

**REVIEWED**

*By SLGFD at 10:18 am, Dec 17, 2021*

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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PREPARED BY  
CITY OF NEWTON FINANCE DEPARTMENT



**CITY OF NEWTON, NORTH CAROLINA**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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## INTRODUCTORY SECTION

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- Letter of Transmittal
  - GFOA Certificate of Achievement
  - Organizational Chart
  - 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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November 16, 2021

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

The Annual Comprehensive Financial Report (ACFR) of the City of Newton, North Carolina, for the fiscal year ended June 30, 2021 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, 2021.

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, 2021, 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, 2021 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 13,148.

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 Community Theatre (Old Post Office Playhouse) in Downtown Newton which provides a modern venue for the performing arts; the Catawba County Museum of History in Downtown Newton which provides a significant collection of the County's history from early settlers, to the furniture, textile, and telecommunications industries; and the Southeastern Narrow Gauge and Shortline Museum in North Newton which is home to one of the country's most extensive collections of narrow gauge railroad rolling stock, equipment, and memorabilia. 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 2021 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. The City looks forward to the return of our signature celebration of folk art and artists on May 14, 2022.

#### ***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 the Southeastern Narrow Gauge and Shortline Museum, 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 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 perimeter 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 include manufacturers of consumables for the fields 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.

### **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 2022-2031 includes \$82.8 million in long-range capital improvements and coordinates community infrastructure needs with the financial capacity of the City. \$60.2 million, or 73%, 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:

- \$4.0 million to purchase three fire engines and one ladder truck for the Fire Department.
- \$2.6 million and \$4.7 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.
- \$2.1 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.

- \$6.3 million for a new delivery station for the Electric Department.
- \$.6 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 Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2020. This marked the thirty-sixth 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 Annual Comprehensive 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 ACFR 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 18 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**

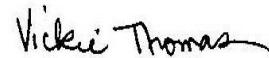
The preparation of this report could not have been accomplished without the efficient and dedicated efforts of the City of Newton Finance Department and our independent auditors, Martin Starnes and Associates, CPAs, P.A. We wish to express our appreciation to all who assisted and contributed to the preparation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

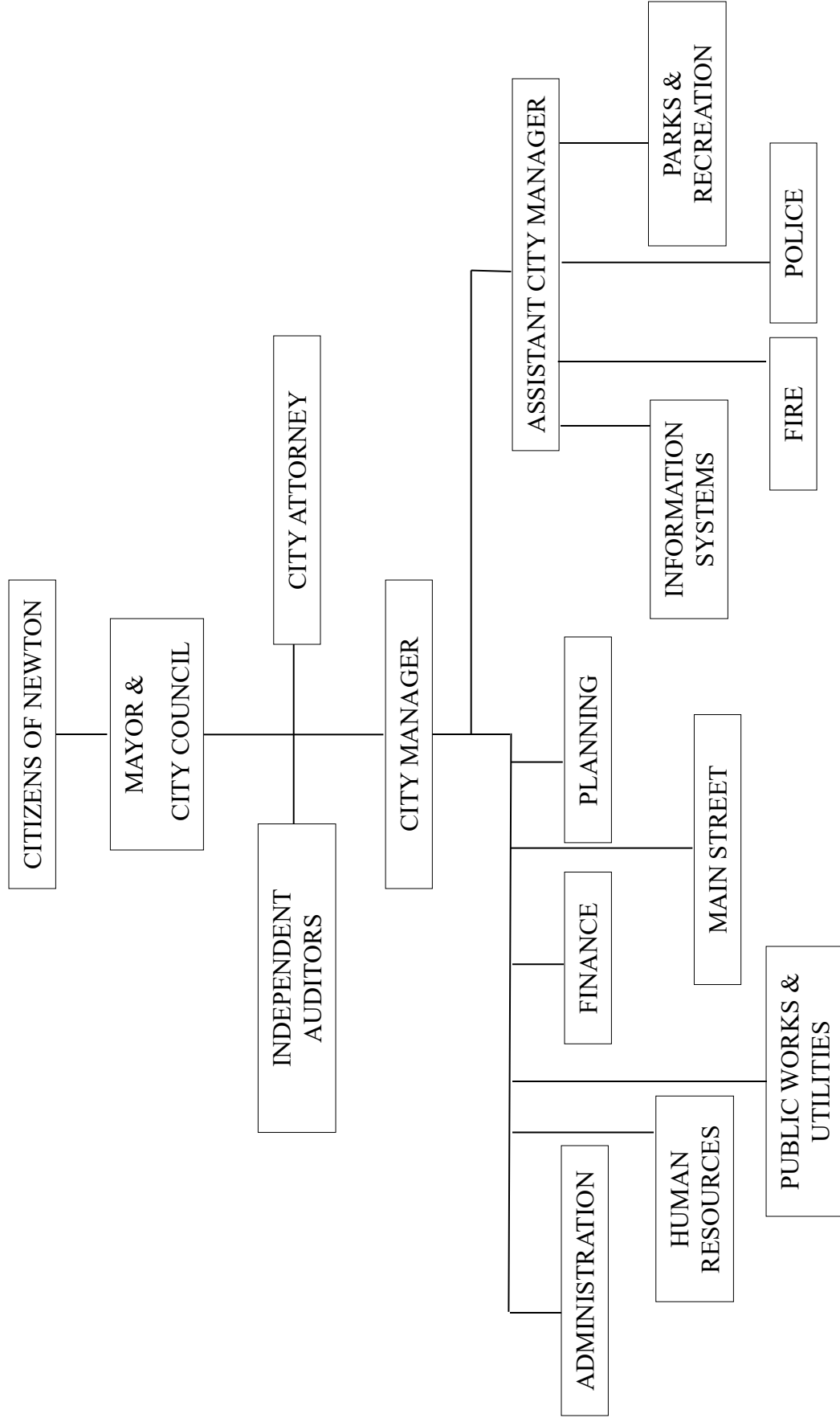
June 30, 2020

*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 ABERNETHTY 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

MARY M. YOUNT  
Main Street Director

## **FINANCIAL SECTION**

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- **Independent Auditor's Report**
  - **Management's Discussion and Analysis**
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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, 2021, 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, 2021, 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 Employee 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 relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, 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 November 16, 2021 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  
November 16, 2021





## **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, 2021. 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**

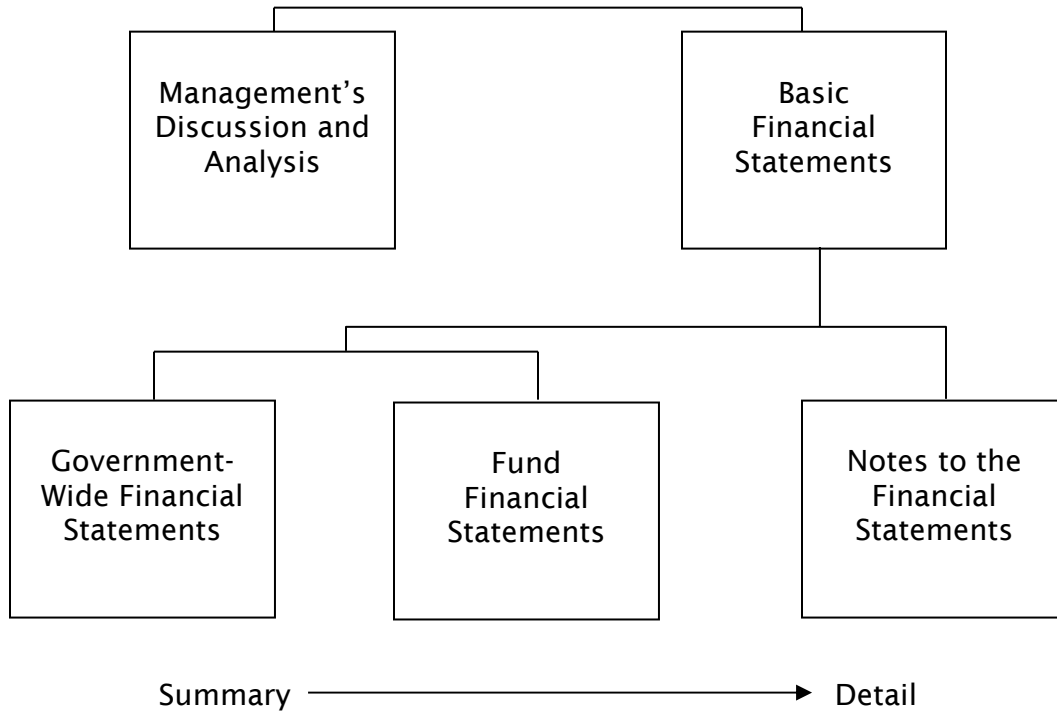
- The assets and deferred outflows of resources of the City of Newton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$66,633,464 (net position). Of this amount, \$20,711,850 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$4,757,319 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 \$14,050,812 with a net change of \$2,895,890 in fund balance. Approximately 31.62% of this total amount, or \$4,443,544, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,247,946, or 55.30%, of total General Fund expenditures and transfers out for the fiscal year.
- The City of Newton's long-term debt increased by \$437,451, or 2.17%. Outstanding debt principal is \$20,577,907, or \$1,562 per capita.
- The City's legal debt limit is \$94,865,374 (8% of assessed valuation), and the City's legal debt margin is \$86,771,172. The total legal indebtedness of the City is \$20,577,907, which represents 1.74% 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 42-93 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 94 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 101-117 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 Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 15,408,965	\$ 13,291,086	\$ 18,947,419	\$ 15,202,726	\$ 34,356,384	\$ 28,493,812
Capital assets	19,471,016	19,491,347	41,653,275	42,486,949	61,124,291	61,978,296
Total assets	<u>34,879,981</u>	<u>32,782,433</u>	<u>60,600,694</u>	<u>57,689,675</u>	<u>95,480,675</u>	<u>90,472,108</u>
Deferred outflows of resources	<u>2,562,557</u>	<u>1,834,429</u>	<u>685,201</u>	<u>531,670</u>	<u>3,247,758</u>	<u>2,366,099</u>
Long-term liabilities	13,218,861	11,519,769	12,217,305	12,000,698	25,436,166	23,520,467
Other liabilities	<u>2,344,823</u>	<u>2,878,030</u>	<u>3,994,681</u>	<u>4,180,126</u>	<u>6,339,504</u>	<u>7,058,156</u>
Total liabilities	<u>15,563,684</u>	<u>14,397,799</u>	<u>16,211,986</u>	<u>16,180,824</u>	<u>31,775,670</u>	<u>30,578,623</u>
Deferred inflows of resources	<u>274,507</u>	<u>333,902</u>	<u>44,792</u>	<u>49,537</u>	<u>319,299</u>	<u>383,439</u>
Net Position:						
Net investment in capital assets	12,288,198	11,892,626	30,150,761	30,085,473	42,438,959	41,978,099
Restricted	3,482,655	2,890,464	-	-	3,482,655	2,890,464
Unrestricted	<u>5,833,494</u>	<u>5,102,071</u>	<u>14,878,356</u>	<u>11,905,511</u>	<u>20,711,850</u>	<u>17,007,582</u>
Total net position	<u>\$ 21,604,347</u>	<u>\$ 19,885,161</u>	<u>\$ 45,029,117</u>	<u>\$ 41,990,984</u>	<u>\$ 66,633,464</u>	<u>\$ 61,876,145</u>

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Newton exceeded liabilities and deferred inflows by \$66,633,464 as of June 30, 2021. The City's net position increased by \$4,757,319 for the fiscal year ended June 30, 2021, due to an increase in both governmental and business-type activities net position.

The largest portion of net position is \$42,438,959, or 63.69%, 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, \$3,482,655, or 5.23%, represents resources that are subject to external restrictions on how they may be used.

The final portion of net position is unrestricted, which is \$20,711,850, or 31.08%, 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, 2021, 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 \$1,719,186 in the City of Newton's governmental activities. This reflected higher sales tax revenues due to higher consumer spending, and lower spending due to delivery delays in capital purchases, temporary vacancies, and controlled spending.

For fiscal year 2021, total net position for business-type activities increased \$3,038,133. This increase was primarily due to a power agency refund to the Electric Fund of \$2,754,053.

## City of Newton's Changes in Net Position

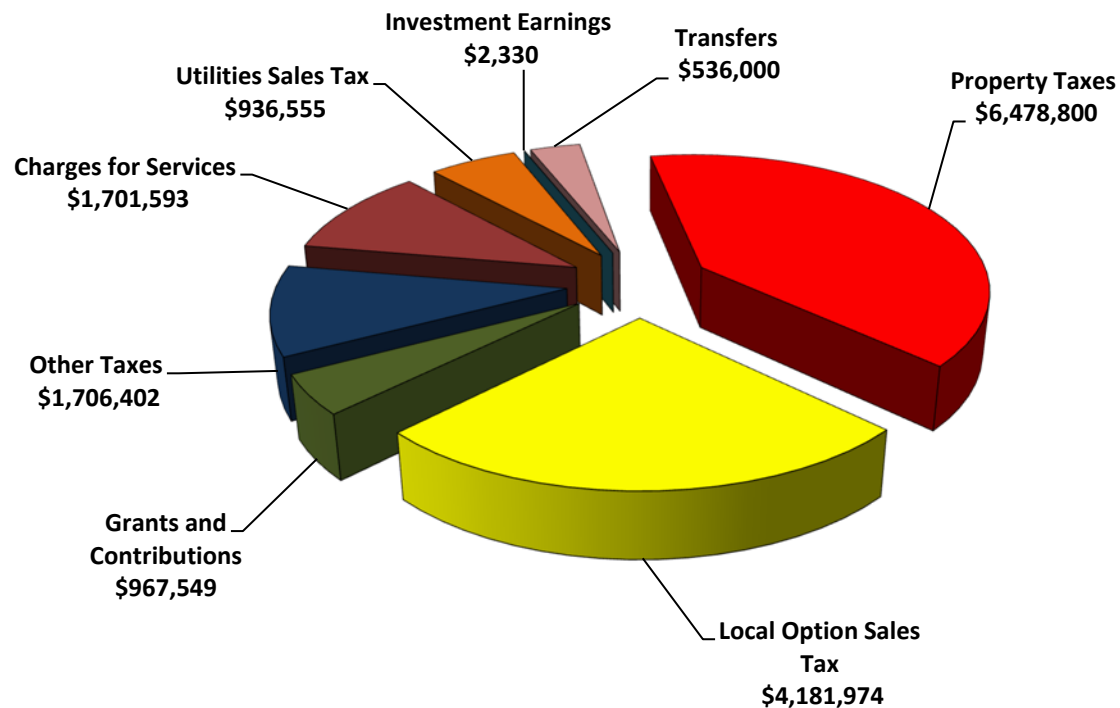
**Figure 3**

	2021			2020		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,701,593	\$ 24,677,600	\$ 26,379,193	\$ 1,276,348	\$ 23,399,878	\$ 24,676,226
Operating grants and contributions	627,208	-	627,208	942,559	-	942,559
Capital grants and contributions	120,653	20,275	140,928	24,990	19,943	44,933
General revenues:						
Property taxes	6,478,800	-	6,478,800	6,407,920	-	6,407,920
Other taxes	6,824,931	757,815	7,582,746	5,986,209	743,064	6,729,273
Miscellaneous	-	-	-	-	11,299	11,299
Power agency refund	-	2,754,053	2,754,053	-	2,007,580	2,007,580
Unrestricted investment earnings	2,330	2,718	5,048	130,918	133,545	264,463
Total revenues	<u>15,755,515</u>	<u>28,212,461</u>	<u>43,967,976</u>	<u>14,768,944</u>	<u>26,315,309</u>	<u>41,084,253</u>
<b>Expenses:</b>						
General government	2,059,253	-	2,059,253	2,134,406	-	2,134,406
Transportation	1,675,898	-	1,675,898	2,181,097	-	2,181,097
Environmental protection	1,304,530	-	1,304,530	1,275,886	-	1,275,886
Public safety	7,518,114	-	7,518,114	7,116,753	-	7,116,753
Culture and recreation	1,472,717	-	1,472,717	1,252,357	-	1,252,357
Economic development	344,845	-	344,845	406,805	-	406,805
Operations	-	24,325,377	24,325,377	-	24,153,190	24,153,190
Interest on long- term debt:						
Governmental	196,972	-	196,972	217,251	-	217,251
Water and wastewater	-	200,900	200,900	-	224,212	224,212
Electric	-	112,051	112,051	-	126,699	126,699
Total expenses	<u>14,572,329</u>	<u>24,638,328</u>	<u>39,210,657</u>	<u>14,584,555</u>	<u>24,504,101</u>	<u>39,088,656</u>
Change in net position before transfers	1,183,186	3,574,133	4,757,319	184,389	1,811,208	1,995,597
Transfers	<u>536,000</u>	<u>(536,000)</u>	<u>-</u>	<u>349,550</u>	<u>(349,550)</u>	<u>-</u>
Change in net position	1,719,186	3,038,133	4,757,319	533,939	1,461,658	1,995,597
Beginning of year - July 1	19,885,161	41,990,984	61,876,145	18,782,139	39,830,796	58,612,935
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>569,083</u>	<u>698,530</u>	<u>1,267,613</u>
Beginning of year - July 1 as restated	19,885,161	41,990,984	61,876,145	19,351,222	40,529,326	59,880,548
End of year - June 30	<u>\$ 21,604,347</u>	<u>\$ 45,029,117</u>	<u>\$ 66,633,464</u>	<u>\$ 19,885,161</u>	<u>\$ 41,990,984</u>	<u>\$ 61,876,145</u>

**Governmental Activities.** Governmental activities increased the City's net position by \$1,719,186. Key elements of this increase are as follows:

- Higher sales taxes due to higher consumer spending
- Lower spending due to delivery delays for capital purchases, temporary vacancies, and savings from controlled spending

### Revenues by Source - Governmental Activities

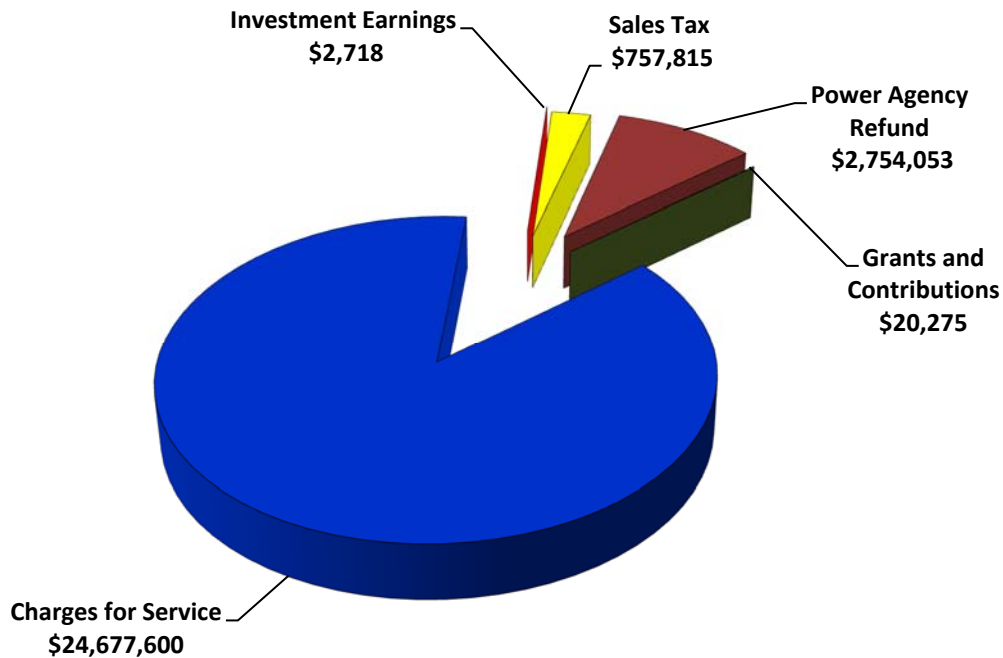


**Business-Type Activities.** Business-type activities increased the City of Newton's net position by \$3,038,133. Key element of this increase is as follows:

- Power agency refund to the Electric Fund of \$2,754,053



## 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 \$10,465,841, while total fund balance was \$13,267,650. 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 70.18% of the total General Fund expenditures and transfers out, while total fund balance represents 88.96% of that same amount.

