CITY OF NEWTON, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

PREPARED BY
CITY OF NEWTON FINANCE DEPARTMENT

NEWTON, NORTH CAROLINA

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CITY OF NEWTON, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019

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INTRODUCTORY SECTION

- Letter of Transmittal
- GOFA Certificate of Achievement
- Organizational Chart
- List of Principal Officials

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

November 25, 2019

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

The Comprehensive Annual Financial Report (CAFR) of the City of Newton, North Carolina, for the fiscal year ended June 30, 2019 is hereby submitted. North Carolina General Statutes require that every local government publish a complete set of audited financial statements presented in conformity with generally accepted accounting principles. This report is published to fulfill that requirement for the fiscal year ended June 30, 2019.

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

The City of Newton's financial statements have been audited by Martin Starnes and Associates, CPAs, P.A. The objective of the independent audit was to provide reasonable assurance that the financial statements of the City of Newton for the fiscal year ended June 30, 2019, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the financial statements of the City of Newton for the fiscal year ended June 30, 2019 are presented in conformity with Generally Accepted Accounting Principles (GAAP). The report of the independent auditors is presented as the first component of the financial section of this report.

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

Profile of the City

The City of Newton, founded in 1843 and incorporated in 1855, is the county seat of Catawba County. It is located in the western part of the Piedmont of the State, approximately 39 miles northwest of Charlotte and 10 miles southeast of Hickory. Evidence of our long and distinguished history abounds throughout the stately streets of the City. The State of North Carolina has erected several historical markers to honor some of the important events, landmarks, and distinguished people in Newton's past. The City currently occupies approximately thirteen square miles and serves a population of 13,129.

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

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

Form of Government

The City of Newton is one of several incorporated municipalities in the County and operates under the Council-Manager form of government. The Mayor is elected at large for a four-year term. The Council is composed of seven members including the Mayor. The Mayor votes only to break tie votes. The City Council has policy making and legislative authority. Members are elected at large on a staggered basis in a City-wide election. Three members of the City Council are

elected every two years, serving four year terms. The City Council is responsible for the City's annual budget and any amendments thereto, approving economic development plans and incentives, zoning and planning issues, and other matters related to the health and welfare of the City. The City Council also appoints the City Manager and City Attorney. The City Manager works at the pleasure of the City Council and is responsible for implementing Council policies and City ordinances, managing daily operations, and acts on all recommendations of employment for the City.

Quality of Life

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

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

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

The City of Newton can point to a variety of elements that contribute to and enhance the desirability and livability of its citizens. Examples of cultural amenities are The Green Room (Old Post Office Playhouse) in downtown which provides a modern venue for the performing arts; the Newton-Conover Auditorium which provides a place for artists to

thrive in terms of music, sculpture, painting and the theatrical arts; and the Catawba County Museum of History located in downtown, which provides a significant collection of the County's history from early settlers, to the furniture, textile, and telecommunications industries that have thrived in the area. The City has six parks, two recreation centers, a large pool, a splash pad, one and one-half miles of greenway, two and one-half miles of mountain bike trails and an amphitheatre in terms of recreation facilities.

Foothills Folk Art Festival

October 2019 marked the fourth annual Foothills Folk Art Festival. The festival is held around the 1924 Courthouse Square through a partnership between the Downtown Newton Development Association and Hickory Museum of Art. The festival consists of a variety of local and regional contemporary folk artists of more than 70 artists and more than 20,000 guests. The festival was recognized as Special Event of the Year by the N.C. Main Street & Rural Planning Center and as Hickory Daily Record's Festival of the Year for Catawba County in 2018.

Newton Downtown Historic District

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

Wi-Fi

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

Heritage Trail Greenway

The Heritage Trail Greenway, approximately one and one-half miles in length, was planned and created for the purpose of exercise, a mode of alternative travel, and connectivity of neighborhoods. The Greenway allows residents to enjoy the sounds and beauty of nature

while spending time outdoors with family and friends. A one and one-half mile extension of this popular trail is in the planning process. This projected extension to the south will connect two neighborhoods, Westside/Jaycee Park and Southside Park, directly to the trail, adding access and trailheads to the greenway.

Woodland Loop Trail

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

In July 2014 the Catawba Valley Heritage Alliance completed Phase II of the Bike Park Master Plan, which was the construction of the pump track. This track combines cycling with coordination, fitness, balance and control which is complimentary to the Woodland Loop Trail.

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

Newton Depot

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

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

Electric Vehicle Charging Station

The City of Newton in partnership with Catawba County offers an electric charging station at the Newton Branch of the Catawba County Public Library. The electric charging station has become an incentive to draw people to downtown Newton to shop and dine while they charge their vehicle.

