



Town of Newton Grove

Newton Grove, North Carolina

Financial Statements

**For the Fiscal Years Ended
June 30, 2021 and 2020**



**Nunn, Brashear
& Uzzell, P.A.**

Accountants and Consultants
919-778-1000

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Financial Section

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NUNN, BRASHEAR & UZZELL, P.A.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
1106 PARKWAY DRIVE
P.O. BOX 10127
GOLDSBORO, NORTH CAROLINA 27532-0127

PAUL L. NUNN, CPA
HAROLD D. BRASHEAR, CPA
DIANNE L. UZZELL, CPA

TEL: (919) 778-1000
FAX: (919) 751-1782
E-Mail: NBCo@NBCo.com

ALBERT S. WHITFIELD, CPA
DANNA J. LAYNE, CPA, CFE
MARJORIE C. FICKLING, CPA
J.R. SABATELLI, CPA

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Newton Grove, North Carolina (the "Town"), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Town of Newton Grove ABC Board, which represents 100% of the assets, net position, and revenues of the discretely presented component unit. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Newton Grove ABC Board, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Town of Newton Grove ABC Board were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Newton Grove, as of June 30, 2021 and 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 12 and the Local Government Employee's Retirement System's Schedules of Proportionate Share of the Net Pension Asset and Contributions, on pages 65 through 71, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The budgetary schedules and other schedules are the responsibility of management and were derived from and relate 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 themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, budgetary schedules and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Matters

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2022, on our consideration of the Town of Newton Grove's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Newton Grove's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Newton Grove's internal control over financial reporting and compliance.

Nunn, Brashear, & Uzzell, P.A.

Goldsboro, North Carolina
March 11, 2022

Management's Discussion and Analysis

As management of Town of Newton Grove, we offer readers of Town of Newton Grove's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal years ended June 30, 2021 and 2020. 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

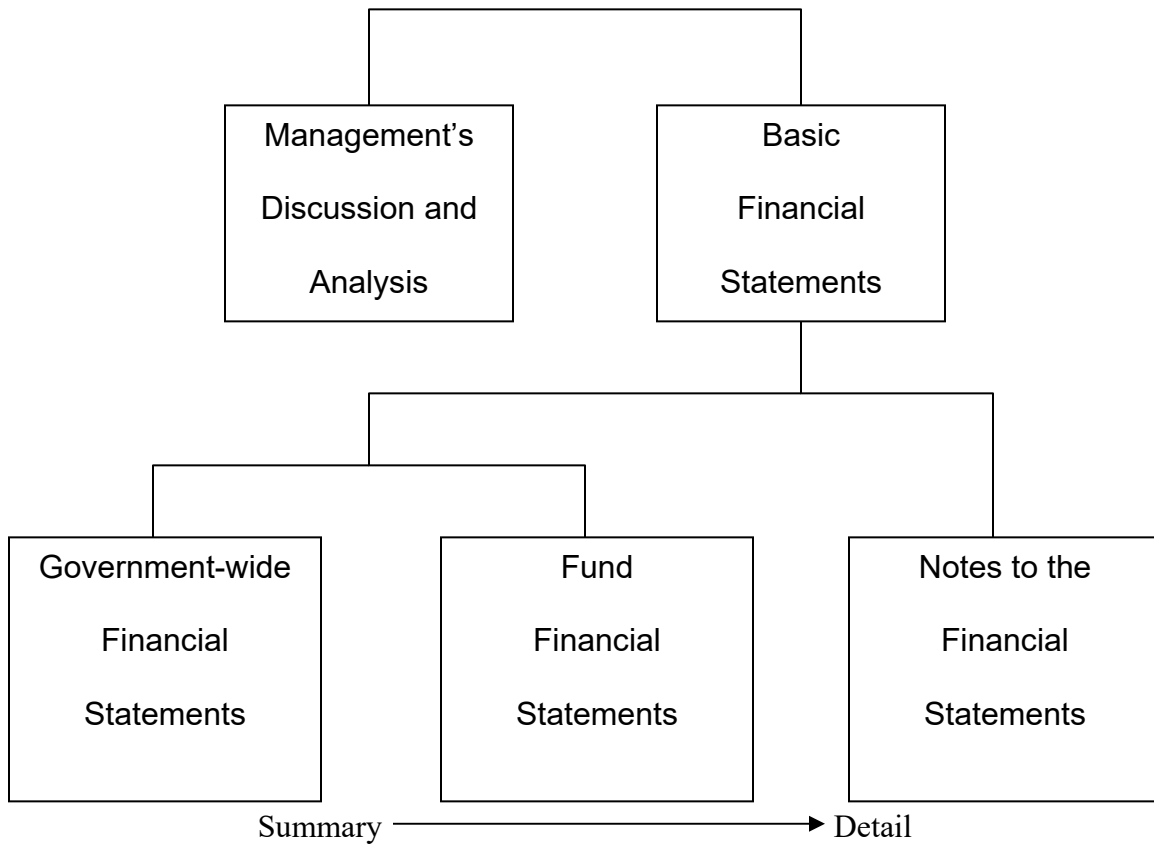
- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows at the close of the fiscal years ending June 30, 2021 and 2020, respectively, by \$1,625,231 and \$1,720,442 (net position).
- The government's total net position decreased by \$95,211 and \$167,347 as of June 30, 2021 and 2020, respectively, and primarily due to a decrease in the business-type activities net position.
- At the close of the June 30, 2021 fiscal year, the Town's governmental funds reported combined ending fund balances of \$724,672 with a net decrease of \$16,061. Approximately 22.5% of this total amount, or \$163,099, is non-spendable or restricted.
- At the end of the June 30, 2021 fiscal year, unassigned fund balance for the General Fund was \$463,673, or 66.0% of total General Fund expenditures for the fiscal year.
- At the close of the June 30, 2020 fiscal year, the Town's governmental funds reported combined ending fund balances of \$740,733 with a net increase of \$10,845. Approximately 29.0% of this total amount, or \$215,079, is non-spendable or restricted.
- At the end of the June 30, 2020 fiscal year, unassigned fund balance for the General Fund was \$237,654, or 35.5% of total General Fund expenditures for the fiscal year.
- The Town's total debt increased by \$10,487 (2.4%) during the current fiscal year. The debt increased due to the increase in net pension liability (LGERS).

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 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 Town of Newton Grove.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits 3 through 9) 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 it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; 2) business-type activities. 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 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 appoints its members and because the Board is required to distribute its profits to the Town.

The government-wide financial statements are Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) 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, 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 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.

Proprietary Fund – Town of Newton Grove has two different kinds of proprietary funds. 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 an enterprise fund to account for its water and sewer activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

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 36 of this report.

**Town of Newton Grove's Net Position
Figure 2**

	Governmental Activities			Business-type Activities		
	2021	2020	2019 Prior Auditor	2021	2020	2019 Prior Auditor
Current and other assets	\$ 763,584	\$ 801,703	\$ 760,068	\$ 109,141	\$ 157,614	\$ 221,924
Capital assets	302,939	297,975	312,125	907,863	941,244	1,017,722
Total assets	<u>1,066,523</u>	<u>1,099,678</u>	<u>1,072,193</u>	<u>1,017,004</u>	<u>1,098,858</u>	<u>1,239,646</u>
Total deferred outflows of resources	85,458	58,030	60,163	11,341	10,853	11,367
Long-term liabilities	202,962	161,418	120,934	235,871	256,859	275,677
Other liabilities	21,072	46,479	9,725	72,883	68,824	59,868
Total liabilities	<u>224,034</u>	<u>207,897</u>	<u>130,659</u>	<u>308,754</u>	<u>325,683</u>	<u>335,545</u>
Total deferred inflows of resources	21,476	12,586	17,303	831	811	950
Net position:						
Net investment in capital assets	302,939	297,975	312,125	665,863	678,244	734,722
Restricted	163,099	215,079	217,084	-	-	-
Unrestricted	440,433	424,171	456,404	52,897	104,973	179,796
Total net position	<u>\$ 906,471</u>	<u>\$ 937,225</u>	<u>\$ 985,613</u>	<u>\$ 718,760</u>	<u>\$ 783,217</u>	<u>\$ 914,518</u>

Totals			
	2021	2020	2019 Prior Auditor
Current and other assets	\$ 872,725	\$ 959,317	\$ 981,992
Capital assets	1,210,802	1,239,219	1,329,847
Total assets	<u>2,083,527</u>	<u>2,198,536</u>	<u>2,311,839</u>
Total deferred outflow s of resources	96,799	68,883	71,530
Long-term liabilities	438,833	418,277	396,611
Other liabilities	93,955	115,303	69,593
Total liabilities	<u>532,788</u>	<u>533,580</u>	<u>466,204</u>
Total deferred inflow s of resources	22,307	13,397	18,253
Net position:			
Net investment in capital assets	968,802	976,219	1,046,847
Restricted	163,099	215,079	217,084
Unrestricted	493,330	529,144	636,200
Total net position	<u>\$ 1,625,231</u>	<u>\$ 1,720,442</u>	<u>\$ 1,900,131</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Newton Grove exceeded liabilities and deferred inflows by \$1,625,231 and \$1,720,442 as of June 30, 2021 and 2020, respectively. The Town's net position decreased by \$95,211 and \$167,347 for the fiscal years ended June 30, 2021 and 2020. However, the largest portion \$976,219 (56.7%) 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, \$215,079 (12.5%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$529,144 (30.8%) is unrestricted.

Several particular aspects of the Town's financial operations positively influenced the total unrestricted governmental net position:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.33%, which is less than the statewide average of 99%.