The General Fund fund balance increased primarily due to \$1,425,274 higher than budgeted sales taxes. The City budgeted for sales taxes to significantly decrease due to the impact of COVID-19, but consumer spending was much higher than expected due to additional unemployment and stimulus funds for households, and also due to consumer spending shifting to from non-taxable services to taxable purchase of goods as consumers worked from home and limited their travel and entertainment due to COVID-19. In addition, \$1,027,100 in planned spending was carried over to fiscal year 2022, including \$733,150 for a fire engine and \$176,450 for Street Department equipment due to delays in delivery dates.

The General Capital Project Fund fund balance increased due to \$350,350 for street paving funded by a transfer from the General Fund not being completed at June 30, 2021 since the capital project was not complete enough for the final paving to be performed.

At June 30, 2021, the governmental funds of the City of Newton reported a combined fund balance of \$14,050,812 with a net increase in fund balance of \$2,895,890. Included in this change are an increase of \$2,514,823 in fund balance in the General Fund and an increase of \$9,124 in fund balance in the special revenue funds and a increase of \$371,943 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 2021, there was a \$1,579,540 net increase in appropriations between the original and the final amended General Fund budget. Significant budget increases were \$416,550 for the carryover of purchase orders not completed in fiscal year 2020, \$350,350 for street paving, \$150,300 for Pay Plan increases, \$126,470 for COVID-19 response costs, \$108,200 for culvert rehabilitation costs, and \$64,550 for wayfinding signs.

Actual revenues were greater than final budgeted amounts by \$1,585,992. This was primarily due to \$1,425,274 higher than budgeted sales taxes. The City budgeted for sales taxes to significantly decrease due to the impact of COVID-19, but consumer spending was much higher than expected due to additional unemployment and stimulus funds for households, and also due to consumer spending shifting to from non-taxable services to taxable purchase of goods as consumers worked from home and limited their travel and entertainment due to COVID-19.

Actual expenditures were less than final budgeted amounts by \$3,310,310. \$1,027,100 of this savings resulted from spending authorized, but not yet spent, at June 30, 2021 that was carried over to fiscal year 2022, including \$733,150 for a fire engine and \$176,450 for Street Department equipment due to delays in delivery dates. Also, \$237,200 of capital projects were moved out to fiscal year ended June 30, 2022. In addition, there were unspent appropriations in salaries and related benefits due to vacancies in various departments as the City struggled with the current labor shortage and there were 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 \$2,898,665 and for the Electric Fund amounted to \$11,923,790. The total change in net position for the Water and Wastewater Fund and the Electric Fund was \$386,789 and \$2,671,074, 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, 2021 totals \$61,124,291 (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 \$460,000 for water treatment plant filter rehabilitation, \$307,941 for water line rehabilitation on North Shipp Avenue, \$224,466 for electric distribution automation and \$218,143 for an Electric Fund tree-trimming truck.
- Governmental-type activities capital spending included \$606,670 for Police vehicles and \$283,941 for rehabilitation of the culvert at West 24<sup>th</sup> Street.

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**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Land	\$ 2,336,571	\$ 2,336,571	\$ 215,332	\$ 215,332	\$ 2,551,903	\$ 2,551,903
Buildings and improvements	6,147,278	6,285,927	4,804,121	4,263,123	10,951,399	10,549,050
Distribution systems	-	-	29,928,674	30,851,990	29,928,674	30,851,990
Public domain infrastructure	6,439,198	5,312,112	-	-	6,439,198	5,312,112
Equipment	1,003,412	922,957	4,772,912	5,369,025	5,776,324	6,291,982
Vehicles	2,792,146	2,747,550	898,110	583,047	3,690,256	3,330,597
Construction in progress	752,411	1,886,230	1,034,126	1,204,432	1,786,537	3,090,662
Total	<u>\$ 19,471,016</u>	<u>\$ 19,491,347</u>	<u>\$ 41,653,275</u>	<u>\$ 42,486,949</u>	<u>\$ 61,124,291</u>	<u>\$ 61,978,296</u>

**Long-Term Debt.** Gross debt obligations of the City are \$20,577,907 as of June 30, 2021, which solely consists of notes payable.

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

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Direct placement installment purchases	\$ 8,094,202	\$ 7,680,021	\$ 11,507,798	\$ 11,403,399	\$ 19,602,000	\$ 19,083,420
Direct borrowing loans payable	-	-	975,907	1,057,036	975,907	1,057,036
Compensated absences	654,827	656,005	185,227	176,280	840,054	832,285
Other post-employment benefits	883,953	837,109	360,492	341,755	1,244,445	1,178,864
Net pension liability (LGERS)	3,706,527	2,723,265	1,170,483	859,977	4,877,010	3,583,242
Total pension liability (LEOSSA)	<u>1,354,197</u>	<u>981,612</u>	<u>-</u>	<u>-</u>	<u>1,354,197</u>	<u>981,612</u>
Total	<u>\$ 14,693,706</u>	<u>\$ 12,878,012</u>	<u>\$ 14,199,907</u>	<u>\$ 13,838,447</u>	<u>\$ 28,893,613</u>	<u>\$ 26,716,459</u>

The City of Newton's total debt increased by \$2,177,154, or 7.54%, primarily due increases in the City's net LGERS pension liability of \$1,293,768 and its LEOSA pension liability of \$372,585, and to the financing of a fire engine for \$746,750.

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 \$86,771,172.

Additional information regarding the City of Newton's long-term debt can be found beginning on page 78 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 2022 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. The core objectives of the fiscal year 2022 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 2022 rates include:

- There is no increase in water and wastewater rates.
- The City will incur a .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.
- There is no increase in residential and commercial sanitation fees.

### **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, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Current assets:			
Cash and short-term investments	\$ 11,602,166	\$ 13,215,037	\$ 24,817,203
Taxes receivable, net	267,647	-	267,647
Accounts receivable, net	221,516	3,052,028	3,273,544
Due from other governments	1,687,569	277,530	1,965,099
Internal balances	(55,901)	55,901	-
Inventories	49,505	945,945	995,450
Restricted cash and cash equivalents	1,636,463	1,400,978	3,037,441
Total current assets	15,408,965	18,947,419	34,356,384
Capital assets:			
Land, non-depreciable assets, and construction in progress	3,088,982	1,249,458	4,338,440
Other capital assets, net of depreciation	16,382,034	40,403,817	56,785,851
Total capital assets	19,471,016	41,653,275	61,124,291
Total non-current assets	19,471,016	41,653,275	61,124,291
Total assets	34,879,981	60,600,694	95,480,675
<b>Deferred Outflows of Resources:</b>			
Pension deferrals	2,429,393	631,940	3,061,333
OPEB deferrals	133,164	53,261	186,425
Total deferred outflows of resources	2,562,557	685,201	3,247,758
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and other current liabilities	837,638	1,541,441	2,379,079
Due to other governments	-	50,851	50,851
Liabilities to be paid from restricted assets	32,340	419,787	452,127
Compensated absences	313,629	97,364	410,993
Current portion of long-term liabilities	1,161,216	1,885,238	3,046,454
Total current liabilities	2,344,823	3,994,681	6,339,504
Long-term liabilities:			
Compensated absences, non-current	341,198	87,863	429,061
Net (LERS) pension liability	3,706,527	1,170,483	4,877,010
Total (LEOSSA) pension liability	1,354,197	-	1,354,197
Total OPEB liability	883,953	360,492	1,244,445
Due in more than one year	6,932,986	10,598,467	17,531,453
Total long-term liabilities	13,218,861	12,217,305	25,436,166
Total liabilities	15,563,684	16,211,986	31,775,670
<b>Deferred Inflows of Resources:</b>			
Prepaid taxes	785	-	785
Pension deferrals	178,860	6,849	185,709
OPEB deferrals	94,862	37,943	132,805
Total deferred inflows of resources	274,507	44,792	319,299
<b>Net Position:</b>			
Net investment in capital assets	12,288,198	30,150,761	42,438,959
Restricted for stabilization by state statute	2,758,080	-	2,758,080
Restricted for transportation	431,076	-	431,076
Restricted for public safety	16,939	-	16,939
Restricted for cultural and recreational	262,455	-	262,455
Restricted for economic and physical development	14,105	-	14,105
Unrestricted	5,833,494	14,878,356	20,711,850
Total net position	\$ 21,604,347	\$ 45,029,117	\$ 66,633,464

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, 2021

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	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	\$ 2,059,253	\$ 117,850	\$ 24,959	\$ -	\$ (1,916,444)	\$ -	\$ (1,916,444)
Transportation	1,675,898	-	358,040	-	(1,317,858)	-	(1,317,858)
Environmental protection	1,304,530	1,447,214	-	-	142,684	-	142,684
Public safety	7,518,114	92,474	175,828	119,153	(7,130,659)	-	(7,130,659)
Cultural and recreation	1,472,717	44,055	68,381	1,500	(1,358,781)	-	(1,358,781)
Economic and physical development	344,845	-	-	-	(344,845)	-	(344,845)
Interest on long-term debt	196,972	-	-	-	(196,972)	-	(196,972)
Total governmental activities	14,572,329	1,701,593	627,208	120,653	(12,122,875)	-	(12,122,875)
<b>Business-Type Activities:</b>							
Water and wastewater	8,206,063	8,562,162	-	20,275	-	376,374	376,374
Electric	16,432,265	16,115,438	-	-	-	(316,827)	(316,827)
Total business-type activities	24,638,328	24,677,600	-	20,275	-	59,547	59,547
Total primary government	\$ 39,210,657	\$ 26,379,193	\$ 627,208	\$ 140,928	(12,122,875)	59,547	(12,063,328)
<b>General Revenues:</b>							
Taxes:							
Property taxes					6,478,800	-	6,478,800
Local option sales tax					4,181,974	-	4,181,974
Utilities sales tax					936,555	-	936,555
Other taxes					1,706,402	757,815	2,464,217
Power agency refund					-	2,754,053	2,754,053
Investment earnings, unrestricted					2,330	2,718	5,048
Total general revenues, excluding transfers					13,306,061	3,514,586	16,820,647
Transfers					536,000	(536,000)	-
Total general revenues and transfers					13,842,061	2,978,586	16,820,647
Change in net position					1,719,186	3,038,133	4,757,319
<b>Net Position:</b>							
Beginning of year - July 1					19,885,161	41,990,984	61,876,145
End of year - June 30					\$ 21,604,347	\$ 45,029,117	\$ 66,633,464

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

## CITY OF NEWTON, NORTH CAROLINA

Exhibit C

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2021

	Major Funds		Nonmajor Funds	
	General Fund	General Capital Projects Fund	Other Governmental Funds	Total
<b>Assets:</b>				
Cash and short-term investments	\$ 10,260,394	\$ 861,518	\$ 31,044	\$ 11,152,956
Taxes receivable, net	267,647	-	-	267,647
Accounts receivable, net	220,127	-	-	220,127
Due from other governments	1,681,793	2,222	3,554	1,687,569
Inventories	49,505	-	-	49,505
Restricted cash and cash equivalents	1,631,573	4,890	-	1,636,463
Total assets	<u>\$ 14,111,039</u>	<u>\$ 868,630</u>	<u>\$ 34,598</u>	<u>\$ 15,014,267</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and other current liabilities	\$ 471,067	\$ 120,066	\$ -	\$ 591,133
Liabilities to be paid from restricted assets	32,340	-	-	32,340
Total liabilities	<u>503,407</u>	<u>120,066</u>	<u>-</u>	<u>623,473</u>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenue - property taxes	267,647	-	-	267,647
Unavailable revenue - grants	71,550	-	-	71,550
Prepaid taxes	785	-	-	785
Total deferred inflows of resources	<u>339,982</u>	<u>-</u>	<u>-</u>	<u>339,982</u>
<b>Fund Balances:</b>				
Non-spendable - inventories	49,505	-	-	49,505
Restricted - stabilization by state statute	2,752,304	2,222	3,554	2,758,080
Restricted	1,600,025	4,890	31,044	1,635,959
Committed	-	741,452	-	741,452
Assigned	617,870	-	-	617,870
Unassigned	8,247,946	-	-	8,247,946
Total fund balances	<u>13,267,650</u>	<u>748,564</u>	<u>34,598</u>	<u>14,050,812</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 14,111,039</u>	<u>\$ 868,630</u>	<u>\$ 34,598</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.				19,471,016
Deferred outflows of resources related to pensions are not reported in the funds.				2,429,393
Deferred outflows of resources related to OPEB are not reported in the funds.				133,164
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.				(8,819,854)
Net pension liability - LGERS				(3,706,527)
Total pension liability - LEOSSA				(1,354,197)
Total OPEB liability				(883,953)
Liabilities for earned revenues considered deferred inflows of resources in fund statements				339,197
Deferred inflows of resources related to pensions are not reported in the funds.				(178,860)
Deferred inflows of resources related to OPEB are not reported in the funds.				(94,862)
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.				<u>219,018</u>
Net position of governmental activities				<u>\$ 21,604,347</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, 2021**

	<b>Major Funds</b>		<b>Nonmajor Funds</b>	
	<b>General Fund</b>	<b>General Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>Revenues:</b>				
Ad valorem taxes	\$ 6,557,317	\$ -	\$ -	\$ 6,557,317
Other taxes and licenses	5,307,984	-	-	5,307,984
Unrestricted intergovernmental	1,516,947	-	-	1,516,947
Restricted intergovernmental	524,661	75,000	20,881	620,542
Permits and fees	62,047	-	-	62,047
Sales and services	1,551,652	-	-	1,551,652
Investment earnings	2,220	21	1	2,242
Miscellaneous	214,584	-	-	214,584
Total revenues	<u>15,737,412</u>	<u>75,021</u>	<u>20,882</u>	<u>15,833,315</u>
<b>Expenditures:</b>				
General government	1,846,436	-	-	1,846,436
Transportation	1,337,526	-	-	1,337,526
Environmental protection	1,142,884	-	-	1,142,884
Public safety	7,243,797	-	11,758	7,255,555
Economic and physical development	344,845	-	-	344,845
Cultural and recreational	1,412,735	-	-	1,412,735
Capital outlay	-	342,248	-	342,248
Debt service:				
Principal retirement	1,029,630	-	-	1,029,630
Interest and fees	205,377	-	-	205,377
Total expenditures	<u>14,563,230</u>	<u>342,248</u>	<u>11,758</u>	<u>14,917,236</u>
Revenues over (under) expenditures	<u>1,174,182</u>	<u>(267,227)</u>	<u>9,124</u>	<u>916,079</u>
<b>Other Financing Sources (Uses):</b>				
Issuance of debt	1,154,991	288,820	-	1,443,811
Transfers from other funds	536,000	350,350	-	886,350
Transfers to other funds	(350,350)	-	-	(350,350)
Total other financing sources (uses)	<u>1,340,641</u>	<u>639,170</u>	<u>-</u>	<u>1,979,811</u>
Net change in fund balances	2,514,823	371,943	9,124	2,895,890
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>10,752,827</u>	<u>376,621</u>	<u>25,474</u>	<u>11,154,922</u>
End of year - June 30	<u>\$ 13,267,650</u>	<u>\$ 748,564</u>	<u>\$ 34,598</u>	<u>\$ 14,050,812</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, 2021**

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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)	\$ 2,895,890
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Property taxes	(78,516)
Change in unavailable grant revenues	628
Expenses related to LGERS net pension liability that do not require current financial resources are not reported as expenditures.	(555,473)
Expenses related to LEOSSA total pension liability that do not require current financial resources are not reported as expenditures.	(70,361)
Expenses related to total OPEB liability that do not require current financial resources are not reported as expenditures.	11,128
Expenses related to compensated absences that do not require current financial resources are not reported as expenditures.	1,178
Expenses related to interest expense that do not require current financial resources are not reported as expenditures.	8,405
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	1,577,933
Net book value of capital assets disposed of during the year, not recognized on the modified accrual basis.	(34,936)
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(1,563,328)
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	1,029,630
Proceeds from issuance of debt are reported as revenues in the governmental funds statement. However, in the Statement of Activities, it is not a revenue, rather it is an increase in liabilities.	(1,443,811)
The net revenue of the internal service funds are reported with governmental activities.	<u>(59,181)</u>
Total changes in net position of governmental activities (Exhibit B)	<u>\$ 1,719,186</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, 2021**

