

Town of Newton Grove

Financial Statements

For the Fiscal Year Ended June 30, 2019

Town Council Members

Gerald Darden, Mayor

Alan Herring

Gary Mac Herring

Steve Jackson

Cody Smith

Teresa Wilson

Administrative and Financial Staff

Amanda Turner, Finance Officer

Town of Newton Grove, North Carolina
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Financial Section

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Independent Auditor's Report

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Newton Grove, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, based on my audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Newton Grove, North Carolina as of June 30, 2019, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 45 through 46, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 47 through 48 be presented to supplement the basic financial statements. Such information, although not a required 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Newton Grove, North Carolina. The combining and individual fund statements, budgetary schedules, and other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by me and other auditors. In my opinion, based on my audit, the procedures performed as described above, and the report of other auditors, the combining and individual fund statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Andrew Harris, CPA PLLC

*Farmville, North Carolina
July 22, 2020*

Management's Discussion and Analysis

As management of the Town of Newton Grove, we offer readers of the Town of Newton Grove's financial statements this narrative overview and analysis of the financial activities of the Town of Newton Grove for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

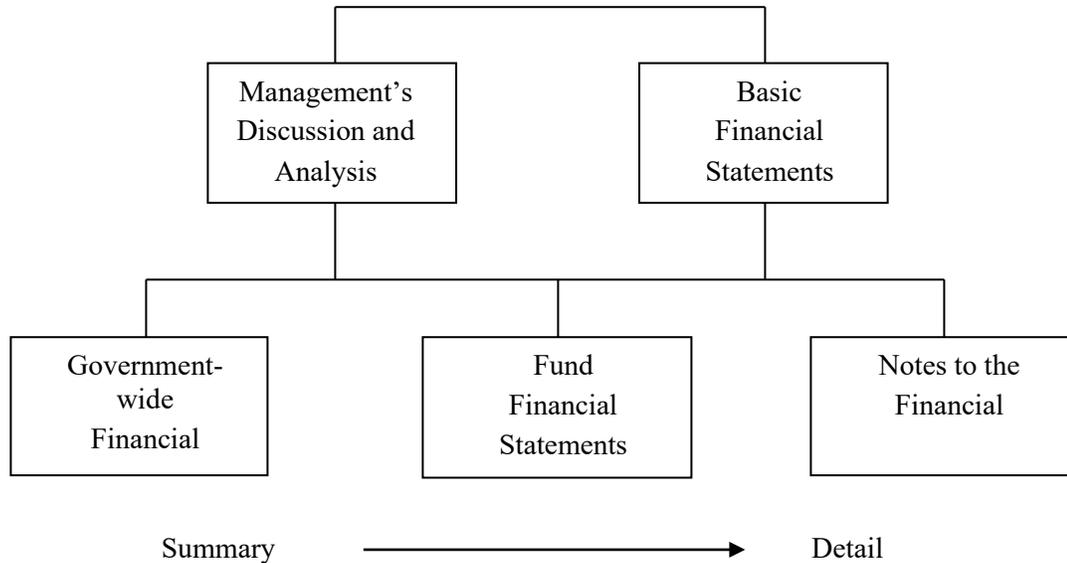
Financial Highlights

- The assets of the Town of Newton Grove exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$2,170,619 (net position).
- The government's total net position decreased by \$1,989 primarily due to decreases in the business-type activities net position.
- At the close of the current fiscal year, the Town of Newton Grove's governmental funds reported combined ending fund balances of \$769,719 with a net change of (\$54,594) in fund balance. Approximately 30.3 percent of this total amount, or \$232,901, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$356,922, or 59.56 percent of total general fund expenditures for the fiscal year.
- The Town of Newton Grove's total debt decreased by \$62,157 (13.58%) during the current fiscal year. The key factor in this decrease was the Town continued to pay principle payments on existing debt without incurring new debt.

Overview of the Financial Statements

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

Required Components of Annual Financial Report Figure 1



Basic Financial Statements

The first two statements (Pages 11 and 12) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Pages 13 through 18) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer and electric

services offered by the Town of Newton Grove. The final category is the component unit. Although legally separate from the Town, the Town of Newton Grove ABC Board is important to the Town because the Town exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the Town.

The government-wide financial statements are on pages 12 and 13 of this report.

Fund Financial Statements

The fund financial statements (see Figure 2) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Newton Grove, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Newton Grove can be divided into two categories: governmental funds and proprietary funds.

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

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

Proprietary Funds – Town of Newton Grove has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Newton Grove uses enterprise funds to account for its water and sewer activity. The fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22 of this report.

**Government-wide Financial Analysis
Town of Newton Grove’s Net Assets**

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	6/30/18	6/30/17	6/30/18	6/30/17	6/30/18	6/30/17
Current and other assets	\$ 781,690	\$ 836,941	\$ 411,944	\$ 422,180	\$ 1,193,634	\$ 1,259,121
Capital assets	338,478	285,625	1,097,746	1,109,782	1,436,224	1,395,407
Deferred outflows of resources	30,388	36,749	7,287	17,423	37,675	54,172
Total Assets and deferred outflows of resources	<u>\$ 1,150,556</u>	<u>\$ 1,159,315</u>	<u>\$ 1,516,977</u>	<u>\$ 1,549,385</u>	<u>\$ 2,667,533</u>	<u>\$ 2,708,700</u>
Long-term liabilities	\$ 82,665	\$ 106,231	\$ 294,897	\$ 325,874	\$ 377,562	\$ 432,105
Other liabilities	8,697	17,060	87,530	51,313	96,227	68,373
Deferred inflows of resources	20,870	10,225	2,255	2,955	23,125	13,180
Total Liabilities and deferred inflows of resources	<u>\$ 112,232</u>	<u>\$ 133,516</u>	<u>\$ 384,682</u>	<u>\$ 380,142</u>	<u>\$ 496,914</u>	<u>\$ 513,658</u>
Net position:						
Invested in capital assets	\$ 338,478	\$ 278,011	\$ 792,246	\$ 786,282	\$ 1,130,724	\$ 1,064,293
Restricted	232,901	268,610	-	-	232,901	268,610
Unrestricted	466,945	479,178	340,049	382,961	806,994	862,139
Total Net Position	<u>\$ 1,038,324</u>	<u>\$ 1,025,799</u>	<u>\$ 1,132,295</u>	<u>\$ 1,169,243</u>	<u>\$ 2,170,619</u>	<u>\$ 2,195,042</u>

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets of the Town of Newton Grove exceeded liabilities and deferred inflows by \$2,170,619 as of June 30, 2019. The Town’s net position decreased by \$24,423 for the fiscal year ended June 30, 2019. However, the largest portion (52.09%) reflects the Town’s net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Newton Grove uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Newton Grove’s net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Newton Grove’s net position \$232,901 (10.73%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$806,994 is unrestricted.

