,200	36,290	35,082	1,208
Judicial	34,900	37,150	30,718	6,432
Total general government	202,050	151,260	131,188	20,072
Public safety:				
Police	8,900	8,000	6,171	1,829
Communication center	6,200	6,200	5,664	536
Fire	13,000	13,025	12,891	134
First responder	7,700	4,865	2,497	2,368
Animal control	3,500	3,500	3,002	498
Building inspection	2,100	6,600	5,332	1,268
Total public safety	41,400	42,190	35,557	6,633
Highways & public improvements:				
Streets	30,900	47,125	35,893	11,232
Sanitation	54,000	54,000	47,944	6,056
Total highways & improvements	84,900	101,125	83,837	17,288
Parks, recreation & public property:				
Parks and open spaces	16,650	16,400	13,324	3,076
Total parks, recreation & public property	16,650	16,400	13,324	3,076
Transfers	-	40,851	-	40,851
TOTAL EXPENDITURES	345,000	351,826	263,906	87,920
Net change in fund balance	-	(52,600)	35,755	88,355
Fund Balance at beginning of year	477,418	477,418	477,418	-
Fund Balance at end of year	<u>\$ 477,418</u>	<u>\$ 424,818</u>	<u>\$ 513,173</u>	<u>\$ 88,355</u>

NEWTON TOWN CORPORATION
Statement of Net Position
Proprietary Fund

As of June 30, 2014

	WATER UTILITIES 2014	MEMORANDUM TOTAL 2013
ASSETS		
Current assets:		
Cash	\$ 565,354	\$ 535,141
Accounts receivable, net	3,012	6,264
Restricted cash	32,658	39,244
Total current assets	<u>601,024</u>	<u>580,649</u>
Capital assets		
Land	10,000	10,000
Buildings and improvements	55,956	55,956
System improvements	1,467,832	1,467,832
Equipment	26,302	26,302
Less Accumulated depreciation	<u>(808,550)</u>	<u>(774,400)</u>
Total capital assets	<u>751,540</u>	<u>785,690</u>
TOTAL ASSETS	<u>1,352,564</u>	<u>1,366,339</u>
LIABILITIES		
Current liabilities:		
Accounts payable	-	22,019
Interest payable	-	338
Total current liabilities	<u>-</u>	<u>22,357</u>
Long-term liabilities:		
Bonds payable - due within a year	7,520	14,896
Due in more than one year	<u>278,365</u>	<u>285,885</u>
Total long -term liabilities	<u>285,885</u>	<u>300,781</u>
Total liabilities	<u>285,885</u>	<u>323,138</u>
NET ASSETS		
Net investment in capital assets	465,655	484,909
Restricted	32,658	39,244
Unrestricted	<u>568,366</u>	<u>519,048</u>
Total net position	<u>\$ 1,066,679</u>	<u>\$ 1,043,201</u>

NEWTON TOWN CORPORATION
Statement of Revenues, Expenses, and Change in Fund Net Position
Proprietary Fund

For the Year Ended June 30, 2014

	<u>WATER UTILITIES 2014</u>	<u>MEMORANDUM TOTAL 2013</u>
OPERATING REVENUES:		
Charges for services	\$ 86,418	\$ 82,754
Other operating revenues	4,087	4,470
Total operating revenues	<u>90,505</u>	<u>87,224</u>
OPERATING EXPENSES		
Salary and wages	6,207	6,265
Other operating expenses	8,970	12,665
Supplies	3,332	6,909
Depreciation	34,150	38,420
Total operating expenses	<u>52,659</u>	<u>64,259</u>
Operating income	<u>37,846</u>	<u>22,965</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	-	4,745
Interest charges	(14,368)	(15,635)
Total non-operating revenue (expense)	<u>(14,368)</u>	<u>(10,890)</u>
Change in net position	23,478	12,075
Total net position - beginning	<u>1,043,201</u>	<u>1,031,126</u>
Total net position -ending	<u>\$ 1,066,679</u>	<u>\$ 1,043,201</u>