	General Fund			
	Budgeted Amounts			Variance with Final Budget Over/Under
	Original	Final	Actual	
<b>Revenues:</b>				
Ad valorem taxes	\$ 6,139,500	\$ 6,139,500	\$ 6,557,317	\$ 417,817
Other taxes and licenses	4,061,250	4,061,250	5,307,984	1,246,734
Unrestricted intergovernmental	1,539,850	1,539,850	1,516,947	(22,903)
Restricted intergovernmental	470,000	554,250	524,661	(29,589)
Permits and fees	60,100	60,100	62,047	1,947
Sales and services	1,552,850	1,552,850	1,551,652	(1,198)
Investment earnings	11,500	11,500	2,220	(9,280)
Miscellaneous	118,500	232,120	214,584	(17,536)
Total revenues	13,953,550	14,151,420	15,737,412	1,585,992
<b>Expenditures:</b>				
Current:				
General government	2,343,600	2,340,950	1,846,436	494,514
Transportation	1,875,900	2,085,650	1,337,526	748,124
Environmental protection	1,273,300	1,323,250	1,142,884	180,366
Public safety	7,712,250	8,568,950	7,243,797	1,325,153
Economic and physical development	364,000	364,000	344,845	19,155
Cultural and recreational	1,839,850	1,955,290	1,412,735	542,555
Debt service:				
Principal retirement	1,029,900	1,029,900	1,029,630	270
Interest and fees	205,550	205,550	205,377	173
Total expenditures	16,644,350	17,873,540	14,563,230	3,310,310
Revenues over (under) expenditures	(2,690,800)	(3,722,120)	1,174,182	4,896,302
<b>Other Financing Sources (Uses):</b>				
Issuance of debt	1,390,650	1,404,300	1,154,991	(249,309)
Transfers from other funds	536,000	536,000	536,000	-
Transfers to other funds	-	(350,350)	(350,350)	-
Appropriated fund balance	764,150	2,132,170	-	(2,132,170)
Total other financing sources (uses)	2,690,800	3,722,120	1,340,641	(2,381,479)
Net change in fund balance	\$ -	\$ -	2,514,823	\$ 2,514,823
<b>Fund Balance:</b>				
Beginning of year - July 1			10,752,827	
End of year - June 30			\$13,267,650	

*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, 2021

	Major			Internal
	Water and Wastewater Fund	Electric Fund	Total	Service Fund
<b>Assets:</b>				
Current assets:				
Cash and cash equivalents	\$ 2,660,336	\$ 10,554,701	\$ 13,215,037	\$ 449,210
Accounts receivable, net	1,053,630	1,998,398	3,052,028	1,389
Due from other governments	205,974	71,556	277,530	-
Inventories	130,495	815,450	945,945	-
Restricted cash and cash equivalents	404,092	996,886	1,400,978	-
Total current assets	4,454,527	14,436,991	18,891,518	450,599
Capital assets:				
Non-depreciable capital assets	848,259	401,199	1,249,458	-
Depreciable capital assets, net	27,998,530	12,405,287	40,403,817	-
Total capital assets, net	28,846,789	12,806,486	41,653,275	-
Total assets	33,301,316	27,243,477	60,544,793	450,599
<b>Deferred Outflows of Resources:</b>				
Pension deferrals	421,733	210,207	631,940	-
OPEB deferrals	38,739	14,522	53,261	-
Total deferred outflows of resources	460,472	224,729	685,201	-
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable and other current liabilities	279,797	1,127,651	1,407,448	175,680
Accrued interest payable	81,910	52,083	133,993	-
Due to other government	50,851	-	50,851	-
Accrued compensated absences - current	59,036	38,328	97,364	-
Installment loans payable - current	1,025,130	860,108	1,885,238	-
Liabilities to be paid from restricted assets	106,608	313,179	419,787	-
Total current liabilities	1,603,332	2,391,349	3,994,681	175,680
Non-current liabilities:				
Accrued compensated absences	67,033	20,830	87,863	-
Long-term installment loans payable	7,225,955	3,372,512	10,598,467	-
Net pension liability	780,322	390,161	1,170,483	-
Total OPEB liability	261,130	99,362	360,492	-
Total non-current liabilities	8,334,440	3,882,865	12,217,305	-
Total liabilities	9,937,772	6,274,214	16,211,986	175,680
<b>Deferred Inflows of Resources:</b>				
Pension deferrals	4,566	2,283	6,849	-
OPEB deferrals	27,597	10,346	37,943	-
Total deferred inflows of resources	32,163	12,629	44,792	-
<b>Net Position:</b>				
Net investment in capital assets	20,893,188	9,257,573	30,150,761	-
Unrestricted	2,898,665	11,923,790	14,822,455	274,919
Total net position	\$ 23,791,853	\$ 21,181,363	44,973,216	\$ 274,919
Internal balance due from (to) governmental activities due to consolidation of Internal Service Fund			55,901	
Business-type activities net position (Exhibit A)			\$ 45,029,117	

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, 2021**

	<b>Major</b>			
	<b>Water and Wastewater Fund</b>	<b>Electric Fund</b>	<b>Total</b>	<b>Internal Service Fund</b>
<b>Operating Revenues:</b>				
Charges for services	\$ 7,915,750	\$ 15,142,020	\$ 23,057,770	\$ 1,773,038
Other operating revenues	523,713	771,827	1,295,540	-
Total operating revenues	<u>8,439,463</u>	<u>15,913,847</u>	<u>24,353,310</u>	<u>1,773,038</u>
<b>Operating Expenses:</b>				
Administration	1,423,807	1,043,860	2,467,667	73,360
Power for resale	-	10,961,033	10,961,033	-
Operations	3,146,875	2,358,047	5,504,922	1,778,677
Maintenance	1,381,399	-	1,381,399	-
Depreciation	2,043,217	1,189,612	3,232,829	-
Total operating expenses	<u>7,995,298</u>	<u>15,552,552</u>	<u>23,547,850</u>	<u>1,852,037</u>
Operating income (loss)	<u>444,165</u>	<u>361,295</u>	<u>805,460</u>	<u>(78,999)</u>
<b>Non-Operating Revenues (Expenses):</b>				
Sales tax revenue	-	757,815	757,815	-
Sales tax expense	-	(757,797)	(757,797)	-
Investment earnings	550	2,168	2,718	88
Interest expense	(200,900)	(112,051)	(312,951)	-
Power agency refund	-	2,754,053	2,754,053	-
Rental income and other non-operating items	122,699	201,591	324,290	-
Total non-operating revenues (expenses)	<u>(77,651)</u>	<u>2,845,779</u>	<u>2,768,128</u>	<u>88</u>
Income (loss) before capital contributions and transfers	366,514	3,207,074	3,573,588	(78,911)
Transfers to other funds	-	(536,000)	(536,000)	-
Capital contributions	<u>20,275</u>	<u>-</u>	<u>20,275</u>	<u>-</u>
Change in net position	<u>386,789</u>	<u>2,671,074</u>	<u>3,057,863</u>	<u>(78,911)</u>
<b>Net Position:</b>				
Beginning of year - July 1	<u>23,405,064</u>	<u>18,510,289</u>		<u>353,830</u>
End of year - June 30	<u>\$ 23,791,853</u>	<u>\$ 21,181,363</u>		<u>\$ 274,919</u>
Internal service activities allocated to business-type activities			<u>(19,730)</u>	
Change in net position-business type activities (Exhibit B)			<u>\$ 3,038,133</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, 2021**

	<b>Major</b>			<b>Internal</b>
	<b>Water and Wastewater Fund</b>	<b>Electric Fund</b>	<b>Total</b>	<b>Service Fund</b>
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers and users	\$ 8,472,790	\$ 15,781,876	\$ 24,254,666	\$ 1,772,682
Cash paid for goods and services	(4,540,967)	(13,298,658)	(17,839,625)	(1,838,034)
Cash paid to or on behalf of employees for services	(1,760,320)	(1,028,749)	(2,789,069)	-
Net cash provided (used) by operating activities	<u>2,171,503</u>	<u>1,454,469</u>	<u>3,625,972</u>	<u>(65,352)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Power agency refund	-	2,754,053	2,754,053	-
Transfers to (from) other funds	-	(536,000)	(536,000)	-
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>2,218,053</u>	<u>2,218,053</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition and construction of capital assets	(1,597,507)	(801,648)	(2,399,155)	-
Capital contributions - grants	20,275	-	20,275	-
Sales tax revenue	-	757,815	757,815	-
Sales tax expense	-	(757,797)	(757,797)	-
Payments of installment loans payable	(939,137)	(804,403)	(1,743,540)	-
Interest paid on loans payable	(208,633)	(119,507)	(328,140)	-
Proceeds from issuance of loans payable	871,810	895,000	1,766,810	-
Net cash provided (used) by capital and related financing activities	<u>(1,853,192)</u>	<u>(830,540)</u>	<u>(2,683,732)</u>	<u>-</u>
<b>Cash Flows from Investing Activities:</b>				
Interest on investments	<u>550</u>	<u>2,168</u>	<u>2,718</u>	<u>88</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>318,861</b>	<b>2,844,150</b>	<b>3,163,011</b>	<b>(65,264)</b>
<b>Cash and Cash Equivalents:</b>				
Beginning of Year - July 1	<u>2,745,567</u>	<u>8,707,437</u>	<u>11,453,004</u>	<u>514,474</u>
End of Year - June 30	<u><u>\$ 3,064,428</u></u>	<u><u>\$ 11,551,587</u></u>	<u><u>\$ 14,616,015</u></u>	<u><u>\$ 449,210</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ 444,165	\$ 361,295	\$ 805,460	\$ (78,999)
Adjustments to reconcile operating income (loss) to:				
Depreciation	2,043,217	1,189,612	3,232,829	-
Rental income and other non-operating revenues	122,699	201,591	324,290	-
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(79,819)	(333,562)	(413,381)	-
(Increase) decrease in due from other governmental agencies	(125,360)	180	(125,180)	-
(Increase) decrease in inventories	(10,745)	(52,106)	(62,851)	-
(Increase) decrease in deferred outflows of resources for pension	(86,142)	(43,071)	(129,213)	-
(Increase) decrease in deferred outflows of resources for OPEB	(17,688)	(6,630)	(24,318)	-
Increase (decrease) in due to other governmental agencies	2,158	-	2,158	-
Increase (decrease) in accounts payable and accrued expenses	(343,459)	20,106	(323,353)	13,647
Increase (decrease) in accrued vacation pay	3,480	5,467	8,947	-
Increase (decrease) in deferred inflows of resources for pension	(3,919)	(1,959)	(5,878)	-
Increase (decrease) in deferred inflows of resources for OPEB	824	309	1,133	-
Increase (decrease) in net pension liability	207,004	103,502	310,506	-
Increase (decrease) in OPEB liability	13,628	5,109	18,737	-
Increase (decrease) in customer deposits	<u>1,460</u>	<u>4,626</u>	<u>6,086</u>	<u>-</u>
Net cash provided (used) by operating activities	<u><u>\$ 2,171,503</u></u>	<u><u>\$ 1,454,469</u></u>	<u><u>\$ 3,625,972</u></u>	<u><u>\$ (65,352)</u></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, 2021

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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 City has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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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, 2021

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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, 2021

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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, 2021

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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, 2021**

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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, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is 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. The motor vehicle license fees held in the General Fund are classified as restricted because they are restricted by revenue source. 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.

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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	<b>General Fund</b>	<b>General Capital Projects Fund</b>	<b>Total Restricted Cash</b>
<b>Governmental Activities:</b>			
Unexpended debt proceeds	\$ 906,494	\$ 4,890	\$ 911,384
Customer deposits	32,340	-	32,340
Streets - Powell Bill	342,525	-	342,525
Streets - vehicle tax	88,551	-	88,551
Cultural and recreational	261,663	-	261,663
Total governmental activities	<u>\$ 1,631,573</u>	<u>\$ 4,890</u>	<u>\$ 1,636,463</u>
	<b>Water and Wastewater Fund</b>	<b>Electric Fund</b>	<b>Total Restricted Cash</b>
<b>Business-Type Activities:</b>			
Unexpended debt proceeds	\$ 297,484	\$ 683,707	\$ 981,191
Customer deposits	106,608	313,179	419,787
Total business-type activities	<u>\$ 404,092</u>	<u>\$ 996,886</u>	<u>\$ 1,400,978</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, 2020.

#### **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.

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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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.

#### 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 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 2021 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, 2021

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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, 2021

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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 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>\$ 49,505</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 \$2,752,304, \$2,222, and \$3,554 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, 2021

	General Fund	Capital Projects Fund	Other Governmental Funds	Total
<i>Restricted for Stabilization by State Statute</i> - portion of fund balance that is restricted by state statute [G.S. 159-8(a)].	\$ 2,752,304	\$ 2,222	\$ 3,554	\$ 2,758,080
<i>Restricted for Streets - Powell Bill</i> - portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures.	342,525	-	-	342,525
<i>Restricted for Transportation</i> - portion of fund balance that is restricted by revenue source (unspent debt proceeds) for street construction and equipment.	173,356	4,890	-	178,246
<i>Restricted for Transportation</i> - portion of fund balance that is restricted by revenue source for street construction.	88,551	-	-	88,551
<i>Restricted for Public Safety</i> - portion of fund balance that is restricted by revenue source for certain emergency telephone system expenditures.	-	-	16,939	16,939
<i>Restricted for Public Safety</i> - portion of fund balance that is restricted by revenue source (unspent debt proceeds plus interest) for fire.	733,138	-	-	733,138
<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.	262,455	-	-	262,455
<i>Restricted for Economic and Physical Development</i> - portion of fund balance that is restricted by revenue source for economic development purposes.	-	-	14,105	14,105
Total restricted fund balance	<u>\$ 4,352,329</u>	<u>\$ 7,112</u>	<u>\$ 34,598</u>	<u>\$ 4,394,039</u>

Restricted net position on Exhibit A varies from restricted fund balance on Exhibit C by the amount of unspent debt proceeds restricted for fire of \$733,138 and for street construction of \$178,246 as of June 30, 2021.

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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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 Capital Projects Fund</u>
<i>Committed for Capital Projects</i> - portion of fund balance that is committed by the governing body for capital improvements.	\$ 741,452
Total committed fund balance (Exhibit C)	<u>\$ 741,452</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 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.	\$ 69,030
<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>548,840</u>
Total assigned fund balance (Exhibit C)	<u>\$ 617,870</u>

**Unassigned Fund Balance.** Represents the portion of fund balance that has not been assigned to another fund or is not restricted, committed, or assigned to specific purposes or within the general fund. Only the General Fund may report a positive unassigned fund balance. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount.



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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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However, in the governmental funds, other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed or assigned to those purposes, it may be necessary to report a negative fund balance.

#### **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	\$ 13,267,650
<b>Less:</b>	
Inventories	(49,505)
Stabilization by state statute	<u>(2,752,304)</u>
Available fund balance	<u>\$ 10,465,841</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, 2021 were \$921,934, \$805,491, and \$106,867 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, 2021

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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, 2021, the City's deposits had a carrying amount of \$5,500,093 and a bank balance of \$5,967,176. The City also had petty cash and cash on hand of \$835. Of the bank balance, \$500,000 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, 2021

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#### Investments

At June 30, 2021, the City's investment balances were as follows:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2021</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	\$ <u>22,353,716</u>	N/A	AAAm

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 and AAA-mf by Moody's Investors Services as of June 30, 2021.

# CITY OF NEWTON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### Receivables

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

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
<b>Governmental Activities:</b>				
General	\$ 221,516	\$ 285,647	\$ 1,681,793	\$ 2,188,956
Other governmental	-	-	5,776	5,776
Total receivables	221,516	285,647	1,687,569	2,194,732
Allowance for doubtful accounts	-	(18,000)	-	(18,000)
Total governmental activities	<u>\$ 221,516</u>	<u>\$ 267,647</u>	<u>\$ 1,687,569</u>	<u>\$ 2,176,732</u>
<b>Business-Type Activities:</b>				
Water and wastewater	\$ 1,197,630	\$ -	\$ 205,974	\$ 1,403,604
Electric	<u>2,318,398</u>	-	<u>71,556</u>	<u>2,389,954</u>
Total receivables	3,516,028	-	277,530	3,793,558
Allowance for doubtful accounts	<u>(464,000)</u>	-	-	<u>(464,000)</u>
Total business-type activities	<u>\$ 3,052,028</u>	<u>\$ -</u>	<u>\$ 277,530</u>	<u>\$ 3,329,558</u>

The total due from other governments consists of the following:

Governmental activities	\$ 1,687,569
Business-type activities	<u>277,530</u>
Total due from other governments	<u>\$ 1,965,099</u>
Sales tax reimbursement	\$ 286,464
Grant reimbursement	108,056
Water and wastewater capital projects	
County contribution	81,100
Emergency telephone system revenue	3,191
Sales tax	1,154,030
Utility franchise taxes	216,464
Other taxes	105,794
Other	<u>10,000</u>
Total due from other governments	<u>\$ 1,965,099</u>

# CITY OF NEWTON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### Capital Assets

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

	<u>July 1, 2020</u>	<u>Increases</u>	<u>Disposals</u>	<u>Adjust/ Transfers</u>	<u>June 30, 2021</u>
<b>Governmental Activities:</b>					
<i>Capital assets not being depreciated:</i>					
Land	\$ 2,336,571	\$ -	\$ -	\$ -	\$ 2,336,571
Construction in progress	1,886,230	416,800	-	(1,550,619)	752,411
<i>Total assets not being depreciated</i>	<u>4,222,801</u>	<u>416,800</u>	<u>-</u>	<u>(1,550,619)</u>	<u>3,088,982</u>
<i>Capital assets being depreciated:</i>					
Buildings and improvements	13,510,800	170,718	-	63,795	13,745,313
Equipment	4,649,735	356,160	(46,836)	7,983	4,967,042
Vehicles	10,257,079	634,255	(207,408)	22,466	10,706,392
Infrastructure	8,737,883	-	-	1,456,375	10,194,258
<i>Total assets being depreciated</i>	<u>37,155,497</u>	<u>1,161,133</u>	<u>(254,244)</u>	<u>1,550,619</u>	<u>39,613,005</u>
<i>Less accumulated depreciation:</i>					
Buildings and improvements	(7,224,873)	(373,162)	-	-	(7,598,035)
Equipment	(3,726,778)	(270,008)	33,156	-	(3,963,630)
Vehicles	(7,509,529)	(590,869)	186,152	-	(7,914,246)
Infrastructure	(3,425,771)	(329,289)	-	-	(3,755,060)
<i>Total accumulated depreciation</i>	<u>(21,886,951)</u>	<u>(1,563,328)</u>	<u>219,308</u>	<u>-</u>	<u>(23,230,971)</u>
<i>Total assets being depreciated, net</i>	<u>15,268,546</u>	<u>(402,195)</u>	<u>(34,936)</u>	<u>1,550,619</u>	<u>16,382,034</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 19,491,347</u>	<u>\$ 14,605</u>	<u>\$ (34,936)</u>	<u>\$ -</u>	<u>\$ 19,471,016</u>

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

General government	\$ 147,728
Public safety	687,121
Transportation	409,591
Environmental protection	123,624
Cultural and recreation	<u>195,264</u>
<b>Total depreciation expense - governmental activities</b>	<u><u>\$ 1,563,328</u></u>