Jacob Fork Disc Golf Course

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

Newton Splash Pad

The Newton Splash Pad was funded as part of a generous bequest from Sue Jones to enhance recreational opportunities in Newton. The Newton Splash Pad is 5,900 square feet in total area with a wet deck of 3,626 square feet. The splash pad's 24 water features spray 234 gallons of water per minute. The water features are based on nautical themes including ships, anchors, hooks, cannons, and friendly sea serpents. The wet deck is surrounded by picnic tables and benches, a soft turf area that serves as a cooler walking surface, and two canopies with built-in UV protection that provide shade and comfort to all visitors. Runoff water is collected and treated in an environmentally friendly process that significantly reduces the overall amount of water the splash pad requires. A rubberized mat will be installed on the wet deck prior to the reopening of the splash pad in the spring of 2020.

Business and Economic Development

Business Advisory Committee

Newton City Council established a Business Advisory Committee (BAC) in the fall of 2011 to encourage and cultivate commercial economic development in all areas of Newton, including but not limited to the downtown area. The BAC has initiated meetings between developers, property owners, architects, and regulators to facilitate new business development and real estate investment. The BAC has been

instrumental in developing an incentive plan for new and expanding small businesses, initiating a study of the City's branding and marketing efforts, and developing a database of existing business to be used for retail leakage (supply/demand) studies and for recruiting new businesses.

Downtown Newton Development Association

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

The City of Newton is one of 45 North Carolina Main Street Communities, an organization within the North Carolina Department of Commerce entrusted with the revitalization of the downtown areas of member communities. North Carolina Main Street Center provides education and guidance to help member communities maintain and grow a thriving downtown economy in the context of historic preservation.

Branding and Marketing Initiative

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

- Conduct research to determine existing attitudes, perceptions, opportunities and challenges to enhance the City's image;

- Develop a creative "look" to bring the community's current economic strategies, assets and amenities to life;

- Implement strategies and tactical plans to position the messaging statements based on qualitative research and analysis of quantitative data; and

- Define how the core message can be expanded to existing economic development and visitor initiatives as well as broader regional partners and assets.

Other Strategic Initiatives for Economic Development

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

- The City has earned the designation as a "Certified Site" for the Newton Corporate Center which is a 110-acre business park located on NC Highway 10 West. This official certification ensures that the site is "shovel ready" for industrial development;

- The completion of a Wayfinding Project that demonstrates the City's renewed desire to generate interest in the City's core business district, where the City can showcase its assets, including shopping, dining, entertainment, and other amenities characteristic of a community with a high quality of living;

- The City has completed a street and sidewalk condition assessment prioritizing the repairs and resurfacing needs of City-owned streets and sidewalks based on condition, age and other factors;

- The implementation of a Parks and Recreation Master Plan that focuses on enhancing the overall wellbeing of Newton's residents and promotes healthy lifestyles; and

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

Local Economy

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

Major industries located within the City and its environs include manufacturers of consumables for the field of medicine and research, automotive suspension components, baked foods, primary metal products, and traditional furniture and textiles. Upholstered furniture manufacturers are still a significant part of the Newton employment base, with Bassett Furniture and Lee Industries employing more than 1,200 people.

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

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

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

The City actively works with the County Economic Development Corporation to recruit and retain significant business assets in terms of employment, tax base and utility usage.

Long-term Financial Planning and Major Initiatives

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

10-Year Capital Improvement Plan (CIP)

The City adopted a 10-Year Capital Improvement Plan for fiscal years 2019-2028 which encompasses $73.5 million in long-range capital improvements and coordinates community infrastructure needs with the financial capacity of the City. $35.1 million or 48% of the total 10-year period is for infrastructure improvements or new infrastructure related to electric, water, wastewater and stormwater. Key capital projects planned are as follows:

- $13.6 million Downtown Streetscape Project based on the City's Downtown Streetscape Master Plan:
    - Widened sidewalks, bike lanes, two rows of parking and two moving lanes;
    - Improved open spaces, including a redesigned and expanded Yount Park and suggestions for enhancements to the Courthouse grounds; and
    - The addition of an outdoor stage on the west side of the Square to allow outdoor concerts and other events.
    - Replacement of essential infrastructure, including water mains and taps, sewer collection, stormwater distribution, electric distribution, and future fiber connections.
- $2.0 million and $4.3 million in water rehabilitation projects and wastewater rehabilitation projects, respectively, to replace deteriorated infrastructure due to age. These improvements will provide better water flows and water pressure to specific areas and reduce infiltration and inflow into the sewer system.
- The City, in collaboration with Catawba County, will be completing a $5.8 million project to extend 42,000 linear ft. of 12" water line from N.C, Highway 16 South to Buffalo Shoals

Road and Balls Creek Road. Once completed this project will improve water quality in that area as well as provide a second source of water supply.

