

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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PREPARED BY  
CITY OF NEWTON FINANCE DEPARTMENT



**CITY OF NEWTON, NORTH CAROLINA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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## **INTRODUCTORY SECTION**

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- **Letter of Transmittal**
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  - **List of Principal Officials**
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# CITY OF NEWTON

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

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December 3, 2020

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

The Comprehensive Annual Financial Report (CAFR) of the City of Newton, North Carolina, for the fiscal year ended June 30, 2020 is hereby submitted. North Carolina General Statutes require that every local government publish a complete set of audited financial statements presented in conformity with generally accepted accounting principles. This report is published to fulfill that requirement for the fiscal year ended June 30, 2020.

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

The City of Newton's financial statements have been audited by Martin Starnes and Associates, CPAs, P.A. The objective of the independent audit was to provide reasonable assurance that the financial statements of the City of Newton for the fiscal year ended June 30, 2020, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the financial statements of the City of Newton for the fiscal year ended June 30, 2020 are presented in conformity with Generally Accepted Accounting Principles (GAAP). The report of the independent auditors is presented as the first component of the financial section of this report.

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

## **Profile of the City**

The City of Newton, founded in 1843 and incorporated in 1855, is the county seat of Catawba County. It is located in the western part of the Piedmont of the State, approximately 39 miles northwest of Charlotte and 10 miles southeast of Hickory. Evidence of our long and distinguished history abounds throughout the stately streets of the City. The State of North Carolina has erected several historical markers to honor some of the important events, landmarks, and distinguished people in Newton's past. The City currently occupies approximately thirteen square miles and serves a population of 13,005.

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

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

## **Form of Government**

The City of Newton is one of several incorporated municipalities in the County and operates under the Council-Manager form of government. The Mayor is elected at large for a four-year term. The Council is composed of seven members including the Mayor. The Mayor votes only to break tie votes. The City Council has policy making and legislative authority. Members are elected at large on a staggered basis in a City-wide election. Three members of the City Council are elected every two years, serving four-year terms. The City Council is responsible for the City's annual budget and any amendments thereto, approving economic development plans and incentives, zoning and planning issues, and other matters related to the health and welfare of

the City. The City Council also appoints the City Manager and City Attorney. The City Manager works at the pleasure of the City Council and is responsible for implementing Council policies and City ordinances, managing daily operations, and acts on all recommendations of employment for the City.

## **Quality of Life**

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

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

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

The City of Newton can point to a variety of elements that contribute to and enhance the desirability and livability of its citizens. Examples of cultural amenities are The Green Room (Old Post Office Playhouse) in Downtown Newton which provides a modern venue for the performing arts; the Newton Performing Arts Center which provides a place for artists to thrive in terms of music, sculpture, painting and the theatrical arts; and the Catawba County Museum of History located in Downtown Newton which provides a significant collection of the County's history from early settlers, to the furniture, textile, and telecommunications industries that have thrived in the area. The City has six parks, two recreation centers, a large pool, a splash pad, one and one-half miles of greenway, two and one-half miles of mountain bike trails and an amphitheatre in terms of recreation facilities.

### ***Foothills Folk Art Festival***

October 2020 would have marked the fifth annual Foothills Folk Art Festival, but the event was canceled due to the pandemic. The festival is held around the 1924 Courthouse Square through a partnership between the Downtown Newton Development Association and Hickory Museum of Art. The festival consists of a variety of local and regional contemporary folk artists of more than 70 artists and more than 20,000 guests. The festival was recognized as Special Event of the Year by the N.C. Main Street & Rural Planning Center and as Hickory Daily Record's Festival of the Year for Catawba County in 2018.

### ***Newton Downtown Historic District***

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

### ***Wi-Fi***

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

### ***Heritage Trail Greenway***

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

### ***Woodland Loop Trail***

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

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

### ***Newton Depot***

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

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

### ***Jacob Fork Disc Golf Course***

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

### ***Newton Splash Pad***

The Newton Splash Pad was funded as part of a generous bequest from Sue Jones to enhance recreational opportunities in Newton. The Newton Splash Pad is 5,900 square feet in total area with a wet deck of 3,626 square feet. The splash pad's 24 water features spray 234 gallons of water per minute. The water features are based on nautical themes including ships, anchors, hooks, cannons, and friendly sea serpents. The wet deck is surrounded by picnic tables and benches, a soft turf area that serves as a cooler walking surface, and two canopies with built-in UV protection that provide shade and comfort to all visitors. Runoff water is collected and treated in an environmentally friendly process that significantly reduces the overall amount of water the splash pad requires.

## **Business and Economic Development**

### ***Business Advisory Committee***

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

### ***Downtown Newton Development Association***

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

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



### ***Branding and Marketing Initiative***

The City continues to implement a comprehensive branding and marketing campaign. This City is focusing on growing the City's population through recruiting active adults, professionals and entrepreneurs. This initiative focuses on the following elements:

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

### ***Other Strategic Initiatives for Economic Development***

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

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

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

## **Local Economy**

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

Major industries located within the City and its environs include manufacturers of consumables for the field of medicine and research, automotive suspension components, baked foods, primary metal products, and traditional furniture and textiles. Upholstered furniture manufacturers are still a significant part of the Newton employment base.

The City's list of diversified industries include Bassett Furniture, a manufacturer of quality customer furniture; Flowers Baking Company, a large-scale baker and distributor of fresh bread, hotdog and hamburger buns; Lee Industries, an innovative upholstered furniture manufacturer; Renwood Mills, producer of Southern Biscuit flour and Tenda-Bake corn meal; Sarstedt, producer of medical, diagnostic, and laboratory supplies; Special Metal Welding Products, which offers the most complete range of high-nickel alloy welding consumables on the market; Technibilt, producer of metal shopping carts, shelving, and more; ZF, manufacturer of driveline and chassis technology for BMW, Jaguar, Mercedes-Benz, General Motors, Dodge, Aston Martin, and Ford; Corning Optical Communications, a worldwide provider of fiber optic communication solutions for voice, data and video networks; Room & Board Distribution Center, a 250,000 square foot facility which employs more than 20 people; and Target Distribution Center, a 1.6 million square foot facility which serves approximately 70 Target stores within a 300- to 400-mile radius.

In addition to its manufacturing sector, the City enjoys a diversity of non-industrial employers including the Catawba County Government and Justice Center Complex, administrative offices of the Newton-Conover and Catawba County School systems, United Church Homes and Services, Target Distribution Center, and the North American headquarters of Sarstedt Corporation.

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

The City actively works with the County Economic Development Corporation to recruit and retain significant business assets in terms of employment, tax base and utility usage. Recently approved projects include a \$38.5 million investment by Crate & Barrel that will create 150 new jobs and a \$7 million investment by RMC Advanced Technologies that will create 49 new jobs.

### **Long-term Financial Planning and Major Initiatives**

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

#### ***10-Year Capital Improvement Plan (CIP)***

The City's 10-Year Capital Improvement Plan for fiscal years 2021-2030 includes \$77.7 million in long-range capital improvements and coordinates community infrastructure needs with the financial capacity of the City. \$55.8 million, or 72%, of the total 10-year period spending is for infrastructure or equipment needs related to electric, water and wastewater. Key capital projects planned are as follows:

- \$5.4 million to purchase four fire engines and one ladder truck for the Fire Department.
- \$2.1 million and \$5.2 million in water rehabilitation projects and wastewater rehabilitation projects, respectively, to replace deteriorated infrastructure due to age. These improvements will provide better water flows and water pressure to specific areas and reduce infiltration and inflow into the sewer system.
- The City, in collaboration with Catawba County, will be completing a \$5.8 million project to extend 42,000 linear ft. of 12" water line from N.C. Highway 16 South to Buffalo Shoals Road and Balls Creek Road. Once completed this project will improve water quality in that area as well as provide a second source of water supply.

- \$1.7 million in a back-up transformer for the Jacob Fork Electric Substation which will provide redundancy in the event of an emergency in that specific area and for industrial development in the area of the N.C. Highway 10 and U.S. Highway 321 intersection.
- \$4.6 million for a new delivery station for the Electric Department.
- \$.9 million to continue updating existing HPS (High Pressure Sodium) Lighting with Energy Efficiency Lighting.

#### ***Downtown Streetscape Master Plan***

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

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

#### **❖ *Streetscape Demonstration Project***

City staff developed a “tactical urbanism” demonstration project to temporarily install the recommended improvements from the Downtown Streetscape Master Plan. The importance of the project was for citizens to fully understand the proposed changes, to test

to recommended improvements in how they fit into the existing fabric of downtown, and to continue to build on the enthusiasm of the adopted plan for the potential future of Downtown and the City.

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

#### ❖ *Virtual Reality Model*

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

### **Awards**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Newton for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019. This marked the thirty-fifth consecutive year that the City has achieved this prestigious award.

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

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

The City has been honored for seventeen consecutive years with the Area Wide Optimization Program Award (AWOP) presented by the North Carolina Department of Environment and Natural Resources (NCDENR). The Area-Wide Optimization Program enhances public health protection by encouraging superior performance and operations at water treatment facilities across the country. Facilities that adopt the program aim to reach sustainable water quality standards far more stringent than those required by government regulators.

### **Acknowledgements**

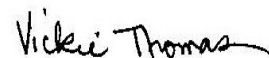
The preparation of this report could not have been accomplished without the efficient and dedicated efforts of the City of Newton Finance Department and our independent auditors, Martin Starnes and Associates, CPAs, P.A. We wish to express our appreciation to all who assisted and contributed to the preparation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

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

Respectfully submitted,



E. Todd Clark  
City Manager



Vickie Thomas  
Finance Director



Government Finance Officers Association

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

Presented to

**City of Newton  
North Carolina**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

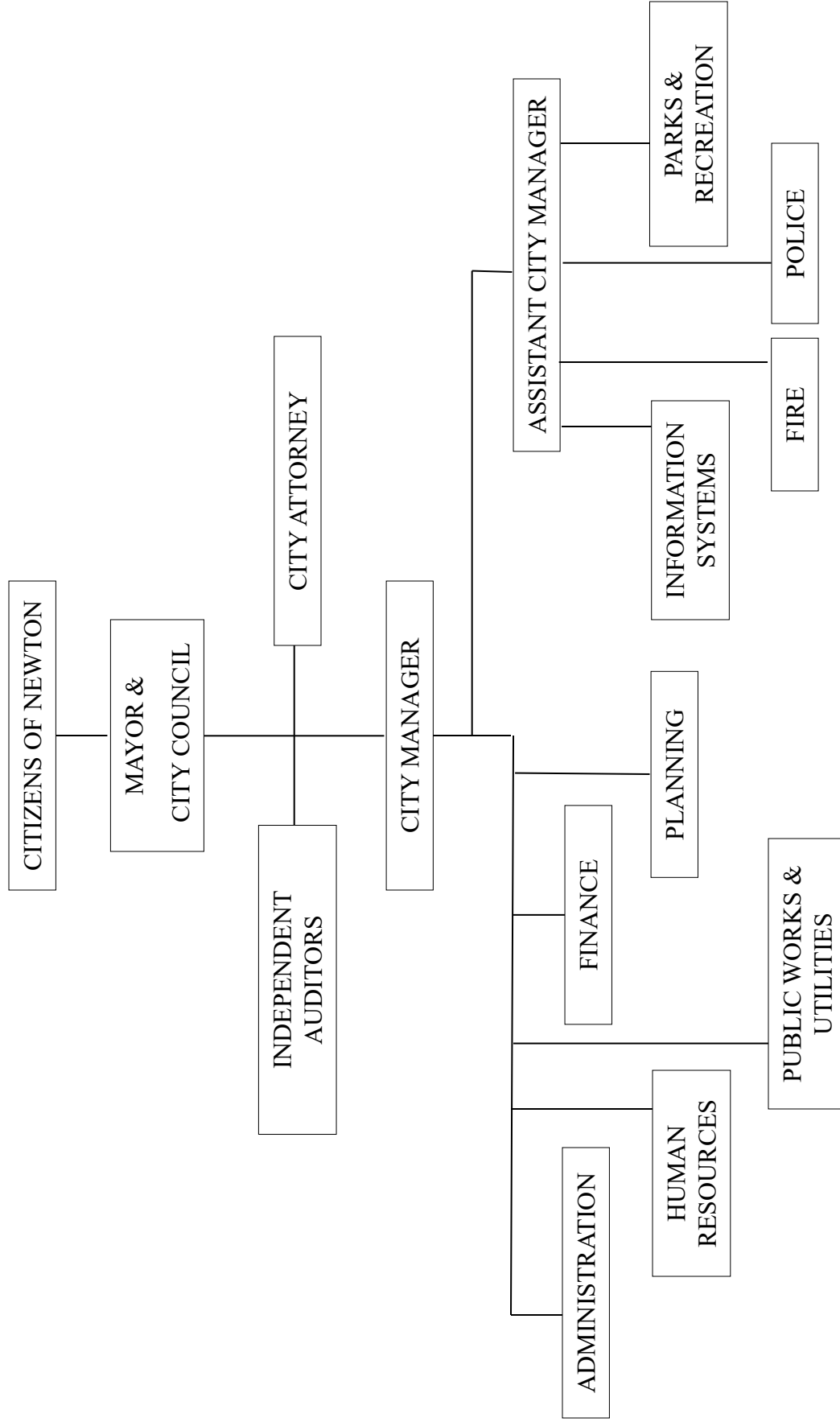
June 30, 2019

*Christopher P. Morill*

Executive Director/CEO

# CITY OF NEWTON

## ORGANIZATIONAL CHART





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**CITY OF NEWTON, NORTH CAROLINA**

**LIST OF PRINCIPAL OFFICIALS**

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**CITY COUNCIL**



**EDDIE HAUPT**

*Mayor*



**JERRY T. HODGE**



**ED SAIN**



**BEVERLY DANNER**



**JODY DIXON**



**JOHN STIVER**

*Mayor Pro Tem*



**ANNE ABERNETHY WEPNER**

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## CITY OF NEWTON, NORTH CAROLINA

### LIST OF PRINCIPAL OFFICIALS

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#### CITY ADMINISTRATION



E. TODD CLARK  
City Manager

VIDAL A. SIPE  
Police Chief

KEVIN L. YODER  
Fire Chief

SEAN A. HOVIS  
Assistant City Manager

VICKIE M. THOMAS  
Finance Director

BRANDON L. ELROD  
Human Resources Director

AMY S. FALOWSKI  
City Clerk

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

CHRISTOPHER B. LITTLE  
Information Systems Director

JOHN CILLEY  
City Attorney

RANDOLPH (RANDY) WILLIAMS  
Planning Director

SANDRA A. WATERS  
Parks and Recreation Director

## **FINANCIAL SECTION**

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- **Independent Auditor's Report**
  - **Management's Discussion and Analysis**
  - **Basic Financial Statements**
  - **Notes to the Financial Statements**
  - **Required Supplementary Information**
  - **Combining, Individual Fund Financial Statements, and Schedules**
- 
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# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

*"A Professional Association of Certified Public Accountants and Management Consultants"*

## **Independent Auditor's Report**

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

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newton, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newton, North Carolina, as of June 30, 2020, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Supplementary and Other Information***

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

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

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

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2020 on our consideration of the City of Newton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Newton's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Newton's internal control over financial reporting and compliance.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
December 3, 2020





## **Management's Discussion and Analysis**

As management of the City of Newton, we offer readers of the City of Newton's financial statements this narrative overview and analysis of the financial activities of the City of Newton for the fiscal year ended June 30, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

### **Financial Highlights**

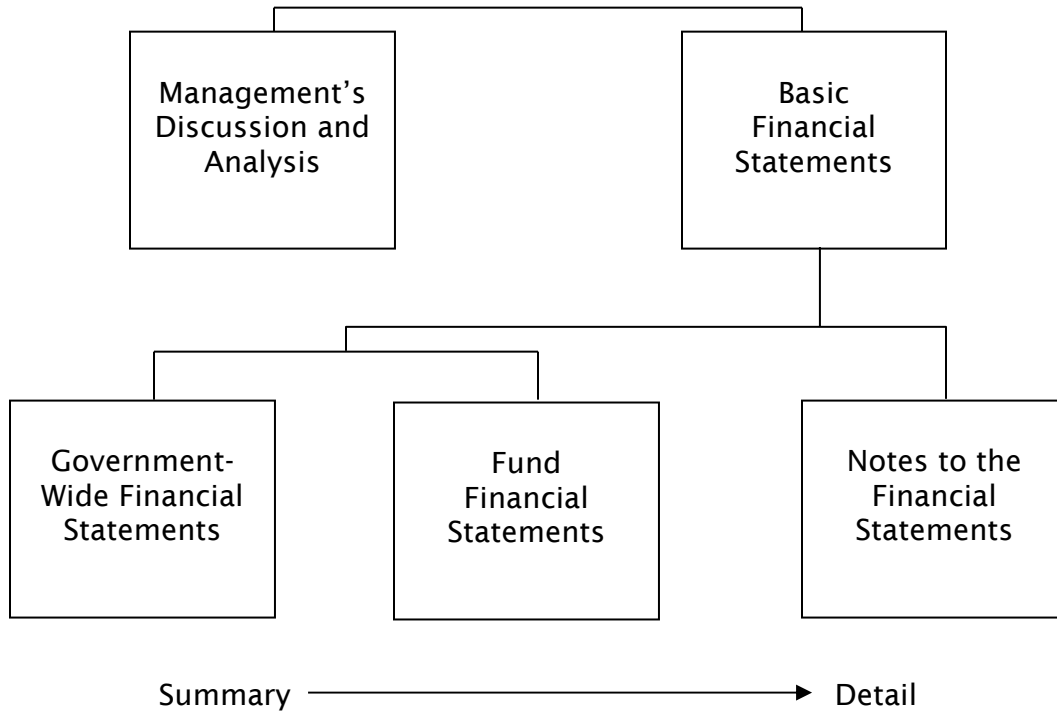
- The assets and deferred outflows of resources of the City of Newton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$61,876,145 (net position). Of this amount, \$17,007,582 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$1,995,597 due to increases in both governmental activities and business-type activities.
- As of the close of the current fiscal year, the City of Newton's governmental funds reported combined ending fund balances of \$11,154,922 with a net change of \$757,936 in fund balance. Approximately 28.24% of this total amount, or \$3,150,209, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7,037,129, or 45.49%, of total General Fund expenditures and transfers out for the fiscal year.
- The City of Newton's long-term debt decreased by \$1,196,371, or 5.61%. Outstanding debt principal is \$20,140,456, or \$1,542 per capita.
- The City's legal debt limit is \$94,702,602 (8% of assessed valuation), and the City's legal debt margin is \$87,022,581. The total legal indebtedness of the City is \$20,140,456, which represents 1.70% of assessed valuation.

### **Overview of the Financial Statements**

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

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

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

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

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

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

## Government-Wide Financial Statements

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

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

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

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

## Fund Financial Statements

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

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

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

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

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 42-92 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Newton's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees. Required supplementary information can be found beginning on page 93 of this report.

The individual and combining statements of the General Fund, the other governmental funds, the enterprise funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 98-114 of this report.

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

## Government-Wide Financial Analysis

### City of Newton's Net Position

Figure 2

|                                     | Governmental<br>Activities |               | Business-Type<br>Activities |               | Total         |               |
|-------------------------------------|----------------------------|---------------|-----------------------------|---------------|---------------|---------------|
|                                     | 2020                       | 2019          | 2020                        | 2019          | 2020          | 2019          |
| Current and other assets            | \$ 13,291,086              | \$ 12,148,865 | \$ 15,202,726               | \$ 12,961,858 | \$ 28,493,812 | \$ 25,110,723 |
| Capital assets                      | 19,491,347                 | 18,138,260    | 42,486,949                  | 43,000,931    | 61,978,296    | 61,139,191    |
| Total assets                        | 32,782,433                 | 30,287,125    | 57,689,675                  | 55,962,789    | 90,472,108    | 86,249,914    |
| Deferred outflows of<br>resources   | 1,834,429                  | 2,081,228     | 531,670                     | 605,996       | 2,366,099     | 2,687,224     |
| Long-term liabilities               | 11,519,769                 | 11,128,774    | 12,000,698                  | 12,762,455    | 23,520,467    | 23,891,229    |
| Other liabilities                   | 2,878,030                  | 2,275,697     | 4,180,126                   | 3,926,974     | 7,058,156     | 6,202,671     |
| Total liabilities                   | 14,397,799                 | 13,404,471    | 16,180,824                  | 16,689,429    | 30,578,623    | 30,093,900    |
| Deferred inflows of<br>resources    | 333,902                    | 181,743       | 49,537                      | 48,560        | 383,439       | 230,303       |
| Net Position:                       |                            |               |                             |               |               |               |
| Net investment<br>in capital assets | 11,892,626                 | 10,642,496    | 30,085,473                  | 29,313,984    | 41,978,099    | 39,956,480    |
| Restricted                          | 2,890,464                  | 2,893,020     | -                           | -             | 2,890,464     | 2,893,020     |
| Unrestricted                        | 5,102,071                  | 5,246,623     | 11,905,511                  | 10,516,812    | 17,007,582    | 15,763,435    |
| Total net position                  | \$ 19,885,161              | \$ 18,782,139 | \$ 41,990,984               | \$ 39,830,796 | \$ 61,876,145 | \$ 58,612,935 |

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Newton exceeded liabilities and deferred inflows by \$61,876,145 as of June 30, 2020. The City's net position increased by \$1,995,597 for the fiscal year ended June 30, 2020, due to an increase in both governmental and business-type activities.

The largest portion is \$41,978,099, or 67.84%, which reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City of Newton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

The restricted portion of the City of Newton's net position, \$2,890,464, or 4.67%, represents resources that are subject to external restrictions on how they may be used.

The final portion of net position is unrestricted, which is \$17,007,582, or 27.49%, of the total net position, which may be used to meet the City's ongoing obligations to citizens and creditors.

For the fiscal year ended June 30, 2020, the City of Newton is able to report positive balances in all three categories of net position, which includes the government as a whole, governmental activities and business-type activities. This would be true for the prior fiscal year as well.

Total net position increased by \$533,939 in the City of Newton's governmental activities. This reflected higher property tax revenues due to revaluation, higher grant revenues due to CARES Act funding, and lower spending due to temporary vacancies and controlled spending.

For fiscal year 2020, total net position for business-type activities increased \$1,461,658. This increase was primarily due to a power agency refund of \$2,007,580, partially offset by a transfer of \$535,950 from the Electric Fund to the General Fund as a return on investment.

## City of Newton's Changes in Net Position

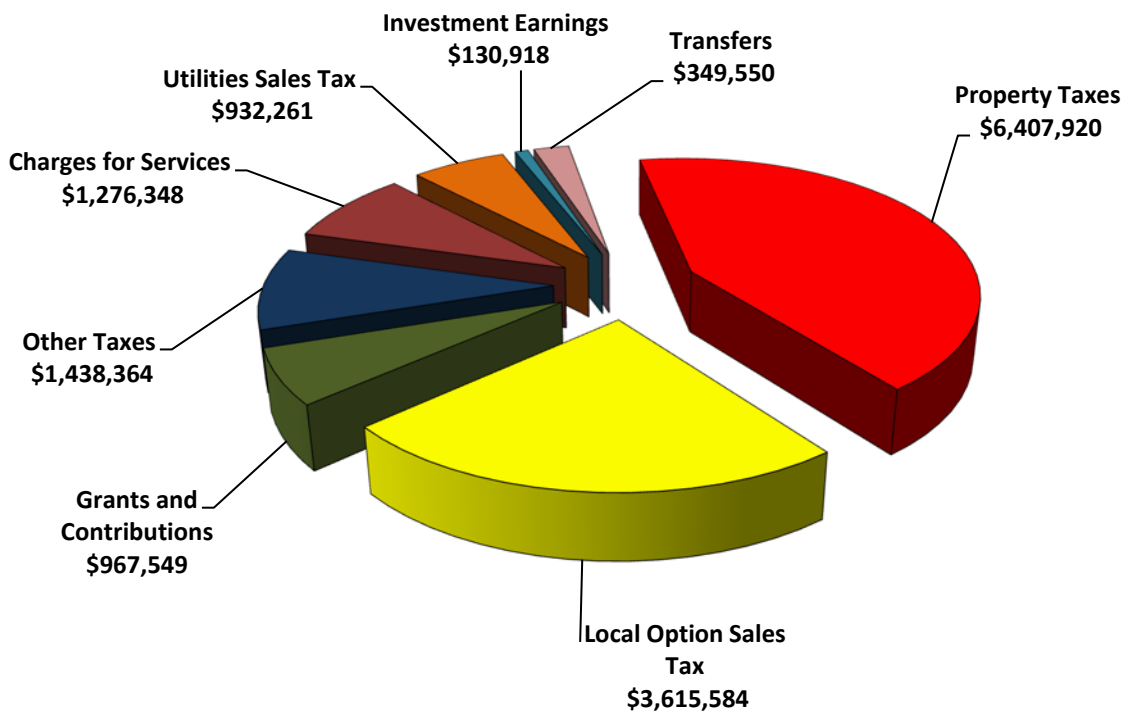
**Figure 3**

|   | 2020                       |                             |               | 2019                       |                             |               |
|---|----------------------------|-----------------------------|---------------|----------------------------|-----------------------------|---------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total         | Governmental<br>Activities | Business-Type<br>Activities | Total         |
| <b>Revenues:</b>                          |                            |                             |               |                            |                             |               |
| Program revenues:                         |                            |                             |               |                            |                             |               |
| Charges for services                      | \$ 1,276,348               | \$ 23,399,878               | \$ 24,676,226 | \$ 1,256,353               | \$ 23,793,848               | \$ 25,050,201 |
| Operating grants and contributions        | 942,559                    | -                           | 942,559       | 819,293                    | -                           | 819,293       |
| Capital grants and contributions          | 24,990                     | 2,027,523                   | 2,052,513     | 126,676                    | 429,044                     | 555,720       |
| General revenues:                         |                            |                             |               |                            |                             |               |
| Property taxes                            | 6,407,920                  | -                           | 6,407,920     | 6,116,272                  | -                           | 6,116,272     |
| Other taxes                               | 5,986,209                  | 743,064                     | 6,729,273     | 5,754,536                  | 769,068                     | 6,523,604     |
| Miscellaneous                             | -                          | 11,299                      | 11,299        | -                          | 29,340                      | 29,340        |
| Unrestricted investment earnings          | 130,918                    | 133,545                     | 264,463       | 212,669                    | 155,342                     | 368,011       |
| Total revenues                            | 14,768,944                 | 26,315,309                  | 41,084,253    | 14,285,799                 | 25,176,642                  | 39,462,441    |
| <b>Expenses:</b>                          |                            |                             |               |                            |                             |               |
| General government                        | 2,134,406                  | -                           | 2,134,406     | 1,669,328                  | -                           | 1,669,328     |
| Transportation                            | 2,181,097                  | -                           | 2,181,097     | 1,401,468                  | -                           | 1,401,468     |
| Environmental protection                  | 1,275,886                  | -                           | 1,275,886     | 1,215,375                  | -                           | 1,215,375     |
| Public safety                             | 7,116,753                  | -                           | 7,116,753     | 6,513,975                  | -                           | 6,513,975     |
| Culture and recreation                    | 1,252,357                  | -                           | 1,252,357     | 1,742,567                  | -                           | 1,742,567     |
| Economic development                      | 406,805                    | -                           | 406,805       | -                          | -                           | -             |
| Operations                                | -                          | 24,153,190                  | 24,153,190    | -                          | 23,136,941                  | 23,136,941    |
| Interest on long-term debt:               |                            |                             |               |                            |                             |               |
| Governmental                              | 217,251                    | -                           | 217,251       | 212,893                    | -                           | 212,893       |
| Water and wastewater                      | -                          | 224,212                     | 224,212       | -                          | 248,896                     | 248,896       |
| Electric                                  | -                          | 126,699                     | 126,699       | -                          | 145,204                     | 145,204       |
| Total expenses                            | 14,584,555                 | 24,504,101                  | 39,088,656    | 12,755,606                 | 23,531,041                  | 36,286,647    |
| Increase in net position before transfers | 184,389                    | 1,811,208                   | 1,995,597     | 1,530,193                  | 1,645,601                   | 3,175,794     |
| Transfers                                 | 349,550                    | (349,550)                   | -             | 5,779                      | (5,779)                     | -             |
| Increase in net position                  | 533,939                    | 1,461,658                   | 1,995,597     | 1,535,972                  | 1,639,822                   | 3,175,794     |
| Beginning of year - July 1                | 18,782,139                 | 39,830,796                  | 58,612,935    | 17,246,167                 | 38,190,974                  | 55,437,141    |
| Prior period adjustment                   | 569,083                    | 698,530                     | 1,267,613     | -                          | -                           | -             |
| Beginning of year - July 1 as restated    | 19,351,222                 | 40,529,326                  | 59,880,548    | 17,246,167                 | 38,190,974                  | 55,437,141    |
| End of year - June 30                     | \$ 19,885,161              | \$ 41,990,984               | \$ 61,876,145 | \$ 18,782,139              | \$ 39,830,796               | \$ 58,612,935 |

**Governmental Activities.** Governmental activities increased the City's net position by \$533,939. Key elements of this increase are as follows:

- Higher property taxes due to revaluation
- Higher grant revenues due to CARES Act funding
- Lower spending due to temporary vacancies and savings from controlled spending

### Revenues by Source - Governmental Activities

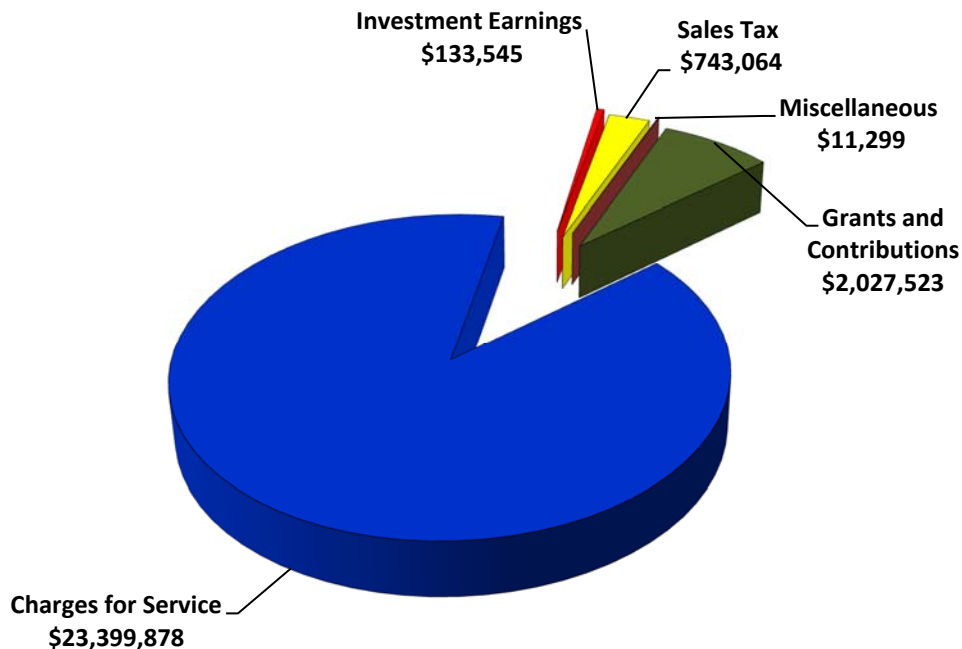


**Business-Type Activities.** Business-type activities increased the City of Newton's net position by \$1,461,658. Key element of this increase is as follows:

- Power agency refund of \$2,007,580, partially offset by a transfer of \$535,950 from the Electric Fund to the General Fund as a return on investment



## Revenues by Source - Business-Type Activities



### Financial Analysis of the City's Funds

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

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

The General Fund is the chief operating fund of the City of Newton. At the end of the current fiscal year, available fund balance of the General Fund was \$8,497,593, while total fund balance was \$10,752,827. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 54.93% of the total General Fund expenditures and transfers out, while total fund balance represents 69.51% of that same amount.

At June 30, 2020, the governmental funds of the City of Newton reported a combined fund balance of \$11,154,922 with a net increase in fund balance of \$757,936. Included in this change are an increase of \$1,073,682 in fund balance in the General Fund and an increase of \$2,354 in fund balance in the special revenue funds and a decrease of \$318,100 in the capital project funds.

**General Fund Budgetary Highlights.** During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the

original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and state grants; and 3) increases in appropriations that become necessary to maintain services.

During fiscal year 2020, there was a \$1,686,880 net increase in appropriations between the original and the final amended General Fund budget. Budgeted appropriations were increased by \$801,600 for the Downtown Streetscape Phase 2 project, \$228,700 for additional police vehicles, \$110,000 for West A Street engineering, and \$83,150 for repairs to the stormwater drain pipe on the greenway. Other budgeted increases were \$1,262,850 for the carryover of various purchase orders not completed in fiscal year 2019, including \$726,500 for a fire rescue truck and \$359,650 for street paving. These increases were partially offset by a \$993,000 decrease in capital outlay expenditures for the Downtown Streetscape Phase 2 project which was moved to a capital project fund.

Actual revenues were greater than final budgeted amounts by \$466,893. This was due to \$144,239 higher than budgeted property taxes, primarily due to property additions by certain industrial customers. In addition, sales tax revenues exceeded budget by \$119,934 due to an improving economy for the first nine months of the year. In addition, the City received \$267,360 in federal CARES Act grant revenue that was unbudgeted.