# CITY OF NEWTON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

	<u>July 1, 2020</u>	<u>Increases</u>	<u>Disposals</u>	<u>Adjust/ Transfers</u>	<u>June 30, 2021</u>
<b>Business-Type Activities:</b>					
<b>Electric Fund:</b>					
<i>Capital assets not being depreciated:</i>					
Land	\$ 5,000	\$ -	\$ -	\$ -	\$ 5,000
Construction in progress	307,086	353,258	-	(264,145)	396,199
<i>Total assets not being depreciated</i>	<u>312,086</u>	<u>353,258</u>	<u>-</u>	<u>(264,145)</u>	<u>401,199</u>
<i>Capital assets being depreciated:</i>					
Buildings and improvements	375,032	27,439	-	-	402,471
Equipment	11,779,513	-	-	-	11,779,513
Vehicles	1,261,776	294,518	-	-	1,556,294
Distribution systems	13,675,839	126,433	-	264,145	14,066,417
<i>Total assets being depreciated</i>	<u>27,092,160</u>	<u>448,390</u>	<u>-</u>	<u>264,145</u>	<u>27,804,695</u>
Less accumulated depreciation:					
Buildings and improvements	(214,654)	(12,670)	-	-	(227,324)
Equipment	(7,217,689)	(632,169)	-	-	(7,849,858)
Vehicles	(870,669)	(122,477)	-	-	(993,146)
Distribution systems	(5,906,784)	(422,296)	-	-	(6,329,080)
<i>Total accumulated depreciation</i>	<u>(14,209,796)</u>	<u>(1,189,612)</u>	<u>-</u>	<u>-</u>	<u>(15,399,408)</u>
<i>Total assets being depreciated, net</i>	<u>12,882,364</u>	<u>(741,222)</u>	<u>-</u>	<u>264,145</u>	<u>12,405,287</u>
<b>Electric Fund capital assets, net</b>	<u>13,194,450</u>	<u>(387,964)</u>	<u>-</u>	<u>-</u>	<u>12,806,486</u>

# CITY OF NEWTON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

	<u>July 1, 2020</u>	<u>Increases</u>	<u>Disposals</u>	<u>Adjust/ Transfers</u>	<u>June 30, 2021</u>
<b>Water and Wastewater Fund:</b>					
<i>Capital assets not being depreciated:</i>					
Land	210,332	-	-	-	210,332
Construction in progress	897,346	1,172,166	-	(1,431,585)	637,927
<i>Total assets not being depreciated</i>	<u>1,107,678</u>	<u>1,172,166</u>	<u>-</u>	<u>(1,431,585)</u>	<u>848,259</u>
<i>Capital assets being depreciated:</i>					
Buildings and improvements	23,348,498	16,684	-	941,104	24,306,286
Equipment	1,812,760	197,538	-	-	2,010,298
Vehicles	1,333,054	211,119	-	-	1,544,173
Distribution systems	45,009,247	-	-	490,481	45,499,728
<i>Total assets being depreciated</i>	<u>71,503,559</u>	<u>425,341</u>	<u>-</u>	<u>1,431,585</u>	<u>73,360,485</u>
Less accumulated depreciation:					
Buildings and improvements	(19,245,753)	(431,559)	-	-	(19,677,312)
Equipment	(1,005,559)	(161,482)	-	-	(1,167,041)
Vehicles	(1,141,114)	(68,097)	-	-	(1,209,211)
Distribution systems	(21,926,312)	(1,382,079)	-	-	(23,308,391)
<i>Total accumulated depreciation</i>	<u>(43,318,738)</u>	<u>(2,043,217)</u>	<u>-</u>	<u>-</u>	<u>(45,361,955)</u>
<i>Total assets being depreciated, net</i>	<u>28,184,821</u>	<u>(1,617,876)</u>	<u>-</u>	<u>1,431,585</u>	<u>27,998,530</u>
<b>Water and Wastewater Fund capital assets, net</b>	<u>29,292,499</u>	<u>(445,710)</u>	<u>-</u>	<u>-</u>	<u>28,846,789</u>
<b>Business-type activity capital assets, net</b>	<u>\$ 42,486,949</u>	<u>\$ (833,674)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,653,275</u>

### Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2021 is composed of the following elements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 19,471,016	\$ 41,653,275
Long-term debt	(14,693,706)	(14,199,907)
Accrued compensated absences, OPEB, LEO, LGERS	6,599,504	1,716,202
Unspent debt proceeds	911,384	981,191
<b>Total</b>	<u>\$ 12,288,198</u>	<u>\$ 30,150,761</u>

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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#### Construction Commitments

The government has active construction projects as of June 30, 2021. The government's commitments with contractors are as follows:

<b>Project</b>	<b>Spent-to Date</b>	<b>Remaining Commitment</b>
Business-type activities:		
Electric distribution automation	\$ 189,950	\$ 27,900
Water lines - Hwy 16/Balls Creek/Buffalo Shoals	1,103,933	2,859,274
2nd St sewer rehab/relocation	208,144	113,283
Streetscape project - sewer rehab	461,657	26,066
Wastewater treatment plant lime piping replacement	73,206	300,222
West A sewer rehabilitation	145,522	26,306
Underground cable & wire replacement	21,377	7,879
Total	<u>\$ 2,203,789</u>	<u>\$ 3,360,930</u>

#### B. Liabilities

##### Accounts Payable

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

	<b>Vendors</b>	<b>Salaries and Benefits</b>	<b>Accrued Interest</b>	<b>Total</b>
<b>Governmental Activities:</b>				
General	\$ 375,971	\$ 270,776	\$ 70,825	\$ 717,572
Other governmental	120,066	-	-	120,066
Total governmental activities	<u>\$ 496,037</u>	<u>\$ 270,776</u>	<u>\$ 70,825</u>	<u>\$ 837,638</u>
<b>Business-Type Activities:</b>				
Water and wastewater	\$ 228,944	\$ 50,853	\$ 81,910	\$ 361,707
Electric	1,096,219	31,432	52,083	1,179,734
Total business-type activities	<u>\$ 1,325,163</u>	<u>\$ 82,285</u>	<u>\$ 133,993</u>	<u>\$ 1,541,441</u>



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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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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 Annual Comprehensive Financial Report for the State of North Carolina. The state's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, 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, 2021

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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, 2021, was 10.84% of compensation for law enforcement officers and 10.21% 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 \$948,146 for the year ended June 30, 2021.

**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, 2021, the City reported a liability of \$4,877,010 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing 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, 2020 (measurement date), the City's proportion was 0.13648%, which was an increase of 0.00527% from its proportion measured as of June 30, 2019.

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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For the year ended June 30, 2021, the City recognized pension expense of \$1,679,036. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 615,881	\$ -
Changes of assumptions	362,945	-
Net difference between projected and actual earnings on pension plan investments	686,309	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	51,048	28,530
City contributions subsequent to the measurement date	948,146	-
Total	<u>\$ 2,664,329</u>	<u>\$ 28,530</u>

\$948,146 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, 2022. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2022	\$ 478,319
2023	628,071
2024	378,151
2025	203,112
2026	-
Thereafter	-
Total	<u>\$ 1,687,653</u>

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

Inflation	3.0 percent
Salary increases	3.50 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, 2021

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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, 2019 valuation with the exception of the discount rate, 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, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	<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 2020 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, 2021

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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% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	<u>\$ 9,894,926</u>	<u>\$ 4,877,010</u>	<u>\$ 706,773</u>

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

#### 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, 2021

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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, 2019, the Separation Allowance's membership consisted of:

Retirees receiving benefits:	3
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>32</u>
Total	<u><u>35</u></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, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 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.

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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*Mortality Assumption:* All mortality rates use Pub-2010 amount-weighted tables.

*Mortality Projection:* All mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

*Deaths After Retirement (Healthy):* Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and Set Forward by 1 year.

*Deaths After Retirement (Disabled Members at Retirement):* Mortality rates are based on the Non-Safety Mortality Table for Disabled Retirees. Rates are Set Back 3 years for all ages.

*Deaths After Retirement (Survivors of Deceased Members):* Mortality rates are based on the Below-median Teachers Mortality Table for Contingent Survivors. Rates for male members are Set Forward 3 years. Rates for female members are Set Forward 1 year. Because the contingent survivor tables have no rates prior to age 45, the Below-median Teachers Mortality Table for Employees is used for ages less than 45.

*Deaths Prior to Retirement:* Mortality rates are based on the Safety Mortality Table for Employees.

**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 \$45,947 as benefits came due for the reporting period.

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At June 30, 2021, the City reported a total pension liability of \$1,354,197. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the City recognized pension expense of \$118,870.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 55,213	\$ 133,846
Changes of assumptions and other inputs	316,710	23,333
City benefit payments and plan administrative expense subsequent to the measurement date	<u>25,081</u>	<u>-</u>
Total	<u>\$ 397,004</u>	<u>\$ 157,179</u>

\$25,081 paid as benefits which came due subsequent to the measurement date have been reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ending June 30, 2022. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2022	\$ 42,278
2023	45,628
2024	33,424
2025	27,587
2026	55,314
Thereafter	<u>10,513</u>
Total	<u>\$ 214,744</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 1.93%, 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 (0.93%) or 1-percentage-point higher (2.93%) than the current rate:

	<u>1% Decrease (0.93%)</u>	<u>Discount (1.93%)</u>	<u>1% Increase (2.93%)</u>
Total pension liability	<u>\$ 1,467,140</u>	<u>\$ 1,354,197</u>	<u>\$ 1,250,873</u>



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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

	<u>2021</u>
Beginning balance	\$ 981,612
Service cost	44,883
Interest on the total pension liability	31,252
Differences between expected and actual experience in the measurement of the total pension liability	11,452
Changes of assumptions or other inputs	330,945
Benefit payments	<u>(45,947)</u>
Ending balance of the total pension liability	<u>\$ 1,354,197</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.

The actuarial assumptions used in the December 31, 2019 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, 2019.

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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#### **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	\$ 1,679,036	\$ 118,870	\$ 1,797,906
Pension liability	4,877,010	1,354,197	6,231,207
Proportionate share of the net pension liability	0.13648%	n/a	-

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

Differences between expected and actual experience	\$ 615,881	\$ 55,213	\$ 671,094
Changes of assumptions	362,945	316,710	679,655
Net difference between projected and actual earnings on plan investments	686,309	-	686,309
Changes in proportion and differences between City contributions and proportionate share of contributions	51,048	-	51,048
Benefit payments and administrative costs paid subsequent to the measurement date	<u>948,146</u>	<u>25,081</u>	<u>973,227</u>
Total deferred outflows of resources	<u>\$ 2,664,329</u>	<u>\$ 397,004</u>	<u>\$ 3,061,333</u>

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

Differences between expected and actual experience	\$ -	\$ 133,846	\$ 133,846
Changes of assumptions	-	23,333	23,333
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>28,530</u>	<u>-</u>	<u>28,530</u>
Total deferred inflows of resources	<u>\$ 28,530</u>	<u>\$ 157,179</u>	<u>\$ 185,709</u>

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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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 Annual Comprehensive Financial Report for the State of North Carolina. The state's Annual Comprehensive Financial Report 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, 2021 were \$96,719, which consisted of \$82,570 from the City and \$14,149 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, 2021, the City made payments for post-retirement health benefit premiums of \$70,339. 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, 2021

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Membership of the HCB Plan consisted of the following at June 30, 2020, the date of the latest actuarial valuation:

Retirees receiving benefits:	6
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	44
Total	<u>50</u>

#### **Total OPEB Liability**

The City's total OPEB liability of \$1,244,445 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2020.

*Actuarial Assumptions and Other Inputs.* The total OPEB liability in the June 30, 2020 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	3.50 percent
Measurement date	2.21 percent
Healthcare cost trend rates:	
Pre-Medicare	7.00% for 2020 decreasing to an ultimate rate of 4.50% by 2030
Member and Spouse Contributions	3.00 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, 2021

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#### Changes in the Total OPEB Liability

	<b>Total OPEB Liability</b>
<b>Balance at July 1, 2020</b>	<u>\$ 1,178,864</u>
<b>Changes for the year</b>	
Service cost	25,052
Interest	40,917
Differences between expected and actual experience	(46,653)
Changes in assumptions or other inputs	116,604
Benefit payments	<u>(70,339)</u>
Net changes	<u>65,581</u>
<b>Balance at June 30, 2021</b>	<u><u>\$ 1,244,445</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.50% to 2.21%.

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, 2020 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, healthcare cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2020 valuation were based on a review of recent plan experience performed concurrently with the June 30, 2020 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 (1.21%) or 1 percentage-point higher (3.21%) than the current discount rate:

	<b>1% Decrease (1.21%)</b>	<b>Discount (2.21%)</b>	<b>1% Increase (3.21%)</b>
Total OPEB liability	<u>\$ 1,330,794</u>	<u>\$ 1,244,445</u>	<u>\$ 1,164,104</u>

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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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	<u>\$ 1,153,957</u>	<u>\$ 1,244,445</u>	<u>\$ 1,344,861</u>

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

For the year ended June 30, 2021, the City recognized OPEB expense of \$63,872. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 115,006
Changes of assumptions and other inputs	133,739	17,799
City benefit payments and plan administrative costs paid subsequent to the measurement date	52,686	-
Total	<u>\$ 186,425</u>	<u>\$ 132,805</u>

\$52,686 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, 2022. Other amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2022	\$ (8,148)
2023	(8,148)
2024	2,872
2025	9,422
2025	4,936
Thereafter	-
Total	<u>\$ 934</u>

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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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	\$ 671,094
Changes of assumptions and other inputs	813,394
Net difference between projected and actual earnings on pension plan investments	686,309
Changes in proportion and differences between employer contributions and proportionate share of contributions	51,048
City benefit payments and plan administrative costs paid subsequent to the measurement date	1,025,913
Total	<u>\$ 3,247,758</u>

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

<u>Source</u>	<u>Statement of Net Position</u>	<u>Governmental Funds Balance Sheet</u>
Prepaid taxes	\$ 785	\$ 785
Taxes receivable, (net) (General Fund)	-	267,647
Unavailable revenues	-	71,550
Differences between expected and actual experience	248,852	-
Changes of assumptions and other inputs	41,132	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	28,530	-
Total	<u>\$ 319,299</u>	<u>\$ 339,982</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 \$1,856,378. 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, 2021

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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. The City has chosen to cover certain of these assets and to assume the risk of flood loss for the remaining assets 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, 2021

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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, 2021, 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 \$175,680 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>2021</u>	<u>2020</u>
Claims liability, beginning of year	\$ 161,677	\$ 166,039
Claims incurred	1,490,840	1,577,743
Payments on claims	<u>(1,476,837)</u>	<u>(1,582,105)</u>
Claims liability, end of year	<u>\$ 175,680</u>	<u>\$ 161,677</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, 2021

Direct placement installment purchases at June 30, 2021 are comprised of the following:

	Serviced by:			Total
	General Fund	Water / Wastewater Fund	Electric Fund	
\$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 2022	\$ 51,541	\$ 40,675	\$ 242,627	\$ 334,843
\$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 2022	63,060	20,920	10,580	94,560
\$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 2023	86,800	-	-	86,800
\$626,100, 2016, 1.97% loan to bank in annual installments of a fixed payment of \$89,443 plus interest for vehicles due in 2023	57,629	-	121,257	178,886
\$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	71,360	336,464	580,176	988,000
\$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	87,000	-	-	87,000
\$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	358,413	-	-	358,413

# CITY OF NEWTON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

	Serviced by:			Total
	General Fund	Water / Wastewater Fund	Electric Fund	
\$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	-	1,018,940	283,550	1,302,490
\$403,790, 2014, 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	96,460	91,975	-	188,435
\$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	-	342,279	283,178	625,457
\$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	1,845,333	-	-	1,845,333
\$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	-	209,173	106,667	315,840
\$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 2030	-	1,464,000	900,000	2,364,000
\$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	266,667	-	-	266,667
\$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	-	1,026,667	-	1,026,667

# CITY OF NEWTON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

	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	144,822	45,168	95,560	285,550
\$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	-	109,600	-	109,600
\$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	1,918,439	501,335	518,677	2,938,451
\$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	462,447	-	-	462,447
\$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	-	661,637	-	661,637
\$92,798, 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	-	92,798	-	92,798
\$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	628,950	-	-	628,950
\$757,300, 2020, 2.62% loan payable to bank in annual installments of a fixed payment of \$50,487 plus interest for streetscape project due in 2034	511,467	-	195,348	706,815
\$538,460, 2020, 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 2035	-	502,563	-	502,563

# CITY OF NEWTON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

	Serviced by:			Total
	General Fund	Water / Wastewater Fund	Electric Fund	
\$108,870, 2021, 1.61% loan payable to bank in annual installments of a fixed payment of \$10,887 plus interest for water and wastewater capital improvements due in 2031	-	108,870	-	108,870
\$1,529,921, 2021, 1.92% loan payable to bank in annual installments of \$101,945 for water and wastewater, electric and general capital improvements and equipment due in 2036	288,821	346,100	895,000	1,529,921
\$234,886, 2021, 1.22% loan payable to bank in annual installments of a fixed payment of \$46,977 plus interest for vehicles due in 2026	234,886	-	-	234,886
\$529,371, 2021, 1.57% loan payable to bank in annual installments of a fixed payment of \$75,624 plus interest for vehicles and water and wastewater equipment due in 2028	173,357	356,014	-	529,371
\$746,750, 2021, 2.34% loan payable to bank in annual installments of a fixed payment of \$49,783 plus interest for fire engine due in 2036	746,750	-	-	746,750
	<u>\$ 8,094,202</u>	<u>\$ 7,275,178</u>	<u>\$ 4,232,620</u>	<u>\$ 19,602,000</u>

The City's outstanding note from direct placements related to governmental and business type activities of \$334,843 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 \$94,560 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.

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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The City's outstanding note from direct placements related to governmental activities of \$86,800 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 \$178,886 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 \$988,000 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 activities of \$87,000 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 \$358,413 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 \$1,302,490 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.

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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The City's outstanding note from direct placements related to governmental and business type activities of \$188,435 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 \$625,457 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 \$1,845,333 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.

The City's outstanding note from direct placements related to the business type activities of \$315,840 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 \$2,364,000 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 \$266,667 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.

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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The City's outstanding note from direct placements related to the Water and Wastewater Fund of \$1,026,667 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 \$285,550 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 \$109,600 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 \$2,938,451 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 \$462,447 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 \$661,637 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, 2021

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The City's outstanding note from direct placements related to Water and Wastewater Fund of \$92,798 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 \$628,950 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 \$706,815 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 \$502,563 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 \$108,870 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 \$1,529,921 is secured by a security interest in the capital improvements and equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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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 and equipment.