- $1.9 million in a back-up transformer for the Jacob Fork Electric Substation which will provide redundancy in the event of an emergency in that specific area and for industrial development in the area of the N.C. Highway 10 and U.S. Highway 321 intersection.

- $1 million to continue updating existing HPS (High Pressure Sodium) Lighting with Energy Efficiency Lighting.

Downtown Streetscape Master Plan

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

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

Before

After

❖ ***Streetscape Demonstration Project***

City staff developed a "tactical urbanism" demonstration project to temporarily install the recommended improvements from the Downtown Streetscape Master Plan. The importance of the project was for citizens to fully understand the proposed changes, to test to recommended improvements in how they fit into the existing fabric of downtown, and to continue to build on the enthusiasm of the adopted plan for the potential future of Downtown and the City.

In order to get proper feedback on the recommended improvements, a life-size example was built - a tangible example where one could touch, feel, enjoy, and try out the improvements for themselves. This temporary installation gave citizens an authentic representation of what the Courthouse Square and Downtown could become, it made people aware of exactly what the improvements will look like, what will be

involved and justifies the associated costs. This type of outreach proved instrumental in calming some concerns over the plan recommendations and also raised a question or two that needed to be refined.

- ***Virtual Reality Model***

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

Awards

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Newton for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. This marked the thirty-fourth consecutive year that the City has achieved this prestigious award.