Town of Newton Grove's Changes in Net Position

Figure 3

	Governmental Activities			Business-type Activities		
	2021	2020	2019 Prior Auditor	2021	2020	2019 Prior Auditor
Revenues:						
Program revenues:						
Charges for services	\$ 8,131	\$ 14,622	\$ 37,197	\$ 374,731	\$ 345,595	\$ 359,606
Operating grants/contributions	69,767	106,932	19,282	-	-	-
General revenues:						
Property taxes	259,475	255,179	220,056	-	-	-
Other taxes	8,794	3,978	(1,528)	-	-	-
Grants and contributions not restricted to specific programs	294,740	284,179	250,050	-	-	-
Other	32,773	14,654	21,480	789	2,584	5,788
Total revenue	<u>673,680</u>	<u>679,544</u>	<u>546,537</u>	<u>375,520</u>	<u>348,179</u>	<u>365,394</u>
Expenses:						
General government	173,631	196,843	197,898	-	-	-
Public safety	320,999	305,203	283,753	-	-	-
Transportation	112,349	135,492	40,984	-	-	-
Environmental protection	38,324	37,654	36,441	-	-	-
Cultural and recreation	59,131	46,603	40,172	-	-	-
Water and Sewer	-	-	-	439,977	473,275	583,171
Total expenses	<u>704,434</u>	<u>721,795</u>	<u>599,248</u>	<u>439,977</u>	<u>473,275</u>	<u>583,171</u>
Increase (decrease) in net position	(30,754)	(42,251)	(52,711)	(64,457)	(125,096)	(217,777)
Net position, July 1	937,225	985,611	1,038,324	783,217	914,518	1,132,295
Restatement	-	(6,135)	-	-	(6,205)	-
Net position, restated	<u>937,225</u>	<u>979,476</u>	<u>1,038,324</u>	<u>783,217</u>	<u>908,313</u>	<u>1,132,295</u>
Net position, June 30	\$ <u>906,471</u>	\$ <u>937,225</u>	\$ <u>985,613</u>	\$ <u>718,760</u>	\$ <u>783,217</u>	\$ <u>914,518</u>

	Total		
	2021	2020	2019 Prior Auditor
Revenues:			
Program revenues:			
Charges for services	\$ 382,862	\$ 360,217	\$ 396,803
Operating grants/contributions	69,767	106,932	19,282
General revenues:			
Property taxes	259,475	255,179	220,056
Other taxes	8,794	3,978	-1,528
Grants and contributions not restricted to specific programs	294,740	284,179	250,050
Other	33,562	17,238	27,268
Total revenue	<u>1,049,200</u>	<u>1,027,723</u>	<u>911,931</u>
Expenses:			
General government	173,631	196,843	197,898
Public safety	320,999	305,203	283,753
Transportation	112,349	135,492	40,984
Environmental protection	38,324	37,654	36,441
Cultural and recreation	59,131	46,603	40,172
Water and Sewer	439,977	473,275	583,171
Total expenses	<u>1,144,411</u>	<u>1,195,070</u>	<u>1,182,419</u>
Increase (decrease) in net position	(95,211)	(167,347)	(270,488)
Net position, July 1	1,720,442	1,900,129	2,170,619
Restatement	-	(12,340)	-
Net position, restated	<u>1,720,442</u>	<u>1,887,789</u>	<u>2,170,619</u>
Net position, June 30	\$ <u>1,625,231</u>	\$ <u>1,720,442</u>	\$ <u>1,900,131</u>

Governmental activities. Governmental activities decreased the Town's net position by \$30,754 and \$42,251 as of June 30, 2021 and 2020, respectively.

Business-type activities. Business-type activities decreased the Town's net position by \$64,457 and \$125,096 as of June 30, 2021 and 2020, respectively.

Financial Analysis of the Town's Fund

As noted earlier, 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.

The general fund is the chief operating fund of the Town of Newton Grove. At the end of the June 30, 2021 fiscal year, fund balance available in the General Fund was \$463,673, while total fund balance reached \$724,672. At the end of the June 30, 2020 fiscal year, fund balance available in the General Fund was \$237,654, while total fund balance reached \$740,733. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 66.0 percent and 35.5 percent of total General Fund expenditures, while total fund balances

represents 103.1 percent and 110.8 percent of that same amounts for the years ending June 30, 2021 and 2020, respectively.

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

Revenues were greater than the budgeted amounts primarily due to greater than expected intergovernmental revenues for both years.

Expenditures were lower than the budgeted amounts in General Government, Public Safety, Transportation, Economic Development, Environmental Protection, and Cultural and Recreation functions for both years, except environmental protection in the year ending June 30, 2021.

Proprietary Fund: Town of Newton Grove's proprietary funds provide the same type of information found in the basic financial statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the June 30, 2021 and 2020 fiscal years amounted to \$52,897 and \$104,973, respectively. The total change in net assets for the Water and Sewer Fund as of June 30, 2021 and 2020 was \$(64,457) and \$(125,096), respectively.

Capital Asset Administration

Capital assets: Town of Newton Grove's investment in capital assets for its governmental and business-type activities as of June 30, 2021 and 2020, respectively, totals \$1,210,802 and \$1,239,219 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities and vehicles.

Town of Newton Grove's Capital Assets
(net of depreciation and amortization)
Figure 4

	Governmental Activities			Business-type Activities		
	2021	2020	2019 prior auditor	2021	2020	2019 prior auditor
Land	\$ 158,169	\$ 158,169	\$ 158,169	\$ 43,291	\$ 42,297	\$ 42,297
Buildings	14,680	17,614	355,405	-	-	-
Equipment	80,187	87,651	196,737	19,097	7,403	28,585
Vehicles	49,903	34,541	133,224	26,341	555	46,700
Plant and distribution system	-	-	-	819,134	890,989	3,343,543
Total	<u>\$ 302,939</u>	<u>\$ 297,975</u>	<u>\$ 843,535</u>	<u>\$ 907,863</u>	<u>\$ 941,244</u>	<u>\$3,461,125</u>

	Total		
	2021	2020	2019 prior auditor
Land	\$ 201,460	\$ 200,466	\$ 200,466
Buildings	14,680	17,614	355,405
Equipment	99,284	95,054	225,322
Vehicles	76,244	35,096	179,924
Plant and distribution system	819,134	890,989	3,343,543
Total	<u>\$ 1,210,802</u>	<u>\$ 1,239,219</u>	<u>\$ 4,304,660</u>

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, 2021 and 2020, the Town of Newton Grove had total debt outstanding of \$556,009 and \$555,252, respectively. This debt is backed by the full faith and credit of the Town.

Town of Newton Grove's Outstanding Debt Figure 5

	Governmental Activities			Business-type Activities		
	2021	2020	2019 Prior Auditor	2021	2020	2019 Prior Auditor
Compensated absences	\$ 19,415	\$ 14,736	\$ -	\$ 1,346	\$ 1,400	\$ -
General obligation bonds	-	-	-	242,000	263,000	283,000
Net pension liability	183,547	146,682	120,934	14,525	13,459	12,676
Total	<u>\$ 202,962</u>	<u>\$ 161,418</u>	<u>\$ 120,934</u>	<u>\$ 257,871</u>	<u>\$ 277,859</u>	<u>\$ 295,676</u>

	Total		
	2021	2020	2019 Prior Auditor
Compensated absences	\$ 20,761	\$ 16,136	\$ -
General obligation bonds	242,000	263,000	283,000
Net pension liability	198,072	160,141	133,610
Total	<u>\$ 460,833</u>	<u>\$ 439,277</u>	<u>\$ 416,610</u>

Town of Newton Grove's Outstanding Debt. The Town of Newton Grove's total debt increased \$21,556 (4.9%) during the past fiscal year, primarily due to the increase in net pension liability.

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

Economic Factors and Next Year's Budgets and Rates

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: Property taxes and other revenues are expected to be consistent with the prior year.

Business-type Activities: The budgeted operating revenues and expenditures in the Enterprise Funds for fiscal year 2022 are consistent with the fiscal year ended June 30, 2021.

Requests for Information

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

Town of Newton Grove

Town Council Members

June 30, 2021

Town Council Members

Geral Darden, Mayor

Alan Herring

Gary Mac Herring

Chris Raynor

Cody Smith

Teresa Wilson

Administrative and Financial Staff

Amanda Bradshaw, Finance Officer

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Basic Financial Statements

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Town of Newton Grove
Basic Financial Statements
June 30, 2021

<u>Exhibit</u>		<u>Page</u>
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Town of Newton Grove
Statement of Net Position
June 30, 2021

	Primary Government			Town of Newton Grove ABC Board
	Governmental	Business-type		
	Activities	Activitie	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 593,052	\$ 9,702	\$ 602,754	\$ 123,433
Restricted cash and cash equivalents	103,554	25,772	129,326	-
Taxes receivable (net)	19,693	-	19,693	-
Accrued interest receivable on taxes	3,074	-	3,074	-
Accounts receivable (net)	3,677	57,972	61,649	-
Due from other governments	49,720	6,509	56,229	-
Internal balances	(9,186)	9,186	-	-
Inventories	-	-	-	140,999
Total current assets	763,584	109,141	872,725	264,432
Noncurrent assets:				
Capital assets:				
Land and non-depreciable improvements, and construction in progress	158,169	43,291	201,460	-
Other capital assets, net of depreciation	144,770	864,572	1,009,342	-
Total capital assets	302,939	907,863	1,210,802	19,631
Total assets	1,066,523	1,017,004	2,083,527	284,063
Deferred Outflows of Resources				
Pension deferrals	85,458	11,341	96,799	-
Total deferred outflows of resources	85,458	11,341	96,799	-
LIABILITIES				
Current liabilities:				
Accounts payable	8,199	16,805	25,004	4,689
Accrued Excise Tax	-	-	-	15,209
Payroll Payable	-	-	-	1,841
Accrued Liabilities	12,873	7,172	20,045	7,167
Accrued Distributions	-	-	-	3,860
Accrued interest payable	-	1,134	1,134	-
Current portion of long-term liabilities	-	22,000	22,000	-
Payable from restricted assets:				
Customer meter deposits	-	25,772	25,772	-
Total current liabilities	21,072	72,883	93,955	32,766
Long-term liabilities:				
Compensated absences	19,415	1,346	20,761	-
Net pension liability	183,547	14,525	198,072	-
Due in more than one year	-	220,000	220,000	-
Total liabilities	224,034	308,754	532,788	32,766
Deferred Inflows of Resources				
Prepaid taxes	1,221	-	1,221	-
Pension deferrals	20,255	831	21,086	-
Total deferred inflows of resources	21,476	831	22,307	-
NET POSITION				
Net investment in capital assets	302,939	665,863	1,210,802	19,631
Restricted for:				
Stabilization by State Statute	59,545	-	59,545	-
Transportation	103,554	-	103,554	-
Unrestricted	440,433	52,897	251,330	231,666
Total net position	\$ 906,471	\$ 718,760	\$ 1,625,231	\$ 251,297

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

**Town of Newton Grove
Statement of Activities
For the Year Ended June 30, 2021**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental Activities:			
General government	\$ 173,631	\$ 1,700	\$ 48,641
Public safety	320,999	1,806	-
Transportation	112,349	-	17,851
Environmental protection	38,324	40,948	-
Cultural and recreation	59,131	4,625	3,275
Total governmental activities (See Note 1)	704,434	49,079	69,767
Business-type activities:			
Water and Sewer	439,977	374,731	-
Total business-type activities	439,977	374,731	-
Total primary government	\$ 1,144,411	\$ 423,810	\$ 69,767
Component Unit:			
ABC Board	628,623	667,765	-
Total Component Unit	628,623	667,765	-

General revenues:

Taxes:

Property taxes, levied for general purpose

Other taxes

Unrestricted intergovernmental

Unrestricted investment earnings

Miscellaneous

(Loss) on disposal of assets

Total general revenues and transfers

Change in net position

Net position, beginning

Net position, ending

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

Exhibit 2021-2

Net (Expense) Revenue and Changes in Net Position				
Primary Government				
Governmental Activities	Business-type Activities	Total	ABC Board	
\$ (123,290)	\$ -	\$ (123,290)	\$ -	
(319,193)	-	(319,193)	-	
(94,498)	-	(94,498)	-	
2,624	-	2,624	-	
(51,231)	-	(51,231)	-	
(585,588)	-	(585,588)	-	
-	(65,246)	(65,246)	-	
-	(65,246)	(65,246)	-	
(585,588)	(65,246)	(650,834)	-	
-	-	-	39,142	
-	-	-	39,142	
259,475	-	259,475	-	
8,794	-	8,794	-	
253,792	-	253,792	-	
1,188	789	1,977	-	
47,253	-	47,253	-	
(15,668)	-	(15,668)	-	
554,834	789	555,623	-	
(30,754)	(64,457)	(95,211)	39,142	
937,225	783,217	1,720,442	212,155	
\$ 906,471	\$ 718,760	\$ 1,625,231	\$ 251,297	

**Town of Newton Grove
Balance Sheet
Governmental Funds
June 30, 2021**

	General
ASSETS	
Cash and cash equivalents	\$ 593,052
Restricted cash and cash equivalents	103,554
Receivables, net:	
Taxes	19,693
Accounts	3,677
Interest	2,147
Due from other governments	49,720
Total assets	<u>771,843</u>
LIABILITIES	
Accounts payable	8,199
Accrued liabilities	12,873
Due to other funds	9,186
Total liabilities	<u>30,258</u>
DEFERRED INFLOWS OF RESOURCES	
Property taxes receivable	15,692
Unavailable revenue	1,221
Total deferred inflows of resources	<u>16,913</u>
FUND BALANCES	
Restricted	
Stabilization by State Statute	59,545
Transportation	103,554
Assigned	
Subsequent Year's Expenditures	97,900
Unassigned	463,673
Total fund balances	<u>724,672</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 771,843</u>

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

Town of Newton Grove
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2021

Amounts reported for governmental activities in the Statement of Net Position
 (Exhibit 1) are different because:

Total Fund Balance, Governmental Funds	\$ 724,672
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	302,939
Long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures	927
Earned revenues considered deferred inflows of resources in fund statements	15,692
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	
Compensated absences	(19,415)
Net pension liability	(183,547)
Deferred outflows of resources related to pensions are not reported in the funds	85,458
Deferred inflows of resources related to pensions are not reported in the funds	(20,255)
Net position of governmental activities	<u><u>\$ 906,471</u></u>

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

Town of Newton Grove
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

Major Fund

	<u>General Fund</u>
REVENUES	
Ad valorem taxes	\$ 265,468
Unrestricted intergovernmental	253,792
Restricted intergovernmental	66,492
Sales and services	46,323
Permits and fees	1,700
Investment earnings	1,188
Miscellaneous	51,587
Total revenues	<u>686,550</u>
EXPENDITURES	
Current:	
General government	176,478
Public safety	326,997
Transportation	112,084
Environmental protection	38,324
Culture and recreation	48,728
Total expenditures	<u>702,611</u>
Excess (deficiency) of revenues over expenditures	<u>(16,061)</u>
Net change in fund balance	(16,061)
Fund balances, beginning	740,733
Fund balances, ending	<u><u>\$ 724,672</u></u>

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

Town of Newton Grove
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance - Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2021

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

Net changes in fund balances - total governmental funds	\$ (16,061)
---	-------------

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

Capital outlay expenditures which were capitalized	49,422
Depreciation expense for governmental assets	(28,790)
Loss on disposal of asset	(15,668)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in accrued interest receivable on taxes	199
Change in unavailable revenue for tax revenues	2,601

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.

Compensated absences	(4,679)
Pension expense	<u>(17,778)</u>

Total changes in net position of governmental activities	<u><u>\$ (30,754)</u></u>
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The notes to the financial statements are an integral part of this statement.

Town of Newton Grove
Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual - General Fund
For the Year Ended June 30, 2021

	General Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 229,300	\$ 229,300	\$ 265,468	\$ 36,168
Unrestricted intergovernmental	168,200	168,200	253,792	85,592
Restricted intergovernmental	73,750	122,391	66,492	(55,899)
Sales and services	41,800	41,800	46,323	4,523
Permits and fees	500	500	1,700	1,200
Investment earnings	500	500	1,188	688
Miscellaneous	-	-	51,587	51,587
Total revenues	514,050	562,691	686,550	123,859
Expenditures:				
Current:				
General government	233,950	292,591	176,478	116,113
Public safety	401,200	401,200	326,997	74,203
Transportation	75,500	115,500	112,084	3,416
Environmental protection	38,200	38,200	38,324	(124)
Cultural and recreation	53,200	53,200	48,728	4,472
Total expenditures	802,050	900,691	702,611	198,080
Revenues over (under) expenditures	(288,000)	(338,000)	(16,061)	321,939
Fund balance appropriated	288,000	338,000	-	338,000
Net change in fund balance	\$ -	\$ -	(16,061)	\$ (16,061)
Fund balances, beginning as previously reported			740,733	
Fund balances, ending			<u>\$ 724,672</u>	

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

Town of Newton Grove
Statement of Net Position
Proprietary Fund
June 30, 2021

	Water and Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 9,702
Accounts receivable (net) - billed	20,758
Accounts receivable (net) - unbilled	37,214
Due from other governments	6,509
Due from General Fund	9,186
Restricted cash and cash equivalents	25,772
Total current assets	<u>109,141</u>
Noncurrent assets:	
Capital assets:	
Capital assets not being depreciated	43,291
Other capital assets, net of depreciation	864,572
Capital assets	<u>907,863</u>
Total noncurrent assets	<u>907,863</u>
Total assets	<u><u>1,017,004</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	11,341
Total deferred outflows of resources	<u>11,341</u>
LIABILITIES	
Current liabilities:	
Accounts payable	16,805
Accrued liabilities	7,172
Accrued interest payable	1,134
Bonds payable - current portion	22,000
Payable from restricted assets:	
Customer meter deposits	<u>25,772</u>
Total current liabilities	<u>72,883</u>
Noncurrent liabilities:	
Compensated absences	1,346
Net pension liability	14,525
Notes payable - noncurrent portion	<u>220,000</u>
Total noncurrent liabilities	<u>235,871</u>
Total liabilities	<u><u>308,754</u></u>
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	<u>831</u>
NET POSITION	
Net investment in capital assets	665,863
Unrestricted	<u>52,897</u>
Total net position	<u><u>\$ 718,760</u></u>

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

Town of Newton Grove
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2021

	Water and Sewer Fund
OPERATING REVENUES	
Charges for services	372,934
Other operating revenues	1,797
Total operating revenues	<u>374,731</u>
OPERATING EXPENSES	
Administration	48,939
Water treatment and distribution	129,530
Waste collection and treatment	48,008
Repairs and maintenance	122,223
Depreciation	76,582
Total operating expenses	<u>425,282</u>
Operating income (loss)	(50,551)
NONOPERATING REVENUES (EXPENSES)	
Investment Earnings	789
Interest and other charges	(14,695)
Total Nonoperating revenues (expenses)	<u>(13,906)</u>
Change in net position	(64,457)
Total net position - beginning	<u>783,217</u>
Total net position - ending	<u><u>\$ 718,760</u></u>

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

Town of Newton Grove
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2021

	Water and Sewer Fund
Cash flows from (used for) operating activities:	
Cash received from customers	\$ 368,107
Cash paid for goods and services	(252,546)
Cash paid to or on behalf of employees for services	(94,436)
Customer deposits, net	1,836
Net cash provided (used) by operating activities	<u>22,961</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(43,201)
Interest paid on long-term debt	(14,794)
Principal pad on long-term debt	(21,000)
Net cash used for capital and related financing activities	<u>(78,995)</u>
Cash flows from investing activities:	
Interest and dividends	<u>789</u>
Net cash provided by investing activities	<u>789</u>
Net increase (decrease) in cash and cash equivalents	(55,245)
Balances, beginning	<u>90,719</u>
Balances, ending	<u>\$ 35,474</u>
Reconciliation of operating loss to net cash used for operation activities:	
Operating income (loss)	\$ (50,551)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	76,582
(Increase) decrease in operating assets	
Accounts receivable	(6,624)
Due from other governments	(148)
Deferred outflows of resources for pensions	(488)
Increase (decrease) in operating liabilities	
Accounts payable	2,169
Accrued liabilities	(847)
Customer meter deposits	1,836
Compensated absences	(54)
Net pension liability	1,066
Deferred inflows of resources for pensions	20
Net cash used for operating activities	<u>\$ 22,961</u>

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

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**Town of Newton Grove
Basic Financial Statements
June 30, 2020**

<u>Exhibit</u>		<u>Page</u>
	Government-wide Financial Statements:	
2020-1	Statement of Net Position	25
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	Fund Financial Statements:	
2020-3	Balance Sheet - Governmental Funds	28
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2020-7	Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	34
2020-8	Statement of Cash Flows - Proprietary Funds	35

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Town of Newton Grove
Statement of Net Position
June 30, 2020

	Primary Government			Town of Newton Grove ABC Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 580,991	\$ 66,783	\$ 647,774	\$ -
Restricted cash and cash equivalents	165,867	23,936	189,803	-
Taxes receivable (net)	17,219	-	17,219	115,164
Accrued interest receivable on taxes	2,326	-	2,326	-
Accounts receivable (net)	3,396	51,348	54,744	-
Due from other governments	41,090	6,361	47,451	-
Internal balances	(9,186)	9,186	-	-
Prepaid assets	-	-	-	5,517
Inventories	-	-	-	105,225
Total current assets	<u>801,703</u>	<u>157,614</u>	<u>959,317</u>	<u>225,906</u>
Noncurrent assets:				
Capital assets:				
Land and non-depreciable improvements, and construction in progress	158,169	42,297	200,466	-
Other capital assets, net of depreciation	139,806	898,947	1,038,753	-
Total capital assets	<u>297,975</u>	<u>941,244</u>	<u>1,239,219</u>	<u>11,931</u>
Total assets	<u>1,099,678</u>	<u>1,098,858</u>	<u>2,198,536</u>	<u>237,837</u>
Deferred Outflows of Resources				
Pension deferrals	58,030	10,853	68,883	-
Total deferred outflows of resources	<u>58,030</u>	<u>10,853</u>	<u>68,883</u>	<u>-</u>
LIABILITIES				
Current liabilities:				
Accounts payable	31,746	14,636	46,382	4,503
Accrued Excise Tax	-	-	-	14,262
Payroll Payable	-	-	-	1,043
Accrued Liabilities	14,733	8,019	22,752	5,650
Accrued Distributions	-	-	-	224
Accrued interest payable	-	1,233	1,233	-
Current portion of long-term liabilities	-	21,000	21,000	-
Payable from restricted assets:				
Customer meter deposits	-	23,936	23,936	-
Total current liabilities	<u>46,479</u>	<u>68,824</u>	<u>115,303</u>	<u>25,682</u>
Long-term liabilities:				
Compensated absences	14,736	1,400	16,136	-
Net pension liability	146,682	13,459	160,141	-
Due in more than one year	-	242,000	242,000	-
Total liabilities	<u>207,897</u>	<u>325,683</u>	<u>533,580</u>	<u>25,682</u>
Deferred Inflows of Resources				
Prepaid taxes	672	-	672	-
Pension deferrals	11,914	811	12,725	-
Total deferred inflows of resources	<u>12,586</u>	<u>811</u>	<u>13,397</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	297,975	678,244	976,219	11,931
Restricted for:				
Stabilization by State Statute	49,212	-	49,212	-
Transportation	165,867	-	165,867	-
Working Capital	-	-	-	21,244
Unrestricted	424,171	104,973	529,144	178,980
Total net position	<u>\$ 937,225</u>	<u>\$ 783,217</u>	<u>\$ 1,720,442</u>	<u>\$ 212,155</u>