The City's outstanding note from direct placements related to governmental activities of \$234,886 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 \$529,371 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 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 \$746,750 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 vehicles securing the loan and the City will relinquish all rights to the equipment.

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

Year Ending June 30	Direct Placement Installment Purchases	
	Principal	Interest
<b>Governmental Activities:</b>		
2022	\$ 1,161,216	\$ 207,425
2023	1,046,659	178,704
2024	904,211	152,129
2025	695,809	129,647
2026	606,206	112,244
2027-2031	2,219,174	346,950
2032-2036	1,235,292	131,481
2037-2040	225,635	11,867
Total governmental activities	8,094,202	1,270,447

# CITY OF NEWTON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Year Ending June 30	Direct Placement Installment Purchases	
	Principal	Interest
<b>Business-type Activities:</b>		
<b>Water and Wastewater Fund:</b>		
2022	944,001	178,437
2023	882,406	154,637
2024	857,402	132,358
2025	746,860	110,564
2026	746,860	92,194
2027-2031	2,427,845	225,063
2032-2036	517,998	45,342
2037-2040	151,806	3,101
Total Water and Wastewater Fund	7,275,178	941,696
<b>Electric Fund:</b>		
2022	860,108	114,112
2023	606,901	90,405
2024	498,712	74,063
2025	305,174	59,943
2026	305,174	51,681
2027-2031	1,088,807	146,815
2032-2036	506,687	47,573
2037-2040	61,057	3,208
Total Electric Fund	4,232,620	587,800
Total business-type activities	11,507,798	1,529,496
Total all activities	\$ 19,602,000	\$ 2,799,943

### 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, 2021 was \$262,590.

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## CITY OF NEWTON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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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, 2021 was \$713,317.

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, 2021 are \$975,907.

Year Ending June 30	Direct Borrowing Notes Payable	
	Principal	Interest
<b>Water and Wastewater Fund:</b>		
2022	\$ 81,129	\$ 20,096
2023	81,129	18,415
2024	81,129	16,735
2025	81,129	15,055
2026	81,129	13,374
2027-2031	405,647	41,375
2032-2034	<u>164,615</u>	<u>6,876</u>
Total Water and Wastewater Fund	<u>\$ 975,907</u>	<u>\$ 131,926</u>

At June 30, 2021, the City of Newton had a legal debt margin of \$86,771,172.

# CITY OF NEWTON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### Changes in Long-Term Liabilities

The following is a summary of changes in long-term debt for the year ended June 30, 2021.

	<u>July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2021</u>	<u>Current Portion of Balance</u>
<b>Governmental Activities:</b>					
Direct placement installment purchases	\$ 7,680,021	\$1,443,811	\$1,029,630	\$ 8,094,202	\$1,161,216
Compensated absences	656,005	312,451	313,629	654,827	313,629
Total OPEB liability	837,109	46,844	-	883,953	-
Net pension liability (LGERS)	2,723,265	983,262	-	3,706,527	-
Total pension liability (LEOSSA)	981,612	372,585	-	1,354,197	-
Total governmental activities	<u>\$12,878,012</u>	<u>\$3,158,953</u>	<u>\$1,343,259</u>	<u>\$ 14,693,706</u>	<u>\$1,474,845</u>
<b>Business-Type Activities:</b>					
<b>Water and Wastewater Fund:</b>					
Direct placement installment purchases	\$ 7,261,376	\$ 871,810	\$ 858,008	\$ 7,275,178	\$ 944,001
Direct borrowing loans payable	1,057,036	-	81,129	975,907	81,129
Compensated absences	122,589	62,516	59,036	126,069	59,036
Total OPEB liability	247,502	13,628	-	261,130	-
Net pension liability (LGERS)	573,318	207,004	-	780,322	-
Total Water and Wastewater Fund	<u>9,261,821</u>	<u>1,154,958</u>	<u>998,173</u>	<u>9,418,606</u>	<u>1,084,166</u>
<b>Electric Fund:</b>					
Direct placement installment purchases	4,142,023	895,000	804,403	4,232,620	860,108
Compensated absences	53,691	43,795	38,328	59,158	38,328
Total OPEB liability	94,253	5,109	-	99,362	-
Net pension liability (LGERS)	286,659	103,502	-	390,161	-
Total Electric Fund	<u>4,576,626</u>	<u>1,047,406</u>	<u>842,731</u>	<u>4,781,301</u>	<u>898,436</u>
Total business-type activities	<u>\$13,838,447</u>	<u>\$2,202,364</u>	<u>\$1,840,904</u>	<u>\$ 14,199,907</u>	<u>\$1,982,602</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, 2021

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#### C. Interfund Balances and Activity

##### Transfers To/From Other Funds

Transfers to/from other funds at June 30, 2021 consist of the following:

<u>Fund</u>	<u>From</u>	<u>To</u>	<u>Purpose</u>
General Fund	\$ 350,350	\$ -	Fund capital projects
General Capital Projects Fund	-	350,350	
Electric Fund	536,000	-	Return on investment
General Fund	-	536,000	
	<u>\$ 886,350</u>	<u>\$ 886,350</u>	

##### Internal Balances

Interfund loans are summarized as follows:

Due from governmental activities for Internal Service Fund activity allocation to business-type activities	<u>\$ 55,901</u>
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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 \$12,180 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, 2021. 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.

### 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

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

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021**

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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, 2021 was \$10,864,256.

#### **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 \$17,182 during fiscal year ended June 30, 2021.

#### **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 \$56,670 to WPRTA during fiscal year ended June 30, 2021.

#### **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 \$2,237,253 and the construction project is expected to be completed in December 2021.

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

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021**

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#### **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.

##### **COVID-19 Pandemic**

During the fiscal year 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic has had significant effects on global markets, supply chains, businesses, and communities. Specific to the City, COVID-19 is expected to impact various parts of its fiscal year 2021-22 operations and financial results. Management believes the City is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as events associated with the pandemic continue to develop.

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

The City of Newton was awarded \$4,199,476 from the Federal American Rescue Plan (ARP). Subsequent to year-end, the City of Newton received \$2,099,738. The remaining amount of \$2,099,738 is expected to be received within the next 12 months.



## 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 Employee 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 FIVE FISCAL YEARS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 981,612	\$ 1,127,545	\$ 1,064,104	\$ 974,693	\$ 982,044
Service cost	44,883	44,635	48,158	44,120	40,872
Interest on the total pension liability	31,252	39,980	32,689	36,369	33,964
Differences between expected and actual experience	11,452	(201,446)	82,086	15,536	-
Changes of assumptions or other inputs	330,945	29,284	(40,225)	58,347	(20,842)
Benefit payments	<u>(45,947)</u>	<u>(58,386)</u>	<u>(59,267)</u>	<u>(64,961)</u>	<u>(61,345)</u>
Ending balance of the total pension liability	<u>\$ 1,354,197</u>	<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 EMPLOYEE PAYROLL  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
LAST FIVE FISCAL YEARS**

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	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 1,354,197	\$ 981,612	\$ 1,127,545	\$ 1,064,104	\$ 974,693
Covered employee payroll	1,576,081	1,635,129	1,584,980	1,653,328	1,484,503
Total pension liability as a percentage of covered employee payroll*	85.92%	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.

\* Valuation payroll

**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 FOUR FISCAL YEARS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability - beginning	\$ 1,178,864	\$ 1,164,764	\$ 1,212,209	\$ 1,284,324
Service cost	25,052	23,077	27,819	30,204
Interest	40,917	44,945	41,296	37,758
Differences between expected and actual experience	(46,653)	(66,983)	(50,895)	(29,813)
Changes of assumptions	116,604	31,987	39,680	(50,015)
Benefit payments	(70,339)	(18,926)	(105,345)	(60,249)
Net change in total OPEB liability	65,581	14,100	(47,445)	(72,115)
Total OPEB liability - ending	<u>\$ 1,244,445</u>	<u>\$ 1,178,864</u>	<u>\$ 1,164,764</u>	<u>\$ 1,212,209</u>
Covered employee payroll*	\$ 2,501,785	\$ 2,800,153	\$ 2,800,153	\$ 3,060,842
Total OPEB liability as a percentage of covered employee payroll	49.74%	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>
2021	2.21%
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.

The City of Newton has no assets accumulated in a trust that meet the criteria of GASB codification P22.101 or P52.101 to pay related benefits.

\* Valuation payroll

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**CITY OF NEWTON, NORTH CAROLINA****Schedule A-4  
Page 1 of 2****LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM  
REQUIRED SUPPLEMENTARY INFORMATION  
PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)  
LAST EIGHT FISCAL YEARS\***

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	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Proportion of the net pension liability (asset) (%)	0.13648%	0.13121%	0.13219%	0.13319%
Proportion of the net pension liability (asset) (\$)	\$ 4,877,010	\$ 3,583,242	\$ 3,135,998	\$ 2,034,774
Covered payroll	9,078,454	8,700,957	8,080,897	7,998,926
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	53.72%	41.18%	38.81%	25.44%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	90.86%	91.63%	94.18%

\* 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.

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**CITY OF NEWTON, NORTH CAROLINA**

Schedule A-4

Page 2 of 2

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

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	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability (asset) (%)	0.12712%	0.13523%	0.13913%	0.13720%
Proportion of the net pension liability (asset) (\$)	\$ 2,697,912	\$ 606,906	\$ (820,513)	\$ 1,653,787
Covered payroll	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	35.66%	8.46%	-11.58%	24.67%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

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**CITY OF NEWTON, NORTH CAROLINA**

Schedule A-5

Page 1 of 2

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 948,146	\$ 829,722	\$ 691,153	\$ 623,214
Contributions in relation to the contractually required contribution	<u>948,146</u>	<u>829,722</u>	<u>691,153</u>	<u>623,214</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$9,187,397	\$9,078,454	\$8,700,957	\$8,080,897
Contributions as a percentage of covered payroll	10.32%	9.14%	7.94%	7.71%

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-5  
Page 2 of 2****LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM  
REQUIRED SUPPLEMENTARY INFORMATION  
CONTRIBUTIONS****LAST EIGHT FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 598,249	\$ 522,665	\$ 530,698	\$ 503,617
Contributions in relation to the contractually required contribution	<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>
Covered payroll	\$7,998,926	\$7,564,686	\$7,169,996	\$7,082,583
Contributions as a percentage of covered payroll	7.48%	6.91%	7.40%	7.11%



# 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, 2021  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020**

Schedule 1  
Page 1 of 5

	2021			2020
	Final Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
Current year	\$ 6,004,000	\$ 6,322,593	\$ 318,593	\$ 6,280,731
Prior years	99,500	166,463	66,963	97,344
Penalties and interest	36,000	68,261	32,261	32,714
Total	6,139,500	6,557,317	417,817	6,410,789
<b>Other Taxes and Licenses:</b>				
Local option sales tax	2,756,700	4,181,974	1,425,274	3,615,584
Solid waste disposal tax	9,000	9,774	774	9,845
Other taxes and licenses	20,000	38,288	18,288	26,362
Rural fire district tax	924,550	813,378	(111,172)	655,749
Motor vehicle license fee	351,000	264,570	(86,430)	-
Total	4,061,250	5,307,984	1,246,734	4,307,540
<b>Unrestricted Intergovernmental Revenues:</b>				
Payments in lieu of taxes	525,850	525,850	-	509,200
Utilities sales tax	958,000	936,555	(21,445)	932,261
Beer and wine tax	56,000	54,542	(1,458)	55,957
Other	-	-	-	181,251
Total	1,539,850	1,516,947	(22,903)	1,678,669
<b>Restricted Intergovernmental Revenues:</b>				
Federal grants	186,550	155,297	(31,253)	459,472
Federal asset seizure allocation	-	-	-	1,252
Other	-	4,451	4,451	9,212
On-behalf payments - fire	15,000	12,180	(2,820)	11,491
Powell Bill state street aid allocation	352,700	352,733	33	372,889
Total	554,250	524,661	(29,589)	854,316
<b>Permits and Fees:</b>				
Licenses	100	50	(50)	80
Local franchise - cable tv	60,000	61,997	1,997	63,117
Total	60,100	62,047	1,947	63,197
<b>Sales and Services:</b>				
Supportive court services	2,250	1,472	(778)	1,734
Refuse collection fees	1,438,600	1,434,660	(3,940)	1,000,945
Recreation fees and concessions	51,000	8,332	(42,668)	45,634
Other	61,000	107,188	46,188	83,041
Total	1,552,850	1,551,652	(1,198)	1,131,354
<b>Investment Earnings</b>	11,500	2,220	(9,280)	114,073
<b>Miscellaneous:</b>				
Rentals and sale of property	46,450	34,938	(11,512)	35,806
Other	185,670	179,646	(6,024)	144,049
Total	232,120	214,584	(17,536)	179,855
<b>Total revenues</b>	14,151,420	15,737,412	1,585,992	14,739,793

**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, 2021  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020**

Schedule 1  
Page 2 of 5

	2021			2020 Actual
	Final Budget	Actual	Variance Over/Under	
<b>Expenditures:</b>				
<b>General Government:</b>				
<b>Governing Body:</b>				
Salaries and employee benefits	43,250	42,459		40,052
Other operating expenditures	8,200	3,857		19,400
Interdepartmental charges	(33,200)	(33,200)		(53,250)
Total	<u>18,250</u>	<u>13,116</u>	<u>5,134</u>	<u>6,202</u>
<b>Administration:</b>				
Salaries and employee benefits	728,300	677,158		659,163
Other operating expenditures	160,050	118,759		136,859
Capital outlay	64,550	-		-
Interdepartmental charges	(513,800)	(513,800)		(509,200)
Total	<u>439,100</u>	<u>282,117</u>	<u>156,983</u>	<u>286,822</u>
<b>Finance:</b>				
Salaries and employee benefits	520,150	486,394		506,439
Other operating expenditures	258,400	205,426		238,088
Capital outlay	-	-		12,591
Interdepartmental charges	(633,500)	(633,500)		(615,500)
Total	<u>145,050</u>	<u>58,320</u>	<u>86,730</u>	<u>141,618</u>
<b>Purchasing/Warehouse:</b>				
Salaries and employee benefits	147,800	144,667		134,070
Other operating expenditures	19,950	17,016		9,467
Interdepartmental charges	(100,200)	(100,200)		(102,550)
Total	<u>67,550</u>	<u>61,483</u>	<u>6,067</u>	<u>40,987</u>
<b>Technology/MIS:</b>				
Salaries and employee benefits	195,650	194,771		186,176
Other operating expenditures	340,050	310,402		342,622
Capital outlay	82,100	68,330		14,201
Interdepartmental charges	(322,000)	(322,000)		(309,150)
Total	<u>295,800</u>	<u>251,503</u>	<u>44,297</u>	<u>233,849</u>
<b>Human Resources:</b>				
Salaries and employee benefits	300,750	287,582		280,137
Other operating expenditures	197,800	157,598		186,346
Interdepartmental charges	(86,700)	(86,700)		(88,250)
Total	<u>411,850</u>	<u>358,480</u>	<u>53,370</u>	<u>378,233</u>
<b>Planning:</b>				
Salaries and employee benefits	224,600	221,850		212,381
Other operating expenditures	135,750	123,523		58,852
Interdepartmental charges	(55,300)	(55,300)		(36,950)
Total	<u>305,050</u>	<u>290,073</u>	<u>14,977</u>	<u>234,283</u>
<b>Main Street:</b>				
Salaries and employee benefits	76,500	51,189		75,612
Other operating expenditures	55,600	17,937		42,557
Total	<u>132,100</u>	<u>69,126</u>	<u>62,974</u>	<u>118,169</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, 2021  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020**

Schedule 1  
Page 3 of 5

	2021			2020 Actual
	Final Budget	Actual	Variance Over/Under	
<b>Municipal Building:</b>				
Other operating expenditures	171,960	143,206		134,494
Capital outlay	7,290	7,289		14,288
Total	179,250	150,495	28,755	148,782
<b>Public Works Administration:</b>				
Salaries and employee benefits	205,150	203,321		194,435
Other operating expenditures	68,650	60,223		60,978
Capital outlay	100,150	78,425		-
Interdepartmental charges	(182,900)	(182,900)		(192,350)
Total	191,050	159,069	31,981	63,063
<b>Garage:</b>				
Salaries and employee benefits	177,050	174,845		156,138
Other operating expenditures	60,050	59,098		67,145
Capital outlay	-	-		46,898
Interdepartmental charges	(86,050)	(86,050)		(86,550)
Total	151,050	147,893	3,157	183,631
<b>Downtown Public Parking:</b>				
Other operating expenditures	4,850	4,761		5,285
Total	4,850	4,761	89	5,285
Total general government	2,340,950	1,846,436	494,514	1,840,924
<b>Transportation:</b>				
<b>Streets:</b>				
Salaries and employee benefits	352,400	348,135		306,044
Other operating expenditures	759,550	461,816		332,981
Capital outlay	566,950	148,093		43,239
Total	1,678,900	958,044	720,856	682,264
<b>Powell Bill:</b>				
Salaries and employee benefits	181,800	163,723		159,081
Other operating expenditures	224,950	215,759		537,599
Total	406,750	379,482	27,268	696,680
Total transportation	2,085,650	1,337,526	748,124	1,378,944
<b>Environmental Protection:</b>				
<b>Sanitation:</b>				
Salaries and employee benefits	725,100	614,766		640,389
Other operating expenditures	538,450	528,118		452,282
Capital outlay	59,700	-		-
Total	1,323,250	1,142,884	180,366	1,092,671
Total environmental protection	1,323,250	1,142,884	180,366	1,092,671