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

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

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

Acknowledgements

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

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

Respectfully submitted,

E. Todd Clark
City Manager

Vickie Thomas
Finance Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Newton

North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

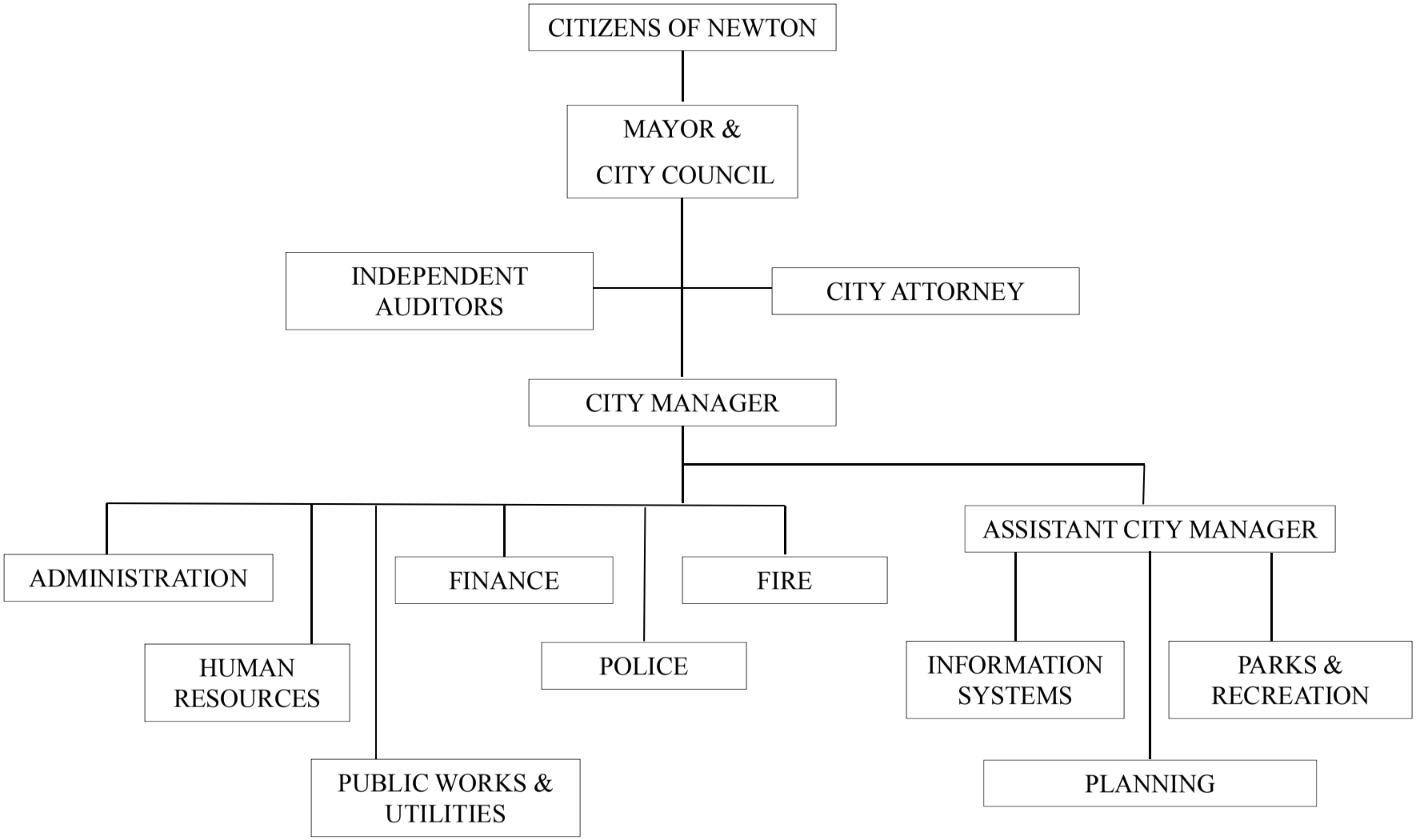
June 30, 2018

Christopher P. Morrill

Executive Director/CEO

CITY OF NEWTON

ORGANIZATIONAL CHART



CITY OF NEWTON, NORTH CAROLINA

LIST OF PRINCIPAL OFFICIALS

CITY COUNCIL

ANNE P. JORDAN
Mayor

JERRY T. HODGE

ED SAIN

H. TOM ROWE

JODY DIXON

JOHN STIVER
Mayor Pro Tem

ANNE ABERNETHY WEPNER

CITY OF NEWTON, NORTH CAROLINA

LIST OF PRINCIPAL OFFICIALS

CITY ADMINISTRATION

E. TODD CLARK
City Manager

VIDAL A. SIPE
Police Chief

KEVIN L. YODER
Fire Chief

SEAN A. HOVIS
Assistant City Manager

VICKIE M. THOMAS
Finance Director

BRANDON L. ELROD
Human Resources Director

AMY S. FALOWSKI
City Clerk

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

CHRISTOPHER B. LITTLE
Information Systems Director

JOHN CILLEY
City Attorney

RANDOLPH (RANDY) WILLIAMS
Planning Director

SANDRA A. WATERS
Parks and Recreation Director

FINANCIAL SECTION

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- Combining, Individual Fund Financial Statements, and Schedules

NEWTON, NORTH CAROLINA

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Independent Auditor's Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Newton, North Carolina. The introductory information, combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, statistical tables, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by Title 2 U.S. *Code of Federal Regulations (CFR)*

Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2019 on our consideration of the City of Newton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Newton's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Newton's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
November 25, 2019

NEWTON, NORTH CAROLINA

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Management's Discussion and Analysis

As management of the City of Newton, we offer readers of the City of Newton's financial statements this narrative overview and analysis of the financial activities of the City of Newton for the fiscal year ended June 30, 2019. 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 the City of Newton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by $58,612,935 (net position). Of this amount, $15,763,435 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

- The government's total net position increased by $3,175,794 due to increases in both governmental activities and business-type activities.

- As of the close of the current fiscal year, the City of Newton's governmental funds reported combined ending fund balances of $9,827,903 with a net change of ($1,772,529) in fund balance. Approximately 31.36% of this total amount, or $3,081,841, is non-spendable or restricted.

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $5,889,151, or 38.47%, of total General Fund expenditures and transfers out for the fiscal year.

- The City of Newton's long-term debt decreased by $1,849,930, or 7.98%. Outstanding debt principal is $21,336,827, or $1,640 per capita.