Town of Newton Grove’s Changes in Net Position

Figure 3

	Governmental Activities		Business-type Activities		Total	
	6/30/18	6/30/17	6/30/18	6/30/17	6/30/18	6/30/17
Revenues:						
Program Revenues:						
Charges for services	\$ 39,690	\$ 38,647	\$ 351,252	\$ 340,696	\$ 390,942	\$ 379,343
Operating grants and contributions	19,593	19,548	114,814	11,375	134,407	30,923
General Revenues:						
Property taxes	234,205	224,476	-	-	234,205	224,476
Other taxes	2,143	1,761	-	-	2,143	1,761
Grants and contributions not restricted to specific programs	213,099	216,955	-	-	213,099	216,955
Other	36,678	30,411	804	701	37,482	31,112
Total Revenues	<u>\$ 545,408</u>	<u>\$ 531,798</u>	<u>\$ 466,870</u>	<u>\$ 352,772</u>	<u>\$ 1,012,278</u>	<u>\$ 884,570</u>
Expenses:						
General government	\$ 152,832	\$ 135,650	\$ -	\$ -	\$ 152,832	\$ 135,650
Public safety	251,035	263,264	-	-	251,035	263,264
Transportation	46,132	31,878	-	-	46,132	31,878
Environmental protection	32,762	35,210	-	-	32,762	35,210
Culture and recreation	27,688	31,930	-	-	27,688	31,930
Water and sewer	-	-	503,818	374,303	503,818	374,303
Total Expenses	<u>\$ 510,449</u>	<u>\$ 497,932</u>	<u>\$ 503,818</u>	<u>\$ 374,303</u>	<u>\$ 1,014,267</u>	<u>\$ 872,235</u>
Increase in Net Position	\$ 34,959	\$ 33,866	\$ (36,948)	\$ (21,531)	\$ (1,989)	\$ 12,335
Net Position, beginning, previously reported	1,025,799	991,933	1,169,243	1,190,774	2,195,042	2,182,707
Restatement	(22,434)	-	-	-	(22,434)	-
Net Position, beginning, restated	1,003,365	991,933	1,169,243	1,190,774	2,172,608	2,182,707
Net Position, June 30	<u>\$ 1,038,324</u>	<u>\$ 1,025,799</u>	<u>\$ 1,132,295</u>	<u>\$ 1,169,243</u>	<u>\$ 2,170,619</u>	<u>\$ 2,195,042</u>

Governmental Activities. Governmental activities increased the Town's net position by \$34,959.

Business-type Activities. Business-type activities decreased the Town's net position by \$36,948.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Newton Grove. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$356,922, while total fund balance

reached \$769,719. The Town currently has an available fund balance 59.56 percent of the total General Fund expenditures.

At June 30, 2019, the General Fund of Town of Newton Grove reported a fund balance of \$769,719, a 6.62 percent decrease from last year.

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

Proprietary Funds. The Town of Newton Grove’s proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$340,049. The total decrease in net position for the fund was \$36,948. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Newton Grove's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Newton Grove’s investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$1,458,657 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, and vehicles.

**Town of Newton Grove’s Capital Assets
(net of depreciation)**

Figure 4

	Governmental Activities		Business-type Activities		Total	
	6/30/18	6/30/17	6/30/18	6/30/17	6/30/18	6/30/17
Land and construction in progress	\$ 170,968	\$ 170,968	\$ 42,297	\$ 42,297	\$ 213,265	\$ 213,265
Buildings	23,484	26,418	-	-	23,484	26,418
Furniture and maintenance equipment	81,311	16,793	38,279	39,285	119,590	56,078
Plant and distributive systems	-	-	1,003,298	1,007,670	1,003,298	1,007,670
Vehicles and motorized equipment	62,715	49,013	13,872	20,531	76,587	69,544
Total	\$ 338,478	\$ 263,192	\$ 1,097,746	\$ 1,109,783	\$ 1,436,224	\$ 1,372,975

Additional information on the Town’s capital assets can be found in Notes to the Basic Financial Statements.

Long-term Debt. As of June 30, 2019, the Town of Newton Grove had general obligation bonds outstanding of \$305,500.

Town of Newton Grove’s Outstanding Debt

Figure 5

	Governmental Activities		Business-type Activities		Total	
	6/30/18	6/30/17	6/30/18	6/30/17	6/30/18	6/30/17
Net pension liability	\$ 27,435	\$ 47,541	\$ 7,397	\$ 20,374	\$ 34,832	\$ 67,915
Total pension liability	55,230	58,690	-	-	55,230	58,690
Installment purchases	-	7,614	-	-	-	7,614
General obligation bonds	-	-	305,500	323,500	305,500	323,500
Total	\$ 82,665	\$ 113,845	\$ 312,897	\$ 343,874	\$ 395,562	\$ 457,719

The Town of Newton Grove's total bonded debt decreased by \$18,000 (5.56%) during the past fiscal year.

Additional information regarding the Town of Newton Grove's long-term debt can be found in Notes to Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Town of Newton Grove.

- Newton Grove is a municipality of Sampson County. Sampson County at June 30, 2019 has experienced an unemployment rate of 4.5%, which is slightly above the state average of 4.2%.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: Revenues and expenditures are expected to remain comparable with 2018-2019 revenues and expenditures.

Business-type Activities: Revenues and expenditures are expected to remain comparable with 2018-2019 revenues and expenditures.

Requests for Information

This report is designed to provide an overview of the Town of Newton Grove's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Amanda Turner, Town Clerk, Town of Newton Grove, P.O. Box 4, Newton Grove, NC 28366.