**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, 2021**

**Schedule 1  
Page 4 of 5**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020**

	<b>2021</b>		
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>
			<b>2020 Actual</b>
<b>Public Safety:</b>			
<b>Police Department:</b>			
Salaries and employee benefits	3,166,400	2,884,435	2,746,211
Other operating expenditures	680,850	621,479	495,960
Capital outlay	874,050	706,602	170,811
Interdepartmental charges	(3,000)	(3,000)	(2,900)
Total	<u>4,718,300</u>	<u>4,209,516</u>	<u>3,410,082</u>
<b>Fire Department:</b>			
Salaries and employee benefits	2,689,250	2,653,040	2,556,426
Other operating expenditures	482,900	437,796	401,979
Capital outlay	827,550	92,495	775,354
Interdepartmental charges	(149,050)	(149,050)	(144,350)
Total	<u>3,850,650</u>	<u>3,034,281</u>	<u>3,589,409</u>
Total public safety	<u>8,568,950</u>	<u>7,243,797</u>	<u>1,325,153</u>
<b>Economic and Physical Development:</b>			
<b>Special Appropriations:</b>			
Other operating expenditures	364,000	344,845	406,805
Total Economic and Physical Development	<u>364,000</u>	<u>344,845</u>	<u>19,155</u>
<b>Cultural and Recreational:</b>			
<b>Administration:</b>			
Salaries and employee benefits	636,600	577,789	621,203
Other operating expenditures	183,170	119,843	127,331
Total	<u>819,770</u>	<u>697,632</u>	<u>122,138</u>
<b>Central Recreation Center:</b>			
Salaries and employee benefits	27,400	17,616	18,870
Other operating expenditures	57,500	42,503	43,939
Total	<u>84,900</u>	<u>60,119</u>	<u>24,781</u>
<b>Swimming Pool:</b>			
Salaries and employee benefits	49,050	5,921	20,069
Other operating expenditures	74,400	62,449	36,941
Total	<u>123,450</u>	<u>68,370</u>	<u>55,080</u>
<b>Parks:</b>			
Salaries and employee benefits	57,300	18,363	39,856
Other operating expenditures	132,600	103,721	196,146
Capital outlay	86,550	85,003	32,527
Total	<u>276,450</u>	<u>207,087</u>	<u>69,363</u>
<b>Cemeteries:</b>			
Salaries and employee benefits	192,000	159,271	185,598
Other operating expenditures	96,570	40,195	23,952
Capital outlay	-	49,448	8,149
Total	<u>288,570</u>	<u>248,914</u>	<u>39,656</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, 2021  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020**

Schedule 1  
Page 5 of 5

	2021			2020 Actual
	Final Budget	Actual	Variance Over/Under	
<b>Special Appropriations:</b>				
Other operating expenditures	362,150	130,613		208,708
Total	362,150	130,613	231,537	208,708
 Total cultural and recreational	1,955,290	1,412,735	542,555	1,673,724
<b>Debt Service:</b>				
Principal paid on installment purchase	1,029,900	1,029,630		1,056,297
Interest and fees	205,550	205,377		218,957
Total debt service	1,235,450	1,235,007	443	1,275,254
 Total expenditures	17,873,540	14,563,230	3,310,310	14,667,813
 Revenues over (under) expenditures	(3,722,120)	1,174,182	4,896,302	71,980
<b>Other Financing Sources (Uses):</b>				
Issuance of debt	1,404,300	1,154,991	(249,309)	543,752
Transfers from General Capital Projects Fund	-	-	-	110,000
Transfers from Electric Fund	536,000	536,000	-	535,950
Transfers from - Health Insurance Internal Service Fund	-	-	-	613,600
Transfers to General Capital Projects Fund	(350,350)	(350,350)	-	(801,600)
Appropriated fund balance	2,132,170	-	(2,132,170)	-
Total other financing sources (uses)	3,722,120	1,340,641	(2,381,479)	1,001,702
 Net change in fund balance	\$ -	2,514,823	\$ 2,514,823	\$ 1,073,682
 <b>Fund Balance:</b>				
Beginning of year - July 1		10,752,827		
End of year - June 30		\$ 13,267,650		

## 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, 2021

		Actual			
	Project Authorization	Prior Years	Current Year	Closed Projects	Total to Date
<b>Revenues:</b>					
Restricted Intergovernmental	\$ 310,250	\$ 41,971	\$ 75,000	\$ -	\$ 116,971
Interest earned	-	281	21	-	302
Total revenues	310,250	42,252	75,021	-	117,273
<b>Expenditures:</b>					
<b>Capital Outlay:</b>					
West 24th Street improvements:					
Culvert replacement	288,850	-	283,941	-	283,941
West A Street bikeway & pedestrian improvements:					
Streets and sidewalks	350,350	-	-	-	-
Downtown streetscape improvements:					
Culvert replacement	1,441,000	215,393	80	-	215,473
Streets and sidewalks	8,346,300	3,161,301	3,080	-	3,164,381
Parks and amphitheater	198,000	180,624	-	-	180,624
Splash pad	700,550	626,763	55,147	-	681,910
Total expenditures	11,325,050	4,184,081	342,248	-	4,526,329
Revenues over (under) expenditures	(11,014,800)	(4,141,829)	(267,227)	-	(4,409,056)
<b>Other Financing Sources (Uses):</b>					
Issuance of long-term debt	8,951,000	2,805,000	288,820	-	3,093,820
Transfers from General Fund	2,173,800	1,823,450	350,350	-	2,173,800
Transfers to General Fund	(110,000)	(110,000)	-	-	(110,000)
Total other financing sources (uses)	11,014,800	4,518,450	639,170	-	5,157,620
Net change in fund balance	\$ -	\$ 376,621	\$ 371,943	\$ -	\$ 748,564

# 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, 2021**

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	<b>Special Revenue Funds</b>		<b>Total Nonmajor Governmental Funds</b>
	<b>Special Revenue Fund - General</b>	<b>Emergency Telephone System Fund</b>	
<b>Assets:</b>			
Current assets:			
Cash and investments	\$ 14,105	\$ 16,939	\$ 31,044
Due from other governments	-	3,554	3,554
Total assets	<u>\$ 14,105</u>	<u>\$ 20,493</u>	<u>\$ 34,598</u>
<b>Fund Balances:</b>			
Restricted - stabilization by state statute	\$ -	\$ 3,554	\$ 3,554
Restricted	14,105	16,939	31,044
Total fund balances	<u>\$ 14,105</u>	<u>\$ 20,493</u>	<u>\$ 34,598</u>

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**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, 2021**

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	<b>Special Revenue Funds</b>		
	<b>Special Revenue Fund - General</b>	<b>Emergency Telephone System Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues:</b>			
Restricted intergovernmental	\$ 1,741	\$ 19,140	\$ 20,881
Interest earned	-	1	1
Total revenues	<u>1,741</u>	<u>19,141</u>	<u>20,882</u>
<b>Expenditures:</b>			
Current:			
Public safety	<u>-</u>	<u>11,758</u>	<u>11,758</u>
Net change in fund balances	1,741	7,383	9,124
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>12,364</u>	<u>13,110</u>	<u>25,474</u>
End of year - June 30	<u>\$ 14,105</u>	<u>\$ 20,493</u>	<u>\$ 34,598</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, 2021

	Project	Actual			Total
	Authorization	Prior Years	Current Year	Closed Projects	to Date
<b>Revenues:</b>					
Restricted intergovernmental revenue	\$ 2,750	\$ 13,201	\$ 1,741	\$ -	\$ 14,942
<b>Expenditures:</b>					
Economic and physical development: CDBG rehabilitation	2,750	1,000	-	-	1,000
Revenues over (under) expenditures	-	12,201	1,741	-	13,942
<b>Other Financing Sources (Uses):</b>					
Transfers in - General Fund	-	163	-	-	163
Net change in fund balance	\$ -	\$ 12,364	\$ 1,741	\$ -	\$ 14,105

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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, 2021**

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	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental revenue	\$ 19,150	\$ 19,140	\$ (10)
Interest earned	-	1	1
Total revenues	<u>19,150</u>	<u>19,141</u>	<u>(9)</u>
<b>Expenditures:</b>			
<b>Public Safety:</b>			
Other operating expenditures	<u>19,150</u>	<u>11,758</u>	<u>7,392</u>
Change in net position	<u>\$ -</u>	7,383	<u>\$ 7,383</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>13,110</u>	
End of year - June 30		<u>\$ 20,493</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

Schedule 7  
Page 1 of 2

## WATER AND WASTEWATER FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP) FOR THE YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance Over/Under
<b>Revenues:</b>			
Operating revenues:			
Charges for services	\$ 7,609,400	\$ 7,915,750	\$ 306,350
Other	357,200	487,208	130,008
Total operating revenues	<u>7,966,600</u>	<u>8,402,958</u>	<u>436,358</u>
Non-operating revenues:			
Contributions	-	10,000	10,000
Other non-operating revenue	120,150	112,699	(7,451)
State grant	150,000	36,505	(113,495)
Interest earned	1,000	531	(469)
Total non-operating revenues	<u>271,150</u>	<u>159,735</u>	<u>(111,415)</u>
Total revenues	<u>8,237,750</u>	<u>8,562,693</u>	<u>324,943</u>
<b>Expenditures:</b>			
Operations	3,564,966	3,143,395	421,571
Maintenance	1,635,800	1,381,399	254,401
Administration	1,414,100	1,310,100	104,000
Capital outlay	2,448,834	474,017	1,974,817
Debt principal	939,250	939,137	113
Interest and fees	208,700	208,633	67
Total expenditures	<u>10,211,650</u>	<u>7,456,681</u>	<u>2,754,969</u>
Revenues over (under) expenditures	<u>(1,973,900)</u>	<u>1,106,012</u>	<u>3,079,912</u>
<b>Other Financing Sources (Uses):</b>			
Issuance of long-term debt	1,579,050	464,885	(1,114,165)
Proceeds from sale of capital assets	1,000	-	(1,000)
Intrafund transfers from - Water and Wastewater Capital Project Fund	118,600	118,600	-
Intrafund transfers to - Water and Wastewater Capital Project Fund	(47,350)	(47,350)	-
Appropriated fund balance	322,600	-	(322,600)
Total other financing sources (uses)	<u>1,973,900</u>	<u>536,135</u>	<u>(1,437,765)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,642,147</u>	<u>\$ 1,642,147</u>

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**CITY OF NEWTON, NORTH CAROLINA****Schedule 7  
Page 2 of 2****WATER AND WASTEWATER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2021**

---

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual to Full Accrual):</b>			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 1,642,147	
Reconciling items:			
Capital project income		20,294	
Transfers to (from) - Intrafund		(71,250)	
Depreciation		(2,043,217)	
Capital outlay expenditures		474,017	
Payment of debt principal		939,137	
Increase (decrease) in deferred outflows of resources - pensions		86,142	
Increase (decrease) in deferred outflows of resources - OPEB		17,688	
(Increase) decrease in net pension liability		(207,004)	
(Increase) decrease in total OPEB liability		(13,628)	
(Increase) decrease in deferred inflows of resources - pensions		3,919	
(Increase) decrease in deferred inflows of resources - OPEB		(824)	
(Increase) decrease in accrued interest payable		7,733	
(Increase) decrease in compensated absences		(3,480)	
Issuance of long-term debt		<u>(464,885)</u>	
Change in net position		<u>\$ 386,789</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, 2021**

		<b>Actual</b>			
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Closed Projects</b>	<b>Total to Date</b>
<b>Revenues:</b>					
Restricted intergovernmental	\$ 1,738,300	\$ 407,237	\$ 20,275	\$ -	\$ 427,512
Interest earned	-	66	19	-	85
Total revenues	<u>1,738,300</u>	<u>407,303</u>	<u>20,294</u>	<u>-</u>	<u>427,597</u>
<b>Expenditures:</b>					
Capital outlay:					
West A Street:					
Sewer line rehabilitation	1,525,000	66,775	78,747	-	145,522
Downtown streetscape improvements:					
Water line rehabilitation	1,117,250	461,972	240	-	462,212
Sewer line rehabilitation	499,950	461,577	80	-	461,657
Sewer relocation:					
East 2nd Street	1,798,500	85,968	122,176	-	208,144
Valley Drive:					
Valley Drive water infrastructure rehabilitation	538,460	484,853	-	-	484,853
WTP filter rehabilitation:					
WTP filter rehabilitation	941,100	481,104	460,000	-	941,104
WWTP lime piping:					
WWTP lime piping replacement project	404,450	-	73,206	-	73,206
Water extension projects:					
S Hwy 16 - Buffalo Shoals	5,839,350	1,022,833	81,100	-	1,103,933
N Shipp Ave:					
Water line rehabilitation	346,100	-	307,941	-	307,941
Total expenditures	<u>13,010,160</u>	<u>3,065,082</u>	<u>1,123,490</u>	<u>-</u>	<u>4,188,572</u>
Revenues over (under) expenditures	<u>(11,271,860)</u>	<u>(2,657,779)</u>	<u>(1,103,196)</u>	<u>-</u>	<u>(3,760,975)</u>
<b>Other Financing Sources (Uses):</b>					
Issuance of long-term debt	9,963,610	1,895,385	406,925	-	2,302,310
Transfers from - Water and Wastewater Fund	1,461,850	1,194,500	47,350	-	1,241,850
Transfers to - Water and Wastewater Fund	(153,600)	(35,000)	(118,600)	-	(153,600)
Total other financing sources (uses)	<u>11,271,860</u>	<u>3,054,885</u>	<u>335,675</u>	<u>-</u>	<u>3,390,560</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 397,106</u>	<u>\$ (767,521)</u>	<u>\$ -</u>	<u>\$ (370,415)</u>

**CITY OF NEWTON, NORTH CAROLINA**

Schedule 9  
Page 1 of 2

**ELECTRIC ENTERPRISE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues			
Charges for services	\$ 14,783,450	\$ 15,142,020	\$ 358,570
Other	685,300	771,827	86,527
Total operating revenues	<u>15,468,750</u>	<u>15,913,847</u>	<u>445,097</u>
Non-operating revenues:			
Contributions	-	5,000	5,000
Other non-operating revenue	73,500	196,591	123,091
Power agency refund	2,754,000	2,754,053	53
Interest earned	2,000	2,130	130
Sales tax	781,000	757,815	(23,185)
Total non-operating revenues	<u>3,610,500</u>	<u>3,715,589</u>	<u>105,089</u>
Total revenues	<u>19,079,250</u>	<u>19,629,436</u>	<u>550,186</u>
<b>Expenditures:</b>			
Power for resale	11,044,900	10,864,256	180,644
Renewable energy	96,800	96,777	23
Operations	4,583,600	3,110,377	1,473,223
Administration	1,055,600	986,600	69,000
Capital outlay	613,900	448,390	165,510
Debt principal	804,500	804,403	97
Interest and fees	119,550	119,507	43
Total expenditures	<u>18,318,850</u>	<u>16,430,310</u>	<u>1,888,540</u>
Revenues over (under) expenditures	<u>760,400</u>	<u>3,199,126</u>	<u>2,438,726</u>
<b>Other Financing Sources (Uses):</b>			
Proceeds from sale of assets	1,000	-	(1,000)
Intrafund transfers to - Electric Capital project	(243,450)	(243,450)	-
Transfers to - General Fund	(536,000)	(536,000)	-
Appropriated fund balance	18,050	-	(18,050)
Total other financing sources (uses)	<u>(760,400)</u>	<u>(779,450)</u>	<u>(19,050)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 2,419,676</u>	<u>\$ 2,419,676</u>

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**CITY OF NEWTON, NORTH CAROLINA****Schedule 9  
Page 2 of 2****ELECTRIC ENTERPRISE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2021**

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	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 2,419,676	
Reconciling items:			
Capital project income		38	
Transfers to (from) - Intrafund		243,450	
Capital outlay expenditures		448,390	
Payment of debt principal		804,403	
Depreciation		(1,189,612)	
Increase (decrease) in deferred outflows of resources - pensions		43,071	
Increase (decrease) in deferred outflows of resources - OPEB		6,630	
(Increase) decrease in net pension liability		(103,502)	
(Increase) decrease in total OPEB liability		(5,109)	
(Increase) decrease in deferred inflows of resources - pensions		1,959	
(Increase) decrease in deferred inflows of resources - OPEB		(309)	
(Increase) decrease in accrued interest payable		7,456	
(Increase) decrease in compensated absences		<u>(5,467)</u>	
Change in net position		<u>\$ 2,671,074</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, 2021**

		Actual			
	Project Authorization	Prior Years	Current Year	Closed Projects	Total to Date
<b>Revenues:</b>					
Restricted intergovernmental	\$ -	\$ 41,750	\$ -	\$ -	\$ 41,750
Interest earned	-	50	38	-	88
Total revenues	-	41,800	38	-	41,838
<b>Expenditures:</b>					
Downtown streetscape improvements:					
Infrastructure rehabilitation	1,988,600	920,261	520	-	920,781
Electric distribution automation	621,050	43,462	224,466	-	267,928
Hwy 10 substation breaker replacement	243,450	-	106,895	-	106,895
Underground cable and reconductoring	458,000	-	21,377	-	21,377
Total expenditures	3,311,100	963,723	353,258	-	1,316,981
Revenues over (under) expenditures	(3,311,100)	(921,923)	(353,220)	-	(1,275,143)
<b>Other Financing Sources (Uses):</b>					
Issuance of long-term debt	2,802,950	819,500	895,000	-	1,714,500
Transfers from - Electric Fund	518,650	165,200	243,450	-	408,650
Transfers to - Electric Fund	(10,500)	(10,500)	-	-	(10,500)
Total other financing sources (uses)	3,311,100	974,200	1,138,450	-	2,112,650
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 52,277	\$ 785,230	\$ -	\$ 837,507



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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, 2021**

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	<u>Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Operating Revenues:</b>			
Charges for services	<u>\$ 1,749,750</u>	<u>\$ 1,773,038</u>	<u>\$ 23,288</u>
<b>Operating Expenditures - Group Insurance:</b>			
Claims paid	1,559,000	1,476,837	82,163
Claims incurred but not reported	19,750	19,737	13
Stop-loss insurance fees	283,000	282,103	897
Administrative charges	<u>76,000</u>	<u>73,360</u>	<u>2,640</u>
Total operating expenditures	<u>1,937,750</u>	<u>1,852,037</u>	<u>85,713</u>
Operating income (loss)	<u>(188,000)</u>	<u>(78,999)</u>	<u>109,001</u>
<b>Non-Operating Revenues:</b>			
Investment earnings	1,000	88	(912)
Appropriated fund balance	<u>187,000</u>	<u>-</u>	<u>(187,000)</u>
Total non-operating revenues	<u>188,000</u>	<u>88</u>	<u>(187,912)</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ (78,911)</u>	<u>\$ (78,911)</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
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**CITY OF NEWTON, NORTH CAROLINA**