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

**Town of Newton Grove
Statement of Activities
For the Year Ended June 30, 2020**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental Activities:			
General government	196,843	\$ 2,350	\$ -
Public safety	305,203	441	-
Transportation	135,492	-	104,780
Environmental protection	37,654	36,014	-
Cultural and recreation	46,603	11,831	2,152
Total governmental activities	721,795	50,636	106,932
Business-type activities:			
Water and Sewer	473,275	345,595	-
Total business-type activities	473,275	345,595	-
Total primary government	\$ 1,195,070	\$ 396,231	\$ 106,932
Component Unit:			
ABC Board	541,996	555,790	-
Total Component Unit	541,996	555,790	-

General revenues:

Taxes:

Property taxes, levied for general purpose

Other taxes

Unrestricted intergovernmental

Unrestricted investment earnings

Miscellaneous

Total general revenues and transfers

Change in net position

Net position, beginning

Prior period adjustment, see Note IV

Net position - as restated

Net position, ending

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

Exhibit 2020-2

Net (Expense) Revenue and Changes in Net Position				
Primary Government				
Governmental Activities	Business-type Activities	Total	ABC Board	
\$ (194,493)	\$ -	\$ (194,493)	\$ -	
(304,762)	-	(304,762)	-	
(30,712)	-	(30,712)	-	
(1,640)	-	(1,640)	-	
(32,620)	-	(32,620)	-	
(564,227)	-	(564,227)	-	
-	(127,680)	(127,680)	-	
-	(127,680)	(127,680)	-	
(564,227)	(127,680)	(691,907)	-	
-	-	-	13,794	
-	-	-	13,794	
255,179	-	255,179	-	
3,978	-	3,978	-	
248,165	-	248,165	-	
1,952	84	2,036	-	
12,702	2,500	15,202	160	
521,976	2,584	524,560	160	
(42,251)	(125,096)	(167,347)	13,954	
985,611	914,518	1,900,129	198,201	
(6,135)	(6,205)	(12,340)	-	
979,476	908,313	1,887,789	198,201	
\$ 937,225	\$ 783,217	\$ 1,720,442	\$ 212,155	

**Town of Newton Grove
Balance Sheet
Governmental Funds
June 30, 2020**

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 580,991
Restricted cash and cash equivalents	165,867
Receivables, net:	
Taxes	17,219
Accounts	3,396
Interest	1,599
Due from other governments	41,090
Total assets	<u>810,161</u>
LIABILITIES	
Accounts payable	31,746
Accrued liabilities	14,733
Due to other funds	9,186
Total liabilities	<u>55,665</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Revenues - Property taxes receivable	13,091
Deferred Revenue - Unearned	672
Total deferred inflows of resources	<u>13,763</u>
FUND BALANCES	
Restricted	
Stabilization by State Statute	49,212
Transportation	165,867
Assigned	
Subsequent Year's Expenditures	288,000
Unassigned	237,654
Total fund balances	<u>740,733</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 810,161</u>

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

Town of Newton Grove
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2020

Amounts reported for governmental activities in the Statement of Net Position
 (Exhibit 1) are different because:

Total Fund Balance, Governmental Funds	\$ 740,733
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	297,975
Long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures	728
Earned revenues considered deferred inflows of resources in fund statements	13,819
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	
Compensated absences	(14,736)
Net pension liability	(146,682)
Deferred outflows of resources related to pensions are not reported in the funds	58,030
Deferred inflows of resources related to pensions are not reported in the funds	(11,914)
Net position of governmental activities	<u><u>\$ 937,953</u></u>

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

Town of Newton Grove
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020

Major Fund

	<u>General Fund</u>
REVENUES	
Ad valorem taxes	\$ 258,998
Unrestricted intergovernmental	248,165
Restricted intergovernmental	104,780
Sales and services	48,170
Permits and fees	2,350
Investment earnings	1,952
Miscellaneous	14,970
Total revenues	<u>679,385</u>
EXPENDITURES	
Current:	
General government	163,286
Public safety	285,769
Transportation	135,227
Environmental protection	37,654
Culture and recreation	46,604
Total expenditures	<u>668,540</u>
Excess (deficiency) of revenues over expenditures	<u>10,845</u>
Net change in fund balance	10,845
Fund balances, beginning	734,604
Prior period adjustment (Note IV)	<u>(4,716)</u>
Fund balances, beginning as restated	<u>729,888</u>
Fund balances, ending	<u><u>\$ 740,733</u></u>

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

Town of Newton Grove
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance - Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2020

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

Net changes in fund balances - total governmental funds	\$ 10,845
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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.

Capital outlay expenditures which were capitalized	11,597
Depreciation expense for governmental assets	(38,089)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in accrued interest receivable on taxes	154
Change in unavailable revenue for tax revenues	5

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.

Compensated absences	(3,534)
Pension expense	(23,229)

Total changes in net position of governmental activities	<u><u>\$ (42,251)</u></u>
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The notes to the financial statements are an integral part of this statement.

Town of Newton Grove
General Fund - Governmental
Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual - General Fund
For the Year Ended June 30, 2020

	General Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 229,300	\$ 229,300	\$ 258,998	\$ 29,698
Unrestricted intergovernmental	168,200	168,200	248,165	79,965
Restricted intergovernmental	19,500	19,500	104,780	85,280
Sales and services	36,000	36,000	48,170	12,170
Permits and fees	500	500	2,350	1,850
Investment earnings	500	500	1,952	1,452
Miscellaneous	15,000	15,000	14,970	(30)
Total revenues	469,000	469,000	679,385	210,385
Expenditures:				
Current:				
General government	201,500	207,500	163,286	44,214
Public safety	299,100	301,100	285,769	15,331
Transportation	64,500	149,500	135,227	14,273
Environmental protection	38,200	38,200	37,654	546
Cultural and recreation	60,200	60,200	46,604	13,596
Total expenditures	663,500	756,500	668,540	87,960
Revenues over (under) expenditures	(194,500)	(287,500)	10,845	298,345
Fund balance appropriated	194,500	287,500	-	287,500
Net change in fund balance	\$ -	\$ -	10,845	\$ 10,845
Fund balances, beginning as previously reported			734,604	
Prior period adjustment			(4,716)	
Fund balances, beginning as restated			729,888	
Fund balances, ending			\$ 740,733	

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

Town of Newton Grove
Statement of Net Position
Proprietary Fund
June 30, 2020

	Water and Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 66,783
Accounts receivable (net) - billed	23,418
Accounts receivable (net) - unbilled	27,930
Due from other governments	6,361
Due from General Fund	9,186
Restricted cash and cash equivalents	23,936
Total current assets	<u>157,614</u>
Noncurrent assets:	
Capital assets:	
Capital assets not being depreciated	42,297
Other capital assets, net of depreciation	898,947
Capital assets	<u>941,244</u>
Total noncurrent assets	<u>941,244</u>
Total assets	<u><u>1,098,858</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	10,853
Total deferred outflows of resources	<u>10,853</u>
LIABILITIES	
Current liabilities:	
Accounts payable	14,636
Accrued liabilities	8,019
Accrued interest payable	1,233
Bonds payable - current portion	21,000
Payable from restricted assets:	
Customer meter deposits	23,936
Total current liabilities	<u>68,824</u>
Noncurrent liabilities:	
Compensated absences	1,400
Net pension liability	13,459
Bonds payable - noncurrent portion	242,000
Total noncurrent liabilities	<u>256,859</u>
Total liabilities	<u><u>325,683</u></u>
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	811
NET POSITION	
Net investment in capital assets	678,244
Unrestricted	104,973
Total net position	<u><u>\$ 783,217</u></u>

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

Town of Newton Grove
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2020

	Water and Sewer Fund
OPERATING REVENUES	
Charges for services	345,508
Other operating revenues	87
Total operating revenues	<u>345,595</u>
OPERATING EXPENSES	
Administration	40,208
Water treatment and distribution	131,159
Waste collection and treatment	52,390
Repairs and maintenance	154,240
Depreciation	79,476
Total operating expenses	<u>457,473</u>
Operating income (loss)	(111,878)
NONOPERATING REVENUES (EXPENSES)	
Investment Earnings	84
Component Unit (ABC Board)	2,500
Interest and other charges	(15,802)
Total Nonoperating revenues (expenses)	<u>(13,218)</u>
Change in net position	(125,096)
Total net position - beginning	913,006
Prior period adjustment, see Note IV	(4,693)
Total net position - as restated	<u>908,313</u>
Total net position - ending	<u><u>\$ 783,217</u></u>

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

Town of Newton Grove
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2020

	Water and Sewer Fund
Cash flows from (used for) operating activities:	
Cash received from customers	\$ 339,346
Cash paid for goods and services	(286,141)
Cash paid to or on behalf of employees for services	(84,261)
Customer deposits, net	(70)
Net cash provided (used) by operating activities	<u>(31,126)</u>
Cash flows from noncapital financing activities:	
Transfers from component unit	2,500
Increase in due from other funds	(9,186)
Net cash provided by noncapital financing activities	<u>(6,686)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(3,000)
Interest paid on long-term debt	(15,917)
Principal paid on long-term debt	(20,000)
Net cash used for capital and related financing activities	<u>(38,917)</u>
Cash flows from investing activities:	
Interest and dividends	84
Net cash provided by investing activities	<u>84</u>
Net increase (decrease) in cash and cash equivalents	(76,645)
Balances, beginning	<u>167,364</u>
Balances, ending	<u>\$ 90,719</u>
Reconciliation of operating loss to net cash used for operation activities:	
Operating income (loss)	\$ (111,878)
Adjustments to reconcile operating loss to net cash	
used for operating activities:	
Depreciation	79,476
(Increase) decrease in operating assets	
Accounts receivable	(6,249)
Due from other governments	2,825
Deferred outflows of resources for pensions	514
Increase (decrease) in operating liabilities	
Accounts payable	(4,827)
Accrued liabilities	8,019
Customer meter deposits	(70)
Compensated absences	421
Net pension liability	782
Deferred inflows of resources for pensions	(139)
Net cash used for operating activities	<u>\$ (31,126)</u>

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

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Town of Newton Grove

Notes to the Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Newton Grove (the "Town") 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, 203 Raleigh St., Newton Grove, North Carolina 28366.