Basic Financial Statements

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

Town of Newton Grove, North Carolina
Statement of Net Position
June 30, 2019

	Primary Government			Town of Newton Grove ABC Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 526,130	\$ 142,484	\$ 668,614	\$ 88,265
Restricted cash	171,332	24,006	195,338	-
Taxes receivables (net)	14,487	-	14,487	-
Accrued interest receivable	5,095	1,630	6,725	-
Accounts receivable (net)	43,024	53,804	96,828	-
Inventories	-	-	-	115,827
Prepaid items	-	-	-	5,517
Total Current Assets	\$ 760,068	\$ 221,924	\$ 981,992	\$ 209,609
Non-current assets:				
Land and improvements	\$ 158,169	\$ 42,297	\$ 200,466	\$ 5,000
Other capital assets, net of depreciation	153,956	975,425	1,129,381	12,816
Total Capital Assets	\$ 312,125	\$ 1,017,722	\$ 1,329,847	\$ 17,816
Total Assets	\$ 1,072,193	\$ 1,239,646	\$ 2,311,839	\$ 227,425
DEFERRED OUFLOWS OF RESOURCES				
Pension deferrals	60,163	\$ 11,367	71,530	-
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 9,725	\$ 14,512	\$ 24,237	\$ 29,224
Accrued interest payable	-	1,350	1,350	-
Customer deposits	-	24,006	24,006	-
Current portion of Long-Term Liabilities	-	20,000	20,000	-
Long-term Liabilities:				
Net pension liability	60,866	12,677	73,543	-
Total pension liability	60,068	-	60,068	-
Due in more than one year	-	263,000	263,000	-
Total Liabilities	\$ 130,659	\$ 335,545	\$ 466,204	\$ 29,224
DEFERRED INFLOWS OF RESOURCES				
Prepaid taxes	\$ 737	\$ -	\$ 737	\$ -
Pension deferrals	16,566	950	17,516	-
Total deferred inflows of resources	\$ 17,303	\$ 950	\$ 18,253	\$ -
NET POSITION				
Net investment in capital assets	\$ 312,125	\$ 734,722	\$ 1,046,847	\$ 17,816
Restricted for:				
Stabilization by State Statute	47,602	-	47,602	-
Transportation	169,482	-	169,482	-
Working capital	-	-	-	17,975
Unrestricted	456,404	179,796	636,200	162,410
Total Net Position	\$ 985,613	\$ 914,518	\$ 1,900,131	\$ 198,201

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

Town of Newton Grove, North Carolina
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Town of Bunn ABC Board
Primary Government:								
Governmental Activities:								
General government	\$ 197,898	\$ 1,375	\$ -	\$ -	\$ (196,523)	\$ -	\$ (196,523)	\$ -
Public safety	283,753	39	-	-	(283,714)	-	(283,714)	-
Transportation	40,984	-	19,282	-	(21,702)	-	(21,702)	-
Evnvironmental protection	36,441	35,783	-	-	(658)	-	(658)	-
Cultural and recreation	40,172	-	-	-	(40,172)	-	(40,172)	-
Total Governmental Activities	<u>\$ 599,248</u>	<u>\$ 37,197</u>	<u>\$ 19,282</u>	<u>\$ -</u>	<u>\$ (542,769)</u>	<u>\$ -</u>	<u>\$ (542,769)</u>	<u>\$ -</u>
Business-type Activities:								
Water and sewer	\$ 583,171	\$ 359,606	\$ -	\$ -	\$ -	\$ (223,565)	\$ (223,565)	\$ -
Total Business-type Activities	<u>\$ 583,171</u>	<u>\$ 359,606</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (223,565)</u>	<u>\$ (223,565)</u>	<u>\$ -</u>
Total Primary Government	<u>\$ 1,182,419</u>	<u>\$ 396,803</u>	<u>\$ 19,282</u>	<u>\$ -</u>	<u># \$ (542,769)</u>	<u>\$ (223,565)</u>	<u>\$ (766,334)</u>	<u>\$ -</u>
Component Unit:								
ABC Board	\$ 526,175	\$ 532,585	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,410
Total Component Unit	<u>\$ 526,175</u>	<u>\$ 532,585</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,410</u>
General Revenues:								
Taxes:								
Property taxes, levied for general purpose					\$ 220,056	\$ -	\$ 220,056	\$ -
Other taxes					(1,528)	-	(1,528)	-
Grants and contributions not restricted to specific programs					250,050	-	250,050	-
Unrestricted investment earnings					1,450	788	2,238	-
Miscellaneous					20,030	5,000	25,030	383
Total General Revenues and Transfers					<u>\$ 490,058</u>	<u>\$ 5,788</u>	<u>\$ 495,846</u>	<u>\$ 383</u>
Change in Net Position					(52,711)	(217,777)	(270,488)	6,793
Net Position, beginning					1,038,324	1,132,295	2,170,619	159,951
Net Position, ending					<u>\$ 985,613</u>	<u>\$ 914,518</u>	<u>\$ 1,900,131</u>	<u>\$ 166,744</u>

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

Town of Newton Grove, North Carolina
Balance Sheet
Governmental Funds
June 30, 2019

	General Fund	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 526,130	\$ 526,130
Restricted cash	171,332	171,332
Receivables, net:		
Taxes	14,487	14,487
Accounts	47,602	47,602
Due from component unit	-	-
Total Assets	\$ 759,551	\$ 759,551
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued liabilities	\$ 9,723	\$ 9,723
Total Liabilities	\$ 9,723	\$ 9,723
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	\$ 14,487	\$ 14,487
Prepaid taxes	737	737
Total deferred inflows of resources	\$ 15,224	\$ 15,224
FUND BALANCE		
Restricted:		
Stabilization by State Statute	\$ 47,602	\$ 47,602
Streets	169,482	169,482
Assigned:		
Designated for Res Officer Program	471	471
Designated for subsequent years' expenditures	195,300	195,300
Unassigned	321,749	321,749
Total Fund Balances	\$ 734,604	\$ 734,604
Total Liabilities and Fund Balances	\$ 759,551	\$ 759,551

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

Total Fund Balance, Governmental Funds	\$ 734,604
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	312,126
Net pension liability	(60,866)
Deferred outflows of resources related to pensions are not reported in the funds	60,163
Total pension liability	(60,068)
Other long-term assets (accrued interest receivable from taxes) are not	1,733
Pension related deferrals	(16,566)
Liabilities for earned revenues considered deferred revenues in fund statements	14,487
Net Position of Governmental Activities	\$ 985,613