Schedule 12

**SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
JUNE 30, 2021**

<b>Fiscal Year</b>	<b>Uncollected Balance July 1, 2020</b>	<b>Additions</b>	<b>Collections and Credits</b>	<b>Uncollected Balance June 30, 2021</b>
2020-2021	\$ -	\$ 6,409,118	\$ 6,321,154	\$ 87,964
2019-2020	118,691	-	72,330	46,361
2018-2019	44,227	-	19,702	24,525
2017-2018	28,067	-	9,266	18,801
2016-2017	21,180	-	7,453	13,727
2015-2016	20,987	-	8,738	12,249
2014-2015	20,706	-	7,993	12,713
2013-2014	26,803	-	6,489	20,314
2012-2013	40,688	-	7,719	32,969
2011-2012	23,214	-	7,190	16,024
2010-2011	23,600	-	23,600	-
<b>Total</b>	<b>\$ 368,163</b>	<b>\$ 6,409,118</b>	<b>\$ 6,491,634</b>	<b>285,647</b>
Less allowance for uncollectible ad valorem taxes receivable				<u>18,000</u>
Ad valorem taxes receivable, net				<u>\$ 267,647</u>
<b>Ad Valorem Taxes Receivable, Net</b>				
General Fund				<u>\$ 267,647</u>
<b>Reconcilement with Revenues:</b>				
Ad valorem taxes - General Fund				\$ 6,557,317
Taxes written off				15,606
Miscellaneous				(13,028)
Interest and penalties collected				<u>(68,261)</u>
Total collections and credits				<u>\$ 6,491,634</u>

**CITY OF NEWTON, NORTH CAROLINA**

Schedule 13

**ANALYSIS OF CURRENT TAX LEVY  
FOR THE YEAR ENDED JUNE 30, 2021**

	City-Wide		Total Levy	
	Property Valuation	Rate	Total Levy	Registered Motor Vehicles
<b>Original Levy:</b>				
Total property taxed at current year's rate	\$ 1,076,400,057	\$ 0.54	\$ 5,812,560	\$ 5,812,560
Registered motor vehicles taxed at current year's tax rate	106,036,909	0.54	572,599	572,599
Penalties	-		3,216	-
Total	<u>1,182,436,966</u>		<u>6,388,375</u>	<u>5,815,776</u>
<b>Discoveries:</b>				
Current year taxes	4,720,554		25,491	-
Prior year taxes	557,459		3,008	-
Penalties	-		2,539	-
Total	<u>5,278,013</u>		<u>31,038</u>	<u>-</u>
<b>Releases:</b>				
Property:				
Current year taxes	(1,272,178)		(6,870)	-
Prior year taxes	(37,414)		(202)	-
Motor Vehicles:				
Current year taxes	(530,746)		(2,866)	(2,866)
Prior year taxes	(57,465)		(276)	(276)
Penalties	-		(81)	-
Total	<u>(1,897,803)</u>		<u>(10,295)</u>	<u>(3,142)</u>
Total property valuation	<u>\$ 1,185,817,176</u>			
<b>Net Levy</b>			6,409,118	569,457
Less uncollected taxes at June 30, 2021			<u>(87,964)</u>	<u>-</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 6,321,154</u>	<u>\$ 569,457</u>
<b>Current Levy Collection Percentage</b>			<u>98.63%</u>	<u>100.00%</u>

# STATISTICAL SECTION

## (Unaudited)

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This part of the City of Newton's Annual Comprehensive 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 Annual Comprehensive Financial Reports for the relevant year.

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## CITY OF NEWTON, NORTH CAROLINA

Table 1

Net Position by Component  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)  
(Unaudited)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Governmental Activities:</b>										
Net investment in capital assets	\$ 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	\$ 12,288,198
Restricted	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	3,482,655
Unrestricted	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	5,833,494
Total governmental activities net position	\$ 12,629,671	\$ 13,347,629	\$ 14,429,274	\$ 15,483,047	\$ 16,981,003	\$ 17,299,655	\$ 17,246,167	\$ 18,682,972	\$ 19,885,161	\$ 21,604,347
<b>Business-type Activities:</b>										
Net investment in capital assets	\$ 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	\$ 30,150,761
Unrestricted	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	14,878,356
Total business-type activities net position	\$ 34,991,802	\$ 35,765,703	\$ 36,315,898	\$ 36,289,135	\$ 36,931,994	\$ 37,410,177	\$ 38,190,974	\$ 39,830,796	\$ 41,990,984	\$ 45,029,117
<b>Primary Government:</b>										
Net investment in capital assets	\$ 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	\$ 42,438,959
Restricted	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	3,482,655
Unrestricted	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	20,711,850
Total primary government net position	\$ 47,621,473	\$ 49,113,332	\$ 50,745,172	\$ 51,772,182	\$ 53,912,997	\$ 54,709,832	\$ 55,437,141	\$ 58,513,768	\$ 61,876,145	\$ 66,633,464

CITY OF NEWTON, NORTH CAROLINA

Table 2, page 1 of 2

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Expenses:</b>										
Governmental activities:										
General government	\$ 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	\$ 2,059,253
Transportation	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	1,675,898
Environmental protection	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	1,304,530
Public Safety	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	7,518,114
Cultural and recreational	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	1,472,717
Economic and physical development	-	1,000	50,000	-	-	151,185	170,940	-	406,805	344,845
Interest on long-term debt	151,154	102,178	140,224	190,377	186,606	172,773	175,088	212,893	217,251	196,972
Total governmental activities expenses	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	14,572,329
Business-type activities:										
Water and Wastewater	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	8,206,063
Electric	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	16,432,265
Total business-type activities expenses	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	24,638,328
Total primary government expenses	\$ 29,949,431	\$ 30,458,165	\$ 32,272,907	\$ 32,843,441	\$ 32,786,855	\$ 34,449,969	\$ 35,533,544	\$ 36,286,647	\$ 39,088,656	\$ 39,210,657
<b>Program Revenues:</b>										
Governmental activities:										
Charges for services	\$ 208,600	\$ 273,757	\$ 169,502	\$ 179,212	\$ 199,335	\$ 139,340	\$ 148,044	\$ 160,715	\$ 107,180	\$ 117,850
General government	-	2,104	-	24,975	4,767	-	-	34	-	-
Transportation	575,067	757,023	881,425	886,194	880,225	883,748	887,607	934,708	1,013,925	1,447,214
Environmental protection	119,909	102,231	75,350	79,765	73,717	80,173	61,981	78,819	84,556	92,474
Public safety	68,561	68,544	175,478	81,399	78,971	110,246	102,628	82,077	70,687	44,055
Cultural and recreational	482,714	486,590	624,303	524,449	486,903	662,304	727,487	819,293	942,559	627,208
Operating grants and contributions	1,364,849	36,089	125,805	294,285	119,417	291,342	207,039	126,676	24,990	120,653
Total governmental activities	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	2,449,454
Business-type activities:										
Charges for services-Water and Wastewater	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	8,562,162
Charges for services - Electric	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	16,115,438
Operating grants and contributions	-	161	1,441	240,491	5,584	-	165,367	-	-	-
Capital grants and contributions	1,039,758	23,667	195,592	19,865	31,653	221,047	6,584	429,044	19,943	20,275
Total business-type activities	20,811,832	20,563,641	21,606,208	21,689,918	21,599,925	22,075,968	23,377,534	24,222,892	23,419,821	24,697,875
Total primary government program revenues	\$ 23,631,532	\$ 22,289,979	\$ 23,658,071	\$ 23,760,197	\$ 23,443,260	\$ 24,243,121	\$ 25,512,320	\$ 26,425,214	\$ 25,663,718	\$ 27,147,329
Net revenue (expense)										
Governmental activities	\$ (7,545,329)	\$ (8,647,631)	\$ (8,784,510)	\$ (8,583,354)	\$ (9,226,650)	\$ (9,875,279)	\$ (10,245,709)	\$ (10,553,284)	\$ (12,340,658)	\$ (12,122,875)
Business-type activities	1,227,430	479,445	169,674	(499,910)	(116,945)	(331,569)	224,485	691,851	(1,084,280)	59,547
Total primary government net expense	\$ (6,317,899)	\$ (8,168,186)	\$ (8,614,836)	\$ (9,083,264)	\$ (9,343,595)	\$ (10,206,848)	\$ (10,021,224)	\$ (9,861,433)	\$ (13,424,938)	\$ (12,063,328)

continued

## CITY OF NEWTON, NORTH CAROLINA

Table 2, page 2 of 2

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

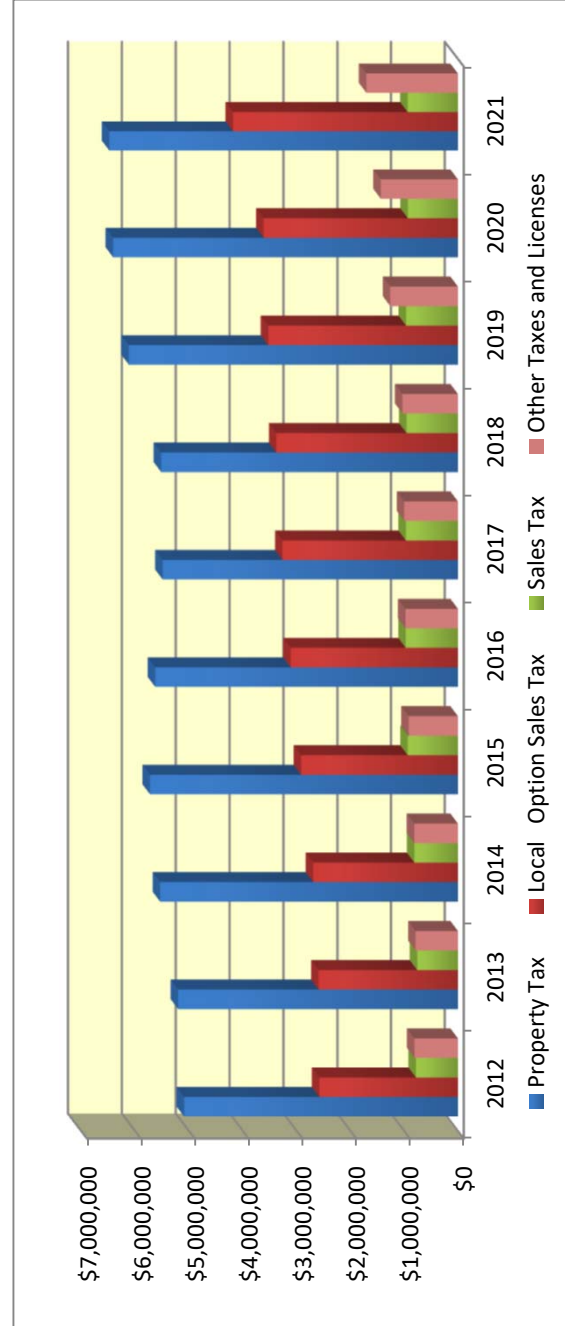
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>General Revenues and Other Changes in Net Position:</b>										
Governmental activities:										
Ad valorem taxes	\$ 5,091,914	\$ 5,201,384	\$ 5,535,417	\$ 5,723,810	\$ 5,627,039	\$ 5,489,113	\$ 5,516,304	\$ 6,116,272	\$ 6,407,920	\$ 6,478,800
Local option sales tax	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	4,181,974
Utilities sales tax	781,701	759,087	810,418	935,345	971,859	969,834	957,432	964,844	932,261	936,555
Other taxes and licenses	811,413	788,672	813,734	917,719	978,029	999,650	1,033,608	1,260,653	1,438,364	1,706,402
Unrestricted investment earnings	7,498	11,004	7,922	16,443	36,540	56,263	133,475	212,669	130,918	2,330
Capital contributions	-	-	-	-	-	-	-	5,779	-	-
Transfers	3,350	10,000	4,000	-	-	-	-	-	349,550	536,000
Total governmental activities	9,276,164	9,365,389	9,866,155	10,511,236	10,724,606	10,778,620	11,018,307	12,089,256	12,874,597	13,842,061
Business-type activities:										
Other taxes and licenses	277,993	297,967	319,537	735,702	737,150	751,171	771,470	769,068	743,064	757,815
Unrestricted investment earnings	7,177	6,490	5,081	8,758	20,922	40,261	94,104	155,342	133,545	2,718
Miscellaneous	-	-	31,870	4,728	1,732	18,320	28,153	29,340	11,299	-
Power agency refund	-	-	-	-	-	-	-	-	2,007,580	2,754,053
Capital contributions	-	-	28,033	-	-	-	-	-	-	-
Transfers	(3,350)	(10,000)	(4,000)	-	-	-	-	(5,779)	(349,550)	(536,000)
Total business-type activities	281,820	294,457	380,521	749,188	759,804	809,752	893,727	947,971	2,545,938	2,978,586
Total primary government	\$ 9,557,984	\$ 9,660,046	\$ 10,246,676	\$ 11,260,424	\$ 11,484,410	\$ 11,588,372	\$ 11,912,034	\$ 13,037,227	\$ 15,420,535	\$ 16,820,647
<b>Change in Net Position:</b>										
Governmental activities	\$ 1,730,835	\$ 717,958	\$ 1,081,645	\$ 1,927,902	\$ 1,497,956	\$ 903,341	\$ 772,598	\$ 1,535,972	\$ 533,939	\$ 1,719,186
Business-type activities	1,509,250	773,902	550,195	249,278	642,859	478,183	1,118,212	1,639,822	1,461,658	3,038,133
Total primary government	\$ 3,240,085	\$ 1,491,860	\$ 1,631,840	\$ 2,177,180	\$ 2,140,815	\$ 1,381,524	\$ 1,890,810	\$ 3,175,794	\$ 1,995,597	\$ 4,757,319

CITY OF NEWTON, NORTH CAROLINA

Table 3

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

Fiscal Year	Property Tax	Local Option Sales Tax	Utilities Sales Tax	Other Taxes and Licenses	Total
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
2021	6,478,800	4,181,974	936,555	1,706,402	13,303,731



## CITY OF NEWTON, NORTH CAROLINA

Table 4

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>General Fund:</b>										
Non-Spendable - inventory	\$ 46,555	\$ 62,836	\$ 56,653	\$ 41,363	\$ 41,442	\$ 44,606	\$ 49,037	\$ 40,019	\$ 37,356	\$ 49,505
Non-Spendable - prepaids	-	-	-	194,572	214,392	395,283	-	-	-	-
Restricted - Stabilization by State Statute	672,248	735,016	1,114,520	1,145,967	944,907	1,056,556	1,227,022	1,622,163	2,217,878	2,752,304
Restricted	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	1,600,025
Assigned	-	47,490	42,750	45,690	474,790	1,020,600	596,870	377,110	828,380	617,870
Unassigned	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	8,247,946
Total General Fund	\$ 5,724,128	\$ 5,223,961	\$ 6,422,189	\$ 7,932,593	\$ 8,621,096	\$ 8,856,266	\$ 9,359,014	\$ 9,110,062	\$ 10,752,827	\$ 13,267,650
<b>All other Governmental Funds:</b>										
Non-Spendable - prepaids	\$ -	\$ -	\$ -	\$ -	\$ 10,693	\$ -	\$ -	\$ -	\$ -	\$ -
Special revenue funds										
Restricted - Stabilization by State Statute	893	-	-	1,076	1,412	56,617	1,765	6,908	5,712	3,554
Special revenue funds	280	127,364	27,619	75,443	8,204	-	-	33,770	15,028	2,222
Capital projects funds										
Restricted	1,369	1,734	5,781	17,505	9,040	23,801	2,289,539	16,212	19,762	31,044
Special revenue funds	-	-	2,302,634	7,634	-	-	-	181,150	222,389	4,890
Capital projects funds										
Committed	2,595	-	-	-	-	-	-	-	-	-
Special revenue funds	87,538	97,930	-	-	-	242	-	479,801	139,204	741,452
Capital projects funds										
Unassigned	(893)	-	(251,783)	-	-	(33,132)	(49,886)	-	-	-
Special revenue funds	-	-	-	(71,264)	(7,962)	-	-	-	-	-
Capital projects funds										
Total expenditures	\$ 91,782	\$ 227,028	\$ 2,084,251	\$ 30,394	\$ 21,387	\$ 47,528	\$ 2,241,418	\$ 717,841	\$ 402,095	\$ 783,162

## CITY OF NEWTON, NORTH CAROLINA

Table 5

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Revenues:</b>										
Ad valorem taxes	\$ 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	\$ 6,557,317
Other taxes and licenses	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	5,307,984
Unrestricted intergovernmental	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	1,516,947
Restricted intergovernmental	667,112	495,228	734,785	505,854	576,029	878,871	696,019	748,547	897,736	620,542
Permits and fees	85,022	120,130	77,535	77,621	74,062	74,021	71,826	68,501	63,197	62,047
Sales and services	668,236	869,564	1,068,745	987,234	974,145	1,027,230	1,004,789	1,050,070	1,131,354	1,551,652
Investment earnings	6,751	10,271	6,955	14,278	31,686	48,245	115,157	182,968	114,136	2,242
Miscellaneous	1,399,330	241,416	170,798	499,570	219,099	187,031	362,152	236,039	179,855	214,584
Total revenues	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	15,833,315
<b>Expenditures:</b>										
Current:										
General government	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	1,846,436
Transportation	990,918	1,106,278	932,167	1,205,132	1,116,908	876,934	1,145,161	1,111,032	1,378,944	1,337,526
Environmental protection	899,515	1,276,480	994,820	987,293	1,065,055	1,248,865	1,009,656	1,645,793	1,092,671	1,142,884
Public safety	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	7,255,555
Cultural and recreational	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	1,412,735
Economic and physical development	133,577	1,000	50,000	-	-	151,185	170,940	-	406,805	344,845
Capital Outlay	-	251,314	1,605,278	2,066,766	387,731	-	50,128	2,575,964	1,557,989	342,248
Debt service:										
Principal	777,353	878,663	768,247	1,086,464	1,064,396	1,014,600	1,012,028	1,101,359	1,056,297	1,029,630
Interest	136,849	122,930	101,897	193,809	192,638	182,600	163,846	225,852	218,957	205,377
Total expenditures	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	14,917,236
Revenues over (under) expenditures	494,563	(834,884)	(971,549)	(1,827,845)	24,396	(53,989)	77,688	(2,673,397)	(1,483,366)	916,079
<b>Other Financing Sources (Uses):</b>										
Issuance of debt	1,298,339	443,682	4,023,000	1,284,392	655,100	315,300	2,618,950	900,868	1,091,752	1,443,811
Transfers from other funds	177,685	445,417	267,676	-	29,413	17,482	-	1,021,850	2,061,150	886,350
Transfers to other funds	(174,335)	(435,417)	(263,676)	-	(29,413)	(17,482)	-	(1,021,850)	(911,600)	(350,350)
Total other financing sources (uses)	1,301,689	453,682	4,027,000	1,284,392	655,100	315,300	2,618,950	900,868	2,241,302	1,979,811
Net change in fund balances	\$ 1,796,252	\$ (381,202)	\$ 3,055,451	\$ (543,453)	\$ 679,496	\$ 261,311	\$ 2,696,638	\$ (1,772,529)	\$ 757,936	\$ 2,895,890
Debt service as a percentage of non-capital expenditures	8.9%	9.5%	8.3%	11.6%	11.2%	10.2%	9.7%	10.6%	9.5%	9.3%

CITY OF NEWTON, NORTH CAROLINA

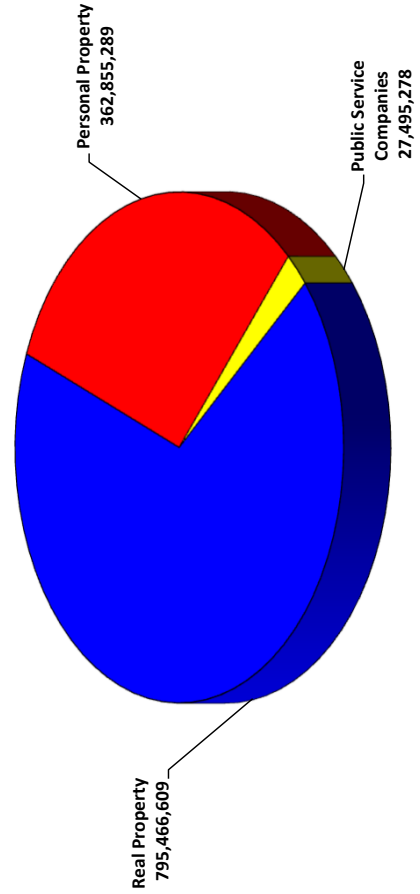
Table 6

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		
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%
2021	795,466,609	362,855,289	27,495,278	1,185,817,176	0.54	0.2%

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.