Actual expenditures were less than final budgeted amounts by \$2,005,967. \$416,550 of this savings resulted from spending authorized, but not yet spent, at June 30, 2020 that was carried over to fiscal year 2021, including \$354,250 for Police Department vehicles. Also, \$308,750 of capital projects were moved out to fiscal year ended June 30, 2021. In addition, there were unspent appropriations in salaries and related benefits due to temporary vacancies in various departments and savings from controlled spending throughout the City.

**Proprietary Funds.** Unrestricted net position of the Water and Wastewater Fund at the end of the fiscal year amounted to \$2,377,332 and for the Electric Fund amounted to \$9,452,548. The total change in net position for the Water and Wastewater Fund and the Electric Fund was (\$70,560) and \$1,809,148, respectively.

## **Capital Asset and Debt Administration**

**Capital Assets.** The City of Newton's investment in capital assets for its governmental and business-type activities as of June 30, 2020 totals \$61,978,296 (net of accumulated depreciation). These assets include buildings and system improvements, land, machinery and equipment, park facilities, roads, highways, and bridges.

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

- Business-type activities capital spending included \$386,836 for Downtown Streetscape water, wastewater and electric infrastructure improvements, \$481,104 for water treatment plant filter rehabilitation, and \$484,853 for water line rehabilitation on Valley Drive.
- Governmental-type activities capital spending included \$1,148,476 for Downtown Streetscape street and stormwater improvements, \$725,002 for a rescue fire truck, and \$527,407 for a splash pad.

Additional information on the City's capital assets can be found beginning on page 58 of this report.

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

|                              | Governmental Activities |                      | Business-Type Activities |                      | Total                |                      |
|------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
|                              | 2020                    | 2019                 | 2020                     | 2019                 | 2020                 | 2019                 |
| Land                         | \$ 2,336,571            | \$ 2,313,146         | \$ 215,332               | \$ 215,332           | \$ 2,551,903         | \$ 2,528,478         |
| Buildings and improvements   | 6,285,927               | 6,300,861            | 4,263,123                | 4,640,900            | 10,549,050           | 10,941,761           |
| Distribution systems         | -                       | -                    | 30,851,990               | 29,023,571           | 30,851,990           | 29,023,571           |
| Public domain infrastructure | 5,312,112               | 3,371,422            | -                        | -                    | 5,312,112            | 3,371,422            |
| Equipment                    | 922,957                 | 1,128,789            | 5,369,025                | 5,728,069            | 6,291,982            | 6,856,858            |
| Vehicles                     | 2,747,550               | 2,111,204            | 583,047                  | 734,078              | 3,330,597            | 2,845,282            |
| Construction in progress     | 1,886,230               | 2,912,838            | 1,204,432                | 2,658,981            | 3,090,662            | 5,571,819            |
| Total                        | <u>\$ 19,491,347</u>    | <u>\$ 18,138,260</u> | <u>\$ 42,486,949</u>     | <u>\$ 43,000,931</u> | <u>\$ 61,978,296</u> | <u>\$ 61,139,191</u> |

**Long-Term Debt.** Gross debt obligations of the City are \$20,140,456 as of June 30, 2020, which solely consists of notes payable.

**City of Newton's Outstanding Debt  
Figure 5**

|  | Governmental Activities |                      | Business-Type Activities |                      | Total                |                      |
|--|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
|  | 2020                    | 2019                 | 2020                     | 2019                 | 2020                 | 2019                 |
| Direct placement installment purchases | \$ 7,680,021            | \$ 7,644,566         | \$ 11,403,399            | \$ 12,554,096        | \$ 19,083,420        | \$ 20,198,662        |
| Direct borrowing loans payable         | -                       | -                    | 1,057,036                | 1,138,165            | 1,057,036            | 1,138,165            |
| Compensated absences                   | 656,005                 | 579,594              | 176,280                  | 133,338              | 832,285              | 712,932              |
| Other post-employment benefits         | 837,109                 | 827,038              | 341,755                  | 337,726              | 1,178,864            | 1,164,764            |
| Net pension liability (LGERS)          | 2,723,265               | 2,383,360            | 859,977                  | 752,638              | 3,583,242            | 3,135,998            |
| Total pension liability (LEOSSA)       | 981,612                 | 1,127,545            | -                        | -                    | 981,612              | 1,127,545            |
| Total                                  | <u>\$ 12,878,012</u>    | <u>\$ 12,562,103</u> | <u>\$ 13,838,447</u>     | <u>\$ 14,915,963</u> | <u>\$ 26,716,459</u> | <u>\$ 27,478,066</u> |

The City of Newton's total debt decreased by \$761,607, or 2.77%, primarily due to a decrease in notes payable of \$1,196,371 due to the maturity of two significant water and wastewater loans and to lower infrastructure borrowing in fiscal year 2020, partially offset by an increase in the net pension liability for the LGERS plan of \$447,244.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Newton is \$87,022,581.

Additional information regarding the City of Newton's long-term debt can be found beginning on page 77 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

The City of Newton continuously strives to provide a high level of municipal service to its citizens and utility customers. Management has taken great care to evaluate a number of conditions and variables when developing the fiscal year 2021 budget. These include a review of local and national economic conditions, forecasted economic changes over the course of the next fiscal year, inflation, and intergovernmental revenues. As a result, we have budgeted for the COVID-19 pandemic to have a significant impact on fiscal year 2021's revenues. In light of the projected decrease in revenues, the City will be focusing on its core service delivery areas. The core objectives of the fiscal year 2021 budget are:

- Meeting our statutory duty to provide quality municipal services in a manner that safeguards the health, safety, and welfare of our citizens and customers;
- Meeting our fiduciary responsibilities to operate within a fiscally conservative budget;
- Continuing to move the City forward in accordance with the City's Strategic Growth Plan;
- Replacing aging infrastructure and equipment that is failing and no longer reliable;
- Rewarding employees through merit-based pay adjustments; and
- Generating private sector interest throughout our City and in our core business district through efforts coordinated through the Newton Planning Department, Downtown Newton Development Association, and Catawba County Economic Development Corporation.
- Continuing to highlight the City as a highly desirable place to live, work and play outside Charlotte's northwest corridor. The North Carolina Department of Transportation is currently working on widening NC Highway 16 in Catawba County to a multi-lane highway connecting Charlotte to Newton, which will establish Newton as a geographically accessible market within the Charlotte Metro area.

Highlights of fiscal year 2021 rates include:

- Water and wastewater rates will increase by 7.5%, primarily to cover increased costs of operations, capital expenses and increased financial stability within the Water and Wastewater Fund.
- The City will incur a 1.6% increase in allocated demand charges. The City intends to absorb this increase in lieu of a retail electric rate increase to the City's electric customers.
- The City is increasing residential and commercial sanitation fees to cover the actual collection and tipping fee costs.
- A \$30 annual vehicle tag fee is being implemented to provide funds for additional street paving.

## **Requests for Information**

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



# BASIC FINANCIAL STATEMENTS

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

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## CITY OF NEWTON, NORTH CAROLINA

Exhibit A

STATEMENT OF NET POSITION  
JUNE 30, 2020

|   | Primary Government         |                             |               |
|---|----------------------------|-----------------------------|---------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total         |
| <b>Assets:</b>  |                            |                             |               |
| Current assets:   |                            |                             |               |
| Cash and short-term investments                               | \$ 10,250,510              | \$ 10,909,573               | \$ 21,160,083 |
| Taxes receivable, net   | 346,163                    | -                           | 346,163       |
| Accounts receivable, net                                      | 179,895                    | 2,638,879                   | 2,818,774     |
| Due from other governments                                    | 1,667,419                  | 152,118                     | 1,819,537     |
| Internal balances   | (75,631)                   | 75,631                      | -             |
| Inventories   | 37,356                     | 883,094                     | 920,450       |
| Restricted cash and cash equivalents                          | 885,374                    | 543,431                     | 1,428,805     |
| Total current assets  | 13,291,086                 | 15,202,726                  | 28,493,812    |
| Capital assets:   |                            |                             |               |
| Land, non-depreciable assets, and<br>construction in progress | 4,222,801                  | 1,419,764                   | 5,642,565     |
| Other capital assets, net of depreciation                     | 15,268,546                 | 41,067,185                  | 56,335,731    |
| Total capital assets  | 19,491,347                 | 42,486,949                  | 61,978,296    |
| Total non-current assets                                      | 19,491,347                 | 42,486,949                  | 61,978,296    |
| Total assets  | 32,782,433                 | 57,689,675                  | 90,472,108    |
| <b>Deferred Outflows of Resources:</b>                        |                            |                             |               |
| Pension deferrals   | 1,762,068                  | 502,727                     | 2,264,795     |
| OPEB deferrals  | 72,361                     | 28,943                      | 101,304       |
| Total deferred outflows of resources                          | 1,834,429                  | 531,670                     | 2,366,099     |
| <b>Liabilities:</b>   |                            |                             |               |
| Current liabilities:  |                            |                             |               |
| Accounts payable and other current liabilities                | 1,488,887                  | 1,809,212                   | 3,298,099     |
| Due to other governments                                      | -                          | 48,693                      | 48,693        |
| Liabilities to be paid from restricted assets                 | 30,900                     | 484,472                     | 515,372       |
| Compensated absences  | 328,613                    | 94,209                      | 422,822       |
| Current portion of long-term liabilities                      | 1,029,630                  | 1,743,540                   | 2,773,170     |
| Total current liabilities                                     | 2,878,030                  | 4,180,126                   | 7,058,156     |
| Long-term liabilities:  |                            |                             |               |
| Compensated absences, non-current                             | 327,392                    | 82,071                      | 409,463       |
| Net (LGERS) pension liability                                 | 2,723,265                  | 859,977                     | 3,583,242     |
| Total (LEOSSA) pension liability                              | 981,612                    | -                           | 981,612       |
| Total OPEB liability  | 837,109                    | 341,755                     | 1,178,864     |
| Due in more than one year                                     | 6,650,391                  | 10,716,895                  | 17,367,286    |
| Total long-term liabilities                                   | 11,519,769                 | 12,000,698                  | 23,520,467    |
| Total liabilities   | 14,397,799                 | 16,180,824                  | 30,578,623    |
| <b>Deferred Inflows of Resources:</b>                         |                            |                             |               |
| Prepaid taxes   | 323                        | -                           | 323           |
| Pension deferrals   | 241,548                    | 12,727                      | 254,275       |
| OPEB deferrals  | 92,031                     | 36,810                      | 128,841       |
| Total deferred inflows of resources                           | 333,902                    | 49,537                      | 383,439       |
| <b>Net Position:</b>  |                            |                             |               |
| Net investment in capital assets                              | 11,892,626                 | 30,085,473                  | 41,978,099    |
| Restricted for stabilization by state statute                 | 2,238,618                  | -                           | 2,238,618     |
| Restricted for transportation                                 | 315,362                    | -                           | 315,362       |
| Restricted for public safety                                  | 7,398                      | -                           | 7,398         |
| Restricted for cultural and recreational                      | 316,722                    | -                           | 316,722       |
| Restricted for economic and physical development              | 12,364                     | -                           | 12,364        |
| Unrestricted  | 5,102,071                  | 11,905,511                  | 17,007,582    |
| Total net position  | \$ 19,885,161              | \$ 41,990,984               | \$ 61,876,145 |

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

**CITY OF NEWTON, NORTH CAROLINA**

**Exhibit B**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

|   | Expenses             | Program Revenues     |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          |                      |
|---|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------------|
|   |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government                                |                          | Total                |
|   |                      |                      |                                    |                                  | Governmental Activities                           | Business-Type Activities |                      |
| <b>Primary Government:</b>                  |                      |                      |                                    |                                  |   |                          |                      |
| <b>Governmental Activities:</b>             |                      |                      |                                    |                                  |   |                          |                      |
| General government                          | \$ 2,134,406         | \$ 107,180           | \$ 3,050                           | \$ -                             | \$ (2,024,176)                                    | \$ -                     | \$ (2,024,176)       |
| Transportation                              | 2,181,097            | -                    | 372,889                            | -                                | (1,808,208)                                       | -                        | (1,808,208)          |
| Environmental protection                    | 1,275,886            | 1,013,925            | 6,129                              | -                                | (255,832)   | -                        | (255,832)            |
| Public safety                               | 7,116,753            | 84,556               | 547,295                            | 23,790                           | (6,461,112)                                       | -                        | (6,461,112)          |
| Cultural and recreation                     | 1,252,357            | 70,687               | 13,196                             | 1,200                            | (1,167,274)                                       | -                        | (1,167,274)          |
| Economic and physical development           | 406,805              | -                    | -                                  | -                                | (406,805)   | -                        | (406,805)            |
| Interest on long-term debt                  | 217,251              | -                    | -                                  | -                                | (217,251)   | -                        | (217,251)            |
| Total governmental activities               | <u>14,584,555</u>    | <u>1,276,348</u>     | <u>942,559</u>                     | <u>24,990</u>                    | <u>(12,340,658)</u>                               | <u>-</u>                 | <u>(12,340,658)</u>  |
| <b>Business-Type Activities:</b>            |                      |                      |                                    |                                  |   |                          |                      |
| Water and wastewater                        | 8,247,698            | 7,856,779            | -                                  | 19,943                           | -   | (370,976)                | (370,976)            |
| Electric                                    | <u>16,256,403</u>    | <u>15,543,099</u>    | <u>-</u>                           | <u>2,007,580</u>                 | <u>-</u>  | <u>1,294,276</u>         | <u>1,294,276</u>     |
| Total business-type activities              | <u>24,504,101</u>    | <u>23,399,878</u>    | <u>-</u>                           | <u>2,027,523</u>                 | <u>-</u>  | <u>923,300</u>           | <u>923,300</u>       |
| Total primary government                    | <u>\$ 39,088,656</u> | <u>\$ 24,676,226</u> | <u>\$ 942,559</u>                  | <u>\$ 2,052,513</u>              | <u>(12,340,658)</u>                               | <u>923,300</u>           | <u>(11,417,358)</u>  |
| <b>General Revenues:</b>                    |                      |                      |                                    |                                  |   |                          |                      |
| Taxes:                                      |                      |                      |                                    |                                  |   |                          |                      |
| Property taxes                              |                      |                      |                                    |                                  | 6,407,920   | -                        | 6,407,920            |
| Local option sales tax                      |                      |                      |                                    |                                  | 3,615,584   | -                        | 3,615,584            |
| Utilities sales tax                         |                      |                      |                                    |                                  | 932,261   | -                        | 932,261              |
| Other taxes                                 |                      |                      |                                    |                                  | 1,438,364   | 743,064                  | 2,181,428            |
| Miscellaneous revenues, unrestricted        |                      |                      |                                    |                                  | -   | 11,299                   | 11,299               |
| Investment earnings, unrestricted           |                      |                      |                                    |                                  | <u>130,918</u>                                    | <u>133,545</u>           | <u>264,463</u>       |
| Total general revenues, excluding transfers |                      |                      |                                    |                                  | 12,525,047  | 887,908                  | 13,412,955           |
| Transfers                                   |                      |                      |                                    |                                  | <u>349,550</u>                                    | <u>(349,550)</u>         | <u>-</u>             |
| Total general revenues and transfers        |                      |                      |                                    |                                  | <u>12,874,597</u>                                 | <u>538,358</u>           | <u>13,412,955</u>    |
| Change in net position                      |                      |                      |                                    |                                  | <u>533,939</u>                                    | <u>1,461,658</u>         | <u>1,995,597</u>     |
| <b>Net Position:</b>                        |                      |                      |                                    |                                  |   |                          |                      |
| Beginning of year - July 1                  |                      |                      |                                    |                                  | 18,782,139  | 39,830,796               | 58,612,935           |
| Prior period adjustment                     |                      |                      |                                    |                                  | <u>569,083</u>                                    | <u>698,530</u>           | <u>1,267,613</u>     |
| Beginning of year - July 1, as restated     |                      |                      |                                    |                                  | <u>19,351,222</u>                                 | <u>40,529,326</u>        | <u>59,880,548</u>    |
| End of year - June 30                       |                      |                      |                                    |                                  | <u>\$ 19,885,161</u>                              | <u>\$ 41,990,984</u>     | <u>\$ 61,876,145</u> |

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

## CITY OF NEWTON, NORTH CAROLINA

Exhibit C

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2020

|  | Major Funds          |                               | Nonmajor Funds           |                      |
|--|----------------------|-------------------------------|--------------------------|----------------------|
|  | General Fund         | General Capital Projects Fund | Other Governmental Funds | Total                |
| <b>Assets:</b>   |                      |                               |                          |                      |
| Cash and short-term investments  | \$ 8,896,584         | \$ 819,690                    | \$ 19,762                | \$ 9,736,036         |
| Taxes receivable, net  | 346,163              | -                             | -                        | 346,163              |
| Accounts receivable, net   | 178,862              | -                             | -                        | 178,862              |
| Due from other governments   | 1,646,679            | 15,028                        | 5,712                    | 1,667,419            |
| Inventories  | 37,356               | -                             | -                        | 37,356               |
| Restricted cash and cash equivalents   | 662,985              | 222,389                       | -                        | 885,374              |
| Total assets   | <u>\$ 11,768,629</u> | <u>\$ 1,057,107</u>           | <u>\$ 25,474</u>         | <u>\$ 12,851,210</u> |
| <b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>  |                      |                               |                          |                      |
| <b>Liabilities:</b>  |                      |                               |                          |                      |
| Accounts payable and other current liabilities   | \$ 567,494           | \$ 680,486                    | \$ -                     | \$ 1,247,980         |
| Liabilities to be paid from restricted assets  | 30,900               | -                             | -                        | 30,900               |
| Total liabilities  | <u>598,394</u>       | <u>680,486</u>                | <u>-</u>                 | <u>1,278,880</u>     |
| <b>Deferred Inflows of Resources:</b>  |                      |                               |                          |                      |
| Unavailable revenue - property taxes   | 346,163              | -                             | -                        | 346,163              |
| Unavailable revenue - grants   | 70,922               | -                             | -                        | 70,922               |
| Prepaid taxes  | 323                  | -                             | -                        | 323                  |
| Total deferred inflows of resources  | <u>417,408</u>       | <u>-</u>                      | <u>-</u>                 | <u>417,408</u>       |
| <b>Fund Balances:</b>  |                      |                               |                          |                      |
| Non-spendable - inventories  | 37,356               | -                             | -                        | 37,356               |
| Restricted - stabilization by state statute  | 2,217,878            | 15,028                        | 5,712                    | 2,238,618            |
| Restricted   | 632,084              | 222,389                       | 19,762                   | 874,235              |
| Committed  | -                    | 139,204                       | -                        | 139,204              |
| Assigned   | 828,380              | -                             | -                        | 828,380              |
| Unassigned   | 7,037,129            | -                             | -                        | 7,037,129            |
| Total fund balances  | <u>10,752,827</u>    | <u>376,621</u>                | <u>25,474</u>            | <u>11,154,922</u>    |
| Total liabilities, deferred inflows of resources, and fund balances  | <u>\$ 11,768,629</u> | <u>\$ 1,057,107</u>           | <u>\$ 25,474</u>         |                      |
| Amounts reported for governmental activities in the Statement of Net Position are different because:   |                      |                               |                          |                      |
| Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and therefore are not reported in the funds.  |                      |                               |                          | 19,491,347           |
| Deferred outflows of resources related to pensions are not reported in the funds.  |                      |                               |                          | 1,762,068            |
| Deferred outflows of resources related to OPEB are not reported in the funds.  |                      |                               |                          | 72,361               |
| Long-term liabilities, compensated absences, and accrued interest are not due and payable in the current period and, therefore, are not reported in the funds.   |                      |                               |                          | (8,415,256)          |
| Net pension liability - LGERS  |                      |                               |                          | (2,723,265)          |
| Total pension liability - LEOSSA   |                      |                               |                          | (981,612)            |
| Total OPEB liability   |                      |                               |                          | (837,109)            |
| Liabilities for earned revenues considered deferred inflows of resources in fund statements  |                      |                               |                          | 417,085              |
| Deferred inflows of resources related to pensions are not reported in the funds.   |                      |                               |                          | (241,548)            |
| Deferred inflows of resources related to OPEB are not reported in the funds.   |                      |                               |                          | (92,031)             |
| Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position. |                      |                               |                          | 278,199              |
| Net position of governmental activities  |                      |                               |                          | <u>\$ 19,885,161</u> |

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

**CITY OF NEWTON, NORTH CAROLINA**

**Exhibit D**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

|   | <b>Major Funds</b>      |  | <b>Nonmajor<br/>Funds</b>               |                      |
|---|-------------------------|--|---|----------------------|
|   | <b>General<br/>Fund</b> | <b>General<br/>Capital<br/>Projects Fund</b> | <b>Other<br/>Governmental<br/>Funds</b> | <b>Total</b>         |
| <b>Revenues:</b>                        |                         |  |   |                      |
| Ad valorem taxes                        | \$ 6,410,789            | \$ -   | \$ -                                    | \$ 6,410,789         |
| Other taxes and licenses                | 4,307,540               | -  | -                                       | 4,307,540            |
| Unrestricted intergovernmental          | 1,678,669               | -  | -                                       | 1,678,669            |
| Restricted intergovernmental            | 854,316                 | 250  | 43,170                                  | 897,736              |
| Permits and fees                        | 63,197                  | -  | -                                       | 63,197               |
| Sales and services                      | 1,131,354               | -  | -                                       | 1,131,354            |
| Investment earnings                     | 114,073                 | 39   | 24                                      | 114,136              |
| Miscellaneous                           | 179,855                 | -  | -                                       | 179,855              |
| Total revenues                          | <u>14,739,793</u>       | <u>289</u>                                   | <u>43,194</u>                           | <u>14,783,276</u>    |
| <b>Expenditures:</b>                    |                         |  |   |                      |
| Current:                                |                         |  |   |                      |
| General government                      | 1,840,924               | -  | -                                       | 1,840,924            |
| Transportation                          | 1,378,944               | -  | -                                       | 1,378,944            |
| Environmental protection                | 1,092,671               | -  | -                                       | 1,092,671            |
| Public safety                           | 6,999,491               | -  | 40,840                                  | 7,040,331            |
| Economic and physical development       | 406,805                 | -  | -                                       | 406,805              |
| Cultural and recreational               | 1,673,724               | -  | -                                       | 1,673,724            |
| Capital outlay                          | -                       | 1,557,989                                    | -                                       | 1,557,989            |
| Debt service:                           |                         |  |   |                      |
| Principal retirement                    | 1,056,297               | -  | -                                       | 1,056,297            |
| Interest and fees                       | 218,957                 | -  | -                                       | 218,957              |
| Total expenditures                      | <u>14,667,813</u>       | <u>1,557,989</u>                             | <u>40,840</u>                           | <u>16,266,642</u>    |
| Revenues over (under) expenditures      | <u>71,980</u>           | <u>(1,557,700)</u>                           | <u>2,354</u>                            | <u>(1,483,366)</u>   |
| <b>Other Financing Sources (Uses):</b>  |                         |  |   |                      |
| Issuance of debt                        | 543,752                 | 548,000                                      | -                                       | 1,091,752            |
| Transfers from other funds              | 1,259,550               | 801,600                                      | -                                       | 2,061,150            |
| Transfers to other funds                | (801,600)               | (110,000)                                    | -                                       | (911,600)            |
| Total other financing sources (uses)    | <u>1,001,702</u>        | <u>1,239,600</u>                             | <u>-</u>                                | <u>2,241,302</u>     |
| Net change in fund balances             | <u>1,073,682</u>        | <u>(318,100)</u>                             | <u>2,354</u>                            | <u>757,936</u>       |
| <b>Fund Balances:</b>                   |                         |  |   |                      |
| Beginning of year - July 1              | 9,110,062               | 694,721                                      | 23,120                                  | 9,827,903            |
| Prior period adjustment                 | 569,083                 | -  | -                                       | 569,083              |
| Beginning of year - July 1, as restated | <u>9,679,145</u>        | <u>694,721</u>                               | <u>23,120</u>                           | <u>10,396,986</u>    |
| End of year - June 30                   | <u>\$ 10,752,827</u>    | <u>\$ 376,621</u>                            | <u>\$ 25,474</u>                        | <u>\$ 11,154,922</u> |

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

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**CITY OF NEWTON, NORTH CAROLINA****Exhibit E****RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

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

|   |                   |
|---|-------------------|
| Net changes in fund balances - total governmental funds (Exhibit D)   | \$ 757,936        |
| Revenues in the Statement of Activities that do not provide current financial resources<br>are not reported as revenues in the funds.   |                   |
| Property taxes  | (2,869)           |
| Change in unavailable grant revenues  | (28,245)          |
| Expenses related to LGERS net pension liability that do not require current financial<br>resources are not reported as expenditures.  | (562,894)         |
| Expenses related to LEOSSA total pension liability that do not require current financial<br>resources are not reported as expenditures.   | (19,851)          |
| Expenses related to total OPEB liability that do not require current financial<br>resources are not reported as expenditures.   | (22,286)          |
| Expenses related to compensated absences that do not require current financial<br>resources are not reported as expenditures.   | (76,411)          |
| Expenses related to interest expense that do not require current financial resources<br>are not reported as expenditures.   | 1,706             |
| Capital outlays are reported as expenditures in the governmental funds statement.<br>However, in the Statement of Activities, capital outlay is not an expense, rather it<br>is an increase in capital assets.          | 2,786,483         |
| Depreciation expense allocates the costs of capital assets over their useful lives.<br>It is not reported as an expenditure in the governmental funds statement.  | (1,433,396)       |
| Principal repayments are reported as expenditures in the governmental funds<br>statement. However, in the Statement of Activities, these transactions are not<br>an expense, rather they are a decrease in liabilities. | 1,056,297         |
| Proceeds from issuance of debt are reported as revenues in the governmental funds<br>statement. However, in the Statement of Activities, it is not a revenue, rather it is an<br>increase in liabilities.               | (1,091,752)       |
| The net revenue of the internal service funds are reported with governmental activities.  | <u>(830,779)</u>  |
| Total changes in net position of governmental activities (Exhibit B)  | <u>\$ 533,939</u> |

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

**CITY OF NEWTON, NORTH CAROLINA**

Exhibit F

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2020**

|   | General Fund     |              |              |   |
|---|------------------|--------------|--------------|---|
|   | Budgeted Amounts |              |              | Variance with<br>Final Budget<br>Over/Under |
|   | Original         | Final        | Actual       |   |
| <b>Revenues:</b>                        |                  |              |              |   |
| Ad valorem taxes                        | \$ 6,266,550     | \$ 6,266,550 | \$ 6,410,789 | \$ 144,239                                  |
| Other taxes and licenses                | 4,158,200        | 4,158,200    | 4,307,540    | 149,340                                     |
| Unrestricted intergovernmental          | 1,523,200        | 1,704,850    | 1,678,669    | (26,181)                                    |
| Restricted intergovernmental            | 558,150          | 678,500      | 854,316      | 175,816                                     |
| Permits and fees                        | 67,100           | 67,100       | 63,197       | (3,903)                                     |
| Sales and services                      | 1,047,250        | 1,047,250    | 1,131,354    | 84,104                                      |
| Investment earnings                     | 125,000          | 125,000      | 114,073      | (10,927)                                    |
| Miscellaneous                           | 150,150          | 225,450      | 179,855      | (45,595)                                    |
| Total revenues                          | 13,895,600       | 14,272,900   | 14,739,793   | 466,893                                     |
| <b>Expenditures:</b>                    |                  |              |              |   |
| Current:                                |                  |              |              |   |
| General government                      | 2,096,300        | 2,122,550    | 1,840,924    | 281,626                                     |
| Transportation                          | 2,374,550        | 1,923,300    | 1,378,944    | 544,356                                     |
| Environmental protection                | 1,143,900        | 1,163,000    | 1,092,671    | 70,329                                      |
| Public safety                           | 6,658,650        | 7,752,800    | 6,999,491    | 753,309                                     |
| Economic and physical development       | 419,400          | 419,400      | 406,805      | 12,595                                      |
| Cultural and recreational               | 1,810,550        | 2,007,580    | 1,673,724    | 333,856                                     |
| Debt service:                           |                  |              |              |   |
| Principal retirement                    | 1,062,100        | 1,062,350    | 1,056,297    | 6,053                                       |
| Interest and fees                       | 223,050          | 222,800      | 218,957      | 3,843                                       |
| Total expenditures                      | 15,788,500       | 16,673,780   | 14,667,813   | 2,005,967                                   |
| Revenues over (under) expenditures      | (1,892,900)      | (2,400,880)  | 71,980       | 2,472,860                                   |
| <b>Other Financing Sources (Uses):</b>  |                  |              |              |   |
| Issuance of debt                        | 1,576,600        | 1,128,500    | 543,752      | (584,748)                                   |
| Transfers from other funds              | -                | 1,259,550    | 1,259,550    | -   |
| Transfers to other funds                | -                | (801,600)    | (801,600)    | -   |
| Appropriated fund balance               | 316,300          | 814,430      | -            | (814,430)                                   |
| Total other financing sources (uses)    | 1,892,900        | 2,400,880    | 1,001,702    | (1,399,178)                                 |
| Net change in fund balance              | \$ -             | \$ -         | 1,073,682    | \$ 1,073,682                                |
| <b>Fund Balance:</b>                    |                  |              |              |   |
| Beginning of year - July 1              |                  |              | 9,110,062    |   |
| Prior period adjustment                 |                  |              | 569,083      |   |
| Beginning of year - July 1, as restated |                  |              | 9,679,145    |   |
| End of year - June 30                   |                  |              | \$10,752,827 |   |

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

## CITY OF NEWTON, NORTH CAROLINA

Exhibit G

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2020

|   | Major                           |                  |               | Internal        |
|---|---------------------------------|------------------|---------------|-----------------|
|   | Water and<br>Wastewater<br>Fund | Electric<br>Fund | Total         | Service<br>Fund |
| <b>Assets:</b>  |                                 |                  |               |                 |
| Current assets:   |                                 |                  |               |                 |
| Cash and cash equivalents   | \$ 2,586,774                    | \$ 8,322,799     | \$ 10,909,573 | \$ 514,474      |
| Accounts receivable, net  | 973,811                         | 1,665,068        | 2,638,879     | 1,033           |
| Due from other governments  | 80,614                          | 71,504           | 152,118       | -               |
| Inventories   | 119,750                         | 763,344          | 883,094       | -               |
| Restricted cash and cash equivalents  | 158,793                         | 384,638          | 543,431       | -               |
| Total current assets  | 3,919,742                       | 11,207,353       | 15,127,095    | 515,507         |
| Capital assets:   |                                 |                  |               |                 |
| Non-depreciable capital assets  | 1,107,678                       | 312,086          | 1,419,764     | -               |
| Depreciable capital assets, net   | 28,184,821                      | 12,882,364       | 41,067,185    | -               |
| Total capital assets, net   | 29,292,499                      | 13,194,450       | 42,486,949    | -               |
| Total non-current assets  | 29,292,499                      | 13,194,450       | 42,486,949    | -               |
| Total assets  | 33,212,241                      | 24,401,803       | 57,614,044    | 515,507         |
| <b>Deferred Outflows of Resources:</b>  |                                 |                  |               |                 |
| Pension deferrals   | 335,591                         | 167,136          | 502,727       | -               |
| OPEB deferrals  | 21,051                          | 7,892            | 28,943        | -               |
| Total deferred outflows of resources  | 356,642                         | 175,028          | 531,670       | -               |
| <b>Liabilities:</b>   |                                 |                  |               |                 |
| Current liabilities:  |                                 |                  |               |                 |
| Accounts payable and other current liabilities  | 623,256                         | 1,036,774        | 1,660,030     | 161,677         |
| Accrued interest payable  | 89,643                          | 59,539           | 149,182       | -               |
| Due to other government   | 48,693                          | -                | 48,693        | -               |
| Accrued compensated absences - current  | 62,899                          | 31,310           | 94,209        | -               |
| Installment loans payable - current   | 939,137                         | 804,403          | 1,743,540     | -               |
| Liabilities to be paid from restricted assets   | 105,148                         | 379,324          | 484,472       | -               |
| Total current liabilities   | 1,868,776                       | 2,311,350        | 4,180,126     | 161,677         |
| Non-current liabilities:  |                                 |                  |               |                 |
| Accrued compensated absences  | 59,690                          | 22,381           | 82,071        | -               |
| Long-term installment loans payable   | 7,379,275                       | 3,337,620        | 10,716,895    | -               |
| Net pension liability   | 573,318                         | 286,659          | 859,977       | -               |
| Total OPEB liability  | 247,502                         | 94,253           | 341,755       | -               |
| Total non-current liabilities   | 8,259,785                       | 3,740,913        | 12,000,698    | -               |
| Total liabilities   | 10,128,561                      | 6,052,263        | 16,180,824    | 161,677         |
| <b>Deferred Inflows of Resources:</b>   |                                 |                  |               |                 |
| Pension deferrals   | 8,485                           | 4,242            | 12,727        | -               |
| OPEB deferrals  | 26,773                          | 10,037           | 36,810        | -               |
| Total deferred outflows of resources  | 35,258                          | 14,279           | 49,537        | -               |
| <b>Net Position:</b>  |                                 |                  |               |                 |
| Net investment in capital assets  | 21,027,732                      | 9,057,741        | 30,085,473    | -               |
| Unrestricted  | 2,377,332                       | 9,452,548        | 11,829,880    | 353,830         |
| Total net position  | \$ 23,405,064                   | \$ 18,510,289    | 41,915,353    | \$ 353,830      |
| Internal balance due from (to) governmental activities<br>due to consolidation of Internal Service Fund |                                 |                  | 75,631        |                 |
| Business-type activities net position (Exhibit A)   |                                 |                  | \$ 41,990,984 |                 |

