

CITY OF NORTHWEST
Financial Statements
For the Year Ended June 30, 2021

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City of Northwest, North Carolina
Table of Contents
June 30, 2021

	<u>Page</u>
INTRODUCTORY SECTION	
List of Principal Officials	6
FINANCIAL SECTION	
Independent Auditor's Report	7
Management's Discussion and Analysis	9
Basic Financial Statements	
Statement of Net Position	18
Statement of Activities	19
Fund Financial Statements	
Balance Sheet - Governmental Fund	20
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	21
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Fund to the Statement of Activities	23
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	24
Notes to the Financial Statements	26

City of Northwest, North Carolina
Table of Contents
June 30, 2021

	<u>Page</u>
Required Supplementary Financial Data	
Proportionate Share of Net Pension Liability - Local Government Employees' Retirement System	49
Contributions - Local Government Employees' Retirement System	50
Schedule of Changes in Total Pension Liability - Law Enforcement Officer's Special Separation Allowance	51
Schedule of Total Pension Liability as a Percentage of Covered Payroll - Law Enforcement Officer's Special Separation Allowance	52
Individual Fund Statements and Schedules	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	54
Other Schedules	
Schedule of Ad Valorem Taxes Receivable	58
Analysis of Current Tax Levy - City-Wide Levy	59
Compliance Section	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed With Government Auditing Standards	60

Introductory Section

**City of Northwest, North Carolina
List of Principal Officials
June 30, 2021**

Mayor and City Council

James A. Knox, Mayor
Charles Carroll, Mayor Pro Tem
Aaron Perkins
Haywood Miller
Shelia Grady
Michael Troy

Administrative Officer

Donna Strickland, City Clerk/Finance Officer

Independent Auditor's Report

To the Honorable Mayor
and Members of the City Council
Northwest, 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 Northwest, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Northwest, 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 on pages 9 through 16, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions on pages 49 and 50, and the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 51 and 52, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 Information 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 Northwest, North Carolina. The introductory information, combining and individual fund statements, budgetary schedules, and other schedules, are presented for purpose of additional analysis and are not a required part of the basic financial statements.

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

S. Preston Douglas & Associates, LLP

Whiteville, North Carolina
December 15, 2021

Management's Discussion and Analysis

**City of Northwest, North Carolina
Management's Discussion and Analysis
June 30, 2021**

Management's Discussion and Analysis

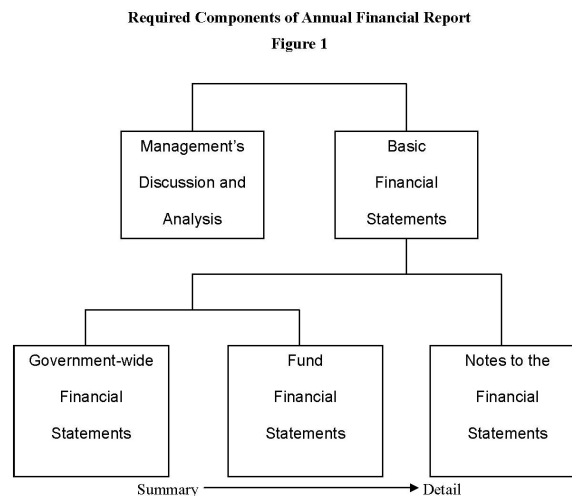
As management of the City of Northwest, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Northwest for the fiscal year ending June 30, 2021. We encourage readers to read the information presented here in conjunction with 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 Northwest exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$920,559 (*net position*).
- The government's total net position increased by \$134,438 during the period.
- As of the close of the current fiscal year, the City of Northwest's governmental funds reported combined ending fund balances of \$824,295 with a net positive change of \$187,858.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$680,258 or 136.71 percent of total governmental fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to City of Northwest'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 Northwest.



City of Northwest, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Basic Financial Statements

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

The next statements (Exhibits 3 through 8) 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 two parts to the Fund Financial Statements: 1) the governmental funds statements and 2) the budgetary comparison statements.

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, in a manner similar to the 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, deferred outflows of resources, and total liabilities and deferred inflows of resources. Measuring net position is one way to gage the City's financial condition.

The government-wide statements are made up of the governmental activities. The governmental activities include most of the City's basic services such as general government, public safety, transportation, and cultural and recreation. Property taxes and State shared revenues finance most of these activities.

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 Northwest, like all other state and local governments, 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 Northwest are made up of governmental funds.