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

Town of Newton Grove, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	General Fund	Total Governmental Funds
REVENUES		
Ad valorem taxes	\$ 232,304	\$ 232,304
Other taxes and licenses	(1,528)	(1,528)
Unrestricted intergovernmental	223,945	223,945
Restricted intergovernmental	19,282	19,282
Permits and fees	1,375	1,375
Sales and services	35,783	35,783
Investment earnings	1,450	1,450
Miscellaneous	20,347	20,347
Total Revenues	\$ 532,958	\$ 532,958
EXPENDITURES		
Current:		
General government	\$ 195,330	\$ 195,330
Public safety	265,815	265,815
Transportation	40,719	40,719
Environmental protection	36,441	36,441
Culture and recreation	29,768	29,768
Total Expenditures	\$ 568,073	\$ 568,073
Net Change in Fund Balance	\$ (35,115)	\$ (35,115)
Fund Balances, beginning	769,719	769,719
Fund Balances, ending	\$ 734,604	\$ 734,604

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

Town of Newton Grove, North Carolina
Reconciliation of the Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

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

Net changes in fund balances - total governmental funds	\$	(35,115)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Loss on disposal of assets	\$	(319)
Depreciation expense for governmental activities	<u>(26,033)</u>	\$ (26,352)
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>		
		14,270
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Increase in accrued interest receivables	\$	805
Change in unavailable revenue for tax revenues	<u>13,092</u>	13,897
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Pension expense		(19,411)
Total changes in net position of governmental activities	<u>\$</u>	<u>(52,711)</u>

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

Town of Newton Grove, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2018

	General Fund			Variance
	Original	Final	Actual	with Final
			Amounts	Budget -
				Positive
				(Negative)
REVENUES				
Ad valorem taxes	\$ 226,200	\$ 226,200	\$ 232,304	\$ 6,104
Other taxes and licenses	1,000	1,000	(1,528)	(2,528)
Unrestricted intergovernmental	172,500	172,500	223,945	51,445
Restricted intergovernmental	19,500	19,500	19,282	(218)
Permits and fees	500	500	1,375	875
Sales and services	36,000	36,000	35,783	(217)
Investment earnings	500	500	1,450	950
Miscellaneous	200	200	20,347	20,147
Total Revenues	\$ 456,400	\$ 456,400	\$ 532,958	\$ 76,558
EXPENDITURES				
Current:				
General government	\$ 186,900	\$ 207,900	\$ 195,330	\$ 12,570
Public safety	285,400	289,400	265,815	23,585
Transportation	73,500	73,500	40,719	32,781
Environmental protection	36,200	36,200	36,441	(241)
Culture and recreation	39,000	39,000	29,768	9,232
Total Expenditures	\$ 621,000	\$ 646,000	\$ 568,073	\$ 77,927
Revenues Over (Under) Expenditures	\$ (164,600)	\$ (189,600)	\$ (35,115)	\$ 154,485
Fund balance appropriated	164,600	189,600	-	189,600
Revenues and Other Sources Over (Under)				
Expenditures and Other Uses	\$ -	\$ -	\$ (35,115)	\$ 154,485
Fund balances, beginning			769,719	
Fund balances, ending			\$ 734,604	

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

Town of Newton Grove, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2019

	Water and Sewer Fund
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 142,484
Accrued interest	1,630
Accounts receivable (net) - billed	23,126
Accounts receivable (net) - unbilled	30,678
Restricted cash and cash equivalents	24,006
Total Current Assets	\$ 221,924
Noncurrent Assets:	
Capital Assets:	
Land and other nondepreciable assets	\$ 42,297
Other capital assets, net of depreciation	975,425
Capital Assets (Net)	\$ 1,017,722
Total Noncurrent Assets	\$ 1,017,722
Total Assets	\$ 1,239,646
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	11,367
Total deferred outflows of resources	\$ 11,367
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	\$ 14,512
Accrued interest	1,350
General obligation bonds payable-current	20,000
Liabilities payable from restricted assets:	
Customer deposits	24,006
Total Current Liabilities	\$ 59,868
Noncurrent Liabilities:	
Net pension liability	12,677
General obligation bonds payable-noncurrent	263,000
Total Noncurrent Liabilities	\$ 275,677
Total Liabilities	\$ 335,545
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	950
Total deferred inflows of resources	\$ 950
NET POSITION	
Net investment in capital assets	\$ 734,722
Unrestricted	179,796
Total Net Position	\$ 914,518

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

Town of Newton Grove, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	Water and Sewer Fund
OPERATING REVENUES	
Charges for services	\$ 340,021
Other operating revenues	19,585
Total Operating Revenues	\$ 359,606
OPERATING EXPENSES	
Administration	\$ 53,729
Water treatment and distribution	138,681
Waste collection and treatment	48,618
Repairs and maintenance	248,641
Depreciation	80,014
Total Operating Expenses	\$ 569,683
Operating Income (Loss)	\$ (210,077)
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	\$ 788
Component Unit (ABC Board)	5,000
Interest and other charges	(13,488)
Total Nonoperating Revenue (Expenses)	\$ (7,700)
Change in Net Position	\$ (217,777)
Net Position, beginning as restated	1,132,295
Net Position, ending	\$ 914,518

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

Town of Newton Grove, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2019

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 342,374
Cash paid for goods and services	(433,238)
Cash paid to or on behalf of employees for services	(80,928)
Other operating revenues	14,585
Customer deposits, net	(260)
Net Cash Provided (Used) by Operating Activities	\$ (157,467)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from component unit	5,138
Net Cash (Used) by Noncapital Financing Activities	\$ 5,138
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on bond maturities and equipment contracts	\$ (22,500)
Interest paid on bond maturities and equipment contracts	(13,488)
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (35,988)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	788
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (187,529)
Balances, beginning	354,019
Balances, ending	\$ 166,490

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

Town of Newton Grove, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2019

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income (loss)	\$ (210,077)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	80,024
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:	
(Increase) decrease in accounts receivable	3,003
(Increase) decrease in accrued interest receivable	(650)
(Increase) decrease in deferred outflows of resources - pensions	(4,080)
Increase (decrease) in net pension liability	5,280
Increase (decrease) in deferred inflows of resources - pensions	(1,305)
Increase (decrease) in accounts payable and accrued liabilities	(29,402)
Increase (decrease) in customer deposits	(260)
Total Adjustments	<u>\$ 52,610</u>
Net Cash Provided by Operating Activities	<u><u>\$ (157,467)</u></u>

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

Town of Newton Grove, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Newton Grove and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Newton Grove is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

Town of Newton Grove ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the Town which recognizes the proceeds between the General Fund and Water & Sewer fund equally. The ABC Board, which has a June 30 year end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Newton Grove ABC Board, P.O. Box 8, Newton Grove, North Carolina 28366.