B. Basis of Presentation

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 specific 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*

Town of Newton Grove

Notes to the Financial Statements

proprietary – are presented. The Town has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as 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 result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

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, and 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 fiduciary 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

Town of Newton Grove

Notes to the Financial Statements

and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town 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. 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 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 beer and wine 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 to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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

Town of Newton Grove

Notes to the Financial Statements

appropriations lapse at the fiscal year-end. 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 project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations more than ten percent of the appropriated funds for the department. All amendments must be approved by the governing board and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

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 may designate, as an official depository, and bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

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). As of June 30, 2021, the Town and the ABC Board do not have any investments other than simple savings accounts.

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 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

The unexpended grant funds in the General Fund are restricted to the purpose for which the grants were issued. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Cash reflected in the accompanying financial statements includes cash as follows:

Town of Newton Grove Notes to the Financial Statements

<u>Town of Newton Grove Restricted Cash</u>		
	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Governmental Activities		
Transportation	\$ 103,554	\$ 165,867
Business-type Activities		
Customer deposits	<u>25,772</u>	<u>23,936</u>
Total restricted cash	<u>\$ 129,326</u>	<u>\$ 189,803</u>

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 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2020 and 2019, for the fiscal years ending June 30, 2021 and 2020, respectively. 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

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 consumed 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 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980 and are reported at 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.

Town of Newton Grove

Notes to the Financial Statements

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 that meets this criterion, contributions made to pension deferrals. 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 - property taxes receivable, prepaid taxes 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 the 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 reporting as other financing sources. Premiums received on debt

Town of Newton Grove

Notes to the Financial Statements

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

The vacation policy of the Town provides for the accumulation of up to 10 days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time.

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

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 externally imposed either 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:

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 - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State Statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those

Town of Newton Grove

Notes to the Financial Statements

figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as non-spendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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 unexpended Powell Bill funds.

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

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.

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. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Government 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's employer contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

13. Estimates

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

Town of Newton Grove

Notes to the Financial Statements

II. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town'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 or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provision of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021 and 2020, the Town's deposits had carrying amounts of \$732,080 and \$837,577, and bank balances of \$757,938 and \$844,955, respectively. Of the bank balances, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amounts of deposits for the ABC Board was \$123,433 and \$115,164 and the bank balances were \$174,039 and \$161,883, respectively. All of the ABC Board's bank balance was covered by federal depository insurance. At June 30, 2021 and 2020, the Town's petty cash fund totaled \$200.

Town of Newton Grove

Notes to the Financial Statements

2. Receivables – Allowance for Doubtful Accounts

Receivables at the government-wide level at June 30, 2021, were as follows:

	Accounts	Taxes and Related Accrued Interest	Due from Other Governments	Ending Balances
<i>Governmental Activities:</i>				
General	\$ 4,577	\$ 22,767	\$ 49,720	\$ 77,064
Allowance for Doubtful Accounts	(900)	-	-	(900)
Total Governmental Activities	<u>\$ 3,677</u>	<u>\$ 22,767</u>	<u>\$ 49,720</u>	<u>\$ 76,164</u>
<i>Business-type Activities:</i>				
Water and Sewer	\$ 62,972	\$ -	\$ 6,509	\$ 69,481
Allowance for Doubtful Accounts	(5,000)	-	-	(5,000)
Total Business-type Activities	<u>\$ 57,972</u>	<u>\$ -</u>	<u>\$ 6,509</u>	<u>\$ 64,481</u>

The due from other governments that is owed to the Town consisted of the following at June 30, 2021

<i>Governmental Activities:</i>	
Local Option Sales Tax	\$ 32,163
County and State Sales Tax	3,377
Franchise Tax	11,680
Due from FEMA	2,500
Total Governmental Activities	<u>\$ 49,720</u>
<i>Business-type Activities</i>	
County and State Sales Tax	<u>\$ 6,509</u>

Receivables at the government-wide level at June 30, 2020, were as follows:

	Accounts	Taxes and Related Accrued Interest	Due from Other Governments	Ending Balances
<i>Governmental Activities:</i>				
General	\$ 4,296	\$ 19,545	\$ 41,090	\$ 64,931
Allowance for Doubtful Accounts	(900)	-	-	(900)
Total Governmental Activities	<u>\$ 3,396</u>	<u>\$ 19,545</u>	<u>\$ 41,090</u>	<u>\$ 64,031</u>
<i>Business-type Activities:</i>				
Water and Sewer	\$ 56,348	\$ -	\$ 6,361	\$ 62,709
Allowance for Doubtful Accounts	(5,000)	-	-	(5,000)
Total Business-type Activities	<u>\$ 51,348</u>	<u>\$ -</u>	<u>\$ 6,361</u>	<u>\$ 57,709</u>

The due from other governments that is owed to the Town consisted of the following at June 30, 2020

<i>Governmental Activities:</i>	
Local Option Sales Tax	\$ 26,968
County and State Sales Tax	2,933
Franchise Tax	11,189
ABC Board	-
Total Governmental Activities	<u>\$ 41,090</u>
<i>Business-type Activities</i>	
County and State Sales Tax	<u>\$ 6,361</u>

Town of Newton Grove

Notes to the Financial Statements

3. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2021 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 158,169	\$ -	\$ -	\$ 158,169
Capital assets being depreciated:				
Buildings	355,405	-	-	355,405
Equipment	200,179	17,897	-	218,076
Vehicles	118,175	31,525	23,800	125,900
Total capital assets being depreciated	673,759	49,422	23,800	699,381
Less Accumulated depreciation:				
Buildings	337,791	2,934	-	340,725
Equipment	112,528	25,361	-	137,889
Vehicles	83,634	495	8,132	75,997
Total accumulated depreciation	533,953	\$ 28,790	\$ 8,132	554,611
Total capital assets being depreciated, net	139,806			144,770
Total capital assets, net	\$ 297,975			\$ 302,939

	Beginning Balance	Increases	Decreases	Ending Balance
Water and Sewer Fund:				
Capital assets not being depreciated:				
Building Deposit	\$ -	\$ 994	\$ -	\$ 994
Land	42,297	-	-	42,297
Total capital assets not being depreciated	42,297	994	-	43,291
Capital assets being depreciated:				
Plant and distribution system	3,343,543	-	-	3,343,543
Furniture and maintenance equipment	31,585	13,207	-	44,792
Vehicles	46,700	29,000	-	75,700
Total capital assets being depreciated	3,421,828	42,207	-	3,464,035
Less Accumulated depreciation:				
Plant and distribution system	2,452,554	71,855	-	2,524,409
Furniture and maintenance equipment	24,182	1,513	-	25,695
Vehicles	46,145	3,214	-	49,359
Total accumulated depreciation	2,522,881	\$ 76,582	\$ -	2,599,463
Total capital assets being depreciated, net	898,947			864,572
Water Fund capital assets, net	\$ 941,244			\$ 907,863

Town of Newton Grove

Notes to the Financial Statements

Depreciation expense was charged to functions/programs of the primary government for the fiscal year ended June 30, 2021 as follows:

General government	\$ 1,910
Public safety	16,211
Transportation	265
Cultural and recreational	10,404
Total depreciation expense	<u>\$ 28,790</u>

Capital assets activity for the fiscal year ended June 30, 2020 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 158,169	\$ -	\$ -	\$ 158,169
Capital assets being depreciated:				
Buildings	355,405	-	-	355,405
Equipment	196,737	11,597	8,155	200,179
Vehicles	133,224	-	15,049	118,175
Total capital assets being depreciated	<u>685,366</u>	<u>11,597</u>	<u>23,204</u>	<u>673,759</u>
Less Accumulated depreciation:				
Buildings	334,857	2,934	-	337,791
Equipment	111,805	8,878	8,155	112,528
Vehicles	84,748	13,935	15,049	83,634
Total accumulated depreciation	<u>531,410</u>	<u>\$ 25,747</u>	<u>\$ 23,204</u>	<u>533,953</u>
Total capital assets being depreciated, net	<u>153,956</u>			<u>139,806</u>
Total capital assets, net	<u>\$ 312,125</u>			<u>\$ 297,975</u>

Town of Newton Grove

Notes to the Financial Statements

	Beginning Balance	Increases	Decreases	Ending Balance
Water and Sewer Fund:				
Capital assets not being depreciated:				
Land	\$ 42,297	\$ -	\$ -	\$ 42,297
Capital assets being depreciated:				
Plant and distribution system	\$ 3,343,543	\$ -	\$ -	\$ 3,343,543
Furniture and maint equipment	28,585	3,000	-	31,585
Vehicles	46,700	-	-	46,700
Total capital assets being depreciated	3,418,828	3,000	-	3,421,828
Less Accumulated depreciation:				
Plant and distribution system	2,380,593	71,961	-	2,452,554
Furniture and maint equipment	23,323	859	-	24,182
Vehicles	39,487	6,658	-	46,145
Total accumulated depreciation	2,443,403	\$ 79,478	\$ -	2,522,881
Total capital assets being depreciated, net	975,425			898,947
Water Fund capital assets, net	\$ 1,017,722			\$ 941,244

Depreciation expense was charged to functions/programs of the primary government for the fiscal year ended June 30, 2020 as follows:

General government	\$ 1,673
Public safety	13,405
Transportation	265
Cultural and recreational	10,404
Total depreciation expense	\$ 25,747

Discretely Presented Component Unit

Activity for the ABC Board for the year ended June 30, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Machinery and Equipment	\$ 67,204	\$ 15,168	\$ -	\$ 82,372
Buildings & Improvements	51,825	-	-	51,825
Land	5,000	-	-	5,000
Total	124,029	15,168	-	139,197
Less: Accumulated depreciation	(112,098)	(7,468)	-	(119,566)
Capital Asset, net	\$ 11,931	\$ 7,700	\$ -	\$ 19,631

Town of Newton Grove

Notes to the Financial Statements

Activity for the ABC Board for the year ended June 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Machinery and Equipment	\$ 67,204	\$ -	\$ -	\$ 67,204
Buildings & Improvements	51,825	-	-	51,825
Land	5,000	-	-	5,000
Total	124,029	-	-	124,029
Less: Accumulated depreciation	(106,213)	(5,885)	-	(112,098)
Capital Asset, net	\$ 17,816	\$ (5,885)	\$ -	\$ 11,931

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town 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 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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919)981-5454, 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 is calculated as the average of a 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. Survivors 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 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.

Town of Newton Grove

Notes to the Financial Statements

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 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's contractually required contribution rate for the year ended June 30, 2021 and 2020, was 9.70% for law enforcement officers and 8.95% for general employees, 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 were \$25,776 and \$20,277 for the year ended June 30, 2021 and 2020, respectively.