City of Northwest, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. 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 monies that are unexpended 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 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 Northwest adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the City, and the decisions of the Board 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.

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 can be found following the financial statements 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 Northwest's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 54 of this report.

City of Northwest, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Interdependence with Other Entities. The City depends on financial resources flowing from, or associated with, both the Federal Government and 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 Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

The City of Northwest's Net Position
Figure 2

	Governmental Activities		Totals	
	2021	2020	2021	2020
Current and other assets	\$ 1,158,916	\$ 666,289	\$ 1,158,916	\$ 666,289
Capital assets	136,282	169,977	136,282	169,977
Deferred outflows of resources	41,445	27,784	41,445	27,784
Total assets	1,336,643	864,050	1,336,643	864,050
Long-term liabilities outstanding	76,525	61,686	76,525	61,686
Other liabilities	20,677	8,106	20,677	8,106
Deferred inflows of resources	312,378	8,137	312,378	8,137
Total liabilities	409,580	77,929	409,580	77,929
Net position				
Net investment in capital assets	136,282	169,977	136,282	169,977
Restricted	144,037	151,571	144,037	151,571
Unrestricted	640,240	464,573	640,240	464,573
Total net position	\$ 920,559	\$ 786,121	\$ 920,559	\$ 786,121

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of the City exceeded liabilities and deferred inflows by \$920,559 at the close of the current fiscal year. The City's net position increased by \$134,438 for the fiscal year ended June 30, 2021. The primary reasons for the increase is an increase in grant revenue and an increase in property tax revenues. The largest portion of the City's net position, 69.55%, reflects its unrestricted net position. Net investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure); less any related debt used to acquire those assets that are still outstanding, makes up 14.80% of total net position. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the City's investment in its capital assets is reported net of related debt, it should note that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance is the restricted portion of net position, \$144,037 or 15.65%, represents the City's resources that are subject to external restrictions on how they may be used.

City of Northwest, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

City of Northwest's Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Program Revenues						
Charges for services	\$ 261	\$ -	\$ -	\$ 216,090	\$ 261	\$ 216,090
Operating grants	225,437	35,656	-	-	225,437	35,656
General revenues					-	-
Property taxes	139,441	129,285	-	-	139,441	129,285
Other taxes	306,310	296,932	-	-	306,310	296,932
Other	6,198	5,441	-	223	6,198	5,664
Total revenues	677,647	467,314	-	216,313	677,647	683,627
Expenses:						
General government	291,906	225,072	-	-	291,906	225,072
Transportation	33,635	40,720	-	-	33,635	40,720
Public Safety	197,880	180,958	-	-	197,880	180,958
Cultural and recreation	19,788	5,381	-	-	19,788	5,381
Interest on long-term debt	-	173	-	-	-	173
Water and Sewer	-	-	-	330,140	-	330,140
Total expenses	543,209	452,304	-	330,140	543,209	782,444
Change in net position	134,438	15,010	-	(113,827)	134,438	(98,817)
Transfers	-	-	-	-	-	-
Extraordinary item: Disposal of government operations	-	(37,738)	-	(5,913,511)	-	-
Change in net position	134,438	(22,728)	-	(6,027,338)	134,438	(6,050,066)
Beginning net position	786,121	808,849	-	6,027,338	786,121	6,836,187
Net position, ending	\$ 920,559	\$ 786,121	\$ -	\$ -	\$ 920,559	\$ 786,121

City of Northwest, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Governmental activities. Governmental activities increased the City's net position by \$134,438. An increase in revenues of \$210,333 was the key element in the higher net position.

Business-type activities. There were no business-type activities during the fiscal year.

Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the City'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's financing requirements.

The General fund is the chief operating fund of the City of Northwest. At the June 30, 2021, the fund balance for the City of Northwest's General Fund reached \$824,295. Of this, \$144,037 was restricted, leaving an unassigned fund balance of \$680,258 available for spending at the City's discretion. The City's general fund currently has an available fund balance of 136.71% of governmental fund expenditures.

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 from external sources, such as federal and State grants.
3. Increases in appropriates that become necessary to maintain services and obligations from prior years not completed.

Capital Assets and Debt Administration Capital Assets

The City of Northwest's investments in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$136,282 (net of accumulated depreciation). The investments in capital assets includes land, buildings and other systems, infrastructure, and vehicles and motorized equipment.