B. Basis of Presentation - Fund Accounting

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each

Town of Newton Grove, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

The Town reports the following major governmental funds:

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

The Town reports the following major enterprise funds:

Water and Sewer Fund. This fund is used to account for the Town's water and sewer operations.

C. Measurement Focus and Basis of Accounting

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

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

Town of Newton Grove, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Newton Grove because the tax is levied by Sampson County and then remitted and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Grant Projects Special Revenue Fund, the Capital Projects Fund, and the Enterprise Fund Capital Projects Funds, which is consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt interim budget that covers that time until the annual ordinance can be adopted.

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

Town of Newton Grove, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

1. Deposits and Investments

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

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

2. Cash and Cash Equivalents

All cash and cash equivalents are essentially demand deposits and are considered cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-471.4.

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2017. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

Town of Newton Grove, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

The Town does not maintain inventories. The ABC Board inventories are valued at cost (first-in, first-out), which approximates market. The cost of these inventories is expensed when held for resale rather than when purchased.

Certain payments by the ABC Board to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs is \$1,000 for all asset types. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Buildings	30
Improvements	10
Vehicles	10
Furniture and equipment	10
Computer equipment	3

Property, plant, and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

Asset Class	Estimated Useful Lives
Buildings	20
Furniture and Equipment	10

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item

Town of Newton Grove, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

that meet this criterion, contributions made to the pension deferrals for the 2019 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has three items that meet the criterion for this category - prepaid taxes, property taxes receivable, and pension deferrals.

9. Long-term Obligations

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

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

10. Compensated Absences

Since annual and sick leave benefits are paid only when taken and are immaterial in amount, no provision for this liability has been made in the accompanying financial statements.

11. Net Position/Fund Balances

a. Net Position

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

b. Fund Balances

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

The governmental fund types classify fund balances as follows:

Town of Newton Grove, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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

Restricted for Stabilization by State statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for Transportation - Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Restricted for Capital Outlay – portion of fund balance that is restricted by revenue source for signage and lighting for the Town circle to be constructed at a later date.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Newton Grove's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body. The Town does not currently have funds of this type.

Assigned Fund Balance – portion of fund balance that the Town of Newton Grove intends to use for specific purposes.

Assigned for Reserve Officer Program – portion of fund balance that has been assigned for law enforcement reserves.

Subsequent Year's Expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation.

Unassigned Fund Balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The Town of Newton Grove does not have a specific revenue spending policy outside of spending done at the fund level. The Finance Officer expends funds on the basis of fund balance classification and as such expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

12. Pensions

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

Town of Newton Grove, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

II. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and ABC Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit risk for deposits.

At June 30, 2019, the Town's deposits had a carrying amount of \$863,752 and a bank balance of \$865,327. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$88,265 and the bank balance was \$111,976. All of the ABC Board's bank balance was covered by federal depository insurance. At June 30, 2019, the Town has petty cash totaling \$200.

2. Receivables – Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2019 is net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ -
Total General Fund	\$ -

3. Capital Assets

Primary Government

Town of Newton Grove, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

- a. Capital asset activity for the Primary Government for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land and construction in progress	\$ 158,169	\$ -	\$ -	\$ 158,169
Total Capital Assets Not Being Depreciated	\$ 158,169	\$ -	\$ -	\$ 158,169
Capital Assets Being Depreciated:				
Building	\$ 355,405	\$ -	\$ -	\$ 355,405
Equipment	197,807	-	1,070	196,737
Vehicles and motorized equipment	136,224	-	3,000	133,224
Total Capital Assets Being Depreciated	\$ 689,436	\$ -	\$ 4,070	\$ 685,366
Less accumulated depreciation for:				
Buildings	\$ 331,923	\$ 2,934	\$ -	\$ 334,857
Equipment	99,627	12,929	751	111,805
Vehicles and motorized equipment	77,578	10,170	3,000	84,748
Total accumulated depreciation	\$ 509,128	\$ 26,033	\$ 3,751	\$ 531,410
Total Capital Assets Being Depreciated, Net	180,308			153,956
Governmental Activity Capital Assets, Net	\$ 338,477			\$ 312,125

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

General government	\$ 1,896
Public safety	13,468
Transportation	265
Cultural and recreational	10,404
Total depreciation expense	\$ 26,033

- b. Capital asset activity for the Water and Sewer Fund for the year ended June 30, 2019 was as follows:

Town of Newton Grove, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

	Beginning Balances	Increases	Decreases	Ending Balances
Water and Sewer Fund:				
Capital Assets Not Being Depreciated:				
Land	\$ 42,297	\$ -	\$ -	\$ 42,297
Total Capital Assets Not Being Depreciated	\$ 42,297	\$ -	\$ -	\$ 42,297
Capital Assets being Depreciated:				
Plant and distribution systems	3,343,544	-	-	3,343,543
Furniture and maintenance equipment	34,435	-	5,850	28,585
Vehicles	46,700	-	-	46,700
Total Capital Assets Being Depreciated	\$3,424,679	\$ -	\$ 5,850	\$3,418,828
Less accumulated depreciation for:				
Plant and distribution systems	2,308,047	72,546	-	2,380,593
Furniture and maintenance equipment	28,354	808	5,839	23,323
Vehicles	32,828	6,659	-	39,487
Total Accumulated Depreciation	\$2,369,229	\$ 80,013	\$ 5,839	\$2,443,403
Total Capital Assets Being Depreciated, Net	\$1,055,450			\$ 975,425
Water and Sewer Fund Capital Assets, Net	\$1,097,747			\$1,017,722