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

**CITY OF NEWTON, NORTH CAROLINA**

Exhibit H

**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

|   | <b>Major</b>                             |                          |                     |                                      |
|---|--|--------------------------|---------------------|--------------------------------------|
|   | <b>Water and<br/>Wastewater<br/>Fund</b> | <b>Electric<br/>Fund</b> | <b>Total</b>        | <b>Internal<br/>Service<br/>Fund</b> |
| <b>Operating Revenues:</b>  |  |                          |                     |                                      |
| Charges for services  | \$ 7,262,293                             | \$ 14,670,777            | \$ 21,933,070       | \$ 1,592,375                         |
| Other operating revenues  | 485,313                                  | 820,603                  | 1,305,916           | -                                    |
| Total operating revenues  | <u>7,747,606</u>                         | <u>15,491,380</u>        | <u>23,238,986</u>   | <u>1,592,375</u>                     |
| <b>Operating Expenses:</b>  |  |                          |                     |                                      |
| Administration  | 1,524,763                                | 1,176,041                | 2,700,804           | 62,962                               |
| Power for resale  | -  | 10,667,917               | 10,667,917          | -                                    |
| Operations  | 3,028,008                                | 2,941,793                | 5,969,801           | 1,853,904                            |
| Maintenance   | 1,354,162                                | -                        | 1,354,162           | -                                    |
| Depreciation  | <u>1,978,088</u>                         | <u>1,205,488</u>         | <u>3,183,576</u>    | <u>-</u>                             |
| Total operating expenses  | <u>7,885,021</u>                         | <u>15,991,239</u>        | <u>23,876,260</u>   | <u>1,916,866</u>                     |
| Operating income (loss)   | <u>(137,415)</u>                         | <u>(499,859)</u>         | <u>(637,274)</u>    | <u>(324,491)</u>                     |
| <b>Non-Operating Revenues (Expenses):</b>                         |  |                          |                     |                                      |
| Sales tax   | -  | 743,064                  | 743,064             | -                                    |
| Investment earnings   | 31,779                                   | 101,766                  | 133,545             | 16,782                               |
| Interest expense  | (224,212)                                | (126,699)                | (350,911)           | -                                    |
| Power agency refund   | -  | 2,007,580                | 2,007,580           | -                                    |
| Rental income and other non-operating items                       | 109,173                                  | 51,719                   | 160,892             | -                                    |
| Gain (loss) on disposal of capital assets                         | <u>5,372</u>                             | <u>5,927</u>             | <u>11,299</u>       | <u>-</u>                             |
| Total non-operating revenues (expenses)                           | <u>(77,888)</u>                          | <u>2,783,357</u>         | <u>2,705,469</u>    | <u>16,782</u>                        |
| Income (loss) before capital contributions and transfers          | (215,303)                                | 2,283,498                | 2,068,195           | (307,709)                            |
| Transfers to other funds  | -  | (535,950)                | (535,950)           | (800,000)                            |
| Transfers from other funds  | 124,800                                  | 61,600                   | 186,400             | -                                    |
| Capital contributions   | <u>19,943</u>                            | <u>-</u>                 | <u>19,943</u>       | <u>-</u>                             |
| Change in net position  | <u>(70,560)</u>                          | <u>1,809,148</u>         | <u>1,738,588</u>    | <u>(1,107,709)</u>                   |
| <b>Net Position:</b>  |  |                          |                     |                                      |
| Beginning of year - July 1  | 23,273,934                               | 16,204,301               |                     | 1,461,539                            |
| Prior period adjustment   | <u>201,690</u>                           | <u>496,840</u>           |                     | <u>-</u>                             |
| Beginning of year - July 1, as restated                           | <u>23,475,624</u>                        | <u>16,701,141</u>        |                     | <u>1,461,539</u>                     |
| End of year - June 30   | <u>\$ 23,405,064</u>                     | <u>\$ 18,510,289</u>     |                     | <u>\$ 353,830</u>                    |
| Internal service activities allocated to business-type activities |  |                          | <u>(276,930)</u>    |                                      |
| Change in net position-business type activities (Exhibit B)       |  |                          | <u>\$ 1,461,658</u> |                                      |

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



**CITY OF NEWTON, NORTH CAROLINA**

**Exhibit I**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

|   | <b>Major</b>                             |                          |                      |                                      |
|---|--|--------------------------|----------------------|--------------------------------------|
|   | <b>Water and<br/>Wastewater<br/>Fund</b> | <b>Electric<br/>Fund</b> | <b>Total</b>         | <b>Internal<br/>Service<br/>Fund</b> |
| <b>Cash Flows from Operating Activities:</b>  |  |                          |                      |                                      |
| Cash received from customers and users  | \$ 7,924,143                             | \$ 15,404,513            | \$ 23,328,656        | \$ 1,592,573                         |
| Cash paid for goods and services  | (3,346,790)                              | (13,256,439)             | (16,603,229)         | (1,921,228)                          |
| Cash paid to or on behalf of employees for services   | (1,647,441)                              | (936,404)                | (2,583,845)          | -                                    |
| Net cash provided (used) by operating activities  | <u>2,929,912</u>                         | <u>1,211,670</u>         | <u>4,141,582</u>     | <u>(328,655)</u>                     |
| <b>Cash Flows from Non-Capital Financing Activities:</b>  |  |                          |                      |                                      |
| Transfers to (from) other funds   | <u>124,800</u>                           | <u>(474,350)</u>         | <u>(349,550)</u>     | <u>(800,000)</u>                     |
| <b>Cash Flows from Capital and Related Financing Activities:</b>  |  |                          |                      |                                      |
| Acquisition and construction of capital assets  | (2,063,425)                              | (606,169)                | (2,669,594)          | -                                    |
| Capital contributions - grants  | 19,943                                   | -                        | 19,943               | -                                    |
| Proceeds from sale of capital assets  | 5,372                                    | 5,927                    | 11,299               | -                                    |
| Sales tax   | -  | 743,064                  | 743,064              | -                                    |
| Payments of installment loans payable   | (1,226,140)                              | (813,277)                | (2,039,417)          | -                                    |
| Interest paid on general obligation bonds and loans payable   | (228,274)                                | (136,531)                | (364,805)            | -                                    |
| Power agency refund   | -  | 2,007,580                | 2,007,580            | -                                    |
| Proceeds from issuance of general obligation bonds and loans payable                                      | 598,291                                  | 209,300                  | 807,591              | -                                    |
| Net cash provided (used) by capital and related financing activities                                      | <u>(2,894,233)</u>                       | <u>1,409,894</u>         | <u>(1,484,339)</u>   | <u>-</u>                             |
| <b>Cash Flows from Investing Activities:</b>  |  |                          |                      |                                      |
| Interest on investments   | <u>31,787</u>                            | <u>101,787</u>           | <u>133,574</u>       | <u>16,787</u>                        |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>   | <u>192,266</u>                           | <u>2,249,001</u>         | <u>2,441,267</u>     | <u>(1,111,868)</u>                   |
| <b>Cash and Cash Equivalents:</b>   |  |                          |                      |                                      |
| Beginning of Year - July 1  | <u>2,553,301</u>                         | <u>6,458,436</u>         | <u>9,011,737</u>     | <u>1,626,342</u>                     |
| End of Year - June 30   | <u>\$ 2,745,567</u>                      | <u>\$ 8,707,437</u>      | <u>\$ 11,453,004</u> | <u>\$ 514,474</u>                    |
| <b>Reconciliation of Operating Income (Loss) to Net Cash<br/>Provided (Used) by Operating Activities:</b> |  |                          |                      |                                      |
| Operating income (loss)   | \$ (137,415)                             | \$ (499,859)             | \$ (637,274)         | \$ (324,491)                         |
| Adjustments to reconcile operating income (loss) to:  |  |                          |                      |                                      |
| Depreciation  | 1,978,088                                | 1,205,488                | 3,183,576            | -                                    |
| Rental income and other non-operating revenues  | 109,173                                  | 51,719                   | 160,892              | -                                    |
| Change in assets and liabilities:   |  |                          |                      |                                      |
| (Increase) decrease in accounts receivable  | 76,317                                   | (138,586)                | (62,269)             | -                                    |
| (Increase) decrease in due from other governmental agencies   | 269,560                                  | 489,159                  | 758,719              | -                                    |
| (Increase) decrease in inventories  | 10,781                                   | (85,261)                 | (74,480)             | -                                    |
| (Increase) decrease in deferred outflows of resources for pension   | 52,573                                   | 26,286                   | 78,859               | -                                    |
| (Increase) decrease in deferred outflows of resources for OPEB  | (3,297)                                  | (1,236)                  | (4,533)              | -                                    |
| Increase (decrease) in due to other governmental agencies   | 3,078                                    | -                        | 3,078                | -                                    |
| Increase (decrease) in accounts payable and accrued expenses  | 465,318                                  | 99,921                   | 565,239              | (4,164)                              |
| Increase (decrease) in accrued vacation pay   | 27,964                                   | 14,978                   | 42,942               | -                                    |
| Increase (decrease) in deferred inflows of resources for pension  | (5,627)                                  | (2,814)                  | (8,441)              | -                                    |
| Increase (decrease) in deferred inflows of resources for OPEB   | 6,850                                    | 2,568                    | 9,418                | -                                    |
| Increase (decrease) in net pension liability  | 71,559                                   | 35,780                   | 107,339              | -                                    |
| Increase (decrease) in OPEB liability   | 2,930                                    | 1,099                    | 4,029                | -                                    |
| Increase (decrease) in customer deposits  | 2,060                                    | 12,428                   | 14,488               | -                                    |
| Net cash provided (used) by operating activities  | <u>\$ 2,929,912</u>                      | <u>\$ 1,211,670</u>      | <u>\$ 4,141,582</u>  | <u>\$ (328,655)</u>                  |

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



# NOTES TO THE FINANCIAL STATEMENTS

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

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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#### 1. Summary of Significant Accounting Policies

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

##### A. Reporting Entity

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

##### B. Basis of Presentation

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

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

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

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

The City reports the following major governmental funds:

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

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

The City reports the following nonmajor governmental funds:

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

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

The City reports the following major enterprise funds:

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

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

The City reports the following fund type:

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

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

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

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

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

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

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

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

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

#### **D. Budgetary Data**

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



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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

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

#### **E. Estimates**

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

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

##### **Deposits and Investments**

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

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## **CITY OF NEWTON, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020**

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State law [G.S. 159-30 (c)] authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust ("NCCMT"). The City's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, SEC-registered (2a-7) money market mutual fund, is measured at fair value. As of June 30, 2020, The Term Portfolio has a duration of .15 years. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

#### **Cash and Cash Equivalents**

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

#### **Restricted Assets**

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

# CITY OF NEWTON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

|                                  | General<br>Fund                          | General<br>Capital<br>Projects Fund | Total<br>Restricted<br>Cash          |
|----------------------------------|--|-------------------------------------|--------------------------------------|
| <b>Governmental Activities:</b>  |  |                                     |                                      |
| Unexpended debt proceeds         | \$ -                                     | \$ 222,389                          | \$ 222,389                           |
| Customer deposits                | 30,900                                   | -                                   | 30,900                               |
| Streets                          | 315,362                                  | -                                   | 315,362                              |
| Cultural and recreational        | 316,723                                  | -                                   | 316,723                              |
| Total governmental activities    | <u>\$ 662,985</u>                        | <u>\$ 222,389</u>                   | <u>\$ 885,374</u>                    |
|                                  | <b>Water and<br/>Wastewater<br/>Fund</b> | <b>Electric<br/>Fund</b>            | <b>Total<br/>Restricted<br/>Cash</b> |
| <b>Business-Type Activities:</b> |  |                                     |                                      |
| Unexpended debt proceeds         | \$ 53,645                                | \$ 5,314                            | \$ 58,959                            |
| Customer deposits                | 105,148                                  | 379,324                             | 484,472                              |
| Total business-type activities   | <u>\$ 158,793</u>                        | <u>\$ 384,638</u>                   | <u>\$ 543,431</u>                    |

### Ad Valorem Taxes Receivable

In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1<sup>st</sup>, the beginning of the fiscal year. These taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. Liens are placed on these taxes as of March 1<sup>st</sup> each year. These taxes are based on the assessed values as of January 1, 2019.

### Allowance for Doubtful Accounts

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

### Inventory

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

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

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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#### Capital Assets

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

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

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

#### Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has two items that meet this criteria, pension deferrals and OPEB deferrals for the 2020 fiscal year. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has several items that meet the criteria for this category – prepaid taxes, unavailable revenues, and deferrals of pension and OPEB expense.

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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#### **Long-Term Obligations**

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

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

#### **Compensated Absences**

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

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

#### **Net Position**

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

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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#### Fund Balances

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

The governmental fund types classify fund balances as follows:

**Non-Spendable Fund Balance.** This classification includes amounts that cannot be spent, because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

|  | <u>General<br/>Fund</u> |
|--|-------------------------|
| <i>Inventories</i> - portion of fund balance that is not an available resource because it represents the year-end balance of inventories, which are not spendable resources. | <u>\$ 37,356</u>        |

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

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 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. Current year restricted amounts are \$2,217,878, \$15,028, and \$5,712 for the General Fund, General Capital Projects Fund, and other governmental funds, respectively.

# CITY OF NEWTON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

|  | General<br>Fund   | General<br>Capital<br>Projects<br>Fund | Other<br>Governmental<br>Funds |
|--|-------------------|--|--------------------------------|
| <i>Restricted for Streets - Powell Bill</i> - portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures.   | \$ 315,362        | \$ -                                   | \$ -                           |
| <i>Restricted for Transportation</i> - portion of fund balance that is restricted by revenue source (unspent debt proceeds) for street construction.   | -                 | 81,300                                 | -                              |
| <i>Restricted for Transportation</i> - portion of fund balance that is restricted by revenue source for street construction.   | -                 | 141,089                                | -                              |
| <i>Restricted for Public Safety</i> - portion of fund balance that is restricted by revenue source for certain emergency telephone system expenditures.  | -                 | -                                      | 7,398                          |
| <i>Restricted for Cultural and Recreational</i> - portion of fund balance that is restricted by revenue source for the Frank and Sue Jones Recreation Fund for capital improvements to recreations facilities. | 316,722           | -                                      | -                              |
| <i>Restricted for Economic and Physical Development</i> - portion of fund balance that is restricted by revenue source for economic development purposes.  | -                 | -                                      | 12,364                         |
| Total restricted fund balance excluding restricted amounts for stabilization by state statute (Exhibit C)  | <u>\$ 632,084</u> | <u>\$ 222,389</u>                      | <u>\$ 19,762</u>               |

Restricted net position on Exhibit A varies from restricted fund balance on Exhibit C by the amount of unspent debt proceeds restricted for street construction of \$222,389 as of June 30, 2020.

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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**Committed Fund Balance.** The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. Committed fund balance is summarized as follows:

|   | <u>General<br/>Capital<br/>Projects<br/>Fund</u> |
|---|--|
| <i>Committed for Capital Projects</i> - portion of fund balance that is committed by the governing body for capital improvements. | <u>\$ 139,204</u>                                |
| Total committed fund balance (Exhibit C)  | <u>\$ 139,204</u>                                |

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

|   | <u>General<br/>Fund</u> |
|---|-------------------------|
| <i>Assigned for Cultural and Recreational</i> - portion of fund balance that has been earmarked by the governing body for cemetery perpetual care. Utilization of these funds are made at the discretion of the City Manager. | \$ 64,230               |
| <i>Subsequent Year's Expenditures</i> - portion of fund balance that is appropriated in next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.          | <u>764,150</u>          |
| Total assigned fund balance (Exhibit C)   | <u>\$ 828,380</u>       |

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



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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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#### **Fund Balance Available for Appropriation**

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

|                                   |                     |
|-----------------------------------|---------------------|
| Total fund balance - General Fund | \$ 10,752,827       |
| <b>Less:</b>                      |                     |
| Inventories                       | (37,356)            |
| Stabilization by state statute    | <u>(2,217,878)</u>  |
| Available fund balance            | <u>\$ 8,497,593</u> |

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

The outstanding encumbrances represent amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year end. Encumbrances at June 30, 2020 were \$463,259, \$291,731, and \$17,962 for the General Fund, Water and Wastewater Fund, and Electric Fund, respectively.

#### **Defined Benefit Cost-Sharing Plan**

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

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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#### 2. Detail Notes On All Funds

##### A. Assets

##### Deposits

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

At June 30, 2020, the City's deposits had a carrying amount of \$2,657,682 and a bank balance of \$3,171,728. The City also had petty cash and cash on hand of \$835. Of the bank balance, \$586,614 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method.

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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#### Investments

At June 30, 2020, the City's investment balances were as follows:

| <u>Investment Type</u>                                | <u>Valuation<br/>Measurement<br/>Method</u> | <u>Book Value<br/>at 6/30/2020</u> | <u>Maturity</u> | <u>Rating</u> |
|---|---|------------------------------------|-----------------|---------------|
| NC Capital Management Trust -<br>Government Portfolio | Fair Value Level 1                          | \$ 7,857,475                       | N/A             | AAAm          |
| NC Capital Management Trust -<br>Term Portfolio       | Fair Value Level 1                          | <u>12,072,896</u>                  | 0.15 years      | Unrated       |
|   |   | <u>\$ 19,930,371</u>               |                 |               |

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

**Level of Fair Value Hierarchy: Level 1:** Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

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

*Credit Risk.* The City has no formal policy regarding credit risk but has internal management procedures that limits the City's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City's investment in the NC Capital Management Trust Government Portfolio carried a rating of AAAm by Standard and Poor's as of June 30, 2020. The City's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statute 159-30 as amended.

# CITY OF NEWTON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### Receivables

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

|                                  | <u>Accounts</u>     | <u>Taxes</u>      | <u>Due from<br/>Other<br/>Governments</u> | <u>Total</u>        |
|----------------------------------|---------------------|-------------------|---|---------------------|
| <b>Governmental Activities:</b>  |                     |                   |   |                     |
| General                          | \$ 179,895          | \$ 368,163        | \$ 1,646,679                              | \$ 2,194,737        |
| Other governmental               | -                   | -                 | 20,740                                    | 20,740              |
| Total receivables                | 179,895             | 368,163           | 1,667,419                                 | 2,215,477           |
| Allowance for doubtful accounts  | -                   | (22,000)          | -   | (22,000)            |
| Total governmental activities    | <u>\$ 179,895</u>   | <u>\$ 346,163</u> | <u>\$ 1,667,419</u>                       | <u>\$ 2,193,477</u> |
| <b>Business-Type Activities:</b> |                     |                   |   |                     |
| Water and wastewater             | \$ 1,076,811        | \$ -              | \$ 80,614                                 | \$ 1,157,425        |
| Electric                         | 1,895,068           | -                 | 71,504                                    | 1,966,572           |
| Total receivables                | 2,971,879           | -                 | 152,118                                   | 3,123,997           |
| Allowance for doubtful accounts  | (333,000)           | -                 | -   | (333,000)           |
| Total business-type activities   | <u>\$ 2,638,879</u> | <u>\$ -</u>       | <u>\$ 152,118</u>                         | <u>\$ 2,790,997</u> |

The total due from other governments consists of the following:

|                                    |                     |
|------------------------------------|---------------------|
| Governmental activities            | \$ 1,667,419        |
| Business-type activities           | 152,118             |
| Total due from other governments   | <u>\$ 1,819,537</u> |
| Sales tax reimbursement            | \$ 257,789          |
| Grant reimbursement                | 348,325             |
| Emergency telephone system revenue | 5,712               |
| Sales Tax                          | 938,394             |
| Utility Franchise Taxes            | 202,914             |
| Other Taxes                        | 64,784              |
| Other                              | 1,619               |
| Total due from other governments   | <u>\$ 1,819,537</u> |

# CITY OF NEWTON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### Capital Assets

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

|  | July 1, 2019         | Increases           | Disposals       | Adjust/<br>Transfers | June 30, 2020        |
|--|----------------------|---------------------|-----------------|----------------------|----------------------|
| <b>Governmental Activities:</b>                  |                      |                     |                 |                      |                      |
| <i>Capital assets not being depreciated:</i>     |                      |                     |                 |                      |                      |
| Land   | \$ 2,313,146         | \$ 23,425           | \$ -            | \$ -                 | \$ 2,336,571         |
| Construction in progress                         | 2,912,838            | 2,365,833           | -               | (3,392,441)          | 1,886,230            |
| <i>Total assets not being depreciated</i>        | <u>5,225,984</u>     | <u>2,389,258</u>    | <u>-</u>        | <u>(3,392,441)</u>   | <u>4,222,801</u>     |
| <i>Capital assets being depreciated:</i>         |                      |                     |                 |                      |                      |
| Buildings and improvements                       | 13,155,174           | 69,106              | -               | 286,520              | 13,510,800           |
| Equipment  | 4,600,141            | 49,594              | -               | -                    | 4,649,735            |
| Vehicles   | 9,156,175            | 278,525             | (76,121)        | 898,500              | 10,257,079           |
| Infrastructure                                   | 6,530,462            | -                   | -               | 2,207,421            | 8,737,883            |
| <i>Total assets being depreciated</i>            | <u>33,441,952</u>    | <u>397,225</u>      | <u>(76,121)</u> | <u>3,392,441</u>     | <u>37,155,497</u>    |
| <i>Less accumulated depreciation:</i>            |                      |                     |                 |                      |                      |
| Buildings and improvements                       | (6,854,313)          | (370,560)           | -               | -                    | (7,224,873)          |
| Equipment  | (3,471,352)          | (255,426)           | -               | -                    | (3,726,778)          |
| Vehicles   | (7,044,971)          | (540,679)           | 76,121          | -                    | (7,509,529)          |
| Infrastructure                                   | (3,159,040)          | (266,731)           | -               | -                    | (3,425,771)          |
| <i>Total accumulated depreciation</i>            | <u>(20,529,676)</u>  | <u>(1,433,396)</u>  | <u>76,121</u>   | <u>-</u>             | <u>(21,886,951)</u>  |
| <i>Total assets being depreciated, net</i>       | <u>12,912,276</u>    | <u>(1,036,171)</u>  | <u>-</u>        | <u>3,392,441</u>     | <u>15,268,546</u>    |
| <b>Governmental activity capital assets, net</b> | <u>\$ 18,138,260</u> | <u>\$ 1,353,087</u> | <u>\$ -</u>     | <u>\$ -</u>          | <u>\$ 19,491,347</u> |

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

|   |                            |
|---|----------------------------|
| General government  | \$ 134,835                 |
| Public safety   | 632,245                    |
| Transportation  | 338,421                    |
| Environmental protection                                    | 136,903                    |
| Cultural and recreation                                     | <u>190,992</u>             |
| <b>Total depreciation expense - governmental activities</b> | <u><u>\$ 1,433,396</u></u> |

# CITY OF NEWTON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

|  | July 1, 2019        | Increases          | Disposals | Adjust/<br>Transfers | June 30, 2020       |
|--|---------------------|--------------------|-----------|----------------------|---------------------|
| <b>Business-Type Activities:</b>             |                     |                    |           |                      |                     |
| <b>Electric Fund:</b>                        |                     |                    |           |                      |                     |
| <i>Capital assets not being depreciated:</i> |                     |                    |           |                      |                     |
| Land   | \$ 5,000            | \$ -               | \$ -      | \$ -                 | \$ 5,000            |
| Construction in progress                     | 721,747             | 241,975            | -         | (656,636)            | 307,086             |
| <i>Total assets not being depreciated</i>    | <u>726,747</u>      | <u>241,975</u>     | <u>-</u>  | <u>(656,636)</u>     | <u>312,086</u>      |
| <i>Capital assets being depreciated:</i>     |                     |                    |           |                      |                     |
| Buildings and improvements                   | 375,032             | -                  | -         | -                    | 375,032             |
| Equipment                                    | 11,708,650          | 70,863             | -         | -                    | 11,779,513          |
| Vehicles                                     | 1,231,249           | 30,527             | -         | -                    | 1,261,776           |
| Distribution systems                         | 12,756,399          | 262,804            | -         | 656,636              | 13,675,839          |
| <i>Total assets being depreciated</i>        | <u>26,071,330</u>   | <u>364,194</u>     | <u>-</u>  | <u>656,636</u>       | <u>27,092,160</u>   |
| Less accumulated depreciation:               |                     |                    |           |                      |                     |
| Buildings and improvements                   | (202,312)           | (12,342)           | -         | -                    | (214,654)           |
| Equipment                                    | (6,559,821)         | (657,868)          | -         | -                    | (7,217,689)         |
| Vehicles                                     | (736,987)           | (133,682)          | -         | -                    | (870,669)           |
| Distribution systems                         | (5,505,188)         | (401,596)          | -         | -                    | (5,906,784)         |
| <i>Total accumulated depreciation</i>        | <u>(13,004,308)</u> | <u>(1,205,488)</u> | <u>-</u>  | <u>-</u>             | <u>(14,209,796)</u> |
| <i>Total assets being depreciated, net</i>   | <u>13,067,022</u>   | <u>(841,294)</u>   | <u>-</u>  | <u>656,636</u>       | <u>12,882,364</u>   |
| <b>Electric Fund capital assets, net</b>     | <u>13,793,769</u>   | <u>(599,319)</u>   | <u>-</u>  | <u>-</u>             | <u>13,194,450</u>   |

# CITY OF NEWTON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

|  | <u>July 1, 2019</u>  | <u>Increases</u>    | <u>Disposals</u> | <u>Adjust/<br/>Transfers</u> | <u>June 30, 2020</u> |
|--|----------------------|---------------------|------------------|------------------------------|----------------------|
| <b>Water and Wastewater Fund:</b>                        |                      |                     |                  |                              |                      |
| <i>Capital assets not being depreciated:</i>             |                      |                     |                  |                              |                      |
| Land   | 210,332              | -                   | -                | -                            | 210,332              |
| Construction in progress                                 | 1,937,234            | 1,335,734           | -                | (2,375,622)                  | 897,346              |
| <i>Total assets not being depreciated</i>                | <u>2,147,566</u>     | <u>1,335,734</u>    | <u>-</u>         | <u>(2,375,622)</u>           | <u>1,107,678</u>     |
| <i>Capital assets being depreciated:</i>                 |                      |                     |                  |                              |                      |
| Buildings and improvements                               | 23,292,598           | 55,900              | -                | -                            | 23,348,498           |
| Equipment  | 1,461,131            | 182,393             | -                | 169,236                      | 1,812,760            |
| Vehicles   | 1,324,954            | 32,410              | (24,310)         | -                            | 1,333,054            |
| Distribution systems                                     | 42,345,873           | 456,988             | -                | 2,206,386                    | 45,009,247           |
| <i>Total assets being depreciated</i>                    | <u>68,424,556</u>    | <u>727,691</u>      | <u>(24,310)</u>  | <u>2,375,622</u>             | <u>71,503,559</u>    |
| Less accumulated depreciation:                           |                      |                     |                  |                              |                      |
| Buildings and improvements                               | (18,824,418)         | (421,335)           | -                | -                            | (19,245,753)         |
| Equipment  | (881,891)            | (123,668)           | -                | -                            | (1,005,559)          |
| Vehicles   | (1,085,138)          | (80,286)            | 24,310           | -                            | (1,141,114)          |
| Distribution systems                                     | (20,573,513)         | (1,352,799)         | -                | -                            | (21,926,312)         |
| <i>Total accumulated depreciation</i>                    | <u>(41,364,960)</u>  | <u>(1,978,088)</u>  | <u>24,310</u>    | <u>-</u>                     | <u>(43,318,738)</u>  |
| <i>Total assets being depreciated, net</i>               | <u>27,059,596</u>    | <u>(1,250,397)</u>  | <u>-</u>         | <u>2,375,622</u>             | <u>28,184,821</u>    |
| <b>Water and Wastewater Fund<br/>capital assets, net</b> | <u>29,207,162</u>    | <u>85,337</u>       | <u>-</u>         | <u>-</u>                     | <u>29,292,499</u>    |
| <b>Business-type activity<br/>capital assets, net</b>    | <u>\$ 43,000,931</u> | <u>\$ (513,982)</u> | <u>\$ -</u>      | <u>\$ -</u>                  | <u>\$ 42,486,949</u> |

### Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2020 is composed of the following elements:

|  | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> |
|--|------------------------------------|-------------------------------------|
| Capital assets                                 | \$ 19,491,347                      | \$ 42,486,949                       |
| Long-term debt                                 | (12,878,012)                       | (13,838,447)                        |
| Accrued compensated absences, OPEB, LEO, LGERS | 5,197,991                          | 1,378,012                           |
| Unspent debt proceeds                          | 81,300                             | 58,959                              |
| <b>Total</b>                                   | <u>\$ 11,892,626</u>               | <u>\$ 30,085,473</u>                |

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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#### Construction Commitments

The government has active construction projects as of June 30, 2020. The government's commitments with contractors are as follows:

| <u>Project</u>                     | <u>Spent-to Date</u> | <u>Remaining<br/>Commitment</u> |
|------------------------------------|----------------------|---------------------------------|
| Governmental activities:           |                      |                                 |
| Splash pad                         | \$ 626,763           | \$ 71,748                       |
| Business-type activities:          |                      |                                 |
| Electric distribution automation   | 43,462               | 37,177                          |
| Water lines - Hwy 16               | 1,022,833            | 2,919,374                       |
| 2nd St sewer rehab/relocation      | 85,968               | 148,432                         |
| Streetscape project - sewer rehab  | 461,577              | 30,066                          |
| Water treatment plant filter rehab | 481,104              | 474,000                         |
| West A sewer rehabilitation        | 66,775               | 92,653                          |
| Total                              | <u>\$ 2,788,482</u>  | <u>\$ 3,773,450</u>             |

#### B. Liabilities

##### Accounts Payable

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

|                                  | <u>Vendors</u>      | <u>Salaries and<br/>Benefits</u> | <u>Accrued<br/>Interest</u> | <u>Total</u>        |
|----------------------------------|---------------------|----------------------------------|-----------------------------|---------------------|
| <b>Governmental Activities:</b>  |                     |                                  |                             |                     |
| General                          | \$ 486,560          | \$ 242,611                       | \$ 79,230                   | \$ 808,401          |
| Other governmental               | 680,486             | -                                | -                           | 680,486             |
| Total governmental activities    | <u>\$ 1,167,046</u> | <u>\$ 242,611</u>                | <u>\$ 79,230</u>            | <u>\$ 1,488,887</u> |
| <b>Business-Type Activities:</b> |                     |                                  |                             |                     |
| Water and wastewater             | \$ 577,347          | \$ 45,909                        | \$ 89,643                   | \$ 712,899          |
| Electric                         | 1,009,968           | 26,806                           | 59,539                      | 1,096,313           |
| Total business-type activities   | <u>\$ 1,587,315</u> | <u>\$ 72,715</u>                 | <u>\$ 149,182</u>           | <u>\$ 1,809,212</u> |



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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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#### Pension Plan and Post-Employment Obligations

##### Local Governmental Employees' Retirement System

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

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

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

**Contributions.** Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Newton employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Newton's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 9.02% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Newton were \$829,722 for the year ended June 30, 2020.

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

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At June 30, 2020, the City reported a liability of \$3,583,242 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing updated procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019 (measurement date), the City's proportion was 0.13121%, which was a decrease of 0.00098% from its proportion measured as of June 30, 2018.

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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For the year ended June 30, 2020, the City recognized pension expense of \$1,570,373. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience   | \$ 613,542                           | \$ -                                |
| Changes of assumptions   | 584,009                              | -                                   |
| Net difference between projected and actual earnings<br>on pension plan investments                              | 87,400                               | -                                   |
| Changes in proportion and differences between employer<br>contributions and proportionate share of contributions | 11,268                               | 53,022                              |
| City contributions subsequent to the measurement date  | 829,722                              | -                                   |
| Total  | <u>\$ 2,125,941</u>                  | <u>\$ 53,022</u>                    |

\$829,722 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending<br>June 30 | Amount              |
|------------------------|---------------------|
| 2021                   | \$ 621,461          |
| 2022                   | 191,395             |
| 2023                   | 335,148             |
| 2024                   | 95,193              |
| 2025                   | -                   |
| Thereafter             | -                   |
| Total                  | <u>\$ 1,243,197</u> |

**Actuarial Assumptions.** The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns, and inflation assumptions are developed through review of current and historical capital market data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current 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, 2019 are summarized in the following table:

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

The information above is based on 30-year expectations developed with the consulting actuary for the 2019 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures.

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.** The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

|  | 1%<br>Decrease<br>(6.00%) | Discount<br>Rate<br>(7.00%) | 1%<br>Increase<br>(8.00%) |
|--|---------------------------|-----------------------------|---------------------------|
| City's proportionate share of the<br>net pension liability (asset) | \$ 8,195,531              | \$ 3,583,242                | \$ (250,504)              |

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

#### Law Enforcement Officers' Special Separation Allowance

**Plan Description.** The City administers a public employee retirement system (the "Separation Allowance"), a single-employer, defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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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. A separate report was not issued for the plan.

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

|   |           |
|---|-----------|
| Retirees receiving benefits:  | 5         |
| Terminated plan members entitled to,<br>but not yet receiving, benefits | -         |
| Active plan members   | <u>34</u> |
| Total   | <u>39</u> |

#### Summary of Significant Accounting Policies

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

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

**Actuarial Assumptions.** The entry age normal actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                  |  |
|------------------|--|
| Inflation        | 2.50 percent   |
| Salary increases | 3.50 to 7.35 percent, including inflation<br>and productivity factor |
| Discount rate    | 3.26 percent   |

The discount rate used to measure the total pension liability is the S&P Municipal Bond 20-Year High Grade Rate Index as of December 31, 2019.