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 income, and Deferred Outflows of Resources and Deferred inflows of Resources Related to Pensions

At June 30, 2021 and 2020, respectively, the Town reported a liability of \$104,344 and \$86,570, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability 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, 2020 (measurement date), the Town's proportion was .00317%, which was an increase of .00310% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$35,760. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

Town of Newton Grove

Notes to the Financial Statements

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,177	\$ -
Changes in assumption	7,765	-
Net difference between projected and actual earnings on pension plan investments	14,684	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	4,113	3,530
Town contributions subsequent to measurement date	25,776	-
Total	<u>\$ 65,515</u>	<u>\$ 3,530</u>

For the year ended June 30, 2020, the Town recognized pension expense of \$39,529. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,823	\$ -
Changes in assumption	14,110	-
Net difference between projected and actual earnings on pension plan investments	2,112	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	6,066	3,192
Town contributions subsequent to measurement date	20,277	-
Total	<u>\$ 57,388</u>	<u>\$ 3,192</u>

For fiscal year ended June 30, 2021, \$25,766 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	
2022	\$ 9,935
2023	14,597
2024	7,331
2025	4,346
2026	-
Thereafter	-
	<u>\$ 36,209</u>

Town of Newton Grove

Notes to the Financial Statements

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 to 8.1 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

The plan actuary 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, 2019 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 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, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternative	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100.0%	

Town of Newton Grove Notes to the Financial Statements

The information above is based on 30 years expectations developed with the consulting actuary for the 2019 asset, liability, and investment policy study of the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic 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 benefits 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 percentage point higher (8.0 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of net pension liability (asset)	\$ 211,703	\$ 104,344	\$ 15,121

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report 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 at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 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.

Town of Newton Grove Notes to the Financial Statements

All full-time Town law enforcement officers are covered by the Separation Allowance. At December 31, 2019, the Separation Allowance's membership consisted of:

Retirees receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	3
Total	<u>3</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 criteria which are outlined in GASB Statement 73.

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 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, 2019.

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 amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The 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 \$0 as benefits came due for the reporting period.

Town of Newton Grove

Notes to the Financial Statements

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

At June 30, 2021, the Town reported a total pension liability of \$93,728. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$8,391.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,501	\$ 15,350
Changes in assumption	25,457	2,206
Town contributions subsequent to measurement date	326	-
Total	<u>\$ 31,284</u>	<u>\$ 17,556</u>

At June 30, 2020, the Town reported a total pension liability of \$73,571. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$5,771.

	of Resources	of Resources
Differences between expected and actual experience	\$ 6,799	\$ 6,607
Changes in assumption	4,370	2,926
Town contributions subsequent to measurement date	326	-
Total	<u>\$ 11,495</u>	<u>\$ 9,533</u>

\$326 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	
2022	\$ 1,748
2023	1,748
2024	2,216
2025	3,162
2026	2,768
Thereafter	1,760
	<u>\$ 13,402</u>

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 1.93 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 (.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

Town of Newton Grove

Notes to the Financial Statements

	1% Decrease (.93%)	Current Discount Rate (1.93%)	1% Increase (2.93%)
Town's proportionate share of net pension liability (asset)	\$ 103,102	\$ 93,728	\$ 85,109

	June 30, 2021	June 30, 2020
Beginning balance	\$ 73,571	\$ 60,068
Service Cost	4,245	3,470
Interest on the total pension liability	2,398	2,186
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(12,275)	5,291
Changes of assumptions or other inputs	25,789	2,556
Benefit payments	-	-
Other changes	-	-
Ending balance of the total pension liability	<u>\$ 93,728</u>	<u>\$ 73,571</u>

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.

The actuarial assumptions used in the December 31, 2020 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 at June 30, 2021:

Town of Newton Grove

Notes to the Financial Statements

	LGERS	LEOSSA	Total
Pension Expense	\$ 35,760	\$ 8,391	\$ 44,151
Pension Liability	104,344	93,728	198,072
Proportionate share of the net pension liability	0.00292%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	13,177	5,501	18,678
Changes of assumptions	7,765	25,457	33,222
Net difference between projected and actual earnings on plan investments	14,684	-	14,684
Changes in proportion and differences between contributions and proportionate share of contributions	4,113	-	4,113
Benefit payments and administrative costs paid subsequent to the measurement date	25,776	326	26,102
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	15,350	15,350
Changes of assumptions	-	2,206	2,206
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	3,530	-	3,530

Following is information related to the proportionate share and pension expense for all pension plans at June 30, 2020:

	LGERS	LEOSSA	Total
Pension Expense	\$ 39,529	\$ 5,445	\$ 44,974
Pension Liability	86,570	73,571	160,141
Proportionate share of the net pension liability	0.00317%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	14,823	6,799	21,622
Changes of assumptions	14,110	4,370	18,480
Net difference between projected and actual earnings on plan investments	2,112	-	2,112
Changes in proportion and differences between contributions and proportionate share of contributions	6,066	-	6,066
Benefit payments and administrative costs paid subsequent to the measurement date	20,277	326	20,603
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	6,607	6,607
Changes of assumptions	-	2,926	2,926
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	3,192	-	3,192

Town of Newton Grove

Notes to the Financial Statements

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the plan.

The Town made contributions of \$6,233 and \$5,587 for the year's ending June 30, 2021 and 2020, respectively. No amounts were forfeited.

d. 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.

e. Other Post-Employment Benefit

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit will not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the 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

Town of Newton Grove Notes to the Financial Statements

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

Deferred outflows of resources on the Statement of Net Position is comprised of the following:

Source	Amount at June 30, 2021	Amount at June 30, 2020
Contributions to pension plan in current fiscal year	\$ 26,102	\$ 20,603
Differences between expected and actual experience	18,678	21,622
Changes in assumptions	33,222	18,480
Net difference between projected and actual	14,684	2,112
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,113	6,066
Total	<u>\$ 96,799</u>	<u>\$ 68,883</u>

Deferred inflows of resources at June 30, 2021 comprised of the following:

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable (General Fund)	\$ -	\$ 15,692
Prepaid taxes (General Fund)	1,221	1,221
Differences between expected and actual experience	15,350	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,206	-
	3,530	-
Total	<u>22,307</u>	<u>16,913</u>

Deferred inflows of resources at June 30, 2020 comprised of the following:

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable (General Fund)	\$ -	\$ 13,091
Prepaid taxes (General Fund)	672	672
Differences between expected and actual experience	6,607	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,926	-
	3,192	-
Total	<u>13,397</u>	<u>13,763</u>

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 of insurance

Town of Newton Grove

Notes to the Financial Statements

values of the property policy, workers' compensation coverage up to the 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 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.

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 – Business-type Activities

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, 2021 are comprised of the following individual issues:

\$547,000 Sewer System bonds issued on August 17, 1992; due in annual installments of \$22,000 principal plus interest at 5.625% through June 1, 2032. The amount outstanding at June 30, 2021 is \$242,000 and the amount outstanding at June 30, 2020 is \$263,000.

At June 30, 2021, the Town had a legal debt margin of approximately \$4,944,437.

Town of Newton Grove

Notes to the Financial Statements

The future minimum payments of the installment purchase as of June 30, 2021 are as follows:

Year Ending June 30	Business-type activities		
	Principal	Interest	Total
2022	\$ 22,000	\$ 13,613	\$ 35,613
2023	22,000	12,375	34,375
2024	22,000	11,138	33,138
2025	22,000	9,900	31,900
2026	22,000	8,663	30,663
2027-2031	110,000	24,750	134,750
2032	22,000	1,238	23,238
Total	<u>\$ 242,000</u>	<u>\$ 81,677</u>	<u>\$ 323,677</u>

b. Changes in long-term liabilities

Changes in long-term liabilities for the year ending June 30, 2021 were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion of Balances
<i>Governmental Activities:</i>					
Compensated absences	\$ 14,736	\$ 4,679	\$ -	\$ 19,415	\$ -
Net pension liability	146,682	36,865	-	183,547	-
Total Governmental Activities	<u>\$ 161,418</u>	<u>\$ 41,544</u>	<u>\$ -</u>	<u>\$ 202,962</u>	<u>\$ -</u>
<i>Business-type Activities:</i>					
General obligation bond	\$ 263,000	\$ -	\$ 21,000	\$ 242,000	\$ 22,000
Compensated absences	1,400	-	54	1,346	-
Net pension liability	13,459	1,066	-	14,525	-
Total Business-type Activities	<u>\$ 277,859</u>	<u>\$ 1,066</u>	<u>\$ 21,054</u>	<u>\$ 257,871</u>	<u>\$ 22,000</u>

Changes in long-term liabilities for the year ending June 30, 2020 were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion of Balances
<i>Governmental Activities:</i>					
Compensated absences	\$ 11,200	\$ 3,536	\$ -	\$ 14,736	\$ -
Net pension liability	120,934	25,748	-	146,682	-
Total Governmental Activities	<u>\$ 132,134</u>	<u>\$ 29,284</u>	<u>\$ -</u>	<u>\$ 161,418</u>	<u>\$ -</u>
<i>Business-type Activities:</i>					
General obligation bond	\$ 283,000	\$ -	\$ 20,000	\$ 263,000	\$ 21,000
Compensated absences	979	421	-	1,400	-
Net pension liability	12,677	782	-	13,459	-
Total Business-type Activities	<u>\$ 296,656</u>	<u>\$ 1,203</u>	<u>\$ 20,000</u>	<u>\$ 277,859</u>	<u>\$ 21,000</u>

Town of Newton Grove

Notes to the Financial Statements

C. Net Investment in Capital Assets

Net investment in Capital Assets for the year June 30, 2021 was as follows:

	Governmental Activities	Business-type Activities
Capital Assets	\$ 302,939	\$ 907,863
Less: Long-term debt	-	242,000
Net investment in capital assets	<u>\$ 302,939</u>	<u>\$ 665,863</u>

Net investment in Capital Assets for the year June 30, 2020 was as follows:

	Governmental Activities	Business-type Activities
Capital Assets	\$ 297,975	\$ 941,244
Less: Long-term debt	-	263,000
Net investment in capital assets	<u>\$ 297,975</u>	<u>\$ 678,244</u>

D. Fund Balance

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

	June 30, 2021	June 30, 2020
Total fund balance - General Fund	\$ 724,672	\$ 740,733
Less:		
Stabilization by State Statute	59,545	49,212
Streets - Powell Bill	103,554	165,867
Remaining Fund Balance	<u>\$ 561,573</u>	<u>\$ 525,654</u>

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.