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

	Governmental Activities		Totals			
	2021	2020	2021	2020		
Land	\$ 63,980	\$ 63,980	\$ 63,980	\$ 63,980		
Buildings and other systems	25,694	27,850	25,694	27,850		
Infrastructure	7,671	10,228	7,671	10,228		
Vehicles and motorized equipment	38,937	67,919	38,937	67,919		
Plant and Distribution System	-	-	-	-		
Total capital assets, net	\$ 136,282	\$ 169,977	\$ 136,282	\$ 169,977		

Additional information on the City's capital assets can be found in the notes to the Basic Financial Statements.

Long-term debt. As of June 30, 2021, the City of Northwest had no long-term debt outstanding.

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

**City of Northwest, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021**

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: City management will continue to prepare budgets to maintain spending where possible. The City will budget conservatively to ensure incoming revenues can offset all expected expenditures.

Request 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 of the information found in this report or requests for additional information should be directed to:

Donna Strickland, Finance Director/City Clerk
City of Northwest
4889 Vernon Road
Northwest, NC 28451

One can also call (910) 655-3110 or reach via email to cityclerk@cityofnorthwest.com.

Basic Financial Statements

City of Northwest, North Carolina
Statement of Net Position
June 30, 2021

	Primary Government	
	Governmental	
	Activities	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 700,908	\$ 700,908
Taxes receivables, net	21,146	21,146
Accounts receivable	87,631	87,631
Restricted cash and cash equivalents	349,231	349,231
Total current assets	1,158,916	1,158,916
Non-current assets:		
Capital assets (Note 3):		
Land and non-depreciable improvements	63,980	63,980
Other capital assets, net of depreciation	72,302	72,302
Total capital assets	136,282	136,282
Total assets	1,295,198	1,295,198
DEFERRED OUTFLOWS OF RESOURCES		
Pension Deferrals	41,445	41,445
Total deferred outflows of resources	41,445	41,445
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	20,677	20,677
Total current liabilities	20,677	20,677
Long-term liabilities:		
Net pension liability-LGERS	41,452	41,452
Total pension liability-LEOSSA	35,073	35,073
Compensated absences	6,504	6,504
Due in more than one year	-	-
Total long term liabilities	83,029	83,029
Total liabilities	103,706	103,706
DEFERRED INFLOWS OF RESOURCES		
Pension deferral	12,378	12,378
Deferred Resiliency grant	300,000	300,000
Total deferred inflows of resources	312,378	12,378
NET POSITION		
Net investment in capital assets	136,282	136,282
Restricted for:		
Stabilization by State Statute	94,833	94,833
Transportation - Powell Bill	49,204	49,204
Unrestricted	640,240	640,240
Total net position	\$ 920,559	\$ 920,559

City of Northwest, North Carolina
Statement of Activities
Year Ended June 30, 2021

		Program Revenues			Net (Expense) Revenue and Changes in Net Position	
					Primary Government	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Primary government:						
Governmental Activities:						
General government	\$ 291,906	\$ -	\$ 200,000	\$ -	\$ (91,906)	\$ (91,906)
Transportation	33,635	-	25,437	-	(8,198)	(8,198)
Public Safety	197,880	261	-	-	(197,619)	(197,619)
Cultural and recreation	19,788	-	-	-	(19,788)	(19,788)
Interest on long-term debt	-	-	-	-	-	-
Total governmental activities	543,209	261	225,437	-	(317,511)	(317,511)
Total primary government	\$ 543,209	\$ 261	\$ 225,437	\$ -	\$ (317,511)	\$ (317,511)
General revenues:						
Taxes:						
Property taxes, levied for general purpose					139,441	139,441
Local Option Sales Taxes					289,031	289,031
Other taxes and licenses					17,279	17,279
Investment earnings, unrestricted					97	97
Miscellaneous, unrestricted					6,101	6,101
Total general revenues and transfers					451,949	451,949
Extraordinary item: Disposal of government operations					-	-
Total general revenues, transfers and extraordinary items					451,949	451,949
Change in net position					134,438	134,438
Net position, beginning					786,121	786,121
Net position, ending					\$ 920,559	\$ 920,559

City of Northwest, North Carolina
Balance Sheet - Governmental Fund
June 30, 2021