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

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

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

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

**Contributions.** The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$58,386 as benefits came due for the reporting period.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At June 30, 2020, the City reported a total pension liability of \$981,612. 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 City recognized pension expense of \$72,036.

|   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|---|---|--|
| Differences between expected and actual experience  | \$ 62,092                                     | \$ 167,646                                   |
| Changes of assumptions and other inputs   | 53,786  | 33,607                                       |
| City benefit payments and plan administrative<br>expense subsequent to the measurement date | 22,976  | -  |
| Total   | <u>\$ 138,854</u>                             | <u>\$ 201,253</u>                            |

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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\$22,976 paid as benefits which came due subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending<br>June 30 | Amount             |
|------------------------|--------------------|
| 2021                   | \$ (13,036)        |
| 2022                   | (13,036)           |
| 2023                   | (9,686)            |
| 2024                   | (21,890)           |
| 2025                   | (27,727)           |
| Thereafter             | -                  |
| Total                  | <u>\$ (85,375)</u> |

*Sensitivity of the City's Total Pension Liability to Changes in the Discount Rate.* The following presents the City's total pension liability calculated using the discount rate of 3.26%, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26%) or 1-percentage-point higher (4.26%) than the current rate:

|                         | 1% Decrease<br>(2.26%) | Discount<br>(3.26%) | 1% Increase<br>(4.26%) |
|-------------------------|------------------------|---------------------|------------------------|
| Total pension liability | <u>\$ 1,063,829</u>    | <u>\$ 981,612</u>   | <u>\$ 906,760</u>      |

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

|   | 2020              |
|---|-------------------|
| Beginning balance                                 | \$ 1,127,545      |
| Service cost                                      | 44,635            |
| Interest on the total pension liability           | 39,980            |
| in the measurement of the total pension liability | (201,446)         |
| Changes of assumptions or other inputs            | 29,284            |
| Benefit payments                                  | (58,386)          |
| Ending balance of the total pension liability     | <u>\$ 981,612</u> |

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



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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an experience study completed by the actuary for the Local Government Employees Retirement System for the five-year period ended December 31, 2014.

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

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

|  | <u>LGERS</u> | <u>LEOSSA</u> | <u>Total</u> |
|--|--------------|---------------|--------------|
| Pension expense                                  | \$ 1,570,373 | \$ 72,036     | \$ 1,642,409 |
| Pension liability                                | 3,583,242    | 981,612       | 4,564,854    |
| Proportionate share of the net pension liability | 0.13121%     | n/a           | -            |

#### **Deferred Outflows of Resources:**

|   |                     |                   |                     |
|---|---------------------|-------------------|---------------------|
| Differences between expected and actual experience  | \$ 613,542          | \$ 62,092         | \$ 675,634          |
| Changes of assumptions  | 584,009             | 53,786            | 637,795             |
| Net difference between projected and actual earnings on plan investments                                  | 87,400              | -                 | 87,400              |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 11,268              | -                 | 11,268              |
| Benefit payments and administrative costs paid subsequent to the measurement date                         | <u>829,722</u>      | <u>22,976</u>     | <u>852,698</u>      |
| Total deferred outflows of resources  | <u>\$ 2,125,941</u> | <u>\$ 138,854</u> | <u>\$ 2,264,795</u> |

#### **Deferred Inflows of Resources:**

|   |                  |                   |                   |
|---|------------------|-------------------|-------------------|
| Differences between expected and actual experience  | \$ -             | \$ 167,646        | \$ 167,646        |
| Changes of assumptions  | -                | 33,607            | 33,607            |
| Changes in proportion and differences between City contributions and proportionate share of contributions | <u>53,022</u>    | <u>-</u>          | <u>53,022</u>     |
| Total deferred inflows of resources   | <u>\$ 53,022</u> | <u>\$ 201,253</u> | <u>\$ 254,275</u> |

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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#### **Supplemental Retirement Income Plan for Law Enforcement Officers**

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

**Funding Policy.** Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to their plan. Contributions for the year ended June 30, 2020 were \$94,678, which consisted of \$79,747 from the City and \$14,931 from the law enforcement officers. No amounts were forfeited.

#### **Other Post-Employment Benefits - Healthcare Benefits**

**Plan Description.** The City administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). According to the City of Newton Personnel Policy, the City provides post-employment healthcare benefits up to age 65 to retirees of the City, whether or not they qualify for Medicare at that time, provided they meet the retirement qualifications outlined by the North Carolina Local Government Employees Retirement System, they are at least 55 years of age, and their last 20 full-time consecutive creditable years of service were with the City. This benefit will not be offered to any employee hired on or after July 1, 2006. The City pays the full cost of coverage for the healthcare benefits paid to qualified retirees having 30 or more creditable years of service under a City resolution that can be amended by the City Council. The City's members pay the City's group rate for qualified retirees having 20 full-time consecutive creditable years of service. The City's members pay the City's group rates for dependent coverage, if enrolled in dependent coverage at the time of retirement. The City has chosen to fund the healthcare benefits on a pay-as-you-go basis. Currently eight retirees can purchase coverage for post-employment health benefits. For the fiscal year ended June 30, 2020, the City made payments for post-retirement health benefit premiums of \$18,926. The City is self-insured for health and dental coverage. A separate report was not issued for the Plan.

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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Membership of the HCB Plan consisted of the following at June 30, 2018, the date of the latest actuarial valuation:

|   |           |
|---|-----------|
| Retirees receiving benefits:  | 9         |
| Terminated plan members entitled to,<br>but not yet receiving, benefits | -         |
| Active plan members   | <u>55</u> |
| Total   | <u>64</u> |

#### Total OPEB Liability

The City's total OPEB liability of \$1,178,864 was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2018.

*Actuarial Assumptions and Other Inputs.* The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

|   |   |
|---|---|
| Inflation                                   | 2.50 percent  |
| Real wage growth                            | 1.00 percent  |
| Wage inflation                              | 3.50 percent  |
| Salary increases, including wage inflation: |   |
| General employees & firefighters            | 3.50 percent - 7.75 percent                                       |
| Law enforcement officers                    | 3.50 percent - 7.35 percent                                       |
| Municipal bond index rate                   |   |
| prior measurement date                      | 3.89 percent  |
| Measurement date                            | 3.50 percent  |
| Healthcare cost trend rates:                |   |
| Pre-Medicare                                | 7.25% for 2018 decreasing to an ultimate<br>rate of 4.75% by 2028 |
| Dental                                      | 4.00 percent  |

The City selected a Municipal Bond Index Rate equal to the Bond Buyer 20-year General Obligation Bond Index published at the last Thursday of June by The Bond Buyer, and the Municipal Bond Index Rate as of the measurement date as the discount rate used to measure the TOL.

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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#### Changes in the Total OPEB Liability

|  | <b>Total OPEB<br/>Liability</b> |
|--|---------------------------------|
| <b>Balance at July 1, 2019</b>                     | <b>\$ 1,164,764</b>             |
| <b>Changes for the year</b>                        |                                 |
| Service cost                                       | 23,077                          |
| Interest   | 44,945                          |
| Differences between expected and actual experience | (66,983)                        |
| Changes in assumptions or other inputs             | 31,987                          |
| Benefit payments                                   | (18,926)                        |
| Net changes  | <u>14,100</u>                   |
| <b>Balance at June 30, 2020</b>                    | <b><u>\$ 1,178,864</u></b>      |

Changes in assumptions and other inputs reflect a change in the discount rate from 3.89% to 3.50%

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience performed concurrently with the June 30, 2018 valuation.

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.* The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.50%) or 1 percentage-point higher (4.50%) than the current discount rate:

|                      | <b>1% Decrease<br/>(2.50%)</b> | <b>Discount<br/>(3.50%)</b> | <b>1% Increase<br/>(4.50%)</b> |
|----------------------|--------------------------------|-----------------------------|--------------------------------|
| Total OPEB liability | <u>\$ 1,265,660</u>            | <u>\$ 1,178,864</u>         | <u>\$ 1,098,878</u>            |

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates.* The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

|                      | <u>1% Decrease</u> | <u>Current Rate</u> | <u>1% Increase</u> |
|----------------------|--------------------|---------------------|--------------------|
| Total OPEB liability | \$ 1,077,647       | \$ 1,178,864        | \$ 1,293,124       |

#### OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the City recognized OPEB expense of \$52,860. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Differences between expected and actual experience  | \$ -  | \$ 102,988                                   |
| Changes of assumptions and other inputs   | 51,676  | 25,853                                       |
| City benefit payments and plan administrative costs paid subsequent to the measurement date | 49,628  | -  |
| Total   | <u>\$ 101,304</u>                             | <u>\$ 128,841</u>                            |

\$49,628 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Year Ending<br/>June 30</u> | <u>Amount</u>      |
|--------------------------------|--------------------|
| 2021                           | \$ (21,151)        |
| 2022                           | (21,151)           |
| 2023                           | (21,151)           |
| 2024                           | (10,131)           |
| 2025                           | (3,581)            |
| Thereafter                     | -                  |
| Total                          | <u>\$ (77,165)</u> |

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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#### Deferred Outflows and Inflows of Resources

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

| <u>Source</u>  | <u>Amount</u>       |
|--|---------------------|
| Differences between expected and actual experience   | \$ 675,634          |
| Changes of assumptions and other inputs  | 689,471             |
| Net difference between projected and actual earnings<br>on pension plan investments                              | 87,400              |
| Changes in proportion and differences between employer<br>contributions and proportionate share of contributions | 11,268              |
| City benefit payments and plan administrative costs paid<br>subsequent to the measurement date                   | 902,326             |
| Total  | <u>\$ 2,366,099</u> |

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

| <u>Source</u>  | <u>Statement<br/>of Net<br/>Position</u> | <u>Governmental<br/>Funds<br/>Balance Sheet</u> |
|--|--|---|
| Prepaid taxes  | \$ 323                                   | \$ 323  |
| Taxes receivable, (net) (General Fund)   | -  | 346,163   |
| Unavailable revenues   | -  | 70,922  |
| Differences between expected and actual experience   | 270,634                                  | -   |
| Changes of assumptions and other inputs  | 59,460                                   | -   |
| Changes in proportion and differences between employer<br>contributions and proportionate share of contributions | 53,022                                   | -   |
| Total  | <u>\$ 383,439</u>                        | <u>\$ 417,408</u>                               |

#### Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries commercial insurance. The City has workers' compensation coverage up to statutory limits, law enforcement officers' liability and public official liability of \$1 million per occurrence, with a \$2 million umbrella policy, auto liability of \$1 million per accident, public entity general liability of \$1 million per occurrence, \$3 million aggregate; commercial inland marine of \$1,866,361. 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.

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

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

#### **Other Employment Benefits**

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

The City has also elected to provide a city paid Employee Term Life Coverage and Accidental Death and Dismemberment Coverage for all regular full-time employees who have completed the employment-waiting period. The beneficiaries of those employees who die while employed are eligible for the life benefit equal to 100% of the employee's annual earnings not to exceed \$100,000. A limitation of 65% applies to employees 65 to 70 years in age,

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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and 50% limitation at age 70 and above. Benefits payable for Accidental Death are equal to same, and benefits for dismemberment pay in accordance to the terms outlined in the purchased policy. The City has no liability beyond the payment of monthly contributions.

#### Claims, Judgments and Contingent Liabilities

At June 30, 2020, the City was a defendant to various lawsuits. In the opinion of the City's management and the City attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

#### Self-Insurance

The City is self-insured for health and dental coverage for all full-time employees. Funding is provided by charges to various funds of the City and employee contributions based upon estimated claims and employee participation. The claims administrator determines estimated claims annually. Aggregate and specific stop loss insurance coverage is provided annually by Blue Cross Blue Shield of North Carolina, who also provides contracted third-party claims administration. The City has recognized a provision of \$161,677 for claims incurred but not reported, in the accompanying financial statements. This provision is estimated upon analysis of historical claims experience reviewed by the City's third-party administrator.

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

|                                     | <u>2020</u>        | <u>2019</u>        |
|-------------------------------------|--------------------|--------------------|
| Claims liability, beginning of year | \$ 166,039         | \$ 160,965         |
| Claims incurred                     | 1,577,743          | 1,247,615          |
| Payments on claims                  | <u>(1,582,105)</u> | <u>(1,242,541)</u> |
| Claims liability, end of year       | <u>\$ 161,677</u>  | <u>\$ 166,039</u>  |

#### Long-Term Obligations

##### Installment Purchase Contracts

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



# CITY OF NEWTON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Direct placement installment purchases at June 30, 2020 are comprised of the following:

|  | Serviced by: |                         |               |           |
|--|--------------|-------------------------|---------------|-----------|
|  | General Fund | Water / Wastewater Fund | Electric Fund | Total     |
| \$108,200, 2015, 1.71% loan payable to bank in annual installments of a fixed payment of \$21,640 plus interest for vehicles due in 2020   | \$ 10,681    | \$ -                    | \$ 10,960     | \$ 21,641 |
| \$4,000,000, 2006, 2.97% loan payable to bank in annual installments of \$344,788 for water and wastewater, electric and general capital improvements and equipment due in 2021                                  | 101,595      | 80,177                  | 478,256       | 660,028   |
| \$472,800, 2017, 1.64% loan payable to bank in annual installments of a fixed payment of \$94,560 plus interest for vehicles and equipment due in 2021   | 126,120      | 41,840                  | 21,160        | 189,120   |
| \$651,000, 2008, 2.97% loan to bank in annual installments of a fixed payment of \$43,400 plus interest for real property improvements and equipment due in 2022   | 130,200      | -                       | -             | 130,200   |
| \$626,100, 2015, 1.97% loan to bank in annual installments of a fixed payment of \$89,443 plus interest for vehicles due in 2022   | 86,443       | -                       | 181,885       | 268,328   |
| \$4,940,000, 2009, 3.03% loan payable to bank in annual installments of a fixed payment of \$329,333 plus interest for water and wastewater, electric and general capital improvements and equipment due in 2024 | 94,413       | 449,425                 | 773,495       | 1,317,333 |
| \$290,000, 2014, 2.59% loan payable to bank in annual installments of a fixed payment of \$29,000 plus interest for a fire truck refurbishment due in 2024   | 116,000      | -                       | -             | 116,000   |
| \$896,033, 2015, 2.37% loan payable to bank in annual installments of a fixed payment of \$89,603 plus interest for police radio communication system and a fire tanker due in 2025                              | 448,017      | -                       | -             | 448,017   |

# CITY OF NEWTON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

|  | Serviced by:    |                               |                  |           |
|--|-----------------|-------------------------------|------------------|-----------|
|  | General<br>Fund | Water /<br>Wastewater<br>Fund | Electric<br>Fund | Total     |
| \$3,256,225, 2012, 3.11% loan payable to bank in annual installments of a fixed payment of \$217,082 plus interest for water and wastewater, and electric capital improvements and equipment due in 2027 | -               | 1,188,763                     | 330,810          | 1,519,573 |
| \$403,790, 2013, 2.60% loan payable to bank in annual installments of a fixed payment of \$26,919 plus interest for street and water capital improvements due in 2028                                    | 110,241         | 105,115                       | -                | 215,356   |
| \$1,340,265, 2013, 2.58% loan payable to bank in annual installments of a fixed payment of \$89,351 plus interest for water and wastewater, and electric capital improvements due in 2028                | -               | 391,176                       | 323,632          | 714,808   |
| \$3,460,000, 2014, 2.91% loan payable to bank in annual installments of a fixed payment of \$230,667 plus interest for construction of a fire department headquarters due in 2029                        | 2,076,000       | -                             | -                | 2,076,000 |
| \$592,200, 2014, 2.91% loan payable to bank in annual installments of a fixed payment of \$39,480 plus interest for water and electric capital improvements due in 2029                                  | -               | 235,320                       | 120,000          | 355,320   |
| \$3,940,000, 2015, 2.78% loan payable to bank in annual installments of a fixed payment of \$262,667 plus interest for water and electric smart grid AMI metering system due in 2029                     | -               | 1,626,667                     | 1,000,000        | 2,626,667 |
| \$400,000, 2016, 2.90% loan payable to bank in annual installments of a fixed payment of \$26,667 plus interest for stormwater infrastructure due in 2031  | 293,334         | -                             | -                | 293,334   |
| \$1,400,000, 2017, 2.67% loan payable to bank in annual installments of a fixed payment of \$93,333 plus interest for wastewater capital improvements due in 2032  | -               | 1,120,000                     | -                | 1,120,000 |

# CITY OF NEWTON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

|   | Serviced by:        |                         |                     | Total                |
|---|---------------------|-------------------------|---------------------|----------------------|
|   | General Fund        | Water / Wastewater Fund | Electric Fund       |                      |
| \$713,769, 2018, 2.15% loan payable to bank in annual installments of a fixed payment of \$142,754 plus interest for vehicles and equipment due in 2023   | 217,213             | 67,751                  | 143,341             | 428,305              |
| \$137,000, 2018, 3.45% loan payable to bank in annual installments of a fixed payment of \$9,133 plus interest for water line extension due in 2033   | -                   | 118,733                 | -                   | 118,733              |
| \$3,457,000, 2018, 3.45% loan payable to bank in annual installments of a fixed payment of \$172,850 plus interest for streetscape project due in 2038  | 2,031,292           | 530,824                 | 549,184             | 3,111,300            |
| \$770,745, 2019, 2.59% loan payable to bank in annual installments of a fixed payment of \$154,149 plus interest for vehicles due in 2024   | 616,597             | -                       | -                   | 616,597              |
| \$735,152, 2020, no interest loan payable to Catawba County in annual installments of a fixed payment of \$73,515 for Non-DOT portion of water line extension due in 2030   | -                   | 735,152                 | -                   | 735,152              |
| \$31,973, 2020, no interest loan payable to Catawba County in annual installments of a fixed payment over 10 years for DOT portion of water line extension, beginning 12 months after the final reimbursement is made to the City | -                   | 31,973                  | -                   | 31,973               |
| \$673,875, 2020, no interest loan payable to Catawba County in annual installments of a fixed payment of \$44,925 for fire rescue truck due in 2035   | 673,875             | -                       | -                   | 673,875              |
| \$757,300, 2019, 2.62% loan payable to bank in annual installments of a fixed payment of \$50,487 plus interest for Streetscape Project due in 2034   | 548,000             | -                       | 209,300             | 757,300              |
| \$538,460, 2019, 2.62% loan payable to bank in annual installments of a fixed payment of \$35,897 plus interest for water and wastewater capital improvements due in 2034.  | -                   | 538,460                 | -                   | 538,460              |
|   | <u>\$ 7,680,021</u> | <u>\$ 7,261,376</u>     | <u>\$ 4,142,023</u> | <u>\$ 19,083,420</u> |

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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The City's outstanding note from direct placements related to governmental and business type activities of \$21,641 is secured by a security interest in the vehicle. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the vehicle securing the loan and the City will relinquish all rights to the vehicle.

The City's outstanding note from direct placements related to governmental and business type activities of \$660,028 is secured by a security interest in various equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the equipment securing the loan and the City will relinquish all rights to the equipment.

The City's outstanding note from direct placements related to governmental and business type activities of \$189,120 is secured by a security interest in various vehicles and equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the vehicles and equipment securing the loan and the City will relinquish all rights to the vehicles and equipment.

The City's outstanding note from direct placements related to governmental activities of \$130,200 is secured by a security interest in various improvements and equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the improvement fixtures and equipment securing the loan and the City will relinquish all rights to the improvement fixtures and equipment.

The City's outstanding note from direct placements related to governmental and business type activities of \$268,328 is secured by a security interest in various vehicles. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the vehicles securing the loan and the City will relinquish all rights to the vehicles.

The City's outstanding note from direct placements related to governmental and business type activities of \$1,317,333 is secured by a security interest in various improvements and equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the improvement fixtures and equipment securing the loan and the City will relinquish all rights to the improvement fixtures and equipment.

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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The City's outstanding note from direct placements related to governmental activities of \$116,000 is secured by a security interest in the vehicle. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the vehicle securing the loan and the City will relinquish all rights to the vehicle.

The City's outstanding note from direct placements related to governmental activities of \$448,017 is secured by a security interest in the vehicle and equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the vehicle and equipment securing the loan and the City will relinquish all rights to the vehicle and equipment.

The City's outstanding note from direct placements related to the business type activities of \$1,519,573 is secured by a security interest in improvements and equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the improvement fixtures and equipment securing the loan and the City will relinquish all rights to the improvement fixtures and equipment.

The City's outstanding note from direct placements related to governmental and business type activities of \$215,356 is secured by a security interest in improvements. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the improvement fixtures securing the loan and the City will relinquish all rights to the improvement fixtures.

The City's outstanding note from direct placements related to the business type activities of \$714,808 is secured by a security interest in improvements. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the improvement fixtures securing the loan and the City will relinquish all rights to the improvement fixtures.

The City's outstanding note from direct placements related to governmental activities of \$2,076,000 is secured by a security interest in the building. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the building securing the loan and the City will relinquish all rights to the building.

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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The City's outstanding note from direct placements related to the business type activities of \$355,320 is secured by a security interest in the capital improvements. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the improvements securing the loan and the City will relinquish all rights to the improvements.

The City's outstanding note from direct placements related to the business type activities of \$2,626,667 is secured by a security interest in various equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the equipment securing the loan and the City will relinquish all rights to the equipment.

The City's outstanding note from direct placements related to governmental activities of \$293,334 is secured by a security interest in the infrastructure. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the infrastructure securing the loan and the City will relinquish all rights to the infrastructure.

The City's outstanding note from direct placements related to the Water and Wastewater Fund of \$1,120,000 is secured by a security interest in the capital improvements. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the improvements securing the loan and the City will relinquish all rights to the improvements.

The City's outstanding note from direct placements related to governmental and business type activities of \$428,305 is secured by a security interest in various vehicles and equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the vehicles and equipment securing the loan and the City will relinquish all rights to the vehicles and equipment.

The City's outstanding note from direct placements related to the Water and Wastewater Fund of \$118,733 is secured by a security interest in the capital improvements. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the improvements securing the loan and the City will relinquish all rights to the improvements.

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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The City's outstanding note from direct placements related to governmental and business type activities of \$3,111,300 is secured by a security interest in the capital improvements. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the improvements securing the loan and the City will relinquish all rights to the improvements.

The City's outstanding note from direct placements related to governmental activities of \$616,597 is secured by a security interest in various vehicles. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the vehicles securing the loan and the City will relinquish all rights to the vehicles.

The City's outstanding note from direct placements related to the Water and Wastewater Fund of \$735,152 is secured by a security interest in the capital improvements. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the improvements securing the loan and the City will relinquish all rights to the improvements.

The City's outstanding note from direct placements related to Water and Wastewater Fund of \$31,973 is secured by a security interest in the capital improvements. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the improvements securing the loan and the City will relinquish all rights to the improvements.

The City's outstanding note from direct placements related to governmental activities of \$673,875 is not secured. There is no language regarding event of default. Contract may be terminated by either party, with or without cause, by providing other party at least 180 days' notice before the conclusion of each fiscal year. If so, the City will pay the County within 365 days of termination, balance of the loan, portion of the grant prorated by multiplying number of years between the date of termination and June 30, 2034, divided by 15 years, plus 6% interest.

The City's outstanding note from direct placements related to governmental and business type activities of \$757,300 is secured by a security interest in the capital improvements. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the improvements securing the loan and the City will relinquish all rights to the improvements.

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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The City's outstanding note from direct placements related to Water and Wastewater Fund of \$538,460 is secured by a security interest in the capital improvements. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the improvements securing the loan and the City will relinquish all rights to the improvements.

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

| <u>Year Ended</u><br><u>June 30</u> | <u>Direct Placement Installment Purchases</u> |                  |
|-------------------------------------|---|------------------|
|                                     | <u>Principal</u>                              | <u>Interest</u>  |
| <b>Governmental Activities:</b>     |   |                  |
| 2021                                | \$ 1,029,630                                  | \$ 205,378       |
| 2022                                | 1,020,436                                     | 178,819          |
| 2023                                | 905,877                                       | 152,594          |
| 2024                                | 763,431                                       | 128,515          |
| 2025                                | 555,029                                       | 108,530          |
| 2026-2030                           | 2,068,901                                     | 340,807          |
| 2031-2035                           | 998,227                                       | 133,810          |
| 2036-2040                           | 338,490                                       | 23,734           |
| Total governmental activities       | <u>7,680,021</u>                              | <u>1,272,187</u> |



# CITY OF NEWTON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

| Year Ended<br>June 30             | Direct Placement Installment Purchases |              |
|-----------------------------------|--|--------------|
|                                   | Principal                              | Interest     |
| <b>Business-type Activities:</b>  |  |              |
| <b>Water and Wastewater Fund:</b> |  |              |
| 2021                              | 858,008                                | 186,856      |
| 2022                              | 859,181                                | 164,449      |
| 2023                              | 797,586                                | 142,066      |
| 2024                              | 772,582                                | 121,204      |
| 2025                              | 662,041                                | 100,827      |
| 2026-2030                         | 2,650,516                              | 267,277      |
| 2031-2035                         | 540,989                                | 54,512       |
| 2036-2040                         | 120,473                                | 6,201        |
| Total Water and Wastewater Fund   | 7,261,376                              | 1,043,392    |
| <b>Electric Fund:</b>             |  |              |
| 2021                              | 804,403                                | 119,498      |
| 2022                              | 800,442                                | 96,928       |
| 2023                              | 547,234                                | 74,366       |
| 2024                              | 439,046                                | 59,170       |
| 2025                              | 245,507                                | 46,196       |
| 2026-2030                         | 991,519                                | 129,688      |
| 2031-2035                         | 222,307                                | 37,564       |
| 2036-2040                         | 91,565                                 | 6,416        |
| Total Electric Fund               | 4,142,023                              | 569,826      |
| Total business-type activities    | 11,403,399                             | 1,613,218    |
| Total all activities              | \$ 19,083,420                          | \$ 2,885,405 |

### Direct Borrowing Revolving Loan Payables

On May 10, 2012, the City was approved for a loan amount of \$498,921 from the U.S. Environmental Protection Agency passed through the North Carolina Department of Environmental and Natural Resources under the Drinking Water State Revolving Fund program. The loan proceeds were being used to upgrade the wastewater treatment plant. The loan is repayable at 2.22% for 19 years. The loan repayment schedule based on the loan of \$498,921 calls for annual principal and interest repayments that amount to \$26,259 annually for 19 years. The total amount outstanding at June 30, 2020 was \$288,849.

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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On March 12, 2015, the City was approved for a loan amount of \$1,097,409 from the U.S. Environmental Protection Agency passed through the North Carolina Department of Environmental and Natural Resources under the Drinking Water State Revolving Fund program. The loan proceeds were being used to upgrade the wastewater treatment plant. The loan is repayable at 2.00% for 20 years. The loan repayment schedule based on the loan of \$1,097,409 calls for annual principal payments amount to \$54,870 annually for 20 years. The total amount outstanding at June 30, 2020 was \$768,187.

The City's outstanding notes from direct borrowings related to business-type activities are not secured by a pledge of the faith and credit of the State of North Carolina, or of the City, but are payable solely from the revenues of the project or benefited systems, or other available funds. The notes contain provisions that an event of default may result in any other monies due to the City from the state being withheld by the state and applied to the payment of the outstanding notes.

Total outstanding direct borrowing revolving loan payables at June 30, 2020 are \$1,057,036.

| <u>Year Ended</u><br><u>June 30</u> | <u>Direct Borrowing Notes Payable</u> |                   |
|-------------------------------------|---------------------------------------|-------------------|
|                                     | <u>Principal</u>                      | <u>Interest</u>   |
| <b>Water and Wastewater Fund:</b>   |                                       |                   |
| 2021                                | \$ 81,129                             | \$ 21,776         |
| 2022                                | 81,129                                | 20,096            |
| 2023                                | 81,129                                | 18,415            |
| 2024                                | 81,129                                | 16,735            |
| 2025                                | 81,129                                | 15,055            |
| 2026-2030                           | 405,645                               | 50,068            |
| 2031-2034                           | <u>245,746</u>                        | <u>11,557</u>     |
| Total Water and Wastewater          | <u>\$ 1,057,036</u>                   | <u>\$ 153,702</u> |

At June 30, 2020, the City of Newton had a legal debt margin of \$87,022,581.

# CITY OF NEWTON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### Changes in Long-Term Liabilities

The following is a summary of changes in long-term debt for the year ended June 30, 2020.

|  | <u>July 1, 2019</u>  | <u>Increases</u>    | <u>Decreases</u>    | <u>June 30, 2020</u> | <u>Current<br/>Portion of<br/>Balance</u> |
|--|----------------------|---------------------|---------------------|----------------------|---|
| <b>Governmental Activities:</b>        |                      |                     |                     |                      |   |
| Direct placement installment purchases | \$ 7,644,566         | \$ 1,091,752        | \$ 1,056,297        | \$ 7,680,021         | \$ 1,029,630                              |
| Compensated absences                   | 579,594              | 405,820             | 329,409             | 656,005              | 328,613                                   |
| Total OPEB liability                   | 827,038              | 10,071              | -                   | 837,109              | -   |
| Net pension liability (LGERS)          | 2,383,360            | 339,905             | -                   | 2,723,265            | -   |
| Total pension liability (LEOSSA)       | <u>1,127,545</u>     | <u>-</u>            | <u>145,933</u>      | <u>981,612</u>       | <u>-</u>                                  |
| Total governmental activities          | <u>\$ 12,562,103</u> | <u>\$ 1,847,548</u> | <u>\$ 1,531,639</u> | <u>\$ 12,878,012</u> | <u>\$ 1,358,243</u>                       |
| <b>Business-Type Activities:</b>       |                      |                     |                     |                      |   |
| <b>Water and Wastewater Fund:</b>      |                      |                     |                     |                      |   |
| Direct placement installment purchases | \$ 7,808,096         | \$ 598,291          | \$ 1,145,011        | \$ 7,261,376         | \$ 858,008                                |
| Direct borrowing loans payable         | 1,138,165            | -                   | 81,129              | 1,057,036            | 81,129                                    |
| Compensated absences                   | 94,625               | 90,863              | 62,899              | 122,589              | 62,899                                    |
| Total OPEB liability                   | 244,572              | 2,930               | -                   | 247,502              | -   |
| Net pension liability (LGERS)          | <u>501,759</u>       | <u>71,559</u>       | <u>-</u>            | <u>573,318</u>       | <u>-</u>                                  |
| Total Water and Wastewater Fund        | <u>9,787,217</u>     | <u>763,643</u>      | <u>1,289,039</u>    | <u>9,261,821</u>     | <u>1,002,036</u>                          |
| <b>Electric Fund:</b>                  |                      |                     |                     |                      |   |
| Direct placement installment purchases | 4,746,000            | 209,300             | 813,277             | 4,142,023            | 804,403                                   |
| Compensated absences                   | 38,713               | 46,288              | 31,310              | 53,691               | 31,310                                    |
| Total OPEB liability                   | 93,154               | 1,099               | -                   | 94,253               | -   |
| Net pension liability (LGERS)          | <u>250,879</u>       | <u>35,780</u>       | <u>-</u>            | <u>286,659</u>       | <u>-</u>                                  |
| Total Electric Fund                    | <u>5,128,746</u>     | <u>292,467</u>      | <u>844,587</u>      | <u>4,576,626</u>     | <u>835,713</u>                            |
| Total business-type activities         | <u>\$ 14,915,963</u> | <u>\$ 1,056,110</u> | <u>\$ 2,133,626</u> | <u>\$ 13,838,447</u> | <u>\$ 1,837,749</u>                       |

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

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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#### C. Interfund Balances and Activity

##### Transfers To/From Other Funds

Transfers to/from other funds at June 30, 2020 consist of the following:

| <u>Fund</u>                   | <u>From</u>         | <u>To</u>           | <u>Purpose</u>        |
|-------------------------------|---------------------|---------------------|-----------------------|
| General Fund                  | \$ 801,600          | \$ -                | Fund capital projects |
| General Capital Projects Fund | -                   | 801,600             |                       |
| General Capital Projects Fund | 110,000             | -                   | Unused funding        |
| General Fund                  | -                   | 110,000             |                       |
| Health Insurance Fund         | 613,600             | -                   | Unused funding        |
| General Fund                  | -                   | 613,600             |                       |
| Health Insurance Fund         | 124,800             | -                   | Unused funding        |
| Water and Wastewater Fund     | -                   | 124,800             |                       |
| Health Insurance Fund         | 61,600              | -                   | Unused funding        |
| Electric Fund                 | -                   | 61,600              |                       |
| Electric Fund                 | 535,950             | -                   | Return on investment  |
| General Fund                  | -                   | 535,950             |                       |
|                               | <u>\$ 2,247,550</u> | <u>\$ 2,247,550</u> |                       |

##### Internal Balances

Interfund loans are summarized as follows:

|  |                  |
|--|------------------|
| Due from governmental activities for Internal Service Fund |                  |
| activity allocation to business-type activities            | <u>\$ 75,631</u> |

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

#### D. Revenues, Expenditures and Expenses

##### On-Behalf Payments for Fringe Benefits and Salaries

The City has recognized as a revenue and an expenditure on-behalf payment for fringe benefits and salaries of \$11,491 for the salary supplement and stipend benefits paid to eligible firefighters by the local Board of Trustees of the Firefighter's Relief Fund during the fiscal year ended June 30, 2020. Under state law, the local Board of Trustees for the fund receives an amount each year, which the Board may use at its own discretion for eligible firefighters or their departments.