CITY OF NEWTON, NORTH CAROLINA

Table 7

Property Tax Rates-Direct and Overlapping Governments  
Last Ten Fiscal Years  
(Unaudited)

Fiscal Year	City of Newton	Catawba County	Total City and County Rate
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
2021	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)

		2021				2012			
		Total		Percentage of Total		Total		Percentage of Total	
<u>Taxpayer</u>	<u>Type of Enterprise</u>	<u>Assessed</u>	<u>Valuation</u>	<u>Rank</u>	<u>Assessed</u>	<u>Valuation</u>	<u>Rank</u>	<u>Assessed</u>	<u>Valuation</u>
Target Corp.	Distribution Center	\$ 73,789,032	1	6.22%	\$ 116,598,185	1	10.99%		
Corning	Fiber Optic Cable	55,729,546	2	4.70%					
ZF Lemforder Corp.	Automotive Product Mfg.	42,670,713	3	3.60%	33,899,061	2	3.20%		
Sarstedt, Inc.	Pharmaceutical Plastics	21,591,051	4	1.82%	13,402,995	5	1.26%		
Flowers Baking Co.	Bread and Pastries	17,047,576	5	1.44%	28,399,219	3	2.68%		
Wanzl North America	Shopping Cart Manufacturing	16,745,802	6	1.41%	11,814,897	6	1.11%		
Renwood Mills	Flour Mill	13,704,418	7	1.16%					
International Paper	Paper Products	12,898,683	8	1.09%	9,139,777	8	0.86%		
Duke Energy Carolinas, LLC	Electric Service Provider	9,952,388	9	0.84%					
Peoples Bank	Banking	9,480,148	10	0.80%	9,393,114	7	0.89%		
Bassett Furniture Industries	Furniture Manufacturing				7,888,415	9	0.74%		
Midstate Mills, Inc.	Flour Mill				15,851,888	4	1.49%		
Comm Scope, Inc.	Fiber Optic Cable				6,940,800	10	0.65%		
Totals		\$ 273,609,357		23.08%	\$ 253,328,351		23.87%		

Source: Catawba County Tax Office

**CITY OF NEWTON, NORTH CAROLINA**

**Table 9**

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

<b>Fiscal Year</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Current Year's Taxes Collected/Credited</b>	<b>Percentage of Levy Collected</b>	<b>Collections in Subsequent Years</b>	<b>Total Collections and Credits</b>	<b>Percentage of Total Tax Collections To Net Levy</b>	<b>Taxes Receivable Balance-June 30<sup>(1)</sup></b>
2012	\$ 5,095,309	\$ 4,853,555	95.3%	\$ 225,729	\$ 5,079,284	99.7%	\$ 16,025
2013	5,225,531	4,951,737	94.8%	240,825	5,192,562	99.4%	32,969
2014	5,495,149	5,267,703	95.9%	207,133	5,474,836	99.6%	20,313
2015	5,674,945	5,538,243	97.6%	123,989	5,662,232	99.8%	12,713
2016	5,595,433	5,467,059	97.7%	116,125	5,583,184	99.8%	12,249
2017	5,464,152	5,349,828	97.9%	100,599	5,450,427	99.7%	13,725
2018	5,486,139	5,371,299	97.9%	96,041	5,467,340	99.7%	18,799
2019	6,087,664	5,995,034	98.5%	68,101	6,063,135	99.6%	24,529
2020	6,395,971	6,277,280	98.1%	72,330	6,349,610	99.3%	46,361
2021	6,409,118	6,321,154	98.6%	-	6,321,154	98.6%	87,964

**NOTES:**

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

CITY OF NEWTON, NORTH CAROLINA

Table 10

Electricity Sold by Type of Customer  
Last Ten Fiscal Years  
(in millions of kWh)  
(Unaudited)

Fiscal Year	Type of Customer			Total
	Residential	Industrial	Commercial	
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
2021	48.5	52.4	49.8	150.7

Source: City of Newton Utility Billing

CITY OF NEWTON, NORTH CAROLINA

Table 11

Electricity Rates  
Last Ten Fiscal Years  
(Unaudited)

Fiscal Year	Residential				Industrial				
	Basic Facilities	Rate per kWh 1st 350	Rate per kWh next 950	Rate per kWh over 1300	Demand over 30 KW (per KW)	Basic Facilities	Rate per kWh 1st 3000	Rate per kWh next 9000	Rate per kWh over 12000
2012	\$ 11.10	\$ 0.093696	\$ 0.105306	\$ 0.094791	\$ 7.1800	\$ 22.29	\$ 0.126994	\$ 0.069439	\$ 0.060851
2013	11.79	0.099505	0.111835	0.100668	7.6300	23.67	0.134868	0.073744	0.064624
2014	12.45	0.105077	0.118098	0.106305	8.0573	25.00	0.142421	0.077874	0.068243
2015	12.45	0.105077	0.118098	0.106305	8.0573	25.00	0.142421	0.077874	0.068243
2016	12.45	0.105077	0.118098	0.106305	8.0573	25.00	0.142421	0.077874	0.068243
2017	12.57	0.106128	0.119279	0.107368	8.1379	25.25	0.143845	0.078653	0.068925
2018	12.57	0.106128	0.119279	0.107368	8.1379	25.25	0.143845	0.078653	0.068925
2019	12.57	0.101883	0.114508	0.103073	8.1379	25.25	0.142407	0.077866	0.068236
2020	12.57	0.099885	0.112263	0.101055	8.1379	25.25	0.142407	0.077866	0.068236
2021	12.57	0.099885	0.112263	0.101055	8.1379	25.25	0.142407	0.077866	0.068236
Fiscal Year	Commercial				Commercial				
	Basic Facilities	Demand over 30 KW	Rate per kWh 1st 3000	Rate per kWh next 9000	Rate per kWh 1st 3000	Rate per kWh next 9000	Rate per kWh over 12000		
2012	\$ 14.90	\$ 8.1248	\$ 0.131640	\$ 0.069135	\$ 0.131640	\$ 0.069135	\$ 0.062352		
2013	15.82	8.6285	0.139802	0.073421	0.139802	0.073421	0.066218		
2014	16.71	9.1117	0.147631	0.077533	0.147631	0.077533	0.069926		
2015	16.71	9.1117	0.147631	0.077533	0.147631	0.077533	0.069926		
2016	16.71	9.1117	0.147631	0.077533	0.147631	0.077533	0.069926		
2017	16.88	9.2028	0.149107	0.078308	0.149107	0.078308	0.070625		
2018	16.88	9.2028	0.149107	0.078308	0.149107	0.078308	0.070625		
2019	16.88	9.2028	0.147616	0.077525	0.147616	0.077525	0.069919		
2020	16.88	9.2028	0.147616	0.077525	0.147616	0.077525	0.069919		
2021	16.88	9.2028	0.147616	0.077525	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 Year	Governmental Activities		Business-type Activities		Total Government	Percentage of Personal Income <sup>(1)</sup>	Per Capita <sup>(1)</sup>
	General Obligation Bonds	Loans Payable	General Obligation Bonds	Loans Payable			
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	3.54%	1,640
2020	-	7,680,021	-	12,460,435	20,140,456	N/A	1,542
2021	-	8,094,202	-	12,483,705	20,577,907	N/A	1,562

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)

Fiscal Year	Population <sup>(1)</sup>	Total Assessed Value	Gross Bonded Debt	Percentage of Estimated Actual Taxable Value of Property	Percentage of Personal Income	Per Capita
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%	0.00%	-
2020	13,059	1,183,782,522	-	0.00%	N/A	-
2021	13,173	1,185,817,176	-	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.

CITY OF NEWTON, NORTH CAROLINA			Table 14
Direct and Overlapping Government Activities Debt			
June 30, 2021			
(Unaudited)			
	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
County of Catawba	\$ 162,998,810	6.20%	\$ 10,105,926
Subtotal, overlapping debt			10,105,926
City of Newton direct debt			8,094,202
Total			\$ 18,200,128

Note: The percentage of overlapping debt is based on the June 30, 2021 assessed valuation of the County of Catawba of \$19,134,815,417 as compared to the June 30, 2021 assessed valuation for the City of Newton of \$1,185,817,176.

CITY OF NEWTON, NORTH CAROLINA

Table 15

Legal Debt Margin Information  
Last Ten Fiscal Years  
(Unaudited)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Assessed value of taxable property	\$ 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	\$ 1,185,817,176
Debt limit, 8% of assessed value (statutory limitation)	\$ 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	\$ 94,865,374
Debt applicable to limit:										
General obligation bonds	-	-	-	-	-	-	-	-	-	-
Loans payable	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	8,094,202
Total net debt applicable to limit	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	8,094,202
Legal debt margin	\$ 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	\$ 86,771,172
Total net debt applicable to the limit as a percentage of assessed property tax value	0.41%	0.36%	0.63%	0.66%	0.67%	0.62%	0.77%	0.68%	0.65%	0.68%

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**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**  
**(Unaudited)**

**Table 16**

<b>Fiscal Year</b>	<b>Population<sup>(1)</sup></b>	<b>Personal Income (amounts expressed in thousands)<sup>(5)</sup></b>	<b>Per Capita Personal Income<sup>(2)(5)</sup></b>	<b>Median Age<sup>(1)</sup></b>	<b>School Enrollment<sup>(3)</sup></b>	<b>Unemployment Rate<sup>(4)</sup></b>
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	603,235	46,367	41.3	2,930	4.2%
2020	13,059	N/A	N/A	41.5	2,888	6.2%
2021	13,173	N/A	N/A	41.7	2,798	5.9%

**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	2021				2012			
	Employees	Rank	Percentage of Total County Employment		Employees	Rank	Percentage of Total County Employment	
Target Distribution Center	2,011	1		2.54%	500	5		0.70%
Catawba County Schools	1,947	2		2.46%	2,044	1		2.80%
Catawba County Government	1,178	3		1.49%	1,050	2		1.40%
Bassett Furniture	662	4		0.84%				
Newton-Conover City Schools	397	5		0.50%	450	6		0.60%
United Church Homes & Services (Abernethy Laurels)	389	6		0.49%	314	8		0.40%
McCreary Modern	344	7		0.43%	690	3		0.90%
Wanzl North America	341	8		0.43%	353	7		0.50%
Flowers Baking Company	296	9		0.37%	226	9		0.30%
Lee Industries	615	10		0.78%	520	4		0.70%
General Dynamics	-			0.00%	215	10		0.30%
Total	8,180			10.33%	6,362			8.60%
Total Civilian Labor Force	79,263				74,177			

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)

Function	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Government										
Administration	3	4	4	4	4	4	4	4	6	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	1
Planning	4	3	3	3	3	3	2	2	2	2
Public Works Administration	2	2	2	2	2	2	2	2	2	2
Garage	2	2	2	2	2	2	3	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	14	14	14	14	13	13	13	13
Public Safety										
Police										
Officers	35	35	36	36	36	36	36	36	35	35
Civilians	8	9	8	8	8	8	8	8	9	9
Fire	26	26	26	26	28	28	28	37	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	11	11	11	11	11	11	11	11	11	11
Water Treatment Plant	9	9	8	8	8	8	8	8	8	8
Waste Water Treatment Plant	12	12	12	12	12	12	12	12	12	12
Electric	15	15	14	14	13	13	13	14	15	15
Total	178	179	178	178	179	179	179	189	192	192

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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Police**</b>										
Calls for Service	23,609	22,265	20,352	21,951	18,171	19,657	17,979	19,913 *	17,885	16,899
Arrests	742	659	644	578	668	580	597	544 *	523	463
Traffic Stops	2,779	2,596	2,242	2,181	2,122	2,421	1,782	1,752 *	1,719	1,152
Citations	2,561	1,797	1,597	1,400	1,229	1,084	917	961 *	987	776
Property Checks	6,148	4,656	5,255	5,719	3,239	3,451	3,681	3,806 *	2,252	2,311
Incidents	1,823	1,817	2,408	2,445	2,655	2,626	2,590	2,554 *	2,384	2,207
<b>Fire</b>										
Emergency Incidents(Calls)	911	1,110	1,098	1,634	1,829	1,884	1,759	2,125 *	1,757	1,588
Fire Inspections Completed	575	535	578	604	602	617	593	658	638	721
Fire Prevention Programs	244	131	76	51	77	24	32	24	34	-
Permits Issued	42	42	24	89	127	81	97	145 *	72	98
Training Hours Completed	10,453	8,638	8,795	5,735	9,269	7,660	6,953	5,781 *	3,848	3,972
<b>Highways &amp; Streets</b>										
Paved/Resurfaced (miles)	1.27	1.04	-	3.44	0.25	0.60	0.24	0.91	0.66	1.26
Potholes Repaired	28	35	54	20	65	20	20	16	68	36
<b>Sanitation</b>										
Residential collections (tons)	4,281	4,260	4,360	4,269	4,505	5,112	4,830	4,955	5,312	5,703
Recyclables (tons)	439	418	387	383	409	407	345	327	321	260
Yardwaste collected (tons)	994	2,115	1,191	975	919	936	607	546	681	209
Households served**	5,440	4,632	4,642	4,645	4,667	4,701	4,714	4,735	4,800	4,863
<b>Culture &amp; Recreation (participants)</b>										
Center activities	24,123	24,150	26,149	27,800	23,542	40,258	40,756	34,045 *	32,676	18,836
Athletics	70,326	65,987	60,175	61,152	58,388	60,188	60,257	54,676 *	35,488	1,886
Fitness Room	3,200	1,200	1,204	1,351	2,015	2,352	3,932	3,099 *	1,036	799
Swimming Pool	3,106	3,227	3,424	3,972	4,250	4,324	4,397	3,872 *	2,495	-
Shelters	2,514	3,255	4,215	5,497	8,000	8,500	8,750	11,570 *	7,332	2,385
Cemetery burials	46	57	90	65	45	31	45	47	44	65
<b>Water</b>										
New connection	15	20	11	17	22	20	36	58	65	95
Water main breaks	23	12	12	12	17	14	14	31	30	41
Avg Daily Consumption (MGD)	3.6	3.7	3.7	3.5	3.7	3.8	3.8	3.5	3.5	3.7
Number of customers	5,977	5,965	5,974	6,032	6,072	6,107	6,146	6,195	6,306	6,397

CITY OF NEWTON, NORTH CAROLINA

Table 19, page 2 of 2

Operating Indicators By Function  
Last Ten Fiscal Years  
(Unaudited)

Function	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Wastewater</b>										
Average daily usage (MGD)	1.70	1.80	1.95	1.80	1.85	1.77	1.77	3.06	3.07	3.20
Number of customers	4,653	4,656	4,670	4,687	4,736	4,752	4,750	4,781	4,836	4,940
<b>Electric</b>										
Average daily usage (Kwh)	436,351	431,198	426,462	422,703	414,894	402,620	423,505	431,683	418,675	432,770
Peak demand	32,221	31,076	34,514	35,316	30,137	30,223	30,193	30,703	37,094	32,706
Number of customers	4,428	4,425	4,435	4,456	4,471	4,498	4,511	4,533	4,595	4,637

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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Police										
Police stations	3	3	3	3	3	3	3	3	3	3
Police patrol vehicles	31	30	35	33	31	31	29	29	27	33
Other police vehicles	22	16	16	16	16	17	17	17	20	13
Fire										
Fire Stations	3	3	3	3	3	3	3	3	3	3
Fire Suppression Vehicles	9	10	10	10	8	8	8	8	8	8
Other Fire Vehicles	7	7	7	6	6	6	8	8	9	8
Highways & Streets										
Streets maintained (miles)	77.39	77.39	77.39	77.39	77.39	77.39	77.39	77.39	77.39	77.39
Storm Sewer (miles)	65.36	65.4	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	9	9	8	8	8	8	8	8	8
Street equipment	18	28	30	26	26	28	28	28	28	28
Sanitation										
Residential trucks	4	4	4	4	4	4	4	4	4	5
Dumpster Trucks	2	2	2	2	2	2	2	2	2	2
Other Equipment	11	10	10	10	10	10	10	10	10	10
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	177	177	177
Swimming pool	1	1	1	1	1	1	1	1	1	1
Tennis courts	8	8	8	8	8	8	6	6	6	6
Cemeteries	3	3	3	3	3	3	3	3	3	3

CITY OF NEWTON, NORTH CAROLINA

Table 20, page 2 of 2

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

Function	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Water										
Water lines (miles)	182.5	182.5	182.5	182.5	182.5	182.5	182.5	190.3	193.1	193.1
Fire hydrants	1,077	1,022	1,022	1,024	1,024	1,024	1,024	1,163	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)	134.7	132	132	132	132	132	132	133	133	133
Electric										
Substations	3	2	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

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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, 2021, 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 November 16, 2021.

### **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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

### **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*.

### **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  
November 16, 2021

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## CITY OF NEWTON, NORTH CAROLINA

### SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2021

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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? No
- Significant deficiency(ies) identified? None reported

Non-compliance material to financial statements noted? No

#### 2. Financial Statement Findings

None reported.

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**CITY OF NEWTON, NORTH CAROLINA**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2021**

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Finding: 2020-001 – Corrected.