	Major Fund General	Total Governmental Fund
<u>ASSETS</u>		
Cash and cash equivalents	\$ 700,908	\$ 700,908
Restricted cash and cash equivalents	349,231	349,231
Taxes receivables, net	21,146	21,146
Accounts Receivable	87,631	68,756
Total assets	1,158,916	1,140,041
<u>LIABILITIES</u>		
Accounts payable and accrued liabilities	20,677	20,677
Total liabilities	20,677	20,677
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Property taxes receivable	13,944	13,944
Deferred Resiliency Grant	300,000	300,000
Total deferred inflows of resources	313,944	313,944
<u>FUND BALANCES</u>		
Restricted		
Stabilization by State Statute	94,833	94,833
Transportation - Powell Bill	49,204	49,204
Unassigned	680,258	680,258
Total fund balances	824,295	824,295
Total liabilities, deferred inflows of resources and fund balances	\$ 1,158,916	\$ 1,158,916

City of Northwest, North Carolina
Balance Sheet - Governmental Fund
June 30, 2021

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

Total Fund Balance, Governmental Funds	\$	824,295
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Capital assets used in governmental activities are not financial
resources and therefore not reported in the funds.

Gross capital assets at historical cost	518,510	
Accumulated depreciation	(382,228)	136,282

Liabilities for earned revenues considered deferred inflows of resources in fund statements		13,944
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Deferred outflows of resources related to pensions are not reported in the funds		41,445
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Long-term liabilities used in governmental activities are not
financial uses and therefore are not reported in the funds.

Gross long-term debt beginning	-	
Long-term debt included as net position below (includes principal payments during the year)	-	
Compensated Absences	(6,504)	
Net pension liability	(41,452)	
Total pension liability	(35,073)	(83,029)

Deferred inflows of resources related to pensions are not reported in the funds.		(12,378)
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Net position of governmental activities	\$	920,559
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City of Northwest, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Fund
Year Ended June 30, 2021

	<u>Major Fund</u> <u>General</u>	<u>Total</u> <u>Governmental</u> <u>Fund</u>
Revenues:		
Ad valorem taxes	\$ 147,243	\$ 147,243
Unrestricted intergovernmental	306,310	306,310
Restricted intergovernmental	225,437	225,437
Sales and Services	261	261
Miscellaneous	6,101	6,101
Investment earnings	97	97
Total revenues	<u>685,449</u>	<u>685,449</u>
Expenditures:		
Current:		
General government	273,419	273,419
Transportation	31,078	31,078
Public Safety	173,566	173,566
Cultural and recreation	19,528	19,528
Total expenditures	<u>497,591</u>	<u>497,591</u>
Excess (deficiency) of revenues over expenditures	<u>187,858</u>	<u>187,858</u>
 Net change in fund balances	 187,858	 187,858
 Fund balances, beginning	 636,437	 636,437
 Fund balances, ending	 <u>\$ 824,295</u>	 <u>\$ 824,295</u>

City of Northwest, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Fund to the Statement of Activities
Year Ended June 30, 2021

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

Net change in fund balances - total governmental funds	\$	187,858
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	\$	-	
Depreciation expense for governmental assets		(33,695)	(33,695)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		10,941
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues		(7,802)
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The issuance of long term debt provides current financial to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items

Principal payments on long term debt		-
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Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Pension expense		(17,667)
Compensated absences		(5,197)

Total changes in net position of governmental activities

	\$	134,438
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City of Northwest, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 118,400	\$ 118,400	\$ 147,243	\$ 28,843
Unrestricted intergovernmental	235,402	239,402	306,310	66,908
Restricted intergovernmental	179,461	247,390	225,437	(21,953)
Sales and Services	200	200	261	61
Miscellaneous	4,600	4,600	6,101	1,501
Investment earnings	75	75	97	22
Total revenues	<u>538,138</u>	<u>610,067</u>	<u>685,449</u>	<u>75,382</u>
Expenditures:				
Current:				
General Government	300,993	368,922	273,419	95,503
Transportation	35,336	35,336	31,078	4,258
Public Safety	330,282	334,282	173,566	160,716
Cultural and Recreational	49,602	49,602	19,528	30,074
Total expenditures	<u>716,213</u>	<u>788,142</u>	<u>497,591</u>	<u>290,551</u>
Revenues over (under) expenditures	<u>(178,075)</u>	<u>(178,075)</u>	<u>187,858</u>	<u>365,933</u>
Fund balance appropriated	<u>178,075</u>	<u>178,075</u>	-	<u>178,075</u>
Net change in fund balance	-	-	187,858	<u>\$ 187,858</u>
Fund balance, beginning			636,437	
Fund balance, ending			<u>\$ 824,295</u>	

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Northwest conform to generally accepted accounting principles as applicable to governments. The City does not have any discretely presented component units. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The City of Northwest is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the City. There are no discretely presented component units.