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## **CITY OF NEWTON, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020**

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#### **3. Jointly Governed Organization**

##### **North Carolina Municipal Power Agency Number 1 (NCMPA1)**

The City, in conjunction with 18 other local governments in the Piedmont and Foothills Region of North Carolina, is a member of the North Carolina Municipal Power Agency Number 1 (NCMPA1). The NCMPA1 has 75% ownership interest in Catawba Nuclear Station Unit 2, located in York County, South Carolina, which is operated by Duke Energy. It also has an agreement with Duke Energy that provides for electric power via McGuire Nuclear Station and Catawba Unit 1 should Catawba Nuclear Station Unit 2 be unavailable for service. NCMPA1 is governed by a Board of Commissioners, which consists of fourteen members elected throughout North Carolina. Each participating government appoints one Commissioner and an alternate Commissioner to the Board. The 19 members, who receive power from the NCMPA1, have signed power sales agreements to purchase a specified share of the power generated by the NCMPA1. NCMPA1 revenues derived from the Power Sales Agreement are pledged as security for the Power Agency bonds outstanding. The City's purchase of power for the fiscal year ended June 30, 2020 was \$10,581,228.

##### **Newton-Conover Auditorium Authority**

The Newton-Conover Auditorium Authority was organized and incorporated by the Secretary of State of North Carolina as a non-profit corporation on December 27, 1990. It is composed of a Board of Directors including members appointed by the City of Newton (four members); Newton-Conover School Board (three members); and the Catawba County Board of Commissioners (three members). The Authority's responsibilities include the restoration and renovation of the former Newton-Conover High School auditorium for use as a civic auditorium for a wide range of community activities. This community auditorium is available for use by individuals, civic groups, the schools and the local community theater group. The City funded \$25,000 to the Newton-Conover Auditorium Authority during fiscal year ended June 30, 2020.

##### **Western Piedmont Council of Governments**

The Western Piedmont Council of Governments (WPCOG) is a regional planning organization. It consists of 24 municipalities and four counties within western North Carolina. The WPCOG's governing board is comprised of one elected official from each of these local governments and seven at-large citizen members. Each local government has one vote. The City paid membership dues of \$16,774 during fiscal year ended June 30, 2020.

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## **CITY OF NEWTON, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020**

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#### **Western Piedmont Regional Transit Authority**

Western Piedmont Regional Transit Authority (WPRTA) is the first regional public transportation authority with consolidated urban-rural transit service in North Carolina. Alexander, Burke, Caldwell, and Catawba counties in conjunction with the municipalities of Conover, Hickory, and Newton each appoint one member to the governing board of the WPRTA. The City paid \$55,644 to WPRTA during fiscal year ended June 30, 2020.

#### **4. Interlocal Agreement**

The City entered into an interlocal agreement with Catawba County in March 2017 for financing the costs related to a joint construction project. The City will request reimbursement from the County for 75% of the costs paid by the City for construction, which will then be repaid to the County after the project is completed. Payments will be made in equal annual installments over 10 years, beginning 12 months after the final reimbursement. The total construction loan is estimated to be \$2,221,503 and the construction project is expected to be completed in 2021.

#### **5. Summary Disclosure of Significant Contingencies**

##### **Federal and State-Assisted Programs**

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

#### **6. Prior Period Adjustment**

During the fiscal year ended June 30, 2020, the City determined that certain unrestricted intergovernmental revenues that were subject to accrual in the General Fund as of June 30, 2019, on a modified accrual basis of accounting, had been omitted. Therefore, an adjustment to beginning fund balance has been recorded to account for those accruals, the net effect of which increased beginning fund balance and beginning net position by \$569,083.

During the fiscal year ended June 30, 2020, the City determined that the accrual of June 2019 utility service billed in July 2019 was based on the billing dates instead of the service dates. As a result, the net position for business-type activities for the year ended June 30, 2019 increased by \$698,530.

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## **CITY OF NEWTON, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020**

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#### **7. Significant Effects of Subsequent Events**

In March 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19), a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact the City's revenues. At the current time, we are unable to quantify the potential effects of this pandemic.





# REQUIRED SUPPLEMENTARY INFORMATION

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This section contains additional information required by generally accepted accounting principles

- Schedule of Changes in Total Pension Liability for the Law Enforcement Officers' Special Separation Allowance
  - Schedule of Total Pension Liability as a Percentage of Covered Payroll for the Law Enforcement Officers' Special Separation Allowance
  - Schedule of Changes in Total OPEB Liability and Related Ratios for the Other Post-Employment Benefits
  - Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System
  - Schedule of Contributions for Local Government Employees' Retirement System
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**CITY OF NEWTON, NORTH CAROLINA****Schedule A-1****SCHEDULES OF CHANGES IN TOTAL PENSION LIABILITY  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
LAST FOUR FISCAL YEARS**

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|  | <u>2020</u>       | <u>2019</u>         | <u>2018</u>         | <u>2017</u>       |
|--|-------------------|---------------------|---------------------|-------------------|
| Beginning balance                                  | \$ 1,127,545      | \$ 1,064,104        | \$ 974,693          | \$ 982,044        |
| Service cost                                       | 44,635            | 48,158              | 44,120              | 40,872            |
| Interest on the total pension liability            | 39,980            | 32,689              | 36,369              | 33,964            |
| Differences between expected and actual experience | (201,446)         | 82,086              | 15,536              | -                 |
| Changes of assumptions or other inputs             | 29,284            | (40,225)            | 58,347              | (20,842)          |
| Benefit payments                                   | (58,386)          | (59,267)            | (64,961)            | (61,345)          |
| Ending balance of the total pension liability      | <u>\$ 981,612</u> | <u>\$ 1,127,545</u> | <u>\$ 1,064,104</u> | <u>\$ 974,693</u> |

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

This schedule is intended to show information for ten years. Additional year's information will be displayed as it becomes available.

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**CITY OF NEWTON, NORTH CAROLINA****Schedule A-2****SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
LAST FOUR FISCAL YEARS**

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|  | <u>2020</u> | <u>2019</u>  | <u>2018</u>  | <u>2017</u> |
|--|-------------|--------------|--------------|-------------|
| Total pension liability                                    | \$ 981,612  | \$ 1,127,545 | \$ 1,064,104 | \$ 974,693  |
| Covered payroll  | 1,635,129   | 1,584,980    | 1,653,328    | 1,484,503   |
| Total pension liability as a percentage of covered payroll | 60.03%      | 71.14%       | 64.36%       | 65.66%      |

**Notes to the Schedules:**

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

This schedule is intended to show information for ten years. Additional year's information will be displayed as it becomes available.

**CITY OF NEWTON, NORTH CAROLINA**

**Schedule A-3**

**OTHER POST-EMPLOYMENT BENEFITS -  
RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS  
LAST THREE FISCAL YEARS**

|   | <u>2020</u>         | <u>2019</u>         | <u>2018</u>         |
|---|---------------------|---------------------|---------------------|
| Total OPEB liability - beginning                        | \$ 1,164,764        | \$ 1,212,209        | \$ 1,284,324        |
| Service cost  | 23,077              | 27,819              | 30,204              |
| Interest  | 44,945              | 41,296              | 37,758              |
| Differences between expected and actual experience      | (66,983)            | (50,895)            | (29,813)            |
| Benefit payments  | <u>(18,926)</u>     | <u>(105,345)</u>    | <u>(60,249)</u>     |
| Net change in total OPEB liability                      | <u>14,100</u>       | <u>(47,445)</u>     | <u>(72,115)</u>     |
| Total OPEB liability - ending                           | <u>\$ 1,178,864</u> | <u>\$ 1,164,764</u> | <u>\$ 1,212,209</u> |
| <br>Covered payroll                                     | <br>\$ 2,800,153    | <br>\$ 2,800,153    | <br>\$ 3,060,842    |
| Total OPEB liability as a percentage of covered payroll | 42.10%              | 41.60%              | 39.60%              |

**Notes to Schedule:**

*Changes of assumptions:* Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

| <u>Fiscal Year</u> | <u>Rate</u> |
|--------------------|-------------|
| 2020               | 3.50%       |
| 2019               | 3.89%       |
| 2018               | 3.56%       |

This schedule is intended to show information for ten years. Additional year's information will be displayed as it becomes available.

**CITY OF NEWTON, NORTH CAROLINA**

**Schedule A-4**

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

|   | <b>2020</b>  | <b>2019</b>  | <b>2018</b>  | <b>2017</b>  | <b>2016</b> | <b>2015</b>  | <b>2014</b>  |
|---|--------------|--------------|--------------|--------------|-------------|--------------|--------------|
| Proportion of the net pension liability (asset) (%)   | 0.13121%     | 0.13219%     | 0.13319%     | 0.12712%     | 0.13523%    | 0.13913%     | 0.13720%     |
| Proportion of the net pension liability (asset) (\$)  | \$ 3,583,242 | \$ 3,135,998 | \$ 2,034,774 | \$ 2,697,912 | \$ 606,906  | \$ (820,513) | \$ 1,653,787 |
| Covered payroll   | 8,700,957    | 8,080,897    | 7,998,926    | 7,564,686    | 7,169,996   | 7,082,583    | 6,704,520    |
| Proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 41.18%       | 38.81%       | 25.44%       | 35.66%       | 8.46%       | -11.58%      | 24.67%       |
| Plan fiduciary net position as a percentage of the total pension liability**                    | 90.86%       | 91.63%       | 94.18%       | 91.47%       | 98.09%      | 102.64%      | 94.35%       |

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

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

This schedule is intended to show information for ten years. Additional year's information will be displayed as it becomes available.

**CITY OF NEWTON, NORTH CAROLINA**

**Schedule A-5**

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

|  | <u>2020</u>    | <u>2019</u>    | <u>2018</u>    | <u>2017</u>    | <u>2016</u>    | <u>2015</u>    | <u>2014</u>    |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Contractually required contribution  | \$ 829,722     | \$ 691,153     | \$ 623,214     | \$ 598,249     | \$ 522,665     | \$ 530,698     | \$ 503,617     |
| Contributions in relation to<br>the contractually required<br>contribution | <u>829,722</u> | <u>691,153</u> | <u>623,214</u> | <u>598,249</u> | <u>522,665</u> | <u>530,698</u> | <u>503,617</u> |
| Contribution deficiency (excess)   | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    |
| Covered payroll  | \$9,078,454    | \$8,700,957    | \$8,080,897    | \$7,998,926    | \$7,564,686    | \$7,169,996    | \$7,082,583    |
| Contributions as a percentage of<br>covered payroll                        | 9.14%          | 7.94%          | 7.71%          | 7.48%          | 6.91%          | 7.40%          | 7.11%          |

This schedule is intended to show information for ten years. Additional year's information will be displayed as it becomes available.





# GOVERNMENTAL ACTIVITIES MAJOR FUNDS

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## GENERAL FUND

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

## CAPITAL PROJECTS FUND

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

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

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**CITY OF NEWTON, NORTH CAROLINA**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2020  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019**

Schedule 1  
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|   | <b>2020</b>             |                   |                                | <b>2019</b>       |
|---|-------------------------|-------------------|--------------------------------|-------------------|
|   | <b>Final<br/>Budget</b> | <b>Actual</b>     | <b>Variance<br/>Over/Under</b> | <b>Actual</b>     |
| <b>Revenues:</b>                                |                         |                   |                                |                   |
| <b>Ad Valorem Taxes:</b>                        |                         |                   |                                |                   |
| Current year                                    | \$ 6,075,550            | \$ 6,280,731      | \$ 205,181                     | \$ 5,997,386      |
| Prior years                                     | 143,500                 | 97,344            | (46,156)                       | 150,211           |
| Penalties and interest                          | 47,500                  | 32,714            | (14,786)                       | 47,747            |
| Total   | <u>6,266,550</u>        | <u>6,410,789</u>  | <u>144,239</u>                 | <u>6,195,344</u>  |
| <b>Other Taxes and Licenses:</b>                |                         |                   |                                |                   |
| Local option sales tax                          | 3,495,650               | 3,615,584         | 119,934                        | 3,529,039         |
| Solid waste disposal tax                        | 8,750                   | 9,845             | 1,095                          | 9,665             |
| Other taxes and licenses                        | 22,000                  | 26,362            | 4,362                          | 28,087            |
| Rural fire district tax                         | 631,800                 | 655,749           | 23,949                         | 621,766           |
| Total   | <u>4,158,200</u>        | <u>4,307,540</u>  | <u>149,340</u>                 | <u>4,188,557</u>  |
| <b>Unrestricted Intergovernmental Revenues:</b> |                         |                   |                                |                   |
| Payments in lieu of taxes                       | 509,200                 | 509,200           | -                              | 501,550           |
| Utilities sales tax                             | 958,000                 | 932,261           | (25,739)                       | 964,844           |
| Beer and wine tax                               | 56,000                  | 55,957            | (43)                           | 56,210            |
| Other   | 181,650                 | 181,251           | (399)                          | 43,375            |
| Total   | <u>1,704,850</u>        | <u>1,678,669</u>  | <u>(26,181)</u>                | <u>1,565,979</u>  |
| <b>Restricted Intergovernmental Revenues:</b>   |                         |                   |                                |                   |
| Federal grants                                  | 293,500                 | 459,472           | 165,972                        | 275,175           |
| Federal asset seizure allocation                | -                       | 1,252             | 1,252                          | 4,621             |
| Other   | -                       | 9,212             | 9,212                          | 2,658             |
| On-behalf payments - fire                       | 15,000                  | 11,491            | (3,509)                        | 10,736            |
| Powell Bill state street aid allocation         | 370,000                 | 372,889           | 2,889                          | 376,263           |
| Total   | <u>678,500</u>          | <u>854,316</u>    | <u>175,816</u>                 | <u>669,453</u>    |
| <b>Permits and Fees:</b>                        |                         |                   |                                |                   |
| Licenses  | 100                     | 80                | (20)                           | 130               |
| Local franchise - cable tv                      | 67,000                  | 63,117            | (3,883)                        | 68,371            |
| Total   | <u>67,100</u>           | <u>63,197</u>     | <u>(3,903)</u>                 | <u>68,501</u>     |
| <b>Sales and Services:</b>                      |                         |                   |                                |                   |
| Supportive court services                       | 2,250                   | 1,734             | (516)                          | 2,016             |
| Refuse collection fees                          | 918,000                 | 1,000,945         | 82,945                         | 914,053           |
| Recreation fees and concessions                 | 64,000                  | 45,634            | (18,366)                       | 63,270            |
| Other   | 63,000                  | 83,041            | 20,041                         | 70,731            |
| Total   | <u>1,047,250</u>        | <u>1,131,354</u>  | <u>84,104</u>                  | <u>1,050,070</u>  |
| <b>Investment Earnings</b>                      | <u>125,000</u>          | <u>114,073</u>    | <u>(10,927)</u>                | <u>182,718</u>    |
| <b>Miscellaneous:</b>                           |                         |                   |                                |                   |
| Rentals and sale of property                    | 52,150                  | 35,806            | (16,344)                       | 41,503            |
| Other   | 173,300                 | 144,049           | (29,251)                       | 176,594           |
| Total   | <u>225,450</u>          | <u>179,855</u>    | <u>(45,595)</u>                | <u>218,097</u>    |
| <b>Total revenues</b>                           | <u>14,272,900</u>       | <u>14,739,793</u> | <u>466,893</u>                 | <u>14,138,719</u> |

**CITY OF NEWTON, NORTH CAROLINA**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2020  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019**

Schedule 1  
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|                                | 2020            |                |                        | 2019           |
|--------------------------------|-----------------|----------------|------------------------|----------------|
|                                | Final<br>Budget | Actual         | Variance<br>Over/Under | Actual         |
| <b>Expenditures:</b>           |                 |                |                        |                |
| <b>General Government:</b>     |                 |                |                        |                |
| <b>Governing Body:</b>         |                 |                |                        |                |
| Salaries and employee benefits | 51,350          | 40,052         |                        | 43,520         |
| Other operating expenditures   | 30,650          | 19,400         |                        | 8,784          |
| Interdepartmental charges      | (53,250)        | (53,250)       |                        | (49,700)       |
| Total                          | <u>28,750</u>   | <u>6,202</u>   | <u>22,548</u>          | <u>2,604</u>   |
| <b>Administration:</b>         |                 |                |                        |                |
| Salaries and employee benefits | 675,680         | 659,163        |                        | 532,700        |
| Other operating expenditures   | 172,000         | 136,859        |                        | 178,847        |
| Interdepartmental charges      | (509,200)       | (509,200)      |                        | (412,700)      |
| Total                          | <u>338,480</u>  | <u>286,822</u> | <u>51,658</u>          | <u>298,847</u> |
| <b>Finance:</b>                |                 |                |                        |                |
| Salaries and employee benefits | 525,700         | 506,439        |                        | 517,568        |
| Other operating expenditures   | 267,850         | 238,088        |                        | 187,685        |
| Capital outlay                 | 12,600          | 12,591         |                        | -              |
| Interdepartmental charges      | (615,500)       | (615,500)      |                        | (633,500)      |
| Total                          | <u>190,650</u>  | <u>141,618</u> | <u>49,032</u>          | <u>71,753</u>  |
| <b>Purchasing/Warehouse:</b>   |                 |                |                        |                |
| Salaries and employee benefits | 135,500         | 134,070        |                        | 124,347        |
| Other operating expenditures   | 15,900          | 9,467          |                        | 10,712         |
| Interdepartmental charges      | (102,550)       | (102,550)      |                        | (100,650)      |
| Total                          | <u>48,850</u>   | <u>40,987</u>  | <u>7,863</u>           | <u>34,409</u>  |
| <b>Technology/MIS:</b>         |                 |                |                        |                |
| Salaries and employee benefits | 187,000         | 186,176        |                        | 176,463        |
| Other operating expenditures   | 353,320         | 342,622        |                        | 185,432        |
| Capital outlay                 | 18,200          | 14,201         |                        | 72,285         |
| Interdepartmental charges      | (309,150)       | (309,150)      |                        | (242,900)      |
| Total                          | <u>249,370</u>  | <u>233,849</u> | <u>15,521</u>          | <u>191,280</u> |
| <b>Human Resources:</b>        |                 |                |                        |                |
| Salaries and employee benefits | 285,150         | 280,137        |                        | 274,195        |
| Other operating expenditures   | 204,600         | 186,346        |                        | 187,160        |
| Interdepartmental charges      | (88,250)        | (88,250)       |                        | (87,300)       |
| Total                          | <u>401,500</u>  | <u>378,233</u> | <u>23,267</u>          | <u>374,055</u> |
| <b>Planning:</b>               |                 |                |                        |                |
| Salaries and employee benefits | 215,350         | 212,381        |                        | 201,098        |
| Other operating expenditures   | 91,600          | 58,852         |                        | 41,853         |
| Capital outlay                 | -               | -              |                        | 37,220         |
| Interdepartmental charges      | (36,950)        | (36,950)       |                        | (49,400)       |
| Total                          | <u>270,000</u>  | <u>234,283</u> | <u>35,717</u>          | <u>230,771</u> |
| <b>Main Street:</b>            |                 |                |                        |                |
| Salaries and employee benefits | 76,100          | 75,612         |                        | 71,743         |
| Other operating expenditures   | 47,400          | 42,557         |                        | 17,611         |
| Total                          | <u>123,500</u>  | <u>118,169</u> | <u>5,331</u>           | <u>89,354</u>  |

**CITY OF NEWTON, NORTH CAROLINA**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2020  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019**

Schedule 1  
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|                                     | 2020            |           |                        | 2019      |
|-------------------------------------|-----------------|-----------|------------------------|-----------|
|                                     | Final<br>Budget | Actual    | Variance<br>Over/Under | Actual    |
| <b>Municipal Building:</b>          |                 |           |                        |           |
| Other operating expenditures        | 160,100         | 134,494   |                        | 143,139   |
| Capital outlay                      | 14,350          | 14,288    |                        | 28,234    |
| Total                               | 174,450         | 148,782   | 25,668                 | 171,373   |
| <b>Public Works Administration:</b> |                 |           |                        |           |
| Salaries and employee benefits      | 195,600         | 194,435   |                        | 179,421   |
| Other operating expenditures        | 81,424          | 60,978    |                        | 82,087    |
| Interdepartmental charges           | (192,350)       | (192,350) |                        | (205,900) |
| Total                               | 84,674          | 63,063    | 21,611                 | 55,608    |
| <b>Garage:</b>                      |                 |           |                        |           |
| Salaries and employee benefits      | 167,700         | 156,138   |                        | 162,497   |
| Other operating expenditures        | 75,426          | 67,145    |                        | 65,344    |
| Capital outlay                      | 50,400          | 46,898    |                        | -         |
| Interdepartmental charges           | (86,550)        | (86,550)  |                        | (84,500)  |
| Total                               | 206,976         | 183,631   | 23,345                 | 143,341   |
| <b>Downtown Public Parking:</b>     |                 |           |                        |           |
| Other operating expenditures        | 5,350           | 5,285     |                        | 3,822     |
| Total                               | 5,350           | 5,285     | 65                     | 3,822     |
| Total general government            | 2,122,550       | 1,840,924 | 281,626                | 1,667,217 |
| <b>Transportation:</b>              |                 |           |                        |           |
| <b>Streets:</b>                     |                 |           |                        |           |
| Salaries and employee benefits      | 336,750         | 306,044   |                        | 321,580   |
| Other operating expenditures        | 431,750         | 332,981   |                        | 174,906   |
| Capital outlay                      | 362,550         | 43,239    |                        | -         |
| Total                               | 1,131,050       | 682,264   | 448,786                | 496,486   |
| <b>Powell Bill:</b>                 |                 |           |                        |           |
| Salaries and employee benefits      | 166,250         | 159,081   |                        | 151,244   |
| Other operating expenditures        | 626,000         | 537,599   |                        | 463,302   |
| Total                               | 792,250         | 696,680   | 95,570                 | 614,546   |
| Total transportation                | 1,923,300       | 1,378,944 | 544,356                | 1,111,032 |
| <b>Environmental Protection:</b>    |                 |           |                        |           |
| <b>Sanitation:</b>                  |                 |           |                        |           |
| Salaries and employee benefits      | 691,550         | 640,389   |                        | 634,780   |
| Other operating expenditures        | 471,450         | 452,282   |                        | 441,738   |
| Capital outlay                      | -               | -         |                        | 569,275   |
| Total                               | 1,163,000       | 1,092,671 | 70,329                 | 1,645,793 |
| Total environmental protection      | 1,163,000       | 1,092,671 | 70,329                 | 1,645,793 |

**CITY OF NEWTON, NORTH CAROLINA**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2020  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019**

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|   | 2020            |           |                        | 2019<br>Actual |
|---|-----------------|-----------|------------------------|----------------|
|   | Final<br>Budget | Actual    | Variance<br>Over/Under |                |
| <b>Public Safety:</b>                     |                 |           |                        |                |
| <b>Police Department:</b>                 |                 |           |                        |                |
| Salaries and employee benefits            | 2,930,250       | 2,746,211 |                        | 2,699,883      |
| Other operating expenditures              | 589,550         | 495,960   |                        | 446,965        |
| Capital outlay                            | 595,000         | 170,811   |                        | 286,866        |
| Interdepartmental charges                 | (2,900)         | (2,900)   |                        | (2,700)        |
| Total                                     | 4,111,900       | 3,410,082 | 701,818                | 3,431,014      |
| <b>Fire Department:</b>                   |                 |           |                        |                |
| Salaries and employee benefits            | 2,584,250       | 2,556,426 |                        | 2,441,060      |
| Other operating expenditures              | 424,900         | 401,979   |                        | 364,008        |
| Capital outlay                            | 776,100         | 775,354   |                        | 232,215        |
| Interdepartmental charges                 | (144,350)       | (144,350) |                        | (143,300)      |
| Total                                     | 3,640,900       | 3,589,409 | 51,491                 | 2,893,983      |
| Total public safety                       | 7,752,800       | 6,999,491 | 753,309                | 6,324,997      |
| <b>Economic and Physical Development:</b> |                 |           |                        |                |
| <b>Special Appropriations:</b>            |                 |           |                        |                |
| Other operating expenditures              | 419,400         | 406,805   |                        | 80,209         |
| Total Economic and Physical Development   | 419,400         | 406,805   | 12,595                 | 80,209         |
| <b>Cultural and Recreational:</b>         |                 |           |                        |                |
| <b>Administration:</b>                    |                 |           |                        |                |
| Salaries and employee benefits            | 664,050         | 621,203   |                        | 611,525        |
| Other operating expenditures              | 177,050         | 127,331   |                        | 145,637        |
| Capital outlay                            | 57,500          | 54,818    |                        | -              |
| Total                                     | 898,600         | 803,352   | 95,248                 | 757,162        |
| <b>Central Recreation Center:</b>         |                 |           |                        |                |
| Salaries and employee benefits            | 26,600          | 18,870    |                        | 19,531         |
| Other operating expenditures              | 49,150          | 43,939    |                        | 39,027         |
| Capital outlay                            | 55,650          | 55,617    |                        | 50,279         |
| Total                                     | 131,400         | 118,426   | 12,974                 | 108,837        |
| <b>Swimming Pool:</b>                     |                 |           |                        |                |
| Salaries and employee benefits            | 48,150          | 20,069    |                        | 20,908         |
| Other operating expenditures              | 51,500          | 36,941    |                        | 35,263         |
| Total                                     | 99,650          | 57,010    | 42,640                 | 56,171         |
| <b>Parks:</b>                             |                 |           |                        |                |
| Salaries and employee benefits            | 66,450          | 39,856    |                        | 62,565         |
| Other operating expenditures              | 208,785         | 196,146   |                        | 115,822        |
| Capital outlay                            | 45,995          | 32,527    |                        | 589,009        |
| Total                                     | 321,230         | 268,529   | 52,701                 | 767,396        |
| <b>Cemeteries:</b>                        |                 |           |                        |                |
| Salaries and employee benefits            | 198,150         | 185,598   |                        | 186,895        |
| Other operating expenditures              | 30,200          | 23,952    |                        | 23,057         |
| Capital outlay                            | 8,150           | 8,149     |                        | -              |
| Total                                     | 236,500         | 217,699   | 18,801                 | 209,952        |

**CITY OF NEWTON, NORTH CAROLINA**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2020  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019**

Schedule 1  
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|   | <b>2020</b>             |                   |                                | <b>2019</b>      |
|---|-------------------------|-------------------|--------------------------------|------------------|
|   | <b>Final<br/>Budget</b> | <b>Actual</b>     | <b>Variance<br/>Over/Under</b> | <b>Actual</b>    |
| <b>Special Appropriations:</b>                          |                         |                   |                                |                  |
| Other operating expenditures                            | 320,200                 | 208,708           |                                | 228,644          |
| Total   | 320,200                 | 208,708           | 111,492                        | 228,644          |
| <br>Total cultural and recreational                     | <br>2,007,580           | <br>1,673,724     | <br>333,856                    | <br>2,128,162    |
| <b>Debt Service:</b>                                    |                         |                   |                                |                  |
| Principal paid on installment purchase                  | 1,062,350               | 1,056,297         |                                | 1,101,359        |
| Interest and fees                                       | 222,800                 | 218,957           |                                | 225,862          |
| Total debt service                                      | 1,285,150               | 1,275,254         | 9,896                          | 1,327,221        |
| <br>Total expenditures                                  | <br>16,673,780          | <br>14,667,813    | <br>2,005,967                  | <br>14,284,631   |
| <br>Revenues over (under) expenditures                  | <br>(2,400,880)         | <br>71,980        | <br>2,472,860                  | <br>(145,912)    |
| <b>Other Financing Sources (Uses):</b>                  |                         |                   |                                |                  |
| Issuance of debt  | 1,128,500               | 543,752           | (584,748)                      | 900,868          |
| Transfers from General Capital Projects Fund            | 110,000                 | 110,000           | -                              | -                |
| Transfers from Electric Fund                            | 535,950                 | 535,950           | -                              | -                |
| Transfers from - Health Insurance Internal Service Fund | 613,600                 | 613,600           | -                              | -                |
| Transfers to General Capital Projects Fund              | (801,600)               | (801,600)         | -                              | (1,021,850)      |
| Appropriated fund balance                               | 814,430                 | -                 | (814,430)                      | -                |
| Total other financing sources (uses)                    | 2,400,880               | 1,001,702         | (1,399,178)                    | (120,982)        |
| <br>Net change in fund balance                          | <br>\$ -                | <br>1,073,682     | <br>\$ 1,073,682               | <br>\$ (266,894) |
| <b>Fund Balance:</b>                                    |                         |                   |                                |                  |
| Beginning of year - July 1                              |                         | 9,110,062         |                                |                  |
| Prior period adjustment                                 |                         | 569,083           |                                |                  |
| Beginning of year - July 1, as restated                 |                         | 9,679,145         |                                |                  |
| <br>End of year - June 30                               |                         | <br>\$ 10,752,827 |                                |                  |

## CITY OF NEWTON, NORTH CAROLINA

Schedule 2

GENERAL CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

|  | Project<br>Authorization | Actual         |                 |                    |                  |
|--|--------------------------|----------------|-----------------|--------------------|------------------|
|  |                          | Prior<br>Years | Current<br>Year | Closed<br>Projects | Total<br>to Date |
| <b>Revenues:</b>                                 |                          |                |                 |                    |                  |
| Restricted Intergovernmental                     | \$ 310,250               | \$ 41,721      | \$ 250          | \$ -               | \$ 41,971        |
| Interest earned                                  | -                        | 242            | 39              | -                  | 281              |
| Total revenues                                   | 310,250                  | 41,963         | 289             | -                  | 42,252           |
| <b>Expenditures:</b>                             |                          |                |                 |                    |                  |
| <b>Capital Outlay:</b>                           |                          |                |                 |                    |                  |
| West A Street bikeway & pedestrian improvements: |                          |                |                 |                    |                  |
| Streets and sidewalks                            | -                        | 117,892        | (117,892)       | -                  | -                |
| Downtown streetscape improvements:               |                          |                |                 |                    |                  |
| Culvert replacement                              | 1,441,000                | 191,823        | 23,570          | -                  | 215,393          |
| Streets and sidewalks                            | 8,346,300                | 2,036,396      | 1,124,905       | -                  | 3,161,301        |
| Parks and amphitheater                           | 198,000                  | 180,624        | -               | -                  | 180,624          |
| Splash pad                                       | 700,550                  | 99,357         | 527,406         | -                  | 626,763          |
| Total expenditures                               | 10,685,850               | 2,626,092      | 1,557,989       | -                  | 4,184,081        |
| Revenues over (under) expenditures               | (10,375,600)             | (2,584,129)    | (1,557,700)     | -                  | (4,141,829)      |
| <b>Other Financing Sources (Uses):</b>           |                          |                |                 |                    |                  |
| Issuance of long-term debt                       | 8,662,150                | 2,257,000      | 548,000         | -                  | 2,805,000        |
| Transfers from General Fund                      | 1,823,450                | 1,021,850      | 801,600         | -                  | 1,823,450        |
| Transfers to General Fund                        | (110,000)                | -              | (110,000)       | -                  | (110,000)        |
| Total other financing sources (uses)             | 10,375,600               | 3,278,850      | 1,239,600       | -                  | 4,518,450        |
| Net change in fund balance                       | \$ -                     | \$ 694,721     | \$ (318,100)    | \$ -               | \$ 376,621       |



# GOVERNMENTAL ACTIVITIES NONMAJOR FUNDS

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## SPECIAL REVENUE FUNDS

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

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

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

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**CITY OF NEWTON, NORTH CAROLINA****Schedule 3****NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2020**

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|   | <b>Special<br/>Revenue<br/>Funds</b>              |  | <b>Total<br/>Nonmajor<br/>Governmental<br/>Funds</b> |
|---|---|--|--|
|   | <b>Special<br/>Revenue<br/>Fund -<br/>General</b> | <b>Emergency<br/>Telephone<br/>System<br/>Fund</b> |  |
| <b>Assets:</b>                              |   |  |  |
| Current assets:                             |   |  |  |
| Cash and investments                        | \$ 12,364   | \$ 7,398   | \$ 19,762  |
| Due from other governments                  | -   | 5,712  | 5,712  |
| Total assets                                | <u>\$ 12,364</u>                                  | <u>\$ 13,110</u>                                   | <u>\$ 25,474</u>                                     |
| <b>Fund Balances:</b>                       |   |  |  |
| Restricted - stabilization by state statute | \$ -  | \$ 5,712   | \$ 5,712   |
| Restricted                                  | 12,364  | 7,398  | 19,762   |
| Total fund balances                         | <u>\$ 12,364</u>                                  | <u>\$ 13,110</u>                                   | <u>\$ 25,474</u>                                     |

**CITY OF NEWTON, NORTH CAROLINA**

**Schedule 4**

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2020**

|                              | <b>Special<br/>Revenue<br/>Funds</b>              |  |  |
|------------------------------|---|--|--|
|                              | <b>Special<br/>Revenue<br/>Fund -<br/>General</b> | <b>Emergency<br/>Telephone<br/>System<br/>Fund</b> | <b>Total<br/>Nonmajor<br/>Governmental<br/>Funds</b> |
| <b>Revenues:</b>             |   |  |  |
| Restricted intergovernmental | \$ 2,800  | \$ 40,370  | \$ 43,170  |
| Interest earned              | -   | 24   | 24   |
| Total revenues               | <u>2,800</u>                                      | <u>40,394</u>                                      | <u>43,194</u>  |
| <b>Expenditures:</b>         |   |  |  |
| Current:                     |   |  |  |
| Public safety                | -   | 40,840   | 40,840   |
| Net change in fund balances  | 2,800   | (446)  | 2,354  |
| <b>Fund Balances:</b>        |   |  |  |
| Beginning of year - July 1   | <u>9,564</u>                                      | <u>13,556</u>                                      | <u>23,120</u>  |
| End of year - June 30        | <u>\$ 12,364</u>                                  | <u>\$ 13,110</u>                                   | <u>\$ 25,474</u>                                     |