NEWTON TOWN CORPORATION
Statement of Cash Flows
Proprietary Fund

For the Year Ended June 30, 2014

	WATER UTILITIES 2014	MEMORANDUM TOTAL 2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 93,757	\$ 95,132
Payments to suppliers	(34,659)	(19,473)
Payments to employees	(6,207)	(6,265)
Net cash provided by operating activities:	<u>52,891</u>	<u>69,394</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of capital assets	-	-
Principal paid on capital debt	(14,896)	(21,500)
Interest paid on capital debt	(14,368)	(15,635)
Net cash used by capital and related financing activities:	<u>(29,264)</u>	<u>(37,135)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	-	4,745
Net increase in cash and cash equivalents	23,627	37,004
Cash and equivalents at beginning of year	574,385	537,381
Cash and equivalents at end of year	<u>\$ 598,012</u>	<u>\$ 574,385</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	\$ 37,846	\$ 22,965
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation/amortization	34,150	38,420
Changes in assets & liabilities:		
Decrease (increase) in receivables and other assets	3,252	7,908
Increase (decrease) in accruals	(22,357)	101
Total adjustments	<u>15,045</u>	<u>46,429</u>
Net cash provided by operating activities:	<u>\$ 52,891</u>	<u>\$ 69,394</u>

NEWTON TOWN CORPORATION
Notes to the Financial Statements

For the Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The basic financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. Interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The Town applies expenses for restricted resources first when both restricted and unrestricted net position are available.

NEWTON TOWN CORPORATION
Notes to the Financial Statements

Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Measurement focus, basis of accounting, and financial statement presentation – *continued*

Financial resources used to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than being reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term debt of the Town are reported as reductions of the related liability, rather than as an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred similar to accrual accounting. However, debt-services expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenues are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The Town reports the following major proprietary funds:

The water utility fund accounts for the activities of the Town's water production, treatment, and distribution operations.

NEWTON TOWN CORPORATION
Notes to the Financial Statements

Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

**Measurement focus, basis of accounting, and financial statement presentation –
*continued***

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fixed assets and long-term liabilities

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an individual cost of more than \$3,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Prior to the audit for the year ended June 30, 1982, a list of general fixed assets was not kept. At the time of that audit, an inventory of general fixed assets was taken and entered on the books. When actual costs were not available, the assets were recorded at estimated cost.

Depreciation of all exhaustible fixed assets used is charged as an expense against their operations. Accumulated depreciation is reported on the financial statements. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Water system improvements	40-50 years
Buildings	20-30 years
Machinery and equipment	5-10 years
Roads and infrastructure	20 years
Improvements other than buildings	20 years

NEWTON TOWN CORPORATION
Notes to the Financial Statements

Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Net position/Fund Balances

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, or unrestricted (committed, assigned, or unassigned). Restricted amounts are those portions of fund balance where constraints placed on the resources are externally constrained due to state or federal laws or specifically imposed conditions set by grantors or creditors. Committed fund balance amounts are those that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town council. Assigned fund balance amounts are those constrained by the Town council's intent to use such amounts for specific purposes. Unassigned fund balance consists of the remaining fund balances not identified in any of the categories above.

Property Tax

Cache County assesses all taxable property other than centrally-assessed property, which is assessed through the State, by May 22 of each year. The Town should adopt a final tax rate prior to June 22, which is then submitted to the State for approval. Property taxes are due on November 30. Delinquent taxes are subject to a penalty of 2% or \$10.00, whichever is greater. After January 16 of the following year, delinquent taxes and penalty bear interest at 6% above the federal discount rate from January 1 until paid.

Property taxes attach as an enforceable lien on property as they become delinquent. All unpaid taxes levied during the year become delinquent December 1 of the current year.

Property tax revenues are recognized when they become measurable and available. Amounts available include those property tax receivables expected to be collected within sixty days after year end.

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for governmental and proprietary fund types. Encumbrance accounting is not employed by the Town in its governmental funds, therefore all annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital project funds.

NEWTON TOWN CORPORATION
Notes to the Financial Statements

Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Budgets – *continued*

The Town can make adjustments to the adopted budget through public hearings. During the fiscal year, the Town made budget adjustments through a public hearing.