Town of Newton Grove

Notes to the Financial Statements

IV. – RESTATEMENTS

A. Fund Level - During the fiscal year ended June 30, 2020, the Town determined the fund balance of the General Fund needed restatements as follows:

Restatements:	
Increase in cash	\$ 117
Increase in due from other governments	2,700
Increase in accounts receivable	1,201
Decrease in deferred property taxes	1,401
Increase in accounts payable	(8,945)
Increase in accrued liabilities	(1,190)
Total Restatement - General Fund	<u>\$ (4,716)</u>

B. Government-Wide - During the fiscal year ended June 30, 2020, the Town determined the net position of the Governmental Activities needed restatements as follows:

Restatements:	
Increase in cash	\$ 117
Increase in due from other governments	2,700
Increase in accounts receivable	1,201
Decrease in interest receivable	(1,160)
Increase in fixed assets	12,342
Increase in accounts payable	(8,945)
Increase in accrued liabilities	(1,190)
Increase in compensated absences	(11,200)
Total Restatement - General Fund	<u>\$ (6,135)</u>

C. Business-Type – During the fiscal year ended June 30, 2020, the Town determined the net position of the Water and Sewer Fund and the Business-type Activities needed restatements as follows:

Restatements:	
Increase in cash and cash equivalents	\$ (874)
Decrease in accrued interest	1,630
Increase in due from other governments	9,186
Decrease in accounts receivable	(8,705)
Increase in accounts payable	(5,208)
Decrease in accrued liabilities	257
Increase in compensated absences	(979)
Total Restatement - General Fund	<u>\$ (4,693)</u>

Town of Newton Grove

Notes to the Financial Statements

V. – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 11, 2022, the date on which the financial statements were available to be issued. Significant subsequent events are noted below:

COVID 19

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of various businesses. During the fiscal year ending June 30, 2020, the Governor of North Carolina issued executive order 124/142. The order prohibited utility providers from disconnecting customers unable to pay during the COVID-19 pandemic and from collecting fees, penalties, or interest for late payments. The order expired at 11:59 p.m. on July 29, 2020. The order gave customers at least six months to pay outstanding bills. Some water and sewer customers are still in arrears; however, the amount is immaterial to these statements. As of March, 2021, the outbreak has subsided and no additional executive orders are expected.

Property Tax Administration

The Town of Newton Grove has approved a contract with Sampson County to administer the billing and collection of its property taxes to improve the effectiveness of property tax administration and reduce the workload of Town staff. The change will be effective with the fiscal year ending June 30, 2023.

ARP Funds

The Town of Newton Grove has been awarded \$170,000 in ARP funds for the coming fiscal year. These funds will be passed through Sampson County.

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Required Supplementary Information

Schedule of the Proportionate Share of the Net Pension Liability (Asset)
Local Government Employees' Retirement System

Schedule of Contributions
Local Government Employees' Retirement System

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

Schedule of Total Pension Liability as a Percentage of Covered Payroll

Town of Newton Grove
Schedule of the Town's Proportionate Share of the Net Pension Liability (Asset)
 Local Governmental Employees' Retirement System
 Last Eight Fiscal Years *

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Town's proportion of the net pension liability (asset) %	0.00292%	0.00317%	0.00310%
Town's proportionate share of the net pension liability (asset) \$	\$ 104,344	\$ 86,570	\$ 73,543
Town's covered employee payroll	\$ 247,003	\$ 217,622	\$ 212,130
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	42.24%	39.78%	34.67%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%

* 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.

Note: Town implemented GASB Statement No. 68 for the fiscal year ended June 30, 2015; therefore, ten years of data is not yet available.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.00228%	0.00320%	0.00374%	-0.00336%	-410.00000%
\$ 34,832	\$ 67,915	\$ 16,785	\$ (19,815)	\$ 49,421
\$ 151,759	\$ 204,453	\$ 227,092	\$ 124,901	\$ 124,901
22.95%	33.22%	7.39%	-15.86%	39.57%
98.09%	99.07%	102.64%	94.35%	96.45%

Town of Newton Grove
Schedule of Town Contributions
Local Governmental Employees' Retirement System
Last Eight Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 25,776	\$ 20,277	\$ 17,242
Contributions in relation to the contractually required contribution	<u>25,776</u>	<u>20,277</u>	<u>17,242</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 247,003	\$ 217,622	\$ 211,083
Contributions as a percentage of covered-employee payroll	10.44%	9.32%	8.17%

Note: Town implemented GASB Statement No. 68 for the fiscal year ended June 30, 2015; therefore, ten years of data is not yet available.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 17,171	\$ 11,960	\$ 14,148	\$ 16,553	\$ 9,253
<u>17,171</u>	<u>11,960</u>	<u>14,148</u>	<u>16,553</u>	<u>9,253</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 151,759	\$ 151,759	\$ 204,453	\$ 227,092	\$ 124,901
11.31%	7.88%	6.92%	7.29%	7.41%

Town of Newton Grove
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2021

	2021	2020	2019
Beginning balance	\$ 73,571	\$ 60,068	\$ 55,230
Service Cost	4,245	3,470	2,703
Interest on the total pension liability	2,398	2,186	1,745
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(12,275)	5,291	3,313
Changes of assumptions or other inputs	25,789	2,556	(2,923)
Benefit payments	-	-	-
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 93,728</u>	<u>\$ 73,571</u>	<u>\$ 60,068</u>

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

2018		2017	
\$	58,690	\$	55,332
	2,199		3,372
	2,265		1,975
	-		-
	(11,866)		-
	3,942		(1,989)
	-		-
	-		-
\$	55,230	\$	58,690

Town of Newton Grove
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2021

	2021	2020	2019
Total pension liability	\$ 93,728	\$ 73,571	\$ 60,068
Covered payroll	131,298	135,720	90,518
Total pension liability as a percentage of covered payroll	71.39%	54.21%	66.36%

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.

2018	2017
\$ 55,230	\$ 58,690
109,114	126,571
50.62%	46.37%

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**Town of Newton Grove
General Fund - Governmental
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Current year		\$ 235,986	
Penalties and interest		1,478	
Total	\$ 210,500	237,464	\$ 26,964
Other taxes and licenses:			
Vehicle taxes		25,103	
Other taxes and licenses		2,901	
Total	18,800	28,004	9,204
Total Taxes	229,300	265,468	36,168
Unrestricted intergovernmental:			
Local option sales taxes		185,306	
State franchise tax		53,210	
ABC profit distribution		12,500	
Beer and wine tax		2,356	
Solid waste disposal tax		420	
Total	168,200	253,792	85,592
Restricted intergovernmental:			
Grant proceeds		48,641	
Powell Bill allocation		17,851	
Total	122,391	66,492	(55,899)
Sales and services:			
Fire Inspections		750	
Special events		4,625	
Sanitation fees		40,948	
Total	41,800	46,323	4,523
Permits and fees	500	1,700	1,200
Investment earnings	500	1,188	688
Other Revenues:			
Insurance proceeds		40,686	
Miscellaneous		10,901	
Total	-	51,587	51,587
Total revenues	\$ 562,691	\$ 686,550	\$ 123,859

**Town of Newton Grove
General Fund - Governmental
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021**

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General government:			
Salaries and employee benefits		\$ 104,090	
Professional services		5,620	
Other operating expenditures		57,346	
Capital Outlay		9,422	
Total general government	\$ 292,591	176,478	\$ 116,113
Public safety:			
Police:			
Salaries and employee benefits		188,317	
Other operating expenditures		52,821	
Capital Outlay		40,000	
	353,700	281,138	72,562
Fire:			
Other operating expenditures	46,500	45,859	641
Rescue Units:			
Assistance to local rescue units	1,000	-	1,000
Total public safety	401,200	326,997	74,203
Transportation:			
Streets			
Street Lights		16,429	
Streets and Highways		15,295	
Total	29,500	31,724	(2,224)
Powell Bill	86,000	80,360	5,640
Total Transportation	115,500	112,084	3,416
Environmental protection:			
Sanitation - Contracted services		38,324	
Total environmental protection	38,200	38,324	(124)
Culture and recreation:			
Parks and recreation:			
Contracted services		9,600	
Other operating expenditures		15,733	
Total	\$ 25,600	\$ 25,333	\$ 267

Town of Newton Grove
General Fund - Governmental
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Libraries:			
Other operating expenditures	\$ 11,600	\$ 8,762	\$ 2,838
Beautification			
Other operating expenditures	8,000	8,531	(531)
Special events:			
4th of July		2,157	
Christmas Parade		934	
Circle of Lights		3,011	
Total	8,000	6,102	1,898
Total culture and recreation	53,200	48,728	4,472
Total expenditures	900,691	702,611	198,080
Revenues over (under) expenditures	(338,000)	(16,061)	321,939
Fund balance appropriated	338,000	-	(338,000)
Net change in fund balance	<u>\$ -</u>	(16,061)	<u>\$ (16,061)</u>
Fund balances, beginning as previously reported		740,733	
Fund balances, ending		<u>\$ 724,672</u>	

Town of Newton Grove
Water and Sewer Fund - Enterprise Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Water and Sewer Sales		\$ 366,857	
Penalties for late collections		6,076	
Other operating revenue		1,797	
Total operating revenues	\$ 330,200	374,730	\$ 44,530
Nonoperating revenues:			
Interest	800	789	(11)
Total revenues	331,000	375,519	44,519
Expenditures:			
Administration:			
Salaries and employee benefits		30,730	
Other operating expenses		17,393	
Total Administration	158,700	48,123	110,577
Water operations			
Salaries and employee benefits		75,055	
Repairs and Maintenance		122,223	
Purchased Water		45,454	
Other operating expenses		57,300	
Debt Service		35,695	
Capital Outlay		43,201	
Total	452,800	378,928	73,872
Total expenditures	611,500	427,051	184,449
Revenues over expenditures	\$ (280,500)	\$ (51,532)	\$ 228,968

Town of Newton Grove
Water and Sewer Fund - Enterprise Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Other financing sources (uses):			
Fund balance appropriated	\$ 280,500	\$ -	\$ (280,500)
Total other financing sources (uses)	<u>280,500</u>	<u>-</u>	<u>(280,500)</u>
Revenues over expenditures and other financing sources (uses)	\$ <u>\$ -</u>	(51,532)	\$ <u>\$ (51,532)</u>

**Reconciliation from budgetary basis
(modified accrual) to full accrual:**

Reconciling items:

Decrease in compensated absences	54
Increase in net pension liability	(1,066)
Increase in deferred outflows of resources - pensions	488
Decrease in deferred inflows of resources - pensions	(20)
Capital outlays	43,201
Depreciation	(76,582)
Principal retirement	21,000
Total	<u>(12,925)</u>
Change in net position	\$ <u>\$ (64,457)</u>