## CITY OF NEWTON, NORTH CAROLINA

Schedule 5

SPECIAL REVENUE FUND - GENERAL  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

|   |                          | Actual         |                 |                    |                  |
|---|--------------------------|----------------|-----------------|--------------------|------------------|
|   | Project<br>Authorization | Prior<br>Years | Current<br>Year | Closed<br>Projects | Total<br>to Date |
| <b>Revenues:</b>  |                          |                |                 |                    |                  |
| Restricted intergovernmental revenue                      | \$ 2,750                 | \$ 10,401      | \$ 2,800        | \$ -               | \$ 13,201        |
| <b>Expenditures:</b>                                      |                          |                |                 |                    |                  |
| Economic and physical development:<br>CDBG rehabilitation | 2,750                    | 1,000          | -               | -                  | 1,000            |
| Revenues over (under) expenditures                        | -                        | 9,401          | 2,800           | -                  | 12,201           |
| <b>Other Financing Sources (Uses):</b>                    |                          |                |                 |                    |                  |
| Transfers in - General Fund                               | -                        | 163            | -               | -                  | 163              |
| Net change in fund balance                                | \$ -                     | \$ 9,564       | \$ 2,800        | \$ -               | \$ 12,364        |

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**CITY OF NEWTON, NORTH CAROLINA****Schedule 6****EMERGENCY TELEPHONE SYSTEM FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2020**

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|                                      | <u>Final<br/>Budget</u> | <u>Actual</u>    | <u>Variance<br/>Over/Under</u> |
|--------------------------------------|-------------------------|------------------|--------------------------------|
| <b>Revenues:</b>                     |                         |                  |                                |
| Restricted intergovernmental revenue | \$ 40,250               | \$ 40,370        | \$ 120                         |
| Interest earned                      | 200                     | 24               | (176)                          |
| Total revenues                       | <u>40,450</u>           | <u>40,394</u>    | <u>(56)</u>                    |
| <b>Expenditures:</b>                 |                         |                  |                                |
| <b>Public Safety:</b>                |                         |                  |                                |
| Other operating expenditures         | <u>40,450</u>           | <u>40,840</u>    | <u>(390)</u>                   |
| Change in net position               | <u>\$ -</u>             | <u>(446)</u>     | <u>\$ (446)</u>                |
| <b>Fund Balance:</b>                 |                         |                  |                                |
| Beginning of year - July 1           |                         | <u>13,556</u>    |                                |
| End of year - June 30                |                         | <u>\$ 13,110</u> |                                |

# BUSINESS-TYPE ACTIVITIES

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## ENTERPRISE FUNDS

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

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

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

## INTERNAL SERVICE FUND

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

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

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# CITY OF NEWTON, NORTH CAROLINA

## WATER AND WASTEWATER FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP) FOR THE YEAR ENDED JUNE 30, 2020

Schedule 7  
Page 1 of 2

|  | <u>Budget</u>      | <u>Actual</u>         | <u>Variance<br/>Over/Under</u> |
|--|--------------------|-----------------------|--------------------------------|
| <b>Revenues:</b>   |                    |                       |                                |
| Operating revenues:  |                    |                       |                                |
| Charges for services   | \$ 7,104,150       | \$ 7,262,293          | \$ 158,143                     |
| Other  | <u>442,400</u>     | <u>485,313</u>        | <u>42,913</u>                  |
| Total operating revenues   | <u>7,546,550</u>   | <u>7,747,606</u>      | <u>201,056</u>                 |
| Non-operating revenues:  |                    |                       |                                |
| Other non-operating revenue  | 120,150            | 109,173               | (10,977)                       |
| State grant  | 150,000            | -                     | (150,000)                      |
| Interest earned  | <u>30,000</u>      | <u>31,740</u>         | <u>1,740</u>                   |
| Total non-operating revenues   | <u>300,150</u>     | <u>140,913</u>        | <u>(159,237)</u>               |
| Total revenues   | <u>7,846,700</u>   | <u>7,888,519</u>      | <u>41,819</u>                  |
| <b>Expenditures:</b>   |                    |                       |                                |
| Operations   | 3,080,000          | 3,000,044             | 79,956                         |
| Maintenance  | 1,588,400          | 1,354,162             | 234,238                        |
| Administration   | 1,310,600          | 1,283,400             | 27,200                         |
| Capital outlay   | 1,570,200          | 851,451               | 718,749                        |
| Debt principal   | 1,305,550          | 1,226,140             | 79,410                         |
| Interest and fees  | <u>228,350</u>     | <u>228,274</u>        | <u>76</u>                      |
| Total expenditures   | <u>9,083,100</u>   | <u>7,943,471</u>      | <u>1,139,629</u>               |
| Revenues over (under) expenditures   | <u>(1,236,400)</u> | <u>(54,952)</u>       | <u>1,181,448</u>               |
| <b>Other Financing Sources (Uses):</b>   |                    |                       |                                |
| Issuance of long-term debt   | 436,550            | -                     | (436,550)                      |
| Proceeds from sale of capital assets   | 1,000              | 5,380                 | 4,380                          |
| Intrafund transfers from - Water and<br>Wastewater Capital Project Fund                    | 35,000             | 35,000                | -                              |
| Intrafund transfers to - Water and<br>Wastewater Capital Project Fund                      | (1,159,500)        | (1,159,500)           | -                              |
| Transfers from - Health Fund   | 124,800            | 124,800               | -                              |
| Appropriated fund balance  | <u>1,798,550</u>   | <u>-</u>              | <u>(1,798,550)</u>             |
| Total other financing sources (uses)   | <u>1,236,400</u>   | <u>(994,320)</u>      | <u>(2,230,720)</u>             |
| Revenues and other financing sources over<br>(under) expenditures and other financing uses | <u>\$ -</u>        | <u>\$ (1,049,272)</u> | <u>\$ (1,049,272)</u>          |

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**CITY OF NEWTON, NORTH CAROLINA**

**WATER AND WASTEWATER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2020**

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Schedule 7  
Page 2 of 2

|  | <u>Budget</u> | <u>Actual</u>      | <u>Variance<br/>Over/Under</u> |
|--|---------------|--------------------|--------------------------------|
| <b>Reconciliation from Budgetary Basis<br/>(Modified Accrual to Full Accrual):</b>         |               |                    |                                |
| Revenues and other financing sources over<br>(under) expenditures and other financing uses |               | \$ (1,049,272)     |                                |
| Reconciling items:   |               |                    |                                |
| Capital project income   |               | 19,982             |                                |
| Capital project expenditures   |               | (1,211,974)        |                                |
| Capital project expenditures   |               | 1,211,974          |                                |
| Transfers to (from) - Intrafund  |               | 1,124,500          |                                |
| Bad debt expense   |               | (116,375)          |                                |
| Depreciation   |               | (1,978,088)        |                                |
| Capital outlay expenditures  |               | 851,451            |                                |
| Payment of debt principal  |               | 1,226,140          |                                |
| Increase (decrease) in deferred outflows of<br>resources - pensions                        |               | (52,573)           |                                |
| Increase (decrease) in deferred outflows of<br>resources - OPEB                            |               | 3,297              |                                |
| (Increase) decrease in net pension liability   |               | (71,559)           |                                |
| (Increase) decrease in total OPEB liability  |               | (2,930)            |                                |
| (Increase) decrease in deferred inflows of<br>resources - pensions                         |               | 5,627              |                                |
| (Increase) decrease in deferred inflows of<br>resources - OPEB                             |               | (6,850)            |                                |
| Increase (decrease) in accrued interest receivable   |               | (8)                |                                |
| (Increase) decrease in accrued interest payable  |               | 4,062              |                                |
| (Increase) decrease in compensated absences  |               | <u>(27,964)</u>    |                                |
| Change in net position   |               | <u>\$ (70,560)</u> |                                |

**CITY OF NEWTON, NORTH CAROLINA**

Schedule 8

**WATER AND WASTEWATER CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020**

|   |                                  | <b>Actual</b>          |                         |                            |                          |
|---|----------------------------------|------------------------|-------------------------|----------------------------|--------------------------|
|   | <b>Project<br/>Authorization</b> | <b>Prior<br/>Years</b> | <b>Current<br/>Year</b> | <b>Closed<br/>Projects</b> | <b>Total<br/>to Date</b> |
| <b>Revenues:</b>  |                                  |                        |                         |                            |                          |
| Restricted intergovernmental  | \$ 1,459,850                     | \$ 387,294             | \$ 19,943               | \$ -                       | \$ 407,237               |
| Interest earned   | -                                | 27                     | 39                      | -                          | 66                       |
| Total revenues  | <u>1,459,850</u>                 | <u>387,321</u>         | <u>19,982</u>           | <u>-</u>                   | <u>407,303</u>           |
| <b>Expenditures:</b>  |                                  |                        |                         |                            |                          |
| Capital outlay:   |                                  |                        |                         |                            |                          |
| West A Street:  |                                  |                        |                         |                            |                          |
| Water rehabilitation  | -                                | 45,254                 | (45,254)                | -                          | -                        |
| Sewer rehabilitation  | 1,525,000                        | 54,994                 | 11,781                  | -                          | 66,775                   |
| Downtown streetscape improvements:  |                                  |                        |                         |                            |                          |
| Water rehabilitation  | 1,117,250                        | 352,085                | 109,887                 | -                          | 461,972                  |
| Sewer rehabilitation  | 499,950                          | 436,753                | 24,824                  | -                          | 461,577                  |
| Sewer relocation:   |                                  |                        |                         |                            |                          |
| East 2nd Street   | 1,900,000                        | 20,964                 | 65,004                  | -                          | 85,968                   |
| Valley Drive:   |                                  |                        |                         |                            |                          |
| Valley Drive water infrastructure rehabilitation  | 538,460                          | -                      | 484,853                 | -                          | 484,853                  |
| WTP filter rehabilitation:  |                                  |                        |                         |                            |                          |
| WTP filter rehabilitation   | 1,059,700                        | -                      | 481,104                 | -                          | 481,104                  |
| Water extension projects:   |                                  |                        |                         |                            |                          |
| S Hwy 16 - Buffalo Shoals   | 5,839,350                        | 943,058                | 79,775                  | -                          | 1,022,833                |
| Total expenditures  | <u>12,479,710</u>                | <u>1,853,108</u>       | <u>1,211,974</u>        | <u>-</u>                   | <u>3,065,082</u>         |
| Revenues over (under) expenditures  | <u>(11,019,860)</u>              | <u>(1,465,787)</u>     | <u>(1,191,992)</u>      | <u>-</u>                   | <u>(2,657,779)</u>       |
| <b>Other Financing Sources (Uses):</b>  |                                  |                        |                         |                            |                          |
| Issuance of long-term debt  | 9,640,360                        | 1,297,094              | 598,291                 | -                          | 1,895,385                |
| Transfers from - Water and Wastewater Fund  | 1,414,500                        | 35,000                 | 1,159,500               | -                          | 1,194,500                |
| Transfers to - Water and Wastewater Fund  | (35,000)                         | -                      | (35,000)                | -                          | (35,000)                 |
| Total other financing sources (uses)  | <u>11,019,860</u>                | <u>1,332,094</u>       | <u>1,722,791</u>        | <u>-</u>                   | <u>3,054,885</u>         |
| Revenues and other financing sources<br>over (under) expenditures and other<br>financing uses | <u>\$ -</u>                      | <u>\$ (133,693)</u>    | <u>\$ 530,799</u>       | <u>\$ -</u>                | <u>\$ 397,106</u>        |

**CITY OF NEWTON, NORTH CAROLINA**

**ELECTRIC ENTERPRISE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2020**

**Schedule 9  
Page 1 of 2**

|  | <u>Budget</u>     | <u>Actual</u>       | <u>Variance<br/>Over/Under</u> |
|--|-------------------|---------------------|--------------------------------|
| <b>Revenues:</b>   |                   |                     |                                |
| Operating revenues   |                   |                     |                                |
| Charges for services   | \$ 15,163,450     | \$ 14,670,777       | \$ (492,673)                   |
| Other  | 758,200           | 815,603             | 57,403                         |
| Total operating revenues   | <u>15,921,650</u> | <u>15,486,380</u>   | <u>(435,270)</u>               |
| Non-operating revenues:  |                   |                     |                                |
| Contributions  | -                 | 5,000               | 5,000                          |
| Other non-operating revenue  | 73,500            | 51,719              | (21,781)                       |
| Power agency refund  | 2,007,000         | 2,007,580           | 580                            |
| Interest earned  | 40,000            | 101,772             | 61,772                         |
| Sales tax  | 781,000           | 743,064             | (37,936)                       |
| Total non-operating revenues   | <u>2,901,500</u>  | <u>2,909,135</u>    | <u>7,635</u>                   |
| Total revenues   | <u>18,823,150</u> | <u>18,395,515</u>   | <u>(427,635)</u>               |
| <b>Expenditures:</b>   |                   |                     |                                |
| Power for resale   | 10,835,100        | 10,581,228          | 253,872                        |
| Renewable energy   | 86,700            | 86,689              | 11                             |
| Operations   | 5,593,750         | 2,926,814           | 2,666,936                      |
| Administration   | 907,900           | 857,600             | 50,300                         |
| Capital outlay   | 948,550           | 364,195             | 584,355                        |
| Debt principal   | 813,350           | 813,277             | 73                             |
| Interest and fees  | <u>136,550</u>    | <u>136,531</u>      | <u>19</u>                      |
| Total expenditures   | <u>19,321,900</u> | <u>15,766,334</u>   | <u>3,555,566</u>               |
| Revenues over (under) expenditures   | <u>(498,750)</u>  | <u>2,629,181</u>    | <u>3,127,931</u>               |
| <b>Other Financing Sources (Uses):</b>   |                   |                     |                                |
| Issuance of long-term debt   | 536,050           | -                   | (536,050)                      |
| Proceeds from sale of assets   | 1,000             | 5,927               | 4,927                          |
| Intrafund transfers from - Electric Capital Project Fund                                   | 10,500            | 10,500              | -                              |
| Intrafund transfers to - Electric Capital project  | (99,700)          | (99,700)            | -                              |
| Transfers from - Health Insurance Internal Service Fund                                    | 61,600            | 61,600              | -                              |
| Transfers to - General Fund  | (535,950)         | (535,950)           | -                              |
| Appropriated fund balance  | <u>525,250</u>    | <u>-</u>            | <u>(525,250)</u>               |
| Total other financing sources (uses)   | <u>498,750</u>    | <u>(557,623)</u>    | <u>(1,056,373)</u>             |
| Revenues and other financing sources over<br>(under) expenditures and other financing uses | <u>\$ -</u>       | <u>\$ 2,071,558</u> | <u>\$ 2,071,558</u>            |

**CITY OF NEWTON, NORTH CAROLINA**

**ELECTRIC ENTERPRISE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2020**

**Schedule 9  
Page 2 of 2**

|  | <u>Budget</u> | <u>Actual</u>       | <u>Variance<br/>Over/Under</u> |
|--|---------------|---------------------|--------------------------------|
| <b>Reconciliation from Budgetary Basis</b>   |               |                     |                                |
| <b>(Modified Accrual) to Full Accrual:</b>   |               |                     |                                |
| Revenues and other financing sources over<br>(under) expenditures and other financing uses |               | \$ 2,071,558        |                                |
| Reconciling items:   |               |                     |                                |
| Capital project income   |               | 15                  |                                |
| Capital project expenditures   |               | (241,975)           |                                |
| Capital project expenditures   |               | 241,975             |                                |
| Transfers to (from) - Intrafund  |               | 89,200              |                                |
| Capital outlay expenditures  |               | 364,194             |                                |
| Payment of debt principal  |               | 813,277             |                                |
| Bad debt expense   |               | (256,758)           |                                |
| Depreciation   |               | (1,205,488)         |                                |
| Increase (decrease) in deferred outflows of<br>resources - pensions                        |               | (26,286)            |                                |
| Increase (decrease) in deferred outflows of<br>resources - OPEB                            |               | 1,236               |                                |
| (Increase) decrease in net pension liability   |               | (35,780)            |                                |
| (Increase) decrease in total OPEB liability  |               | (1,099)             |                                |
| (Increase) decrease in deferred inflows of<br>resources - pensions                         |               | 2,814               |                                |
| (Increase) decrease in deferred inflows of<br>resources - OPEB                             |               | (2,568)             |                                |
| Increase (decrease) in accrued interest receivable   |               | (21)                |                                |
| (Increase) decrease in accrued interest payable  |               | 9,832               |                                |
| (Increase) decrease in compensated absences  |               | <u>(14,978)</u>     |                                |
| Change in net position   |               | <u>\$ 1,809,148</u> |                                |

## CITY OF NEWTON, NORTH CAROLINA

Schedule 10

ELECTRIC FUND CAPITAL PROJECTS  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

|   |                          | Actual         |                 |                    |                  |
|---|--------------------------|----------------|-----------------|--------------------|------------------|
|   | Project<br>Authorization | Prior<br>Years | Current<br>Year | Closed<br>Projects | Total<br>to Date |
| <b>Revenues:</b>  |                          |                |                 |                    |                  |
| Restricted intergovernmental  | \$ -                     | \$ 41,750      | \$ -            | \$ -               | \$ 41,750        |
| Interest earned   | -                        | 35             | 15              | -                  | 50               |
| Total revenues  | -                        | 41,785         | 15              | -                  | 41,800           |
| <b>Expenditures:</b>  |                          |                |                 |                    |                  |
| West A Street electric<br>infrastructure rehabilitation                                       | -                        | 10,505         | (10,505)        | -                  | -                |
| Downtown streetscape improvements:  |                          |                |                 |                    |                  |
| Infrastructure rehabilitation   | 1,988,600                | 668,131        | 252,130         | -                  | 920,261          |
| electric distribution automation  | 184,050                  | 43,112         | 350             | -                  | 43,462           |
| Total expenditures  | 2,172,650                | 721,748        | 241,975         | -                  | 963,723          |
| Revenues over (under) expenditures  | (2,172,650)              | (679,963)      | (241,960)       | -                  | (921,923)        |
| <b>Other Financing Sources (Uses):</b>  |                          |                |                 |                    |                  |
| Issuance of long-term debt  | 1,907,950                | 610,200        | 209,300         | -                  | 819,500          |
| Transfers from - Electric Fund  | 275,200                  | 65,500         | 99,700          | -                  | 165,200          |
| Transfers to - Electric Fund  | (10,500)                 | -              | (10,500)        | -                  | (10,500)         |
| Total other financing sources (uses)  | 2,172,650                | 675,700        | 298,500         | -                  | 974,200          |
| Revenues and other financing sources<br>over (under) expenditures and other<br>financing uses | \$ -                     | \$ (4,263)     | \$ 56,540       | \$ -               | \$ 52,277        |

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**CITY OF NEWTON, NORTH CAROLINA****Schedule 11****HEALTH INSURANCE INTERNAL SERVICE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
PLAN AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2020**

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|  | <u>Plan</u>      | <u>Actual</u>         | <u>Variance<br/>Over/Under</u> |
|--|------------------|-----------------------|--------------------------------|
| <b>Operating Revenues:</b>                       |                  |                       |                                |
| Charges for services                             | \$ 1,679,350     | \$ 1,592,375          | \$ (86,975)                    |
| Total operating revenues                         | <u>1,679,350</u> | <u>1,592,375</u>      | <u>(86,975)</u>                |
| <b>Operating Expenditures - Group Insurance:</b> |                  |                       |                                |
| Claims paid                                      | 1,640,500        | 1,582,105             | 58,395                         |
| Claims incurred but not reported                 | 4,350            | 4,314                 | 36                             |
| Stop-loss insurance fees                         | 267,500          | 267,485               | 15                             |
| Administrative charges                           | <u>63,000</u>    | <u>62,962</u>         | <u>38</u>                      |
| Total operating expenditures                     | <u>1,975,350</u> | <u>1,916,866</u>      | <u>58,484</u>                  |
| Operating income (loss)                          | <u>(296,000)</u> | <u>(324,491)</u>      | <u>(28,491)</u>                |
| <b>Non-Operating Revenues:</b>                   |                  |                       |                                |
| Investment earnings                              | 10,000           | 16,782                | 6,782                          |
| Transfer to General Fund                         | (613,600)        | (613,600)             | -                              |
| Transfer to Water & WW Fund                      | (124,800)        | (124,800)             | -                              |
| Transfer to Electric Fund                        | (61,600)         | (61,600)              | -                              |
| Appropriated fund balance                        | <u>1,086,000</u> | <u>-</u>              | <u>(1,086,000)</u>             |
| Total non-operating revenues                     | <u>296,000</u>   | <u>(783,218)</u>      | <u>(1,079,218)</u>             |
| Revenues over expenditures                       | <u>\$ -</u>      | <u>\$ (1,107,709)</u> | <u>\$ (1,107,709)</u>          |





## OTHER SCHEDULES

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

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



**CITY OF NEWTON, NORTH CAROLINA**

Schedule 12

**SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
JUNE 30, 2020**

| <b>Fiscal Year</b>   | <b>Uncollected<br/>Balance<br/>July 1, 2019</b> | <b>Additions</b>    | <b>Collections<br/>and Credits</b> | <b>Uncollected<br/>Balance<br/>June 30, 2020</b> |
|--|---|---------------------|------------------------------------|--|
| 2019-2020  | \$ -  | \$ 6,395,971        | \$ 6,277,280                       | \$ 118,691                                       |
| 2018-2019  | 92,630  | -                   | 48,403                             | 44,227   |
| 2017-2018  | 47,031  | -                   | 18,964                             | 28,067   |
| 2016-2017  | 30,355  | -                   | 9,175                              | 21,180   |
| 2015-2016  | 25,963  | -                   | 4,976                              | 20,987   |
| 2014-2015  | 25,410  | -                   | 4,704                              | 20,706   |
| 2013-2014  | 30,505  | -                   | 3,702                              | 26,803   |
| 2012-2013  | 44,514  | -                   | 3,826                              | 40,688   |
| 2011-2012  | 25,723  | -                   | 2,509                              | 23,214   |
| 2010-2011  | 24,800  | -                   | 1,200                              | 23,600   |
| 2009-2010  | 22,103  | -                   | 22,103                             | -  |
| <b>Total</b>   | <b>\$ 369,034</b>                               | <b>\$ 6,395,971</b> | <b>\$ 6,396,842</b>                | <b>368,163</b>                                   |
| Less allowance for uncollectible ad valorem taxes receivable |   |                     |                                    | <u>22,000</u>                                    |
| Ad valorem taxes receivable, net                             |   |                     |                                    | <u>\$ 346,163</u>                                |
| <b>Ad Valorem Taxes Receivable, Net</b>                      |   |                     |                                    |  |
| General Fund   |   |                     |                                    | <u>\$ 346,163</u>                                |
| <b>Reconcilement with Revenues:</b>                          |   |                     |                                    |  |
| Ad valorem taxes - General Fund                              |   |                     |                                    | \$ 6,410,789                                     |
| Taxes written off  |   |                     |                                    | 20,899   |
| Miscellaneous  |   |                     |                                    | (2,132)  |
| Interest and penalties collected                             |   |                     |                                    | <u>(32,714)</u>                                  |
| Total collections and credits                                |   |                     |                                    | <u>\$ 6,396,842</u>                              |

**CITY OF NEWTON, NORTH CAROLINA**

Schedule 13

**ANALYSIS OF CURRENT TAX LEVY  
FOR THE YEAR ENDED JUNE 30, 2020**

|  | City-Wide               |         | Total Levy                                   |                           |
|--|-------------------------|---------|--|---------------------------|
|  | Property Valuation      | Rate    | Property Excluding Registered Motor Vehicles | Registered Motor Vehicles |
| <b>Original Levy:</b>                                      |                         |         |  |                           |
| Total property taxed at current year's rate                | \$ 1,086,446,411        | \$ 0.54 | \$ 5,866,811                                 | \$ -                      |
| Registered motor vehicles taxed at current year's tax rate | 94,730,196              | 0.54    | -  | 511,543                   |
| Penalties  | -                       |         | 1,625  | -                         |
| Total  | <u>1,181,176,607</u>    |         | <u>5,868,436</u>                             | <u>511,543</u>            |
| <b>Discoveries:</b>  |                         |         |  |                           |
| Current year taxes   | 8,664,043               |         | 46,786                                       | -                         |
| Prior year taxes   | 625,304                 |         | 3,377  | -                         |
| Penalties  | -                       |         | 1,684  | -                         |
| Total  | <u>9,289,347</u>        |         | <u>51,847</u>                                | <u>-</u>                  |
| <b>Releases:</b>   |                         |         |  |                           |
| Property:  |                         |         |  |                           |
| Current year taxes   | (5,818,830)             |         | (31,422)                                     | -                         |
| Prior year taxes   | (3,593)                 |         | (19)   | -                         |
| Motor Vehicles:  |                         |         |  |                           |
| Current year taxes   | (431,757)               |         | -  | (2,331)                   |
| Prior year taxes   | (429,252)               |         | -  | (2,060)                   |
| Penalties  | -                       |         | (23)   | -                         |
| Total  | <u>(6,683,432)</u>      |         | <u>(31,464)</u>                              | <u>(4,391)</u>            |
| Total property valuation                                   | <u>\$ 1,183,782,522</u> |         |  |                           |
| <b>Net Levy</b>  |                         |         | 6,395,971                                    | 507,152                   |
| Less uncollected taxes at June 30, 2020                    |                         |         | <u>(118,691)</u>                             | <u>(519)</u>              |
| <b>Current Year's Taxes Collected</b>                      |                         |         | <u>\$ 6,277,280</u>                          | <u>\$ 506,633</u>         |
| <b>Current Levy Collection Percentage</b>                  |                         |         | <u>98.14%</u>                                | <u>99.90%</u>             |

# STATISTICAL SECTION

## (Unaudited)

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

### Contents

#### **Financial Trends**

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

|  |         |
|--|---------|
| Net Position by Component                      | Table 1 |
| Change in Net Position                         | Table 2 |
| Governmental Activities Tax Revenues by Source | Table 3 |
| Fund Balances, Governmental Funds              | Table 4 |
| Changes in Fund Balance, Governmental Funds    | Table 5 |

#### **Revenue Capacity**

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

|   |          |
|---|----------|
| Assessed Valuation of Property                        | Table 6  |
| Property Tax Rates-Direct and Overlapping Governments | Table 7  |
| Principal Property Taxpayers                          | Table 8  |
| Property Tax Levies and Collections                   | Table 9  |
| Electricity Sold by Type of Customer                  | Table 10 |
| Electricity Rates                                     | Table 11 |

#### **Debt Capacity**

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

|   |          |
|---|----------|
| Ratio of Outstanding Debt by Type                 | Table 12 |
| Ratio of General Bonded Debt Outstanding          | Table 13 |
| Direct and Overlapping Government Activities Debt | Table 14 |
| Legal Debt Margin Information                     | Table 15 |

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# STATISTICAL SECTION (continued)

## (Unaudited)

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### Demographic and Economic Information

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

Demographic and Economic Statistics  
Principal Employers

Table 16  
Table 17

### Operating Information

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

Full-Time Equivalent City Government Employees  
By Function  
Operating Indicators by Function  
Capital Asset Statistics by Function

Table 18  
Table 19  
Table 20

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

## CITY OF NEWTON, NORTH CAROLINA

Table 1

Last Ten Fiscal Years  
(Accrual Basis of Accounting)  
(Unaudited)

|   | 2011                 | 2012                 | 2013                 | 2014                 | 2015                 | 2016                 | 2017                 | 2018                 | 2019                 | 2020                 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Governmental Activities:</b>             |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Net investment in capital assets            | \$ 7,130,316         | \$ 7,704,679         | \$ 7,819,537         | \$ 8,097,287         | \$ 7,984,441         | \$ 8,406,848         | \$ 9,065,600         | \$ 9,419,704         | \$ 10,642,496        | \$ 11,892,626        |
| Restricted                                  | 1,127,790            | 2,141,848            | 2,365,037            | 2,814,243            | 3,125,095            | 2,663,217            | 2,917,143            | 3,038,107            | 2,860,674            | 2,890,464            |
| Unrestricted                                | 2,640,730            | 2,783,144            | 3,163,055            | 3,517,744            | 4,373,511            | 5,910,938            | 5,316,912            | 4,788,356            | 5,179,802            | 5,102,071            |
| Total governmental activities net position  | <u>\$ 10,898,836</u> | <u>\$ 12,629,671</u> | <u>\$ 13,347,629</u> | <u>\$ 14,429,274</u> | <u>\$ 15,483,047</u> | <u>\$ 16,981,003</u> | <u>\$ 17,299,655</u> | <u>\$ 17,246,167</u> | <u>\$ 18,682,972</u> | <u>\$ 19,885,161</u> |
| <b>Business-type Activities:</b>            |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Net investment in capital assets            | \$ 29,078,708        | \$ 30,854,510        | \$ 30,063,136        | \$ 29,665,815        | \$ 29,007,878        | \$ 28,842,217        | \$ 28,478,465        | \$ 28,984,497        | \$ 29,313,984        | \$ 30,085,473        |
| Unrestricted                                | 4,403,843            | 4,137,292            | 5,702,567            | 6,650,083            | 7,281,257            | 8,089,777            | 8,931,712            | 9,206,477            | 10,516,812           | 11,905,511           |
| Total business-type activities net position | <u>\$ 33,482,551</u> | <u>\$ 34,991,802</u> | <u>\$ 35,765,703</u> | <u>\$ 36,315,898</u> | <u>\$ 36,289,135</u> | <u>\$ 36,931,994</u> | <u>\$ 37,410,177</u> | <u>\$ 38,190,974</u> | <u>\$ 39,830,796</u> | <u>\$ 41,990,984</u> |
| <b>Primary Government:</b>                  |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Net investment in capital assets            | \$ 36,209,024        | \$ 38,559,189        | \$ 37,882,673        | \$ 37,763,102        | \$ 36,992,319        | \$ 37,249,065        | \$ 37,544,065        | \$ 38,404,201        | \$ 39,956,480        | \$ 41,978,099        |
| Restricted                                  | 1,127,790            | 2,141,848            | 2,365,037            | 2,814,243            | 3,125,095            | 2,663,217            | 2,917,143            | 3,038,107            | 2,860,674            | 2,890,464            |
| Unrestricted                                | 7,044,573            | 6,920,436            | 8,865,622            | 10,167,827           | 11,654,768           | 14,000,715           | 14,248,624           | 13,994,833           | 15,696,614           | 17,007,582           |
| Total primary government net position       | <u>\$ 44,381,387</u> | <u>\$ 47,621,473</u> | <u>\$ 49,113,332</u> | <u>\$ 50,745,172</u> | <u>\$ 51,772,182</u> | <u>\$ 53,912,997</u> | <u>\$ 54,709,832</u> | <u>\$ 55,437,141</u> | <u>\$ 58,513,768</u> | <u>\$ 61,876,145</u> |