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 double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the 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.

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

The City reports the following major governmental funds:

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

The City has no non-major governmental funds.

The City has no major or non-major enterprise funds:

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, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the 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 including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's general 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

The 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. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered shared revenue for the City of Northwest because the tax is levied by Brunswick 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 are both restricted and unrestricted net positions 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. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. The Finance Officer is authorized by the budget ordinance to transfer appropriations between functional areas within a fund up to \$100, however any revisions that alter the total expenditures of any fund or change functional appropriations by more than \$100 must be approved by the governing board. All amendments must be approved by the governing board and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1. Deposits and Investments

All deposits of the City are made in board-designated official depositories and are secured as 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.

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 no cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents.

3. Restricted Assets

Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per NC G.S. 136-41.1 through 136-41.4.

Governmental Activities			
General Fund	Streets	\$	49,203
	NC Resiliency Grant		<u>300,028</u>
Total Restricted Cash		\$	<u><u>349,231</u></u>

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. 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 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2019. As allowed by state law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

The City has no inventory or prepaid items.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization cost is \$5,000. 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 assets' 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 Lives</u>
Buildings	40
Infrastructure	20
Maintenance and construction equipment	5
Furniture and office equipment	5
Equipment	5
Automobiles and light trucks	5

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has one item that meets this criterion, contributions made to the pension plan in the 2021 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has two items that meet the criterion for this category – property taxes receivable and pension deferrals.

9. Long-Term Obligations

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

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

10. Compensated Absences

The vacation policy of both the City provides for the accumulation of up to thirty (30) days 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. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is 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 accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the City does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as 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.

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:

Nonspendable 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.

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

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

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

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the City of Northwest's governing body (highest level of decision-making authority). The governing body 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.

Assigned Fund balance – portion of fund balance that the City of Northwest intends to use for specific purposes.

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

The City of Northwest 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, City funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed by 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 in the best interest of the City.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local 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 Northwest's employer contributions are recognized when due and the City of Northwest 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.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

None

III. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All 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 agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the 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 under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no formal policy regarding custodial risk for deposits, but rely 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 \$1,050,139 and a bank balance of \$1,108,951. The entire bank balance is covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

III. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

2. Investments

There are no investments of the City are in local banks, only money market funds, checking and savings accounts.

3. Receivables - Allowances for Doubtful Accounts

All receivables are deemed to be collectible so no allowances for doubtful accounts are presented.

III. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Capital Assets

Primary Government

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 63,980	\$ -	\$ -	\$ 63,980
Construction in progress	-	-	-	-
Total capital assets not being depreciated	63,980	-	-	63,980
Capital assets being depreciated:				
Buildings	166,274	-	-	166,274
Equipment and Vehicles	237,120	-	-	237,120
Infrastructure	51,136	-	-	51,136
Total capital assets being depreciated:	454,530	-	-	454,530
Less accumulated depreciation for:				
Buildings	138,424	2,156	-	140,580
Equipment and Vehicles	169,201	28,982	-	198,183
Infrastructure	40,908	2,557	-	43,465
Total accumulated depreciation	348,533	33,695	-	382,228
Total capital assets being depreciated, net	105,997			72,302
Governmental activities capital assets, net	<u>\$ 169,977</u>			<u>\$ 136,282</u>
 General government	 \$ 13,724			
Public safety	17,414			
Transportation	2,557			
Cultural and recreational	-			
Total depreciation expense	<u>\$ 33,695</u>			

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities

1. Pension Plan and Post Employment Obligations

a. Local Governmental Employees' Retirement System

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

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

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

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan and Postemployment Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Northwest 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 Northwest's contractually required contribution rate for the year ended June 30, 2020, was 10.9% of compensation for law enforcement officers and 10.05% 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 Northwest were \$10,941 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 \$41,452 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 update 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, the City's proportion was .00116%, which was a decrease of 0.00030% from its proportion measured as of June 30, 2019.

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan and Postemployment Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

For the year ended June 30, 2021, the City recognized pension expense of \$14,437.