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**Town of Newton Grove
General Fund - Governmental
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Taxes			
Ad valorem taxes:			
Current year	\$	\$ 232,201	\$
Penalties and interest		1,275	
Total	\$ 210,500	233,476	\$ 22,976
Other taxes and licenses:			
Vehicle taxes		24,196	
Other taxes and licenses		1,326	
Total	18,800	25,522	6,722
Total Taxes	229,300	258,998	29,698
Unrestricted intergovernmental:			
Local option sales taxes		164,656	
State franchise tax		53,340	
ABC profit distribution		27,304	
Beer and wine tax		2,434	
Solid waste disposal tax		431	
Total	168,200	248,165	79,965
Restricted intergovernmental:			
Grant proceeds		85,682	
Powell Bill allocation		19,098	
Total	19,500	104,780	85,280
Sales and services:			
Fire inspections		325	
Special events		11,831	
Sanitation fees		36,014	
Total	36,000	48,170	12,170
Permits and fees	500	2,350	1,850
Investment earnings	500	1,952	1,452
Other Revenues:			
Insurance proceeds	-	8,302	
Miscellaneous	15,000	6,668	
Total	15,000	14,970	(30)
Total revenues	469,000	679,385	210,385

**Town of Newton Grove
General Fund - Governmental
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020**

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General government:			
Salaries and employee benefits		78,405	
Professional services		8,798	
Other operating expenditures		64,486	
Capital Outlay		11,597	
Total general government	207,500	163,286	44,214
Public safety:			
Police:			
Salaries and employee benefits		200,598	
Other operating expenditures		37,817	
	253,100	238,415	14,685
Fire:			
Other operating expenditures	47,000	46,354	646
Rescue Units:			
Assistance to local rescue units	1,000	1,000	-
Total public safety	301,100	285,769	15,331
Transportation:			
Streets			
Street Lights		16,983	
Streets and Highways		93,753	
Total	108,500	110,736	(2,236)
Powell Bill	41,000	24,491	16,509
Total Transportation	149,500	135,227	14,273
Environmental protection:			
Sanitation - Contracted services		37,654	
Total environmental protection	38,200	37,654	546
Culture and recreation:			
Parks and recreation:			
Contracted services		9,600	
Other operating expenditures		18,110	
Total	30,600	27,710	2,890

Town of Newton Grove
General Fund - Governmental
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Libraries:			
Other operating expenditures	11,600	10,230	1,370
Beautification			
Other operating expenditures	3,000	1,329	1,671
Special events:			
4th of July		1,765	
Christmas Parade		3,855	
Circle of Lights		1,715	
Total	15,000	7,335	7,665
Total culture and recreation	60,200	46,604	13,596
Total expenditures	756,500	668,540	87,960
Revenues over (under) expenditures	(287,500)	10,845	298,345
Fund balance appropriated	287,500	-	(287,500)
Net change in fund balance	\$ -	10,845	\$ 10,845
Fund balances, beginning as previously reported		739,320	
Prior period adjustment		(4,716)	
Fund balances, beginning as restated		734,604	
Fund balances, ending		\$ 745,449	

**Town of Newton Grove
Water and Sewer Fund - Enterprise
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2020**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Water and Sewer Sales	325,500	\$ 344,470	\$ 18,970
Penalties for late collections	2,000	1,038	(962)
Other operating revenue	2,700	2,587	(113)
Total operating revenues	330,200	348,095	17,895
Nonoperating revenues:			
Interest	800	84	(716)
Total revenues	331,000	348,179	17,179
Expenditures:			
Administration:			
Salaries and employee benefits		16,500	
Other operating expenses		22,103	
Total Administration	147,000	38,603	108,397
Water operations			
Salaries and employee benefits		76,815	
Repairs and Maintenance		154,240	
Purchased Water		45,000	
Other operating expenses		61,761	
Debt Service		35,802	
Capital Outlay		3,000	
Total	332,600	376,618	(44,018)
Total expenditures	479,600	415,221	64,379
Revenues over expenditures	(148,600)	(67,042)	81,558

**Town of Newton Grove
Water and Sewer Fund - Enterprise
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing sources (uses):			
Fund balance appropriated	\$ 148,600	\$ -	\$ (148,600)
Total other financing sources (uses)	<u>148,600</u>	<u>-</u>	<u>(148,600)</u>
Revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	(67,042)	<u>\$ (67,042)</u>

**Reconciliation from budgetary basis
(modified accrual) to full accrual:**

Reconciling items:

Decrease in compensated absences	(421)
Decrease in net pension liability	(782)
Increase in deferred outflows of resources - pensions	(514)
Increase in deferred inflows of resources - pensions	139
Capital outlays	3,000
Depreciation	(79,476)
Principal retirement	20,000
Total	<u>(58,054)</u>
Change in net position	<u>\$ (125,096)</u>

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Other Schedules

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy - Town-wide Levy

Town of Newton Grove
Schedule of Ad Valorem Taxes Receivable
June 30, 2021

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021	\$ -	\$ 260,782 (a)	\$ 253,816 (b)	\$ 6,966 (c)
2019-2020	6,836	-	2,236	4,600
2018-2019	3,704	-	974	2,730
2017-2018	2,717	-	792	1,925
2016-2017	1,822	-	329	1,493
2015-2016	193	-	156	37
2014-2015	37	-	-	37
2013-2014	75	-	-	75
	<u>\$ 15,384</u>	<u>\$ 260,782</u>	<u>\$ 258,303 (d)</u>	<u>17,863</u>
Ad valorem taxes receivable - net				<u>\$ 17,863</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				\$ 265,468
Reconciling items:				
Interest collected				(1,478)
Releases and adjustments				(5,692)
Discounts allowed				2,906
Other related axes				(2,901)
Subtotal				<u>(7,165)</u>
Total collections and credits				<u>\$ 258,303 (d)</u>

Effective for the 2022-2023 fiscal year, the Town will turn over property tax administration to Sampson County.

**Town of Newton Grove
Analysis of Current Tax Levy
Town - Wide Levy
June 30, 2021**

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 68,626,842	0.38	\$ 260,782	\$ 234,861	\$ 25,921
Total property valuation	<u>\$ 68,626,842</u>				
Net levy			260,782 (a)	234,861	25,921
Unpaid (by taxpayer) taxes at June 30, 2021			<u>(6,966) (c)</u>	<u>(6,816)</u>	<u>(150)</u>
Current year's taxes collected			<u>\$ 253,816 (b)</u>	<u>\$ 228,045</u>	<u>\$ 25,771</u>
Current levy collection percentage			<u>97.33%</u>	<u>97.10%</u>	<u>99.42%</u>

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NUNN, BRASHEAR & UZZELL, P.A.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
1106 PARKWAY DRIVE
P.O. BOX 10127
GOLDSBORO, NORTH CAROLINA 27532-0127

PAUL L. NUNN, CPA, CFP
HAROLD D. BRASHEAR, CPA
DIANNE L. UZZELL, CPA

TEL: (919) 778-1000
FAX: (919) 751-1782
E-Mail: NBCo@NBCo.com

ALBERT S. WHITFIELD, CPA
DANNA J. LAYNE, CPA, CFE
MARJORIE C. FICKLING, CPA
J.R. SABATELLI, CPA

Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Newton Grove, North Carolina, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Town of Newton Grove's basic financial statements, and have issued our report thereon dated March 11, 2022. Our report includes a reference to other auditors who audited the financial statements of the Town of Newton Grove ABC Board, as described in our report on the Town of Newton Grove's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Town of Newton Grove ABC Board were not audited in accordance with *Governement Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Newton Grove's internal control over financial reporting (internal control) as a basis for determining audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Newton Grove's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Newton Grove's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 that we consider to be significant deficiencies.

Compliance and Other Matters

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

Town of Newton Grove, North Carolina's Response to Findings

The Town of Newton Grove's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town of Newton Grove's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Nunn, Brashear, & Uzzell, P.A.

Goldsboro, North Carolina
March 11, 2022

Town of Newton Grove
Schedule of Findings and Questioned Costs
For the Fiscal Years Ended June 30, 2021 and 2020

I. Summary of Auditors' Results

Financial Statement

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

Internal control over financial reporting:

Material weakness identified?	Yes	X	No
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Significant deficiency identified that is not considered to be a material weakness?	X	Yes	No

Noncompliance material to financial statements noted	Yes	X	No
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Federal Awards

None

State Awards

None

Town of Newton Grove
Schedule of Findings and Questioned Costs
For the Fiscal Years Ended June 30, 2021 and 2020

II. Financial Statement Findings

Finding 2021-001 Segregation of Duties

Criteria: The assignment of responsibilities should be segregated so that one person is not responsible for the authorization and recording of a transaction and the custody of the related asset. There needs to be a reconciliation or control activity to provide reasonable assurance that transactions are handled appropriately.

Condition: Key duties and functions are not segregated among Town personnel. This is especially a concern in the cash management, account receivable, purchasing, and payroll functions.

Effect: Transactions could be mishandled, due to errors or fraud that could lead to loss of assets or the reporting of misleading financial information.

Cause: There are a limited number of personnel for certain functions and lack of board oversight.

Recommendation: The duties should be separated as much as possible, by possibly training and utilizing non-financial personnel and utilizing alternative controls. The governing board should provide some of these controls.

Views of responsible officials and planned corrective actions: The Town agrees with this finding and will take appropriate action to segregate duties to the amount economically feasible.

Finding 2021-002 Daily Deposits

Criteria: The Local Government Budget and Fiscal Control Act, specifically North Carolina General Statute 159-32, requires that all moneys "collected or received by an officer or employee of a local government or public authority" be deposited "with the finance officer or in an official depository" or "shall be "submit[ted] to a properly licensed and recognized cash collection service" daily.

Condition: The Town did not deposit moneys collected by employees on a daily basis as required by the Local Government Budget and Fiscal Control Act.

Effect: Receipts of the Town could be misshandled, falsely reported and possibly stolen.

Cause: The Town staff failed to make deposits on a daily basis.

Recommendation: The Town should implement procedures to ensure deposits are made on a daily basis.

Views of responsible officials and planned corrective actions: The Town agrees with this finding and will take appropriate action to deposit funds on a daily basis.

III. Federal Awards Findings and Questioned Costs

None Reported

IV. State Awards Findings and Questioned Costs

None Reported

Town of Newton Grove
Summary Schedule of Prior Audit Findings
For the Fiscal Years Ended June 30, 2021 and 2020

None

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Town of Newton Grove

Incorporated 1935
Newton Grove, NC 28366

P.O. Box 4

Phone 594-0827

Corrective Action Plan For the Fiscal Years Ended June 30, 2021 and 2020

Section II-Financial Statement Findings

MATERIAL WEAKNESSES

2021-001 Segregation of Duties

Name of contact person: Amanda Bradshaw, Town Clerk

Corrective action: Subsequent to the year ending June 30, 2021, a Deputy Clerk was hire. We have improved the cash reconciliations by separating the daily functions between the Deputy Clerk and the Town Clerk.

Proposed Completion Date: November 1, 2021

2021-002 Daily Deposits

Name of contact person: Amanda Bradshaw, Town Clerk

Corrective action: Subsequent to the year ending June 30, 2021, deposits are done daily by Town Clerk and checked by Deputy Clerk.

Proposed Completion Date: November 1, 2021

Section III-Federal Award Findings and Responses

None reported.

Section IV-State Award Findings and Responses

None reported.

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