## CITY OF NEWTON, NORTH CAROLINA

Table 2, page 1 of 3

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

|  | 2011                 | 2012                 | 2013                 | 2014                 | 2015                 | 2016                 | 2017                 | 2018                 | 2019                 | 2020                 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Expenses:</b>                               |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Governmental activities:                       |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| General government                             | \$ 1,946,752         | \$ 1,313,202         | \$ 1,016,494         | \$ 1,280,351         | \$ 1,389,614         | \$ 1,352,512         | \$ 1,411,267         | \$ 1,678,380         | \$ 1,669,328         | \$ 2,134,406         |
| Transportation                                 | 975,976              | 954,979              | 1,047,081            | 1,162,093            | 1,162,092            | 1,347,083            | 1,147,668            | 1,279,189            | 1,401,468            | 2,181,097            |
| Environmental protection                       | 917,124              | 938,935              | 1,006,970            | 1,051,744            | 1,043,820            | 1,086,149            | 1,165,561            | 1,082,139            | 1,215,375            | 1,275,886            |
| Public Safety                                  | 4,776,714            | 4,917,591            | 5,124,114            | 5,245,701            | 5,316,433            | 5,586,817            | 6,357,517            | 6,267,253            | 6,513,975            | 7,116,753            |
| Cultural and recreational                      | 2,076,673            | 2,089,168            | 2,076,132            | 1,906,260            | 1,551,277            | 1,510,818            | 1,636,461            | 1,727,506            | 1,742,567            | 1,252,357            |
| Economic and physical development              | 42,698               | -                    | 1,000                | 50,000               | -                    | -                    | 151,185              | 170,940              | -                    | 406,805              |
| Interest on long-term debt                     | 98,794               | 151,154              | 102,178              | 140,224              | 190,377              | 186,606              | 172,773              | 175,088              | 212,893              | 217,251              |
| Total governmental activities expenses         | 10,834,731           | 10,365,029           | 10,373,969           | 10,836,373           | 10,653,613           | 11,069,985           | 12,042,432           | 12,380,495           | 12,755,606           | 14,584,555           |
| Business-type activities:                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Water and Wastewater                           | 5,751,998            | 6,165,378            | 6,279,211            | 6,762,583            | 6,590,574            | 6,747,790            | 7,230,215            | 7,507,636            | 7,767,708            | 8,247,698            |
| Electric                                       | 13,080,453           | 13,419,024           | 13,804,985           | 14,673,951           | 15,599,254           | 14,969,080           | 15,177,322           | 15,645,413           | 15,763,333           | 16,256,403           |
| Total business-type activities expenses        | 18,832,451           | 19,584,402           | 20,084,196           | 21,436,534           | 22,189,828           | 21,716,870           | 22,407,537           | 23,153,049           | 23,531,041           | 24,504,101           |
| Total primary government expenses              | <u>\$ 29,667,182</u> | <u>\$ 29,949,431</u> | <u>\$ 30,458,165</u> | <u>\$ 32,272,907</u> | <u>\$ 32,843,441</u> | <u>\$ 32,786,855</u> | <u>\$ 34,449,969</u> | <u>\$ 35,533,544</u> | <u>\$ 36,286,647</u> | <u>\$ 39,088,656</u> |
| <b>Program Revenues:</b>                       |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Governmental activities:                       |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Charges for services                           |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| General government                             | \$ 219,066           | \$ 208,600           | \$ 273,757           | \$ 169,502           | \$ 179,212           | \$ 199,335           | \$ 139,340           | \$ 148,044           | \$ 160,715           | \$ 107,180           |
| Transportation                                 | -                    | -                    | 2,104                | -                    | 24,975               | 4,767                | -                    | -                    | 34                   | -                    |
| Environmental protection                       | 574,846              | 575,067              | 757,023              | 881,425              | 886,194              | 880,225              | 883,748              | 887,607              | 934,708              | 1,013,925            |
| Public safety                                  | 86,706               | 119,909              | 102,231              | 75,350               | 79,765               | 73,717               | 80,173               | 61,981               | 78,819               | 84,556               |
| Cultural and recreational                      | 83,628               | 68,561               | 68,544               | 175,478              | 81,399               | 78,971               | 110,246              | 102,628              | 82,077               | 70,687               |
| Operating grants and contributions             | 30,879               | 482,714              | 486,590              | 624,303              | 524,449              | 486,903              | 662,304              | 727,487              | 819,293              | 942,559              |
| Capital grants and contributions               | 448,357              | 1,364,849            | 36,089               | 125,805              | 294,285              | 119,417              | 291,342              | 207,039              | 126,676              | 24,990               |
| Total governmental activities program revenues | 1,443,482            | 2,819,700            | 1,726,338            | 2,051,863            | 2,070,279            | 1,843,335            | 2,167,153            | 2,134,786            | 2,202,322            | 2,243,897            |

continued



## CITY OF NEWTON, NORTH CAROLINA

Table 2, page 2 of 3

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

|  | 2011                  | 2012                  | 2013                  | 2014                  | 2015                  | 2016                  | 2017                   | 2018                   | 2019                  | 2020                   |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------|------------------------|-----------------------|------------------------|
| Business-type activities:                                  |                       |                       |                       |                       |                       |                       |                        |                        |                       |                        |
| Charges for services-Water and Wastewater                  | 6,094,148             | 5,970,545             | 6,010,519             | 6,143,604             | 6,342,485             | 6,681,287             | 7,033,702              | 7,474,923              | 7,666,931             | 7,856,779              |
| Charges for services - Electric                            | 13,721,107            | 13,801,529            | 14,529,294            | 15,265,571            | 15,087,077            | 14,881,401            | 14,821,219             | 15,730,660             | 16,126,917            | 15,543,099             |
| Operating grants and contributions                         | -                     | -                     | 161                   | 1,441                 | 240,491               | 5,584                 | -                      | 165,367                | -                     | -                      |
| Capital grants and contributions                           | 52,815                | 1,039,758             | 23,667                | 195,592               | 19,865                | 31,653                | 221,047                | 6,584                  | 429,044               | 2,027,523              |
| Total business-type activities                             | 19,868,070            | 20,811,832            | 20,563,641            | 21,606,208            | 21,689,918            | 21,599,925            | 22,075,968             | 23,377,534             | 24,222,892            | 25,427,401             |
| program revenues   | 19,868,070            | 20,811,832            | 20,563,641            | 21,606,208            | 21,689,918            | 21,599,925            | 22,075,968             | 23,377,534             | 24,222,892            | 25,427,401             |
| Total primary government program revenues                  | <u>\$ 21,311,552</u>  | <u>\$ 23,631,532</u>  | <u>\$ 22,289,979</u>  | <u>\$ 23,658,071</u>  | <u>\$ 23,760,197</u>  | <u>\$ 23,443,260</u>  | <u>\$ 24,243,121</u>   | <u>\$ 25,512,320</u>   | <u>\$ 26,425,214</u>  | <u>\$ 27,671,298</u>   |
| Net revenue (expense)                                      |                       |                       |                       |                       |                       |                       |                        |                        |                       |                        |
| Governmental activities                                    | \$ (9,391,249)        | \$ (7,545,329)        | \$ (8,647,631)        | \$ (8,784,510)        | \$ (8,583,334)        | \$ (9,226,650)        | \$ (9,875,279)         | \$ (10,245,709)        | \$ (10,553,284)       | \$ (12,340,658)        |
| Business-type activities                                   | 1,035,619             | 1,227,430             | 479,445               | 169,674               | (499,910)             | (116,945)             | (331,569)              | 224,485                | 691,851               | 923,300                |
| Total primary government net expense                       | <u>\$ (8,355,630)</u> | <u>\$ (6,317,899)</u> | <u>\$ (8,168,186)</u> | <u>\$ (8,614,836)</u> | <u>\$ (9,083,244)</u> | <u>\$ (9,343,595)</u> | <u>\$ (10,206,848)</u> | <u>\$ (10,021,224)</u> | <u>\$ (9,861,433)</u> | <u>\$ (11,417,358)</u> |
| <b>General Revenues and Other Changes in Net Position:</b> |                       |                       |                       |                       |                       |                       |                        |                        |                       |                        |
| Governmental activities:                                   |                       |                       |                       |                       |                       |                       |                        |                        |                       |                        |
| Ad valorem taxes   | \$ 5,175,540          | \$ 5,091,914          | \$ 5,201,384          | \$ 5,535,417          | \$ 5,723,810          | \$ 5,627,039          | \$ 5,489,113           | \$ 5,516,304           | \$ 6,116,272          | \$ 6,407,920           |
| Local option sales tax                                     | 2,566,400             | 2,580,288             | 2,595,442             | 2,694,664             | 2,917,919             | 3,111,139             | 3,263,760              | 3,377,488              | 3,529,039             | 3,615,584              |
| Utilities sales tax  | 785,773               | 781,701               | 759,087               | 810,418               | 935,345               | 971,859               | 969,834                | 957,432                | 964,844               | 932,261                |
| Other taxes and licenses                                   | 948,139               | 811,413               | 788,672               | 813,734               | 917,719               | 978,029               | 999,650                | 1,033,608              | 1,260,653             | 1,438,364              |
| Unrestricted investment earnings                           | 9,013                 | 7,498                 | 11,004                | 7,922                 | 16,443                | 36,540                | 56,263                 | 133,475                | 212,669               | 130,918                |
| Capital contributions                                      | -                     | -                     | -                     | -                     | -                     | -                     | -                      | -                      | 5,779                 | -                      |
| Transfers  | 5,000                 | 3,350                 | 10,000                | 4,000                 | -                     | -                     | -                      | -                      | -                     | 349,550                |
| Total governmental activities                              | <u>9,489,865</u>      | <u>9,276,164</u>      | <u>9,365,589</u>      | <u>9,866,155</u>      | <u>10,511,236</u>     | <u>10,724,606</u>     | <u>10,778,620</u>      | <u>11,018,307</u>      | <u>12,089,256</u>     | <u>12,874,597</u>      |

continued

## CITY OF NEWTON, NORTH CAROLINA

Table 2, page 3 of 3

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

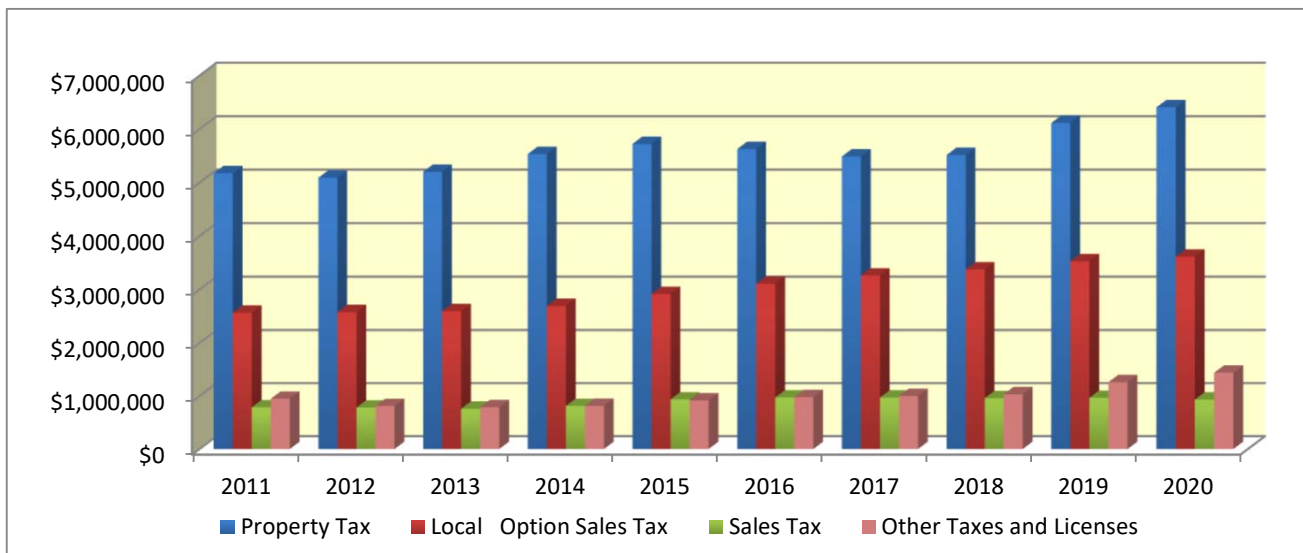
|                                  | 2011                | 2012                | 2013                | 2014                 | 2015                 | 2016                 | 2017                 | 2018                 | 2019                 | 2020                 |
|----------------------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Business-type activities:        |                     |                     |                     |                      |                      |                      |                      |                      |                      |                      |
| Other taxes and licenses         | 286,181             | 277,993             | 297,967             | 319,537              | 735,702              | 737,150              | 751,171              | 771,470              | 769,068              | 743,064              |
| Unrestricted investment earnings | 6,915               | 7,177               | 6,490               | 5,081                | 8,758                | 20,922               | 40,261               | 94,104               | 155,342              | 133,545              |
| Miscellaneous                    | -                   | -                   | -                   | 31,870               | 4,728                | 1,732                | 18,320               | 28,153               | 29,340               | 11,299               |
| Capital contributions            | -                   | -                   | -                   | 28,033               | -                    | -                    | -                    | -                    | -                    | -                    |
| Transfers                        | (5,000)             | (3,350)             | (10,000)            | (4,000)              | -                    | -                    | -                    | -                    | (5,779)              | (349,550)            |
| Total business-type activities   | <u>288,096</u>      | <u>281,820</u>      | <u>294,457</u>      | <u>380,521</u>       | <u>749,188</u>       | <u>759,804</u>       | <u>809,752</u>       | <u>893,727</u>       | <u>947,971</u>       | <u>538,358</u>       |
| Total primary government         | <u>\$ 9,777,961</u> | <u>\$ 9,557,984</u> | <u>\$ 9,660,046</u> | <u>\$ 10,246,676</u> | <u>\$ 11,260,424</u> | <u>\$ 11,484,410</u> | <u>\$ 11,588,372</u> | <u>\$ 11,912,034</u> | <u>\$ 13,037,227</u> | <u>\$ 13,412,955</u> |
| <b>Change in Net Position:</b>   |                     |                     |                     |                      |                      |                      |                      |                      |                      |                      |
| Governmental activities          | \$ 98,616           | \$ 1,730,835        | \$ 717,958          | \$ 1,081,645         | \$ 1,927,902         | \$ 1,497,956         | \$ 903,341           | \$ 772,598           | \$ 1,535,972         | \$ 533,939           |
| Business-type activities         | 1,323,715           | 1,509,250           | 773,902             | 550,195              | 249,278              | 642,859              | 478,183              | 1,118,212            | 1,639,822            | 1,461,658            |
| Total primary government         | <u>\$ 1,422,331</u> | <u>\$ 3,240,085</u> | <u>\$ 1,491,860</u> | <u>\$ 1,631,840</u>  | <u>\$ 2,177,180</u>  | <u>\$ 2,140,815</u>  | <u>\$ 1,381,524</u>  | <u>\$ 1,890,810</u>  | <u>\$ 3,175,794</u>  | <u>\$ 1,995,597</u>  |

**CITY OF NEWTON, NORTH CAROLINA**

**Table 3**

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

| <b>Fiscal Year</b> | <b>Property Tax</b> | <b>Local Option Sales Tax</b> | <b>Utilities Sales Tax</b> | <b>Other Taxes and Licenses</b> | <b>Total</b> |
|--------------------|---------------------|-------------------------------|----------------------------|---------------------------------|--------------|
| 2011               | \$ 5,175,540        | \$ 2,566,400                  | \$ 785,773                 | \$ 948,139                      | \$ 9,475,852 |
| 2012               | 5,091,914           | 2,580,288                     | 781,701                    | 811,413                         | 9,265,316    |
| 2013               | 5,201,384           | 2,595,441                     | 759,087                    | 788,672                         | 9,344,584    |
| 2014               | 5,535,417           | 2,694,664                     | 810,418                    | 813,734                         | 9,854,233    |
| 2015               | 5,723,810           | 2,917,919                     | 935,345                    | 917,719                         | 10,494,793   |
| 2016               | 5,627,039           | 3,111,139                     | 971,859                    | 978,029                         | 10,688,066   |
| 2017               | 5,489,113           | 3,263,760                     | 969,834                    | 999,650                         | 10,722,357   |
| 2018               | 5,516,304           | 3,377,488                     | 957,432                    | 1,033,608                       | 10,884,832   |
| 2019               | 6,116,272           | 3,529,039                     | 964,844                    | 1,260,653                       | 11,870,808   |
| 2020               | 6,407,920           | 3,615,584                     | 932,261                    | 1,438,364                       | 12,394,129   |



## CITY OF NEWTON, NORTH CAROLINA

Table 4

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

|   | 2011                | 2012                | 2013                | 2014                | 2015                | 2016                | 2017                | 2018                | 2019                | 2020                 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| <b>General Fund:</b>                        |                     |                     |                     |                     |                     |                     |                     |                     |                     |                      |
| Non-Spendable - inventory                   | \$ 47,797           | \$ 46,555           | \$ 62,836           | \$ 56,653           | \$ 41,363           | \$ 41,442           | \$ 44,606           | \$ 49,037           | \$ 40,019           | \$ 37,356            |
| Non-Spendable - prepaids                    | -                   | -                   | -                   | -                   | 194,572             | 214,392             | 395,283             | -                   | -                   | -                    |
| Restricted - Stabilization by State Statute | 633,240             | 672,248             | 735,016             | 1,114,520           | 1,145,967           | 944,907             | 1,056,556           | 1,227,022           | 1,622,163           | 2,217,878            |
| Restricted                                  | 413,353             | 2,368,989           | 1,763,479           | 2,017,530           | 2,374,069           | 1,985,557           | 1,879,460           | 1,808,007           | 1,181,619           | 632,084              |
| Assigned                                    | -                   | -                   | 47,490              | 42,750              | 45,690              | 474,790             | 1,020,600           | 596,870             | 377,110             | 828,380              |
| Unassigned                                  | 2,871,206           | 2,636,336           | 2,615,140           | 3,190,736           | 4,130,932           | 4,960,008           | 4,459,761           | 5,678,078           | 5,889,151           | 7,037,129            |
| Total General Fund                          | <u>\$ 3,965,596</u> | <u>\$ 5,724,128</u> | <u>\$ 5,223,961</u> | <u>\$ 6,422,189</u> | <u>\$ 7,932,593</u> | <u>\$ 8,621,096</u> | <u>\$ 8,856,266</u> | <u>\$ 9,359,014</u> | <u>\$ 9,110,062</u> | <u>\$ 10,752,827</u> |
| <b>All other Governmental Funds:</b>        |                     |                     |                     |                     |                     |                     |                     |                     |                     |                      |
| Non-Spendable - prepaids                    |                     |                     |                     |                     |                     |                     |                     |                     |                     |                      |
| Special revenue funds                       | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                | \$ 10,693           | \$ -                | \$ -                | \$ -                | \$ -                 |
| Restricted - Stabilization by State Statute |                     |                     |                     |                     |                     |                     |                     |                     |                     |                      |
| Special revenue funds                       | 6,864               | 893                 | -                   | -                   | 1,076               | 1,412               | 56,617              | 1,765               | 6,908               | 5,712                |
| Capital projects funds                      | 3,303               | 280                 | 127,364             | 27,619              | 75,443              | 8,204               | -                   | -                   | 33,770              | 15,028               |
| Restricted                                  |                     |                     |                     |                     |                     |                     |                     |                     |                     |                      |
| Special revenue funds                       | -                   | 1,369               | 1,734               | 5,781               | 17,505              | 9,040               | 23,801              | 2,289,539           | 16,212              | 19,762               |
| Capital projects funds                      | -                   | -                   | -                   | 2,302,634           | 7,634               | -                   | -                   | -                   | 181,150             | 222,389              |
| Committed                                   |                     |                     |                     |                     |                     |                     |                     |                     |                     |                      |
| Special revenue funds                       | 14,919              | 2,595               | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                    |
| Capital projects funds                      | 35,724              | 87,538              | 97,930              | -                   | -                   | -                   | 242                 | -                   | 479,801             | 139,204              |
| Unassigned                                  |                     |                     |                     |                     |                     |                     |                     |                     |                     |                      |
| Special revenue funds                       | (6,748)             | (893)               | -                   | (251,783)           | -                   | -                   | (33,132)            | (49,886)            | -                   | -                    |
| Capital projects funds                      | -                   | -                   | -                   | -                   | (71,264)            | (7,962)             | -                   | -                   | -                   | -                    |
| Total expenditures                          | <u>\$ 54,062</u>    | <u>\$ 91,782</u>    | <u>\$ 227,028</u>   | <u>\$ 2,084,251</u> | <u>\$ 30,394</u>    | <u>\$ 21,387</u>    | <u>\$ 47,528</u>    | <u>\$ 2,241,418</u> | <u>\$ 717,841</u>   | <u>\$ 402,095</u>    |

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

## CITY OF NEWTON, NORTH CAROLINA

Table 5

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

|  | 2011         | 2012         | 2013         | 2014         | 2015         | 2016         | 2017         | 2018         | 2019           | 2020         |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|--------------|
| <b>Revenues:</b>   |              |              |              |              |              |              |              |              |                |              |
| Ad valorem taxes   | \$ 5,122,713 | \$ 5,045,726 | \$ 5,136,073 | \$ 5,522,391 | \$ 5,820,879 | \$ 5,661,736 | \$ 5,554,119 | \$ 5,555,145 | \$ 6,195,344   | \$ 6,410,789 |
| Other taxes and licenses                                 | 2,930,535    | 2,969,847    | 2,961,194    | 3,062,603    | 3,374,238    | 3,593,002    | 3,732,651    | 3,861,923    | 4,188,557      | 4,307,540    |
| Unrestricted intergovernmental                           | 1,369,777    | 1,203,555    | 1,182,007    | 1,256,213    | 1,396,745    | 1,468,025    | 1,500,593    | 1,506,605    | 1,565,979      | 1,678,669    |
| Restricted intergovernmental                             | 474,851      | 667,112      | 495,228      | 734,785      | 505,854      | 576,029      | 878,871      | 696,019      | 748,547        | 897,736      |
| Permits and fees   | 89,953       | 85,022       | 120,130      | 77,535       | 77,621       | 74,062       | 74,021       | 71,826       | 68,501         | 63,197       |
| Sales and services                                       | 688,134      | 668,236      | 869,564      | 1,068,745    | 987,234      | 974,145      | 1,027,230    | 1,004,789    | 1,050,070      | 1,131,354    |
| Investment earnings                                      | 7,244        | 6,751        | 10,271       | 6,955        | 14,278       | 31,686       | 48,245       | 115,157      | 182,968        | 114,136      |
| Miscellaneous  | 190,544      | 1,399,330    | 241,416      | 170,798      | 499,570      | 219,099      | 187,031      | 362,152      | 236,039        | 179,855      |
| Total revenues   | 10,873,751   | 12,045,579   | 11,015,883   | 11,900,025   | 12,676,419   | 12,597,784   | 13,002,761   | 13,173,616   | 14,236,005     | 14,783,276   |
| <b>Expenditures:</b>                                     |              |              |              |              |              |              |              |              |                |              |
| Current:   |              |              |              |              |              |              |              |              |                |              |
| General government                                       | 1,421,950    | 1,226,079    | 1,190,651    | 1,297,639    | 1,424,326    | 1,441,187    | 1,641,718    | 1,829,950    | 1,667,217      | 1,840,924    |
| Transportation   | 860,236      | 990,918      | 1,106,278    | 932,167      | 1,205,132    | 1,116,908    | 876,934      | 1,145,161    | 1,111,032      | 1,378,944    |
| Environmental protection                                 | 853,954      | 899,515      | 1,276,480    | 994,820      | 987,293      | 1,065,055    | 1,248,865    | 1,009,656    | 1,645,793      | 1,092,671    |
| Public safety  | 4,607,757    | 5,377,827    | 4,942,898    | 5,422,069    | 5,934,798    | 5,773,881    | 6,160,618    | 6,051,412    | 6,373,804      | 7,040,331    |
| Cultural and recreational                                | 2,009,886    | 2,008,898    | 2,080,553    | 1,699,457    | 1,605,676    | 1,531,592    | 1,780,230    | 1,662,807    | 2,208,371      | 1,673,724    |
| Economic and physical development                        | 391,090      | 133,577      | 1,000        | 50,000       | -            | -            | 151,185      | 170,940      | -              | 406,805      |
| Capital Outlay   | -            | -            | 251,314      | 1,605,278    | 2,066,766    | 387,731      | -            | 50,128       | 2,575,964      | 1,557,989    |
| Debt service:  |              |              |              |              |              |              |              |              |                |              |
| Principal  | 772,042      | 777,353      | 878,663      | 768,247      | 1,086,464    | 1,064,396    | 1,014,600    | 1,012,028    | 1,101,359      | 1,056,297    |
| Interest   | 133,930      | 136,849      | 122,930      | 101,897      | 193,809      | 192,638      | 182,600      | 163,846      | 225,862        | 218,957      |
| Total expenditures                                       | 11,050,845   | 11,551,016   | 11,850,767   | 12,871,574   | 14,504,264   | 12,573,388   | 13,056,750   | 13,095,928   | 16,909,402     | 16,266,642   |
| Revenues over (under) expenditures                       | (177,094)    | 494,563      | (834,884)    | (971,549)    | (1,827,845)  | 24,396       | (53,989)     | 77,688       | (2,673,397)    | (1,483,366)  |
| <b>Other Financing Sources (Uses):</b>                   |              |              |              |              |              |              |              |              |                |              |
| Issuance of debt   | 501,000      | 1,298,339    | 443,682      | 4,023,000    | 1,284,392    | 655,100      | 315,300      | 2,618,950    | 900,868        | 1,091,752    |
| Transfers from other funds                               | 375,330      | 177,685      | 445,417      | 267,676      | -            | 29,413       | 17,482       | -            | 1,021,850      | 2,061,150    |
| Transfers to other funds                                 | (370,330)    | (174,335)    | (435,417)    | (263,676)    | -            | (29,413)     | (17,482)     | -            | (1,021,850)    | (911,600)    |
| Total other financing sources (uses)                     | 506,000      | 1,301,689    | 453,682      | 4,027,000    | 1,284,392    | 655,100      | 315,300      | 2,618,950    | 900,868        | 2,241,302    |
| Net change in fund balances                              | \$ 328,906   | \$ 1,796,252 | \$ (381,202) | \$ 3,055,451 | \$ (543,453) | \$ 679,496   | \$ 261,311   | \$ 2,696,638 | \$ (1,772,529) | \$ 757,936   |
| Debt service as a percentage of non-capital expenditures | 8.7%         | 8.9%         | 9.5%         | 8.3%         | 11.6%        | 11.2%        | 10.2%        | 9.7%         | 10.6%          | 9.5%         |

CITY OF NEWTON, NORTH CAROLINA

Table 6

Assessed Valuation of Property  
Last Ten Fiscal Years  
(Unaudited)

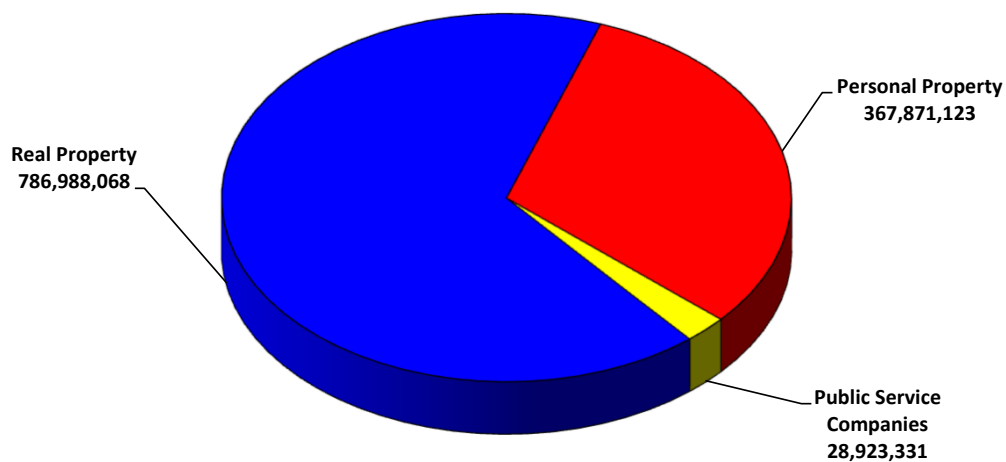
| Fiscal Year | Assessed Value <sup>(1)</sup> |                                  |                          |                  | Property Tax Rate (Per \$100 Assessed Value) | Percent Increase in Value <sup>(2)</sup> |
|-------------|-------------------------------|----------------------------------|--------------------------|------------------|--|--|
|             | Real Property                 | Personal Property <sup>(3)</sup> | Public Service Companies | Total            |  |  |
| 2011        | \$ 773,519,907                | \$ 279,668,240                   | \$ 21,178,162            | \$ 1,074,366,309 | 0.48   | 0.5%                                     |
| 2012 (2)    | 767,118,238                   | 273,986,190                      | 19,646,031               | 1,060,750,459    | 0.48   | -1.3%                                    |
| 2013        | 770,022,896                   | 293,650,012                      | 19,881,983               | 1,083,554,891    | 0.48   | 2.1%                                     |
| 2014        | 769,626,622                   | 353,362,911                      | 18,978,817               | 1,141,968,350    | 0.48   | 5.4%                                     |
| 2015        | 771,410,548                   | 318,829,225                      | 20,837,982               | 1,111,077,755    | 0.51   | -2.7%                                    |
| 2016 (2)    | 704,869,272                   | 304,781,289                      | 24,281,708               | 1,033,932,269    | 0.54   | -6.9%                                    |
| 2017        | 711,364,646                   | 272,585,642                      | 26,562,454               | 1,010,512,742    | 0.54   | -2.3%                                    |
| 2018        | 712,528,906                   | 275,179,899                      | 26,656,033               | 1,014,364,838    | 0.54   | 0.4%                                     |
| 2019        | 736,168,088                   | 362,306,047                      | 27,984,461               | 1,126,458,596    | 0.54   | 11.1%                                    |
| 2020 (2)    | 786,988,068                   | 367,871,123                      | 28,923,331               | 1,183,782,522    | 0.54   | 5.1%                                     |

NOTES:

(1) Assessed Value is established by Catawba County Assessor's office.

(2) North Carolina General Statutes require that a reappraisal of real property be conducted every eight years. A revaluation of real property is conducted every four years for the City of Newton

(3) Includes vehicles.



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**CITY OF NEWTON, NORTH CAROLINA****Table 7****Property Tax Rates-Direct and Overlapping Governments  
Last Ten Fiscal Years  
(Unaudited)**

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| <b>Fiscal<br/>Year</b> | <b>City of<br/>Newton</b> | <b>Catawba<br/>County</b> | <b>Total<br/>City and<br/>County Rate</b> |
|------------------------|---------------------------|---------------------------|---|
| 2011                   | \$ 0.48                   | \$ 0.535                  | \$ 1.015                                  |
| 2012                   | 0.48                      | 0.530                     | 1.010                                     |
| 2013                   | 0.48                      | 0.530                     | 1.010                                     |
| 2014                   | 0.48                      | 0.530                     | 1.010                                     |
| 2015                   | 0.51                      | 0.530                     | 1.040                                     |
| 2016                   | 0.54                      | 0.575                     | 1.115                                     |
| 2017                   | 0.54                      | 0.575                     | 1.115                                     |
| 2018                   | 0.54                      | 0.575                     | 1.115                                     |
| 2019                   | 0.54                      | 0.575                     | 1.115                                     |
| 2020                   | 0.54                      | 0.575                     | 1.115                                     |

**Other Tax Data:**

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

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

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

CITY OF NEWTON, NORTH CAROLINA

Table 8

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

| Taxpayer                     | Type of Enterprise          | 2020                     |      |  | 2011                     |      |  |
|------------------------------|-----------------------------|--------------------------|------|--|--------------------------|------|--|
|                              |                             | Total Assessed Valuation | Rank | Percentage of Total Assessed Valuation | Total Assessed Valuation | Rank | Percentage of Total Assessed Valuation |
| Target Corp.                 | Distribution Center         | \$ 73,042,665            | 1    | 6.17%                                  | \$ 118,624,292           | 1    | 11.04%                                 |
| Corning                      | Fiber Optic Cable           | 68,084,252               | 2    | 5.75%                                  |                          |      |  |
| ZF Lemforder Corp.           | Automotive Product Mfg.     | 45,660,431               | 3    | 3.86%                                  | 27,656,869               | 3    | 2.57%                                  |
| Sarstedt, Inc.               | Pharmaceutical Plastics     | 21,389,686               | 4    | 1.81%                                  | 11,984,432               | 6    | 1.15%                                  |
| Flowers Baking Co.           | Bread and Pastries          | 18,058,572               | 5    | 1.53%                                  | 31,333,141               | 2    | 2.92%                                  |
| Wanzl North America          | Shopping Cart Manufacturing | 16,350,884               | 6    | 1.38%                                  | 12,576,921               | 5    | 1.17%                                  |
| Renwood Mills                | Flour Mill                  | 13,454,157               | 7    | 1.14%                                  |                          |      |  |
| International Paper          | Paper Products              | 13,048,860               | 8    | 1.10%                                  | 9,929,590                | 7    | 0.92%                                  |
| Peoples Bank                 | Banking                     | 10,534,633               | 9    | 0.89%                                  | 9,595,361                | 8    | 0.89%                                  |
| Bassett Furniture Industries | Furniture Manufacturing     | 9,373,894                | 10   | 0.79%                                  | 8,809,489                | 9    | 0.82%                                  |
| Midstate Mills, Inc.         | Flour Mill                  |                          |      |  | 15,356,442               | 4    | 1.43%                                  |
| Demco 61, LLC                | Business Real Property      |                          |      |  | 8,252,500                | 10   | 0.77%                                  |
| Totals                       |                             | <u>\$ 288,998,034</u>    |      | <u>24.42%</u>                          | <u>\$ 254,119,037</u>    |      | <u>23.68%</u>                          |

Source: Catawba County Tax Office



CITY OF NEWTON, NORTH CAROLINA

Table 9

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

| Fiscal Year | Total Tax Levy for Fiscal Year | Current Year's Taxes Collected/ Credited | Percentage of Levy Collected | Collections in Subsequent Years | Total Collections and Credits | Percentage of Total Tax Collections To Net Levy | Taxes Receivable Balance- June 30 <sup>(1)</sup> |
|-------------|--------------------------------|--|------------------------------|---------------------------------|-------------------------------|---|--|
| 2011        | \$ 5,162,400                   | \$ 4,945,369                             | 95.8%                        | \$ 193,431                      | \$ 5,138,800                  | 99.5%   | \$ 23,600  |
| 2012        | 5,095,309                      | 4,853,555                                | 95.3%                        | 218,540                         | 5,072,095                     | 99.5%   | 23,214   |
| 2013        | 5,225,531                      | 4,951,737                                | 94.8%                        | 233,106                         | 5,184,843                     | 99.2%   | 40,688   |
| 2014        | 5,495,149                      | 5,267,703                                | 95.9%                        | 200,644                         | 5,468,347                     | 99.5%   | 26,802   |
| 2015        | 5,674,945                      | 5,538,243                                | 97.6%                        | 115,995                         | 5,654,238                     | 99.6%   | 20,707   |
| 2016        | 5,595,433                      | 5,467,059                                | 97.7%                        | 107,387                         | 5,574,446                     | 99.6%   | 20,987   |
| 2017        | 5,464,152                      | 5,349,828                                | 97.9%                        | 93,145                          | 5,442,973                     | 99.6%   | 21,179   |
| 2018        | 5,486,139                      | 5,371,299                                | 97.9%                        | 86,775                          | 5,458,074                     | 99.5%   | 28,065   |
| 2019        | 6,087,664                      | 5,995,034                                | 98.5%                        | 48,399                          | 6,043,433                     | 99.3%   | 44,231   |
| 2020        | 6,395,971                      | 6,277,280                                | 98.1%                        | -                               | 6,277,280                     | 98.1%   | 118,691  |

NOTES:

<sup>(1)</sup> Includes current portion only of taxes receivable.