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	\$ 5,235	\$ -
Changes of assumptions	3,085	-
Net difference between projected and actual earnings on pension plan investments	5,833	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	2,200	4,668
Town contributions subsequent to the measurement date	10,941	-
Total	<u>\$ 27,294</u>	<u>\$ 4,668</u>

\$10,941 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 ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ 3,372
2023	4,003
2024	2,583
2025	1,726
2026	-
Thereafter	-
	<u>\$ 11,684</u>

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan and Postemployment Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

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

Inflation	3.0 percent
Salary increases	3.5 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan and Postemployment Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. 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 asset to changes in the discount rate. The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, 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 percent) or one percentage point higher (8.00 percent) than the current rate:

<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
\$ 84,101	\$ 41,452	\$ 6,007

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan and Postemployment Obligations (Continued)

a. *Local Governmental Employees' Retirement System (Continued)*

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

b. *Law Enforcement Officers Special Separation Allowance*

1. Plan Description

The City of Northwest 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 credible service or have attained 55 years of age and have completed five years or more of credible service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

2. 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 following criteria which are outlined in GASB Statements 73.

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan and Postemployment Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

3. Actuarial Assumptions

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

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

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2019.

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

4. Contributions

The 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. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly.

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 \$35,073. 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, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the City recognized pension expense of \$3,230.

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan and Postemployment Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

4. Contributions (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 157	\$ 7,486
Changes of assumptions and other inputs	13,994	224
Benefit payments and plan administrative expenses made subsequent to the measurement date	-	-
Total	<u>\$ 14,151</u>	<u>\$ 7,710</u>

No amount was reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	(1,112)
2023	(1,200)
2024	(1,222)
2025	(1,614)
2026	(1,293)
Thereafter	-

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 percent, 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 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 36,961	\$ 35,073	\$ 33,321

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan and Postemployment Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

4. Contributions (Continued)

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

	<u>2021</u>
Beginning balance	\$ 20,508
Service Cost	1,448
Interest on the total pension liability	669
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(4,117)
Changes of assumptions or other inputs	16,565
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 35,073</u>

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan and Postemployment Obligations (Continued)

	LGERS	LEOSSA	Total
Pension Expense	\$ 14,437	\$ 3,230	\$ 17,667
Pension Liability	41,452	35,073	76,525
Proportionate share of the net pension liability	0.00116%	n/a	0.00193%
Deferred Outflows of Resources			-
Differences between expected and actual experience	5,235	157	5,392
Changes of assumptions	3,085	13,994	17,079
Net difference between projected and actual earnings on plan investments	5,833	-	5,833
Changes in proportion and differences between contributions and proportionate share of contributions	2,200	-	2,200
Deferred Inflows of Resources			
Differences between expected and actual experience	-	7,486	7,486
Changes of assumptions	-	224	224
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	4,668	-	4,668

c. ***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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may also make voluntary contributions to the plan. In addition, the City has elected to match up to two percent of the contributions made by the employees not engaged in law enforcement to the Supplemental Retirement Income Plan.

Contributions for the year ended June 30, 2021 were \$4,005. No amounts were forfeited.

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Other Employment Benefits

The City has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government 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 employers 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 month's 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.

3. Deferred Outflows and Inflows of Resources of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 10,941
Differences between expected and actual experience	5,392
Changes of assumptions and other inputs	17,079
Net difference between projected and actual earnings	5,833
Changes in proportion and differences between City contributions and proportionate share of contributions	2,200
Total	<u>\$ 41,445</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable, less penalties	-	13,944
Deferred Resiliency grant		300,000
Differences between expected and actual experience	5,464	-
Changes in assumptions	346	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
	2,327	-
Total	<u>\$ 8,137</u>	<u>\$ 313,944</u>

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

3. 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. The City participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specifics on the limits of the reinsurance, excess and stop loss policies purchase by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants and the audited financial statements are available upon request.

The City does not carry flood insurance. The City is not in a flood plain.

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 is bonded for \$50,000 and the tax collector is bonded for \$10,000.