- c. Discretely Presented Component Unit - Activity for the ABC Board for the year ended June 30, 2019 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
ABC Capital Assets, Net				
Capital Assets Not Being Depreciated:				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Total Capital Assets Not Being Depreciated	\$ 5,000	\$ -	\$ -	\$ 5,000
Capital Assets Being Depreciated:				
Buildings	51,825	-	-	51,825
Equipment	67,204	-	-	67,204
Total Capital Assets Being Depreciated	\$ 119,029	\$ -	\$ -	\$ 119,029
Less accumulated depreciation for:				
Buildings	46,171	596	-	46,767
Equipment	54,157	5,289	-	59,446
Total accumulated depreciation	\$ 100,328	\$ 5,885	\$ -	\$ 106,213
Total Capital Assets Being Depreciated, Net	\$ 18,701			\$ 12,816
Total ABC Capital Assets, Net	\$ 23,701			\$ 17,816

B. Liabilities

1. Pension Plan Obligations

- a. Local Government Employees' Retirement System

Town of Newton Grove, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

Plan Description. The Town of Newton Grove is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Newton Grove employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of

Town of Newton Grove, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

Newton Grove’s contractually required contribution rate for the year ended June 30, 2018, was 8.50% of compensation for law enforcement officers and 7.78% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Newton Grove were \$17,171 for the year ended June 30, 2019.

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the Town reported a liability of \$73,543 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town’s proportion of the net pension asset was based on a projection of the Town’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018 (measurement date), the Town’s proportion was 0.00310%, which was an increase of 0.00082% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of 19,213. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,346	\$ 381
Changes of assumptions	19,515	-
Net difference between projected and actual earnings on pension plan investments	10,096	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	7,747	5,129
Town contributions subsequent to the measurement date	17,242	-
Total	<u>\$ 65,946</u>	<u>\$ 5,510</u>

Town of Newton Grove, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

\$17,242 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ 20,174
2020	12,673
2021	2,739
2022	7,607
2023	-
Thereafter	-
	\$ 43,193

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data

Town of Newton Grove, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

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

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

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 104,567	\$ 73,543	\$ (12,620)

Town of Newton Grove, North Carolina
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For the Fiscal Year Ended June 30, 2019

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

b. Law Enforcement Officers Special Separation Allowance

1) Plan Description

The Town of Newton Grove administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>2</u>
Total	<u><u>2</u></u>

2) Summary of Significant Accounting Policies

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

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

3) Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the

Town of Newton Grove, North Carolina
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For the Fiscal Year Ended June 30, 2019

measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

4) Contributions

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the Town reported a total pension liability of \$60,068. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the City recognized pension expense of \$3,064.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,806	\$ 8,360
Changes of assumptions	2,778	3,646
County benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 5,584</u>	<u>\$ 12,006</u>

\$0 paid as benefits came due and administrative expenses subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Town of Newton Grove, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

Year ended June 30:

2020	\$	2,473
2021		2,473
2022		2,473
2023		2,473
2024		1,873
Thereafter		241
Total	\$	12,006

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.64 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 66,292	\$ 60,068	\$ 54,361

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

	2018
Beginning balance	\$ 55,230
Service Cost	2,703
Interest on the total pension liability	1,745
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	3,313
Changes of assumptions or other inputs	(2,923)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	\$ 60,068

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

Town of Newton Grove, North Carolina
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For the Fiscal Year Ended June 30, 2019

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources of Related to Pensions

Following is information related to the proportionate share and pension expense for all pension plans:

	LGERS	LEOSSA	Total
Pension Expense	19,213	3,064	22,277
Pension Liability	73,543	60,068	133,611
Proportionate share of the net pension liability	0.00228%	n/a	
 Deferred of Outflows of Resources			
Differences between expected and actual experience	11,346	2,806	14,152
Changes of assumptions	19,515	2,778	22,293
Net difference between projected and actual earnings on plan investments	10,096	-	10,096
Changes in proportion and differences between contributions and proportionate share of contributions	7,747	-	7,747
Benefit payments and administrative costs paid subsequent to the measurement date	17,242	-	17,242
 Deferred of Inflows of Resources			
Differences between expected and actual experience	381	8,360	8,741
Changes of assumptions	-	3,646	3,646
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	5,129	-	5,129

a) Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description - The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy - Article 12E of G.S. Chapter 143 requires the Town to contribute

Town of Newton Grove, North Carolina
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For the Fiscal Year Ended June 30, 2019

each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the plan.

The Town made contributions of \$5,587 for the reporting year. No amounts were forfeited.

b) Supplemental Retirement Income Plan for Employees

Plan Description - The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to Town employees.

Funding Policy - The Town elects to contribute each month an amount equal to two percent of each employee's salary, and all amounts contributed are vested immediately. The employees may also make voluntary contributions to the Plan.

c) Other Post-employment Benefits

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

2. Deferred Outflows and Inflows of Resources

The Town has deferred outflows of resources. Deferred inflows of resources at year-end are comprised of the following:

Town of Newton Grove, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

Source	Amount
Contributions to pension plan in current fiscal year	\$ 17,242
Differences between expected and actual experience	14,152
Changes of assumptions	22,293
Net difference between projected and actual	10,096
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,747
Total	\$ 71,530

Deferred inflows of resources at year-end is comprised of the following:

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable (General Fund), less penalties	\$ -	\$ 1,396
Prepaid taxes (General Fund)	951	951
Changes in assumptions	3,646	-
Differences between expected and actual experience	8,741	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,129	-
Total	\$ 18,467	\$ 2,347

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

Town of Newton Grove, North Carolina
Notes to the Financial Statements
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The Town was not deemed to be located in a flood zone and is not required to carry flood insurance.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$25,000.

4. Long-term Obligations

a. General Obligation Indebtedness

General obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2019 are comprised of the following individual issues:

General Obligation Bonds

Serviced by the Water and Sewer Fund:

\$547,000 Sewer System bonds issued on August 17, 1992; due in annual installments of approximately \$36,000 through June 1, 2032; including interest at 5.625 percent.

Total

283,000
<u>\$ 283,000</u>

At June 30, 2019, the Town of Newton Grove had a legal debt margin of approximately \$4,856,312.