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**CITY OF NEWTON, NORTH CAROLINA****Table 10****Electricity Sold by Type of Customer  
Last Ten Fiscal Years  
(in millions of kWh)  
(Unaudited)**

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| <b>Fiscal<br/>Year</b> | <b>Type of Customer</b> |                   |                   | <b>Total</b> |
|------------------------|-------------------------|-------------------|-------------------|--------------|
|                        | <b>Residential</b>      | <b>Industrial</b> | <b>Commercial</b> |              |
| 2011                   | 51.8                    | 55.1              | 51.8              | 158.7        |
| 2012                   | 46.9                    | 56.3              | 47.4              | 150.6        |
| 2013                   | 47.4                    | 55.0              | 46.9              | 149.3        |
| 2014                   | 48.5                    | 52.8              | 47.6              | 148.9        |
| 2015                   | 47.6                    | 51.5              | 47.0              | 146.1        |
| 2016                   | 46.9                    | 50.2              | 47.6              | 144.7        |
| 2017                   | 47.3                    | 47.7              | 47.8              | 142.8        |
| 2018                   | 47.5                    | 48.8              | 49.3              | 145.6        |
| 2019                   | 48.8                    | 52.6              | 49.7              | 151.1        |
| 2020                   | 47.3                    | 50.3              | 47.5              | 145.1        |

Source: City of Newton Utility Billing

## CITY OF NEWTON, NORTH CAROLINA

Table 11

**Electricity Rates  
Last Ten Fiscal Years  
(Unaudited)**

| Fiscal<br>Year | Residential         |                            |                             |                              |    | Industrial          |                                  |                             |                              |                               |
|----------------|---------------------|----------------------------|-----------------------------|------------------------------|----|---------------------|----------------------------------|-----------------------------|------------------------------|-------------------------------|
|                | Basic<br>Facilities | Rate per<br>kWh<br>1st 350 | Rate per<br>kWh<br>next 950 | Rate per<br>kWh<br>over 1300 |    | Basic<br>Facilities | Demand<br>over 30 KW<br>(per KW) | Rate per<br>kWh<br>1st 3000 | Rate per<br>kWh<br>next 9000 | Rate per<br>kWh<br>over 12000 |
| 2011           | \$ 10.52            | \$ 0.088811                | \$ 0.099816                 | \$ 0.089849                  | \$ | 21.13               | \$ 6.8100                        | \$ 0.120373                 | \$ 0.065819                  | \$ 0.057679                   |
| 2012           | 11.10               | 0.093696                   | 0.105306                    | 0.094791                     |    | 22.29               | 7.1800                           | 0.126994                    | 0.069439                     | 0.060851                      |
| 2013           | 11.79               | 0.099505                   | 0.111835                    | 0.100668                     |    | 23.67               | 7.6300                           | 0.134868                    | 0.073744                     | 0.064624                      |
| 2014           | 12.45               | 0.105077                   | 0.118098                    | 0.106305                     |    | 25.00               | 8.0573                           | 0.142421                    | 0.077874                     | 0.068243                      |
| 2015           | 12.45               | 0.105077                   | 0.118098                    | 0.106305                     |    | 25.00               | 8.0573                           | 0.142421                    | 0.077874                     | 0.068243                      |
| 2016           | 12.45               | 0.105077                   | 0.118098                    | 0.106305                     |    | 25.00               | 8.0573                           | 0.142421                    | 0.077874                     | 0.068243                      |
| 2017           | 12.57               | 0.106128                   | 0.119279                    | 0.107368                     |    | 25.25               | 8.1379                           | 0.143845                    | 0.078653                     | 0.068925                      |
| 2018           | 12.57               | 0.106128                   | 0.119279                    | 0.107368                     |    | 25.25               | 8.1379                           | 0.143845                    | 0.078653                     | 0.068925                      |
| 2019           | 12.57               | 0.101883                   | 0.114508                    | 0.103073                     |    | 25.25               | 8.1379                           | 0.142407                    | 0.077866                     | 0.068236                      |
| 2020           | 12.57               | 0.099885                   | 0.112263                    | 0.101055                     |    | 25.25               | 8.1379                           | 0.142407                    | 0.077866                     | 0.068236                      |
|                |                     |                            |                             |                              |    | Commercial          |                                  |                             |                              |                               |
|                |                     |                            |                             |                              |    | Basic<br>Facilities | Demand<br>over 30 KW             | Rate per<br>kWh<br>1st 3000 | Rate per<br>kWh<br>next 9000 | Rate per<br>kWh<br>over 12000 |
| 2011           |                     |                            |                             |                              |    | \$ 14.12            | \$ 7.7012                        | \$ 0.124777                 | \$ 0.065531                  | \$ 0.059101                   |
| 2012           |                     |                            |                             |                              |    | 14.90               | 8.1248                           | 0.131640                    | 0.069135                     | 0.062352                      |
| 2013           |                     |                            |                             |                              |    | 15.82               | 8.6285                           | 0.139802                    | 0.073421                     | 0.066218                      |
| 2014           |                     |                            |                             |                              |    | 16.71               | 9.1117                           | 0.147631                    | 0.077533                     | 0.069926                      |
| 2015           |                     |                            |                             |                              |    | 16.71               | 9.1117                           | 0.147631                    | 0.077533                     | 0.069926                      |
| 2016           |                     |                            |                             |                              |    | 16.71               | 9.1117                           | 0.147631                    | 0.077533                     | 0.069926                      |
| 2017           |                     |                            |                             |                              |    | 16.88               | 9.2028                           | 0.149107                    | 0.078308                     | 0.070625                      |
| 2018           |                     |                            |                             |                              |    | 16.88               | 9.2028                           | 0.149107                    | 0.078308                     | 0.070625                      |
| 2019           |                     |                            |                             |                              |    | 16.88               | 9.2028                           | 0.147616                    | 0.077525                     | 0.069919                      |
| 2020           |                     |                            |                             |                              |    | 16.88               | 9.2028                           | 0.147616                    | 0.077525                     | 0.069919                      |

Source: City of Newton Utility Billing

CITY OF NEWTON, NORTH CAROLINA

Table 12

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

| Fiscal<br>Year | Governmental Activities        |                  | Business-type Activities       |                  | Total<br>Government | Percentage<br>of Personal<br>Income <sup>(1)</sup> | Per<br>Capita <sup>(1)</sup> |
|----------------|--------------------------------|------------------|--------------------------------|------------------|---------------------|--|------------------------------|
|                | General<br>Obligation<br>Bonds | Loans<br>Payable | General<br>Obligation<br>Bonds | Loans<br>Payable |                     |  |                              |
| 2011           | \$ 4,343                       | \$ 3,803,702     | \$ 80,657                      | \$ 13,923,727    | \$ 17,812,429       | 4.11%  | \$ 1,371                     |
| 2012           | -                              | 4,329,031        | -                              | 16,468,617       | 20,797,648          | 4.62%  | 1,603                        |
| 2013           | -                              | 3,894,050        | -                              | 16,571,480       | 20,465,530          | 4.48%  | 1,579                        |
| 2014           | -                              | 7,148,803        | -                              | 16,068,940       | 23,217,743          | 4.85%  | 1,782                        |
| 2015           | -                              | 7,346,731        | -                              | 18,160,439       | 25,507,170          | 4.87%  | 1,959                        |
| 2016           | -                              | 6,937,435        | -                              | 16,492,279       | 23,429,714          | 4.35%  | 1,805                        |
| 2017           | -                              | 6,238,135        | -                              | 15,885,782       | 22,123,917          | 3.89%  | 1,698                        |
| 2018           | -                              | 7,845,057        | -                              | 15,341,700       | 23,186,757          | 3.93%  | 1,782                        |
| 2019           | -                              | 7,644,566        | -                              | 13,692,261       | 21,336,827          | N/A  | 1,640                        |
| 2020           | -                              | 7,680,021        | -                              | 12,460,435       | 20,140,456          | N/A  | 1,542                        |

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.

(1) See Schedule of Demographic and Economic Statistics.

**CITY OF NEWTON, NORTH CAROLINA**

**Table 13**

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

| <b>Fiscal<br/>Year</b> | <b>Population <sup>(1)</sup></b> | <b>Total<br/>Assessed<br/>Value</b> | <b>Gross<br/>Bonded<br/>Debt</b> | <b>Percentage of<br/>Estimated<br/>Actual Taxable<br/>Value of<br/>Property</b> | <b>Percentage<br/>of Personal<br/>Income</b> | <b>Per<br/>Capita</b> |
|------------------------|----------------------------------|-------------------------------------|----------------------------------|---|--|-----------------------|
| 2011                   | 12,995                           | \$ 1,074,366,309                    | \$ 85,000                        | 0.01%   | 0.02%  | \$ 7                  |
| 2012                   | 12,971                           | 1,060,750,459                       | -                                | 0.00%   | 0.00%  | -                     |
| 2013                   | 12,961                           | 1,083,554,891                       | -                                | 0.00%   | 0.00%  | -                     |
| 2014                   | 13,031                           | 1,141,968,350                       | -                                | 0.00%   | 0.00%  | -                     |
| 2015                   | 13,018                           | 1,111,077,755                       | -                                | 0.00%   | 0.00%  | -                     |
| 2016                   | 12,982                           | 1,033,932,269                       | -                                | 0.00%   | 0.00%  | -                     |
| 2017                   | 13,027                           | 1,010,512,742                       | -                                | 0.00%   | 0.00%  | -                     |
| 2018                   | 13,009                           | 1,014,364,838                       | -                                | 0.00%   | 0.00%  | -                     |
| 2019                   | 13,010                           | 1,126,458,596                       | -                                | 0.00%   | N/A  | -                     |
| 2020                   | 13,059                           | 1,183,782,522                       | -                                | 0.00%   | N/A  | -                     |

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.

(1) See Schedule of Demographic and Economic Statistics.

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**CITY OF NEWTON, NORTH CAROLINA****Table 14****Direct and Overlapping Government Activities Debt  
June 30, 2020  
(Unaudited)**

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|                                  | <u>Debt<br/>Outstanding</u> | <u>Estimated<br/>Percentage<br/>Applicable</u> | <u>Estimated<br/>Share of<br/>Overlapping<br/>Debt</u> |
|----------------------------------|-----------------------------|--|--|
| Debt repaid with property taxes: |                             |  |  |
| County of Catawba                | \$ 159,961,558              | 6.41%  | <u>\$ 10,253,536</u>                                   |
| Subtotal, overlapping debt       |                             |  | <u>10,253,536</u>                                      |
| City of Newton direct debt       |                             |  | <u>7,680,021</u>                                       |
| Total                            |                             |  | <u><u>\$ 17,933,557</u></u>                            |

Note: The percentage of overlapping debt is based on the June 30, 2020 assessed valuation of the County of Catawba of \$18,456,695,118 as compared to the June 30, 2020 assessed valuation for the City of Newton of \$1,183,782,522.

## CITY OF NEWTON, NORTH CAROLINA

Table 15

**Legal Debt Margin Information**  
**Last Ten Fiscal Years**  
**(Unaudited)**

|   | 2011             | 2012             | 2013             | 2014             | 2015             | 2016             | 2017             | 2018             | 2019             | 2020             |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Assessed value of taxable property  | \$ 1,074,366,309 | \$ 1,060,750,459 | \$ 1,083,554,891 | \$ 1,141,968,350 | \$ 1,111,077,755 | \$ 1,033,932,269 | \$ 1,010,512,742 | \$ 1,014,364,838 | \$ 1,126,458,596 | \$ 1,183,782,522 |
| Debt limit, 8% of assessed value<br>(statutory limitation)                                  | \$ 85,949,305    | \$ 84,860,037    | \$ 86,684,391    | \$ 91,357,468    | \$ 88,886,220    | \$ 82,714,582    | \$ 80,841,019    | \$ 81,149,187    | \$ 90,116,688    | \$ 94,702,602    |
| Debt applicable to limit:   |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| General obligation bonds  | 4,343            | -                | -                | -                | -                | -                | -                | -                | -                | -                |
| Loans payable   | 3,803,702        | 4,329,031        | 3,894,050        | 7,148,803        | 7,346,731        | 6,937,435        | 6,238,135        | 7,845,057        | 7,644,566        | 7,680,021        |
| Total net debt applicable to limit  | 3,808,045        | 4,329,031        | 3,894,050        | 7,148,803        | 7,346,731        | 6,937,435        | 6,238,135        | 7,845,057        | 7,644,566        | 7,680,021        |
| Legal debt margin   | \$ 82,141,260    | \$ 80,531,006    | \$ 82,790,341    | \$ 84,208,665    | \$ 81,539,489    | \$ 75,777,147    | \$ 74,602,884    | \$ 73,304,130    | \$ 82,472,122    | \$ 87,022,581    |
| Total net debt applicable to the<br>limit as a percentage of assessed<br>property tax value | 0.35%            | 0.41%            | 0.36%            | 0.63%            | 0.66%            | 0.67%            | 0.62%            | 0.77%            | 0.68%            | 0.65%            |

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

CITY OF NEWTON, NORTH CAROLINA

Table 16

Demographic and Economic Statistics  
Last Ten Fiscal Years  
(Unaudited)

| Fiscal Year | Population <sup>(1)</sup> | Personal Income<br>(amounts expressed<br>in thousands) <sup>(5)</sup> | Per Capita<br>Personal Income <sup>(2)(5)</sup> | Median<br>Age <sup>(1)</sup> | School<br>Enrollment <sup>(3)</sup> | Unemployment<br>Rate <sup>(4)</sup> |
|-------------|---------------------------|---|---|------------------------------|-------------------------------------|-------------------------------------|
| 2011        | 12,995                    | \$ 432,993  | \$ 33,320                                       | 39.6                         | 2,861                               | 12.1%                               |
| 2012        | 12,971                    | 450,301   | 34,716  | 40.0                         | 2,863                               | 11.3%                               |
| 2013        | 12,961                    | 456,875   | 35,250  | 40.3                         | 2,889                               | 10.8%                               |
| 2014        | 13,031                    | 478,785   | 36,742  | 40.5                         | 2,977                               | 7.1%                                |
| 2015        | 13,018                    | 524,170   | 40,265  | 40.7                         | 3,073                               | 6.1%                                |
| 2016        | 12,982                    | 538,454   | 41,477  | 40.9                         | 3,094                               | 4.9%                                |
| 2017        | 13,027                    | 568,642   | 43,651  | 41.0                         | 3,078                               | 4.0%                                |
| 2018        | 13,009                    | 589,854   | 45,342  | 41.1                         | 2,957                               | 3.8%                                |
| 2019        | 13,010                    | N/A   | N/A   | 41.3                         | 2,930                               | 4.2%                                |
| 2020        | 13,059                    | N/A   | N/A   | 41.5                         | 2,888                               | 6.2%                                |

Data sources

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

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



CITY OF NEWTON, NORTH CAROLINA

Table 17

Principal Employers  
Current Year and Nine Years Ago  
(Unaudited)

| Employer  | 2020      |      |  | 2011      |      |  |
|---|-----------|------|--|-----------|------|--|
|   | Employees | Rank | Percentage<br>of Total<br>County<br>Employment | Employees | Rank | Percentage<br>of Total<br>County<br>Employment |
| Catawba County Schools                                | 1,908     | 1    | 2.59%  | 1,975     | 1    | 2.71%  |
| Catawba County Government                             | 1,354     | 2    | 1.84%  | 1,090     | 2    | 1.49%  |
| Target Distribution Center                            | 1,210     | 3    | 1.64%  | 500       | 3    | 0.68%  |
| Lee Industries  | 615       | 4    | 0.84%  | 420       | 5    | 0.58%  |
| Bassett Furniture                                     | 543       | 5    | 0.74%  |           |      |  |
| McCreary Modern                                       | 428       | 6    | 0.58%  |           |      |  |
| Newton-Conover City Schools                           | 408       | 7    | 0.55%  | 440       | 4    | 0.60%  |
| United Church Homes & Services<br>(Abernethy Laurels) | 403       | 8    | 0.55%  | 323       | 8    | 0.44%  |
| Wanzl North America                                   | 335       | 9    | 0.45%  | 335       | 6    | 0.46%  |
| Flowers Baking Company                                | 196       | 10   | 0.27%  | 240       | 10   | 0.33%  |
| Goldtoe-Moretz  |           |      |  | 324       | 7    | 0.44%  |
| General Dynamics                                      |           |      |  | 253       | 9    | 0.35%  |
| Total   | 7,400     |      | 10.05%   | 5,900     |      | 8.08%  |
| Total Civilian Labor Force                            | 73,636    |      |  | 73,011    |      |  |

Source: City of Newton Public Information Office

**CITY OF NEWTON, NORTH CAROLINA**

**Table 18**

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

| <b>Function</b>              | <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>2014</b> | <b>2015</b> | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>2020</b> |
|------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| General Government           |             |             |             |             |             |             |             |             |             |             |
| Administration               | 3           | 3           | 4           | 4           | 4           | 4           | 4           | 4           | 4           | 6           |
| Finance                      | 9           | 9           | 9           | 9           | 9           | 9           | 9           | 9           | 9           | 9           |
| Finance-Purchasing/Warehouse | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           |
| Technology/MIS               | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           |
| Human Resources              | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           |
| Mainstreet                   | -           | -           | -           | -           | -           | -           | -           | 1           | 1           | 1           |
| Planning                     | 4           | 4           | 3           | 3           | 3           | 3           | 3           | 2           | 2           | 2           |
| Public Works Administration  | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           |
| Garage                       | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 3           | 3           | 3           |
| Transportation               |             |             |             |             |             |             |             |             |             |             |
| Street                       | 6           | 6           | 6           | 6           | 6           | 6           | 6           | 6           | 6           | 6           |
| Powell Bill                  | 3           | 3           | 3           | 3           | 3           | 3           | 3           | 3           | 3           | 3           |
| Environmental Protection     |             |             |             |             |             |             |             |             |             |             |
| Sanitation                   | 13          | 13          | 13          | 14          | 14          | 14          | 14          | 13          | 13          | 13          |
| Public Safety                |             |             |             |             |             |             |             |             |             |             |
| Police                       |             |             |             |             |             |             |             |             |             |             |
| Officers                     | 35          | 35          | 35          | 36          | 36          | 36          | 36          | 36          | 36          | 35          |
| Civilians                    | 8           | 8           | 9           | 8           | 8           | 8           | 8           | 8           | 8           | 9           |
| Fire                         | 26          | 26          | 26          | 26          | 26          | 28          | 28          | 28          | 37          | 37          |
| Cultural and Recreational    |             |             |             |             |             |             |             |             |             |             |
| Administration               | 10          | 10          | 10          | 10          | 10          | 10          | 10          | 10          | 10          | 10          |
| Cemeteries                   | 4           | 4           | 4           | 4           | 4           | 4           | 4           | 4           | 4           | 4           |
| Water and Sewer              |             |             |             |             |             |             |             |             |             |             |
| Distribution & Collection    | 10          | 11          | 11          | 11          | 11          | 11          | 11          | 11          | 11          | 11          |
| Water Treatment Plant        | 8           | 9           | 9           | 8           | 8           | 8           | 8           | 8           | 8           | 8           |
| Waste Water Treatment Plant  | 12          | 12          | 12          | 12          | 12          | 12          | 12          | 12          | 12          | 12          |
| Electric                     | 15          | 15          | 15          | 14          | 14          | 13          | 13          | 13          | 14          | 15          |
| <b>Total</b>                 | <b>176</b>  | <b>178</b>  | <b>179</b>  | <b>178</b>  | <b>178</b>  | <b>179</b>  | <b>179</b>  | <b>179</b>  | <b>189</b>  | <b>192</b>  |

Source: Budgeted personnel records

## CITY OF NEWTON, NORTH CAROLINA

Table 19, page 1 of 2

**Operating Indicators By Function**  
**Last Ten Fiscal Years**  
**(Unaudited)**

| Function                       | 2011   | 2012   | 2013   | 2014   | 2015   | 2016   | 2017   | 2018   | 2019     | 2020   |
|--------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|----------|--------|
| Police**                       |        |        |        |        |        |        |        |        |          |        |
| Calls for Service              | 26,517 | 23,609 | 22,265 | 20,352 | 21,951 | 18,171 | 19,657 | 17,979 | 19,913 * | 17,885 |
| Arrests                        | 601    | 742    | 659    | 644    | 578    | 668    | 580    | 597    | 544 *    | 523    |
| Traffic Stops                  | 2,903  | 2,779  | 2,596  | 2,242  | 2,181  | 2,122  | 2,421  | 1,782  | 1,752 *  | 1,719  |
| Citations                      | 2,665  | 2,561  | 1,797  | 1,597  | 1,400  | 1,229  | 1,084  | 917    | 961 *    | 987    |
| Property Checks                | 8,669  | 6,148  | 4,656  | 5,255  | 5,719  | 3,239  | 3,451  | 3,681  | 3,806 *  | 2,252  |
| Incidents                      | 2,003  | 1,823  | 1,817  | 2,408  | 2,445  | 2,655  | 2,626  | 2,590  | 2,554 *  | 2,384  |
| Fire                           |        |        |        |        |        |        |        |        |          |        |
| Emergency Incidents(Calls)     | 883    | 911    | 1,110  | 1,098  | 1,634  | 1,829  | 1,884  | 1,759  | 2,125 *  | 1,757  |
| Fire Inspections Completed     | 492    | 575    | 535    | 578    | 604    | 602    | 617    | 593    | 658      | 638    |
| Fire Prevention Programs       | 176    | 244    | 131    | 76     | 51     | 77     | 24     | 32     | 24       | 34     |
| Permits Issued                 | 40     | 42     | 42     | 24     | 89     | 127    | 81     | 97     | 145 *    | 72     |
| Training Hours Completed       | 9,282  | 10,453 | 8,638  | 8,795  | 5,735  | 9,269  | 7,660  | 6,953  | 5,781 *  | 3,848  |
| Highways & Streets             |        |        |        |        |        |        |        |        |          |        |
| Paved/Resurfaced (miles)       | 2.00   | 1.27   | 1.04   | -      | 3.44   | 0.25   | 0.60   | 0.24   | 0.91     | 0.66   |
| Potholes Repaired              | 72     | 28     | 35     | 54     | 20     | 65     | 20     | 20     | 16       | 68     |
| Sanitation                     |        |        |        |        |        |        |        |        |          |        |
| Residential collections (tons) | 4,343  | 4,281  | 4,260  | 4,360  | 4,269  | 4,505  | 5,112  | 4,830  | 4,955    | 5,312  |
| Recyclables (tons)             | 418    | 439    | 418    | 387    | 383    | 409    | 407    | 345    | 327      | 321    |
| Yardwaste collected (tons)     | 1,940  | 994    | 2,115  | 1,191  | 975    | 919    | 936    | 607    | 546      | 681    |
| Households served**            | 5,440  | 5,440  | 4,632  | 4,642  | 4,645  | 4,652  | 4,701  | 4,714  | 4,735    | 4,800  |

## CITY OF NEWTON, NORTH CAROLINA

Table 19, page 2 of 2

**Operating Indicators By Function**  
**Last Ten Fiscal Years**  
**(Unaudited)**

| Function                            | 2011    | 2012    | 2013    | 2014    | 2015    | 2016    | 2017    | 2018    | 2019     | 2020    |
|-------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|----------|---------|
| Culture & Recreation (participants) |         |         |         |         |         |         |         |         |          |         |
| Center activities                   | 23,351  | 24,123  | 24,150  | 26,149  | 27,800  | 23,542  | 40,258  | 40,756  | 34,045 * | 32,676  |
| Athletics                           | 60,874  | 70,326  | 65,987  | 60,175  | 61,152  | 58,388  | 60,188  | 60,257  | 54,676 * | 35,488  |
| Fitness Room                        | 3,250   | 3,200   | 1,200   | 1,204   | 1,351   | 2,015   | 2,352   | 3,932   | 3,099 *  | 1,036   |
| Swimming Pool                       | 983     | 3,106   | 3,227   | 3,424   | 3,972   | 4,250   | 4,324   | 4,397   | 3,872 *  | 2,495   |
| Shelters                            | 2,345   | 2,514   | 3,255   | 4,215   | 5,497   | 8,000   | 8,500   | 8,750   | 11,570 * | 7,332   |
| Cemetery burials                    | 48      | 46      | 57      | 90      | 65      | 45      | 31      | 45      | 47       | 44      |
| Water                               |         |         |         |         |         |         |         |         |          |         |
| New connection                      | 21      | 15      | 20      | 11      | 17      | 22      | 20      | 36      | 58       | 65      |
| Water main breaks                   | 33      | 23      | 12      | 12      | 12      | 17      | 14      | 14      | 31       | 30      |
| Avg Daily Consumption (MGD)         | 3.8     | 3.6     | 3.7     | 3.7     | 3.5     | 3.7     | 3.8     | 3.8     | 3.5      | 3.5     |
| Number of customers                 | 5,956   | 5,977   | 5,965   | 5,974   | 6,032   | 6,063   | 6,044   | 6,083   | 6,195    | 6,306   |
| Wastewater                          |         |         |         |         |         |         |         |         |          |         |
| Average daily usage (MGD)           | 1.80    | 1.70    | 1.80    | 1.95    | 1.80    | 1.85    | 1.77    | 1.77    | 3.06     | 3.07    |
| Number of customers                 | 4,679   | 4,653   | 4,656   | 4,670   | 4,687   | 4,688   | 4,771   | 4,783   | 4,781    | 4,836   |
| Electric                            |         |         |         |         |         |         |         |         |          |         |
| Average daily usage (Kwh)           | 434,421 | 436,351 | 431,198 | 426,462 | 422,703 | 414,894 | 402,620 | 423,505 | 431,683  | 418,675 |
| Peak demand                         | 35,394  | 32,221  | 31,076  | 34,514  | 35,316  | 30,137  | 30,223  | 30,193  | 30,703   | 37,094  |
| Number of customers                 | 4,428   | 4,428   | 4,425   | 4,435   | 4,456   | 4,485   | 4,509   | 4,518   | 4,698    | 4,718   |

Sources: Various government departments.

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

\*\* Beginning in Fiscal Year 2012-2013 tracking was completed through the use of updated computer software programs.

\* Activity was lower than normal in Fiscal Year 2019-2020 due to COVID-19.

## CITY OF NEWTON, NORTH CAROLINA

Table 20, page 1 of 2

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

| Function                   | 2011  | 2012  | 2013  | 2014  | 2015  | 2016  | 2017  | 2018  | 2019  | 2020  |
|----------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Police                     |       |       |       |       |       |       |       |       |       |       |
| Police stations            | 3     | 3     | 3     | 3     | 3     | 3     | 3     | 3     | 3     | 3     |
| Police patrol vehicles     | 30    | 31    | 30    | 35    | 33    | 31    | 31    | 29    | 29    | 27    |
| Other police vehicles      | 18    | 22    | 16    | 16    | 16    | 16    | 17    | 17    | 17    | 20    |
| Fire                       |       |       |       |       |       |       |       |       |       |       |
| Fire Stations              | 3     | 3     | 3     | 3     | 3     | 3     | 3     | 3     | 3     | 3     |
| Fire Suppression Vehicles  | 9     | 9     | 10    | 10    | 10    | 8     | 8     | 8     | 8     | 8     |
| Other Fire Vehicles        | 7     | 7     | 7     | 7     | 6     | 6     | 6     | 8     | 8     | 9     |
| Highways & Streets         |       |       |       |       |       |       |       |       |       |       |
| Streets maintained (miles) | 76.58 | 77.39 | 77.39 | 77.39 | 77.39 | 77.39 | 77.39 | 77.39 | 77.39 | 77.39 |
| Storm Sewer (miles)        | 56.53 | 65.36 | 65.4  | 65.4  | 65.4  | 65.4  | 65.4  | 65.4  | 65.4  | 65.4  |
| Sidewalk (miles)           | 27.84 | 27.84 | 27.84 | 27.84 | 27.84 | 27.84 | 27.84 | 27.84 | 27.84 | 27.84 |
| Catch Basin inlets         | 1,380 | 1,380 | 1,380 | 1,380 | 1,380 | 1,380 | 1,380 | 1,380 | 1,380 | 1,380 |
| Powell Bill equipment      | 15    | 15    | 9     | 9     | 8     | 8     | 8     | 8     | 8     | 8     |
| Street equipment           | 18    | 18    | 28    | 30    | 26    | 26    | 28    | 28    | 28    | 28    |
| Sanitation                 |       |       |       |       |       |       |       |       |       |       |
| Residential trucks         | 4     | 4     | 4     | 4     | 4     | 4     | 4     | 4     | 4     | 4     |
| Dumpster Trucks            | 2     | 2     | 2     | 2     | 2     | 2     | 2     | 2     | 2     | 2     |
| Other Equipment            | 11    | 11    | 10    | 10    | 10    | 10    | 10    | 10    | 10    | 10    |

## CITY OF NEWTON, NORTH CAROLINA

Table 20, page 2 of 2

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

| Function                     | 2011  | 2012  | 2013  | 2014  | 2015  | 2016  | 2017  | 2018  | 2019  | 2020  |
|------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Culture & Recreation         |       |       |       |       |       |       |       |       |       |       |
| Recreation centers           | 2     | 2     | 2     | 2     | 2     | 2     | 2     | 2     | 2     | 2     |
| Parks                        | 5     | 5     | 5     | 5     | 5     | 5     | 5     | 5     | 5     | 5     |
| Park acreage                 | 153.5 | 153.5 | 153.5 | 153.5 | 153.5 | 153.5 | 153.5 | 153.5 | 177   | 177   |
| Swimming pool                | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 1     |
| Tennis courts                | 8     | 8     | 8     | 8     | 8     | 8     | 8     | 6     | 6     | 6     |
| Cemeteries                   | 3     | 3     | 3     | 3     | 3     | 3     | 3     | 3     | 3     | 3     |
| Water                        |       |       |       |       |       |       |       |       |       |       |
| Water lines (miles)          | 182.9 | 182.5 | 182.5 | 182.5 | 182.5 | 182.5 | 182.5 | 182.5 | 190.3 | 193.1 |
| Fire hydrants                | 1,077 | 1,077 | 1,022 | 1,022 | 1,024 | 1,024 | 1,024 | 1,024 | 1,163 | 1,163 |
| Max. daily capacity (MGD)    | 8.0   | 8.0   | 8.0   | 8.0   | 8.0   | 8.0   | 8.0   | 8.0   | 8.0   | 8.0   |
| Wastewater                   |       |       |       |       |       |       |       |       |       |       |
| Max. daily capacity (MGD)    | 5.0   | 5.0   | 5.0   | 5.0   | 5.0   | 5.0   | 5.0   | 5.0   | 5.0   | 5.0   |
| Sanitary sewer lines (miles) | 132.5 | 134.7 | 132   | 132   | 132   | 132   | 132   | 132   | 133   | 133   |
| Electric                     |       |       |       |       |       |       |       |       |       |       |
| Substations                  | 5     | 3     | 2     | 2     | 2     | 2     | 2     | 2     | 2     | 2     |
| Service lines (miles)        | 125   | 125   | 125   | 125   | 125   | 125   | 125   | 125   | 125   | 125   |

Sources: Various government departments.

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

# COMPLIANCE SECTION

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Report on Internal Control Over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance with  
*Government Auditing Standards*

Schedule of Findings and Responses

Summary Schedule of Prior Year's Audit Findings

Schedule of Expenditures of Federal and State Awards

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# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

*"A Professional Association of Certified Public Accountants and Management Consultants"*

## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

### **Independent Auditor's Report**

To the Honorable Mayor and  
Members of the City Council  
City of Newton

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newton, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Newton's basic financial statements, and have issued our report thereon dated December 3, 2020.

### **Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2020-001 that we consider to be a material weakness.

### **Compliance and Other Matters**

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

### **City of Newton's Response to Finding**

City of Newton's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The City of Newton's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
December 3, 2020

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## CITY OF NEWTON, NORTH CAROLINA

### SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2020

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#### 1. Summary of Auditor's Results

##### Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Significant deficiency(ies) identified? None reported

Non-compliance material to financial statements noted? No

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## CITY OF NEWTON, NORTH CAROLINA

### SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2020

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#### 2. Financial Statement Findings

##### **Finding: 2020-001 – Prior Period Adjustment**

##### **Material Weakness**

**Criteria:** Management should have a system in place to reduce the likelihood of errors in financial reporting.

**Condition:** In prior periods, errors related to accounts receivable were noted.

**Effect:** For the statements affected, the prior year financial statements were misstated.

**Cause:** Inadequate year-end accrual of accounts receivable.

**Recommendation:** Additional review of accounts receivable to record it properly at year-end is recommended.

**Views of Responsible Officials and Planned Corrective Actions:** Management concurs with this finding. Please refer to the Corrective Action Plan.



# CITY OF NEWTON

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

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## CITY OF NEWTON

### CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2020

#### Financial Statement Findings

##### Material Weakness

##### Finding 2020-001

**Name of Contact Person:** Vickie Thomas, Finance Director

**Corrective Action:** City staff performed a detailed review of accounts receivable accruals at year-end and found errors with the methodology used in prior years.

City staff determined that certain unrestricted intergovernmental revenues that were subject to accrual in the General Fund were not being accrued. In addition, City staff found that the accrual of June services billed in July were being accrued based on the billing dates instead of the service dates.

The methodology and documentation for the year-end accrual of accounts receivable was revised to allow for the correct accrual of accounts receivable beginning with the fiscal year-ended June 30, 2020. This will allow management to easily identify any errors in its annual year-end review.

**Proposed Completion Date:** Completed August, 2020.

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**CITY OF NEWTON, NORTH CAROLINA**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2020**

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None reported.