Capitalized Interest

The Town capitalizes interest costs and interest earned as part of the cost of constructing various buildings, and water projects when material. Interest is only capitalized in proprietary activities.

Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the business-type activities considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Reconciliation of government-wide and fund financial statements

- A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. These differences primarily result from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets.

NEWTON TOWN CORPORATION
Notes to the Financial Statements

Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Reconciliation of government-wide and fund financial statements – *continued*

Capital related items:

When capital assets (property, plant, & equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the Town as a whole.

Cost of capital assets	\$ 1,376,339
Accumulated depreciation	(1,132,279)
Total difference	\$ 244,060

B. Explanation of differences between governmental fund operating statements and the statement of net activities.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balance of total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation.

While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital outlay	\$ 8,082
Depreciation expense	(15,986)
Net difference as reported	\$ (7,904)

2. LEGAL COMPLIANCE - BUDGETS/STATUTORY

On or before the first scheduled council meeting in May, all agencies of the Town submit requests for appropriation to the Town's financial officer so that a budget may be prepared. The budget is prepared by fund, function, and activity, and includes

2. LEGAL COMPLIANCE - BUDGETS/STATUTORY – *continued*

information on the past year, current year estimates, and requested appropriations for the next fiscal year.

The proposed budget is presented to the Town council for review at the first scheduled meeting in May. The Town council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes to the budget must be within the revenues and reserves estimated as available by the Town financial officer or the revenue estimates must be changed by an affirmative vote of a majority of the Town council. Within 30 days of adoption, the final budget must be submitted to the State auditor. If there is no increase to the certified tax rate, a final tax rate is adopted by June 22 and adoption of budgets is performed similarly.

State statute requires that Town officers shall not make or incur expenditures or encumbrances in excess of total appropriations for any department in the budget as adopted or subsequently amended.

3. CASH AND INVESTMENTS

Deposits and Investments

Deposits and investments for local government are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, “the Act”) and by rules of the Utah Money Management Council (“the Council”). Following are discussions of the local government’s exposure to various risks related to its cash management activities.

Custodial Credit Risk

Deposits – Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government’s deposits may not be recovered. The local government’s policy for managing custodial credit risk is to adhere to the Utah Money Management Act. The Act requires all deposits of the local government to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2014, \$8,612 of the local government’s bank balances of \$331,940 were uninsured and uncollateralized.

NEWTON TOWN CORPORATION
Notes to the Financial Statements

Continued

3. CASH AND INVESTMENTS – *continued*

Custodial Credit Risk – *continued*

Investments – *Custodial* credit risk for investments is the risk that, in the event of the failure of the counterparty, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Town's policy for managing this risk is to comply with the Act and related rules. The Town places no other limit on the amount of investments to be held by counterparties.

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended June 30, 2014, the local governments had investments of \$607,354 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated. The Town also had three certificates of deposits with a balance of \$147,203 and an original maturity of one year.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Utah Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

NEWTON TOWN CORPORATION
Notes to the Financial Statements

Continued

4. ACCOUNTS AND TAXES RECEIVABLE

Amounts due to the Town at year end were as follows:

General:

Garbage fees, less allowance of \$2,238	\$ 4,981
Communication center	820
County - property taxes	36,994
Interest receivable	458
Franchise taxes	935
Court, less allowance of \$7,987	751
Other receivables	1,050
Total general	<u>45,989</u>

Water:

Services, less allowance of \$3,208	3,012
Total accounts receivable	<u>\$ 49,001</u>

5. RESTRICTED ASSETS

The total restricted assets on the balance sheet were comprised of the following cash, cash equivalents, investments and receivables:

General fund:

Cash - Class C	\$ 239,203
Cash - liquor allotment	19
Certificate of deposit - library	39,663
Accounts receivable - Class C	6,605
Total general fund	<u>285,490</u>

Water fund:

Cash impact fees	10,926
Cash revenue bond sinking/reserve	21,732
Total water fund	<u>32,658</u>
Total restricted assets	<u>\$ 318,148</u>

NEWTON TOWN CORPORATION
Notes to the Financial Statements

Continued

6. ACCOUNTS PAYABLE

Accounts payable consisted of amounts incurred and due at June 30, 2014 but which had not been paid as follows:

General:

Accounts payable	\$ 6,645
Payroll and payroll taxes	2,062
	<hr/>
Total general	8,707
	<hr/>

Water:

Accounts payable	-
Interest	-
	<hr/>
Total water	-
	<hr/>
Total accounts payable	<u>\$ 8,707</u>

7. GENERAL FIXED ASSETS

General fixed asset changes occurring for the year ended June 30, 2014 were as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Land	\$ 51,500	\$ -	\$ -	\$ 51,500
Improvements other than buildings	41,086	-	-	41,086
Buildings	169,539	-	-	169,539
Equipment	267,580	8,082	-	275,662
Infrastructure	838,552	-	-	838,552
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	1,368,257	8,082	-	1,376,339
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation	(1,116,293)	(15,986)	-	(1,132,279)
	<hr/>	<hr/>	<hr/>	<hr/>
Total fixed assets	<u>\$ 251,964</u>	<u>\$ (7,904)</u>	<u>\$ -</u>	<u>\$ 244,060</u>

Depreciation has been charged to the departments as follows:

General government	\$ 7,844
Public safety	1,460
Highways & public improvements	3,191
Parks, recreation & public property	3,491
	<hr/>
	<u>\$ 15,986</u>

NEWTON TOWN CORPORATION
Notes to the Financial Statements

Continued

8. CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions of the Town's proprietary fund types for the year ended June 30, 2014:

Bonds payable at July 1, 2013	\$ 300,781
Less: regular payment of principal	(14,896)
	\$ 285,885
Bonds payable at June 30, 2014	\$ 285,885
	\$ 7,520

Bonds payable at June 30, 2014 were comprised of the following individual issues:

	Principal
Water:	
\$374,800 water revenue bonds due to the U.S. Department of Agriculture - Rural Development in varying annual payments including interest at 5.0% per annum. The principal and interest will be completely retired on February 1, 2036.	\$ 285,885
Total bonds payable	\$ 285,885

The following is a summary of bond principal maturities and interest requirements:

Year Ending June 30	Debt Outstanding
2015	\$ 21,732
2016	21,732
2017	21,732
2018	21,732
2019	21,732
2020-2024	108,660
2025-2029	108,660
2030-2034	108,660
2035-2036	35,208
Total	469,848
Less Interest	(183,963)
Outstanding principal	\$ 285,885

NEWTON TOWN CORPORATION
Notes to the Financial Statements

Continued

9. RESERVED FUND EQUITY

The amounts reported on the combined balance sheet identified as reserved fund balance and reserved retained earnings were comprised of the following:

General fund:

Reserved - roads	\$ 245,808
Reserved - liquor allotment	19
Reserved - library	39,663
Total general fund	<u>\$ 285,490</u>

Water fund (retained earnings):

Reserved - sinking/reserve	\$ 21,732
Reserved - impact fees	10,926
Total water fund	<u>\$ 32,658</u>

10. SEGMENT INFORMATION

The following information is presented for the water utility fund of Newton Town:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Water fund:				
Fixed Assets	\$ 1,560,090	\$ -	\$ -	\$ 1,560,090
Accumulated Depreciation	774,400	34,150	-	808,550

Net working capital for the water utility fund is calculated as follows:

	<u>Water Fund</u>
Current Assets:	
Cash	\$ 598,012
Receivables	3,012
Less Current liabilities:	
Accounts payable	-
Current portion of long-term debt	<u>(7,520)</u>
Net working capital	<u>\$ 593,504</u>

NEWTON TOWN CORPORATION
Notes to the Financial Statements

Continued

11. TOWN LIBRARY

The Town opened a library in May 1998, located in the current Town Hall. Approximately 10,000 books, thirteen wood shelves and nine metal shelves were donated for library use. Since the opening of the library books have been donated on an annual basis. Because of the difficulty of determining fair market value of these donations, no revenue for donations has been recognized since it would be completely offset by library expense in the general fund. Since the donations were individually below the capitalization policy minimum amount, they have not been recorded in the general fixed assets either.

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