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

Town of Newton Grove, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

Year Ending June 30	Principal Payments	Interest Payments
2020	20,000	15,919
2021	21,000	14,794
2022	22,000	13,612
2023	22,000	12,375
2024	22,000	11,138
2025-2029	110,000	37,125
2030-2032	66,000	7,425
Total	<u>283,000</u>	<u>112,388</u>

b. Changes in Long-term Liabilities

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion of Balance
Governmental Activities:					
Net pension liability	\$ 27,435	\$ 33,431	\$ -	\$ 60,866	\$ -
Total pension liability (LEO)	<u>55,230</u>	<u>4,838</u>	<u>-</u>	<u>60,068</u>	<u>-</u>
Governmental Activities Long-term Liabilities	<u>\$ 82,665</u>	<u>\$ 38,269</u>	<u>\$ -</u>	<u>\$ 120,934</u>	<u>\$ -</u>
Business Activities:					
Water and Sewer Fund:					
General obligation bonds	\$ 302,000	\$ -	\$ 19,000	\$ 283,000	\$ 20,000
Net pension liability	<u>7,397</u>	<u>5,279</u>	<u>-</u>	<u>12,676</u>	<u>-</u>
Business-type Long-term Liabilities	<u>\$ 309,397</u>	<u>\$ 5,279</u>	<u>\$ 19,000</u>	<u>\$ 295,676</u>	<u>\$ 20,000</u>

C. Subsequent Events

The Town's management has evaluated subsequent events through July 22, 2020, the date on which the financial statements were available to be issued.

D. Net Investment in Capital Assets

Town of Newton Grove, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

	Governmental	Business-Type
Capital assets	\$ 312,125	\$ 1,017,722
Less: Long-term debt	-	283,000
Net investment in capital assets	\$ 312,125	\$ 734,722

E. Fund Balance

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

Total fund balance - General Fund	\$ 734,604
Less:	
Stabilization by State Statute	47,602
Streets - Powell Bill	169,482
Resource Officer Program	471
Subsequent years expenditures	195,300
Remaining Fund Balance	\$ 321,749

III. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

Required
Supplementary Financial Data

- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance

Town of Newton Grove, North Carolina
Town of Newton Grove's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Six Fiscal Years *

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset) (%)	0.00310%	0.00228%	0.00320%	0.00374%	-0.00336%	0.00410%
Town's proportion of the net pension liability (asset) (\$)	\$ 73,543	\$ 34,832	\$ 67,915	\$ 16,785	\$ (19,815)	\$ 49,421
Town's covered payroll	\$ 212,130	\$ 151,759	\$ 204,453	\$ 227,092	\$ 124,901	\$ 124,901
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	34.67%	22.95%	33.22%	7.39%	(15.86%)	39.57%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

**Town of Newton Grove, North Carolina
Town of Newton Grove's Contributions
Required Supplementary Information
Last Six Fiscal Years**

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 17,242	\$ 17,171	\$ 11,960	\$ 14,148	\$ 16,553	\$ 9,253
Contributions in relation to the contractually required contribution	17,242	17,171	11,960	14,148	16,553	9,253
Contribution deficiency (excess)	<u>\$ -</u>					
Town's covered payroll	\$ 211,083	\$ 151,759	\$ 151,759	\$ 204,453	\$ 227,092	\$ 124,901
Contributions as a percentage of covered payroll	8.17%	11.31%	7.88%	6.92%	7.29%	7.41%

Town of Newton Grove, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 55,230	\$ 58,690	\$ 55,332
Service Cost	2,703	2,199	3,372
Interest on the total pension liability	1,745	2,265	1,975
Difference between expected and actual experience	3,313	(11,866)	-
Changes of assumptions or other inputs	<u>(2,923)</u>	<u>3,942</u>	<u>(1,989)</u>
Ending balance of the total pension liability	<u>\$ 60,068</u>	<u>\$ 55,230</u>	<u>\$ 58,690</u>

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

Town of Newton Grove, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 60,068	\$ 55,230	\$ 58,690
Covered payroll	90,518	109,114	126,571
Total pension liability as a percentage of covered payroll	66.36%	50.62%	46.37%

Notes to the schedules:

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

Individual Fund Statements and Schedules

Town of Newton Grove, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget Actual
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Ad Valorem Taxes:			
Taxes		\$ 231,363	
Penalties and interest		941	
Total Ad Valorem Taxes	<u>\$ 226,200</u>	<u>\$ 232,304</u>	<u>\$ 6,104</u>
Other Taxes and Licenses:			
Vehicle taxes			
Zoning fees		\$ (1,528)	
Total Other Taxes and Licenses	<u>\$ 1,000</u>	<u>\$ (1,528)</u>	<u>\$ (2,528)</u>
Unrestricted Intergovernmental:			
Local option sales taxes		\$ 154,934	
Utilities sales tax		41,105	
Telecommunication sales tax		14,067	
ABC profit distribution		5,000	
Beer and wine tax		2,450	
State sales tax		5,928	
Solid waste disposal tax		421	
Police revenue		35	
Arrest fees		5	
Total Unrestricted Intergovernmental	<u>\$ 172,500</u>	<u>\$ 223,945</u>	<u>\$ 51,445</u>
Restricted Intergovernmental:			
Powell Bill allocation		\$ 19,282	
Total Restricted Intergovernmental	<u>\$ 19,500</u>	<u>\$ 19,282</u>	<u>\$ (218)</u>
Permits and Fees:			
Zoning revenues		1,375	
Total Permits and Fees	<u>\$ 500</u>	<u>\$ 1,375</u>	<u>\$ 875</u>
Sales and services:			
Sanitation fees		35,783	
Total Sales and Services	<u>\$ 36,000</u>	<u>\$ 35,783</u>	<u>\$ (217)</u>
Investment Earnings	<u>\$ 500</u>	<u>\$ 1,450</u>	<u>\$ 950</u>
Miscellaneous	<u>\$ 200</u>	<u>\$ 20,347</u>	<u>\$ 20,147</u>
Total Revenues	<u>\$ 456,400</u>	<u>\$ 532,958</u>	<u>\$ 76,558</u>