5. Claims, Judgments and Contingent Liabilities

At June 30, 2021, the City had no claims or judgments

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

6. Long-Term Obligations

a. Changes in Long-Term Liabilities

	Beginning Balances	Increases	Decreases	Ending Balance	Current Portion
Governmental activities:					
Compensated absences	1,307	5,197	-	6,504	-
Net pension liability (LGRS)	39,871	1,581	-	41,452	-
Total Pension Liability	20,508	14,565	-	35,073	-
Governmental activity long-term liabilities	\$ 61,686	\$ 21,343	\$ -	\$ 83,029	\$ -

III. DETAIL NOTES ON ALL FUNDS (Continued)

C. Fund Balance

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

Total Fund Balance - General Fund	\$ 824,295
Less:	
Stabilization by State Statute	94,833
Streets-Powell Bill	49,204
Remaining Fund Balance	\$ 680,258

IV. SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

Events occurring after June 30, 2021 were evaluated by management on December 15, 2021 to ensure that any subsequent events that met the criteria for recognition and or disclosure in these financial statements have been included. In management's opinion, there are no events that require disclosure in these financial statements.

Required Supplementary

Financial Data

CITY OF NORTHWEST, NORTH CAROLINA

City of Northwest's Proportionate Share of Net Pension Liability (Asset)

Required Supplementary Information

Last Eight Fiscal Years*

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Northwest's Proportion of the Net Pension Liability (Asset) (%)	0.00116%	0.00146%	0.00142%	0.00193%	0.0015%	0.0011%	0.0014%	0.0022%
Northwest's Proportion of the Net Pension Liability (Asset) (\$)	\$ 41,452	\$ 39,871	\$ 33,687	\$ 29,485	\$ 31,623	\$ 4,847	\$ (7,961)	\$ 26,518
Northwest's Covered-Employee Payroll	\$ 87,629	\$ 119,281	\$ 97,082	\$ 114,642	\$ 109,867	\$ 77,609	\$ 99,218	\$ 99,218
Northwest's Proportion Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	47.30%	33.43%	34.70%	25.72%	28.78%	6.25%	-8.02%	26.73%
Plan fiduciary Net Position as a Percentage of the Total Pension/Liability**	91.63%	94.18%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30. Additional years' information will be presented as it becomes available.

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

CITY OF NORTHWEST, NORTH CAROLINA

City of Northwest's Contributions

Required Supplementary Information

Last Eight Fiscal Years*

Local Government Employee's Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 10,941	\$ 8,383	\$ 9,939	\$ 7,713	\$ 8,708	\$ 8,531	\$ 5,500	\$ 5,457
Contributions in Relation to the	10,941	8,383	9,939	7,713	8,708	8,531	5,500	5,457
Contractually Required Contribution Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-
Northwest's Covered-Employee Payroll	\$ 102,625	\$ 87,629	\$ 119,281	\$ 97,082	\$ 114,642	\$ 109,867	\$ 77,609	\$ 99,218
Contributions as a Percentage of Covered-Employee Payroll	10.66%	9.57%	8.33%	7.94%	7.60%	7.76%	7.09%	5.50%

* Additional years' information will be presented as it becomes available.

CITY OF NORTHWEST, NORTH CAROLINA
Schedule of Changes in Total Pension Liability
Law Enforcement Officer's Special Separation Allowance
June 30, 2021*

	2021	2020	2019	2018	2017
Beginning balance	\$ 20,508	\$ 24,066	\$ 21,700	\$ 19,274	\$ 17,819
Service Cost	1,448	1,233	1,729	1,988	1,052
Interest on the total pension liability	669	876	686	744	636
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(4,117)	(5,935)	382	(1,484)	-
Changes of assumptions or other inputs	16,565	268	(431)	1,178	(233)
Benefit payments	-	-	-	-	-
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 35,073</u>	<u>\$ 20,508</u>	<u>\$ 24,066</u>	<u>\$ 21,700</u>	<u>\$ 19,274</u>

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

CITY OF NORTHWEST, NORTH CAROLINA

Schedule of Total Pension Liability as a Percentage of Covered Payroll

Law Enforcement Officer's Special Separation Allowance

June 30, 2021**

	2021	2020	2019	2018	2017
Total pension liability	\$ 35,073	\$ 20,508	\$ 24,066	\$ 21,700	\$ 19,274
Covered payroll	85,840	76,987	65,053	57,624	59,907
Total pension liability as a percentage of covered payroll	40.86%	26.64%	36.99%	37.66%	32.17%

Notes to the schedules:

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

Individual Fund Statements and Schedules
Governmental Funds

City of Northwest North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 147,175	\$
Penalties and interest		68	
Total	<u>118,400</u>	<u>147,243</u>	<u>28,843</u>
Unrestricted intergovernmental:			
Local option sales taxes		289,031	
Utility franchise tax		17,279	
Total	<u>239,402</u>	<u>306,310</u>	<u>66,908</u>
Restricted intergovernmental:			
Powell Bill allocation		25,437	
NC Resiliency Grant		200,000	
Total	<u>247,390</u>	<u>225,437</u>	<u>(21,953)</u>
Sales and Services:			
Licenses & permits		-	
Officer Fees		261	
Total	<u>200</u>	<u>261</u>	<u>61</u>
Investment earnings	<u>75</u>	<u>97</u>	<u>22</u>
Miscellaneous			
Donations		-	-
Other revenue		6,101	6,101
	<u>4,600</u>	<u>6,101</u>	<u>1,501</u>
Total revenues	<u>\$ 610,067</u>	<u>\$ 685,449</u>	<u>\$ 75,382</u>

City of Northwest North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General Government:			
Salaries and employee benefits		76,478	
Operating expenditures		196,941	
Total administration	<u>368,922</u>	<u>273,419</u>	<u>95,503</u>
 Transportation:			
Powell Bill repayment		31,078	
Total	<u>35,336</u>	<u>31,078</u>	<u>4,258</u>
 Public Safety:			
Salaries and employee benefits		131,862	
Operating expenditures		41,704	
Total	<u>334,282</u>	<u>173,566</u>	<u>160,716</u>
 Cultural and Recreational:			
Salaries and employee benefits		11,279	
Operating expenditures		8,249	
Total	<u>49,602</u>	<u>19,528</u>	<u>30,074</u>
 Total expenditures	<u>788,142</u>	<u>497,591</u>	<u>290,551</u>
 Revenues over (under) expenditures	<u>(178,075)</u>	<u>187,858</u>	<u>365,933</u>
 Other financing sources(uses):			
Extraordinary item: Disposal of government operations	-	-	-
 Fund balance appropriated:	178,075		178,075
 Net change in fund balance	<u>\$ -</u>	\$ 187,858	<u>\$ 187,858</u>
 Fund balance, beginning		636,437	
 Fund balance, ending		<u>\$ 824,295</u>	

Other Schedules

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City of Northwest, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2021

Fiscal Year	Uncollected Balances June 30, 2020	Additions	Collections and Credits	Uncollected Balances June 30, 2021
2020-2021		139,285	133,707	5,578
2019-2020	\$ 10,322	-	7,366	2,956
2018-2019	2,691	-	1,684	1,007
2017-2018	1,456	-	903	553
2016-2017	1,017	-	603	414
2016-2015	579	-	274	305
2014-2015	533	-	312	221
2013-2014	651	-	303	348
2012-2013	585	-	157	428
2011-2012	1,455	-	55	1,400
2010-2011	734	-	-	734
	<u>\$ 21,746</u>	<u>\$ -</u>	<u>\$ 145,364</u>	<u>\$ 13,944</u>

Less: allowance for uncollectible accounts - General Fund

-

Ad valorem taxes receivable - net

\$ 13,944

Reconciliation to revenues:

Ad valorem taxes - General Fund	\$ 147,243
Interest and Penalties collected	(68)
Reconciling items:	
Taxes written off	(1,811)
Total collections and credits	<u>\$ 145,364</u>

City of Northwest, North Carolina
Analysis of Current Tax Levy
Year Ended June 30, 2021

	<u>Town-Wide Levy</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy:					
Property taxed at current year's rate	\$ 52,975,417	0.24	\$ 127,141	\$ 113,558	\$ 13,583
Discoveries:					
Current and prior years	7,022,500		\$ 16,854	16,541	313
Releases:					
Current and prior years			<u>(4,710)</u>	<u>(4,245)</u>	<u>(465)</u>
Net levy			139,285	125,854	13,431
Uncollected taxes at June 30, 2020			<u>(5,578)</u>	<u>(5,578)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 133,707</u>	<u>\$ 120,276</u>	<u>\$ 13,431</u>
Current levy collection percentage			<u>96.00%</u>	<u>95.57%</u>	<u>100.00%</u>

**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 Town Council
City of Northwest, North Carolina**

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, each major fund, and the aggregate remaining fund information of the City of Northwest, North Carolina as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the City of Northwest's basic financial statements, and have issued our report thereon dated December 15, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Northwest's internal control over financial reporting to determine the 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 City of Northwest's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Northwest'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 a 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 were not identified.

Compliance and Other Matters

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

Purpose of this Report

This 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.

S. Preston Douglas & Associates, LLP

Whiteville, North Carolina

December 15, 2021

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