Town of Newton Grove, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget Actual
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES			
General Government:			
Salaries and employee benefits		\$ 6,136	
Professional services		14,736	
Total	<u>\$ 22,200</u>	<u>\$ 20,872</u>	<u>\$ 1,328</u>
General Government:			
Salaries and employee benefits		76,592	
Other operating expenditures		97,866	
Capital outlay		-	
Total	<u>\$ 185,700</u>	<u>\$ 174,458</u>	<u>\$ 11,242</u>
Total general government	<u>207,900</u>	<u>195,330</u>	<u>12,570</u>
Public Safety:			
Police:			
Salaries and employee benefits		\$ 161,894	
Other operating expenditures		43,295	
Vehicle maintenance		17,515	
Capital outlay		-	
Total police	<u>\$ 233,400</u>	<u>\$ 222,704</u>	<u>\$ 10,696</u>
Fire:			
Other operating expenditures	<u>\$ 55,000</u>	<u>\$ 43,111</u>	<u>\$ 11,889</u>
Rescue Units:			
Assistance to local rescue units	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ 1,000</u>
Total public safety	<u>\$ 289,400</u>	<u>\$ 265,815</u>	<u>\$ 23,585</u>
Transportation:			
Street lights		\$ 15,672	
Streets and highways		25,047	
Total Transportation	<u>\$ 73,500</u>	<u>\$ 40,719</u>	<u>\$ 32,781</u>

Town of Newton Grove, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget Actual
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Environmental protection:			
Sanitation - contracted services		\$ 36,441	
Total environmental protection	\$ 36,200	\$ 36,441	\$ (241)
Culture and recreation:			
Parks and recreation:			
Contracted services		\$ 9,600	
Other operating expenditures		13,264	
Total	\$ 25,700	\$ 22,864	\$ 2,836
Libraries:			
Other operating expenditures		\$ 6,904	
Total	\$ 13,300	\$ 6,904	\$ 6,396
Total culture and recreation	\$ 39,000	\$ 29,768	\$ 9,232
 Total Expenditures	 \$ 646,000	 \$ 568,073	 \$ 44,805
Revenues Over (Under) Expenditures	\$ (189,600)	\$ (35,115)	\$ 121,363
Fund balance appropriated	\$ 189,600	\$ -	\$ 189,600
Revenues and Other Financing Sources over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ (35,115)</u>	<u>\$ (35,115)</u>
Fund Balances, beginning		769,719	
Fund Balances, ending		<u>\$ 734,604</u>	

Town of Newton Grove, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Operating Revenues:			
Water and sewer charges		\$ 340,021	
Other operating revenues		19,597	
Total operating revenues	<u>\$ 328,600</u>	<u>\$ 359,618</u>	<u>\$ 31,018</u>
Nonoperating Revenues:			
Interest on investments		788	
ABC revenue		5,000	
Total nonoperating revenues	<u>2,200</u>	<u>5,788</u>	<u>3,588</u>
Total Revenues	<u>\$ 330,800</u>	<u>\$ 365,406</u>	<u>\$ 34,606</u>
EXPENDITURES			
Water and sewer administrative:			
Salaries and employee benefits		\$ 18,355	
Insurance		7,654	
Utilities		6,642	
Supplies		1,437	
Other operating expenditures		19,678	
Total water and sewer administration	<u>\$ 61,000</u>	<u>\$ 53,766</u>	<u>\$ 7,234</u>
Water and sewer operating:			
Salaries and employee benefits		62,679	
Repairs and maintenance		246,518	
Purchased water		46,784	
Utilities		27,577	
Testing and lab work		10,075	
Supplies		47	
Other operating expenditures		42,330	
Total water and sewer operating	<u>542,000</u>	<u>436,010</u>	<u>105,990</u>
Debt service:			
Interest and other charges		\$ 13,488	
Principal retirement		19,000	
Total Debt Service	<u>\$ 36,000</u>	<u>\$ 32,488</u>	<u>\$ 3,512</u>
Total Expenditures	<u>\$ 639,000</u>	<u>\$ 522,264</u>	<u>\$ 116,736</u>
Fund balance appropriated	<u>308,200</u>	<u>-</u>	<u>308,200</u>
Revenue Over (Under) Expenditures	<u>\$ -</u>	<u>\$ (156,858)</u>	<u>\$ (156,858)</u>

Town of Newton Grove, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2018

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

Revenues and other sources over expenditures and other uses	(156,858)
Reconciling items:	
Principal retirement	19,000
Loss on disposal of assets	12
Decrease in deferred outflows-pension	3,893
Increase in net pension liability	(5,281)
Decrease in deferred inflows-pension	1,305
Decrease in accrued interest	166
Depreciation	(80,014)
Net Income	<u><u>\$ (217,777)</u></u>

Other Schedules

This section contains additional information on property taxes.

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

Town of Newton Grove, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2019

Fiscal Year Ended June 30,	Uncollected Balance June 30, 2018	Additions	Collections And Credits	Uncollected Balance June 30, 2019
2019	\$ -	\$ 238,187	229,638	\$ 8,549
2018	4,120	-	1,095	3,025
2017	2,730	-	616	2,114
2016	700	-	169	531
2015	346	-	152	194
2014	757	-	682	75
	<u>8,653</u>	<u>238,187</u>	<u>232,352</u>	<u>14,488</u>
Less: Allowance for uncollectible accounts:				
General Fund	<u>900</u>			<u>-</u>
Ad Valorem Taxes Receivable - Net	<u>\$ 7,753</u>			<u>\$ 14,488</u>
Reconcilement with revenues:				
Taxes - Ad valorem - General Fund				\$ 232,304
Reconciling Items:				
Interest collected				(941)
Releases and adjustments				(1,513)
Discounts allowed				2,502
Taxes written off				-
Total Reconciling Items				<u>\$ 48</u>
Total Collections and Credits				<u>\$ 232,352</u>

Town of Newton Grove, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2019

	Town - Wide		Total Levy		
	Property	Rate	Total	Property	Registered
	Valuation		Levy	excluding	Motor
				Registered	Motor
				Vehicles	Vehicles
Original Levy:					
Property Taxed at Current Rate:					
Real and personal property	\$ 64,241,397	0.37	\$ 238,187	\$ 212,359	\$ 25,828
Total Property Valuation	<u>\$ 64,241,397</u>				
Net Levy			\$ 238,187	\$ 212,359	\$ 25,828
Uncollected Taxes at June 30, 2018			<u>8,549</u>	<u>8,549</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 229,638</u>	<u>\$ 203,810</u>	<u>\$ 25,828</u>
Current Levy Collection Percentage			<u>96.41%</u>	<u>95.97%</u>	<u>100.00%</u>