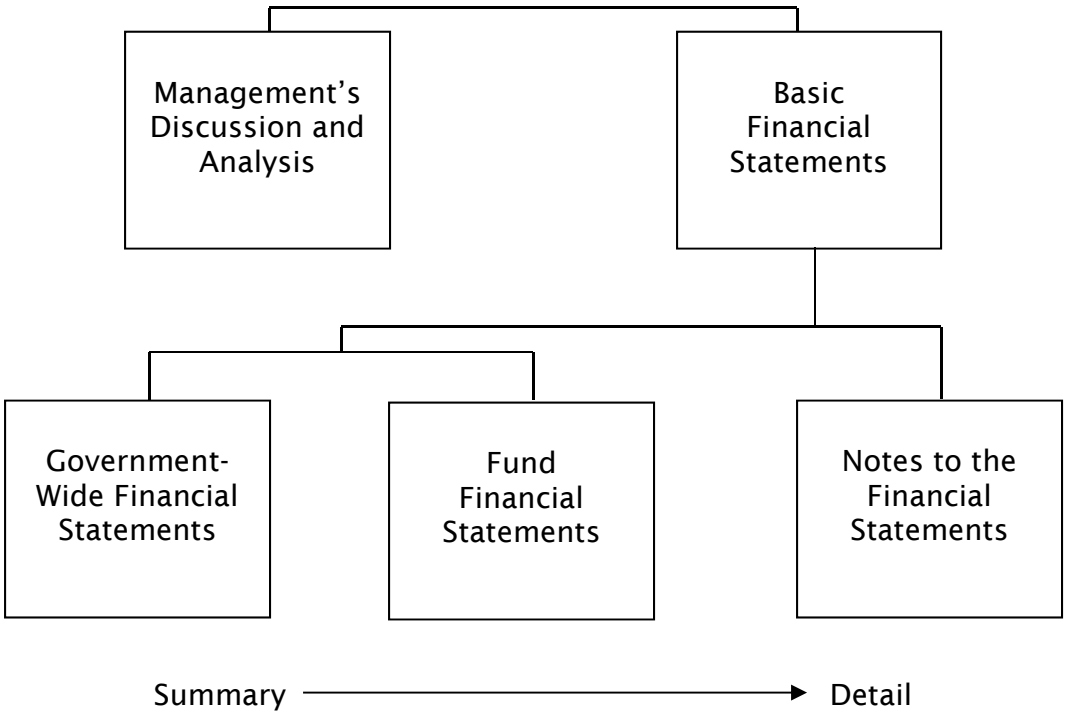
- The City's legal debt limit is $90,116,688 (8% of assessed valuation), and the City's legal debt margin is $82,472,122. The total legal indebtedness of the City is $21,336,827, which represents 1.89% of assessed valuation.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 43-94 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Newton's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees. Required supplementary information can be found beginning on page 95 of this report.

The individual and combining statements of the General Fund, the other governmental funds, the enterprise funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 100-116 of this report.

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

Government-Wide Financial Analysis

City of Newton's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	$ 12,148,865	$ 14,093,587	$ 12,961,858	$ 13,370,792	$ 25,110,723	$ 27,464,379
Capital assets	18,138,260	14,976,535	43,000,931	42,867,175	61,139,191	57,843,710
Total assets	30,287,125	29,070,122	55,962,789	56,237,967	86,249,914	85,308,089
Deferred outflows of resources	2,081,228	1,324,804	605,996	384,276	2,687,224	1,709,080
Long-term liabilities	11,128,774	10,401,527	12,762,455	13,836,798	23,891,229	24,238,325
Other liabilities	2,275,697	2,497,181	3,926,974	4,492,163	6,202,671	6,989,344
Total liabilities	13,404,471	12,898,708	16,689,429	18,328,961	30,093,900	31,227,669
Deferred inflows of resources	181,743	250,051	48,560	102,308	230,303	352,359
Net Position:						
Net investment in capital assets	10,642,496	9,419,704	29,313,984	28,984,497	39,956,480	38,404,201
Restricted	2,893,020	3,038,107	-	-	2,893,020	3,038,107
Unrestricted	5,246,623	4,788,356	10,516,812	9,206,477	15,763,435	13,994,833
Total net position	$ 18,782,139	$ 17,246,167	$ 39,830,796	$ 38,190,974	$ 58,612,935	$ 55,437,141

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Newton exceeded liabilities and deferred inflows by $58,612,935 as of June 30, 2019. The City's net position increased by $3,175,794 for the fiscal year ended June 30, 2019, due to an increases in both governmental and business-type activities.

The largest portion is $39,956,480, or 68.17%, which reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City of Newton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

The restricted portion of the City of Newton's net position, $2,893,020, or 4.94%, represents resources that are subject to external restrictions on how they may be used.

The final portion of net position is unrestricted, which is $15,763,435, or 26.89%, of the total net position, which may be used to meet the City's ongoing obligations to citizens and creditors.

For the fiscal year ended June 30, 2019, the City of Newton is able to report positive balances in all three categories of net position, which includes the government as a whole, governmental activities and business-type activities. This would be true for the prior fiscal year as well.

Total net position increased by $1,535,972 in the City of Newton's governmental activities. This reflected higher property tax revenues due to property additions by certain industrial customers, higher sales tax revenues with the economy continuing to recover, higher investment earnings as interest rates continue to rise and lower spending due to temporary vacancies and controlled spending.

For fiscal year 2019, total net position for business-type activities increased $1,639,822. This reflected a 2% increase in both water and wastewater rates, significantly lower electric purchased power costs and higher investment earnings.

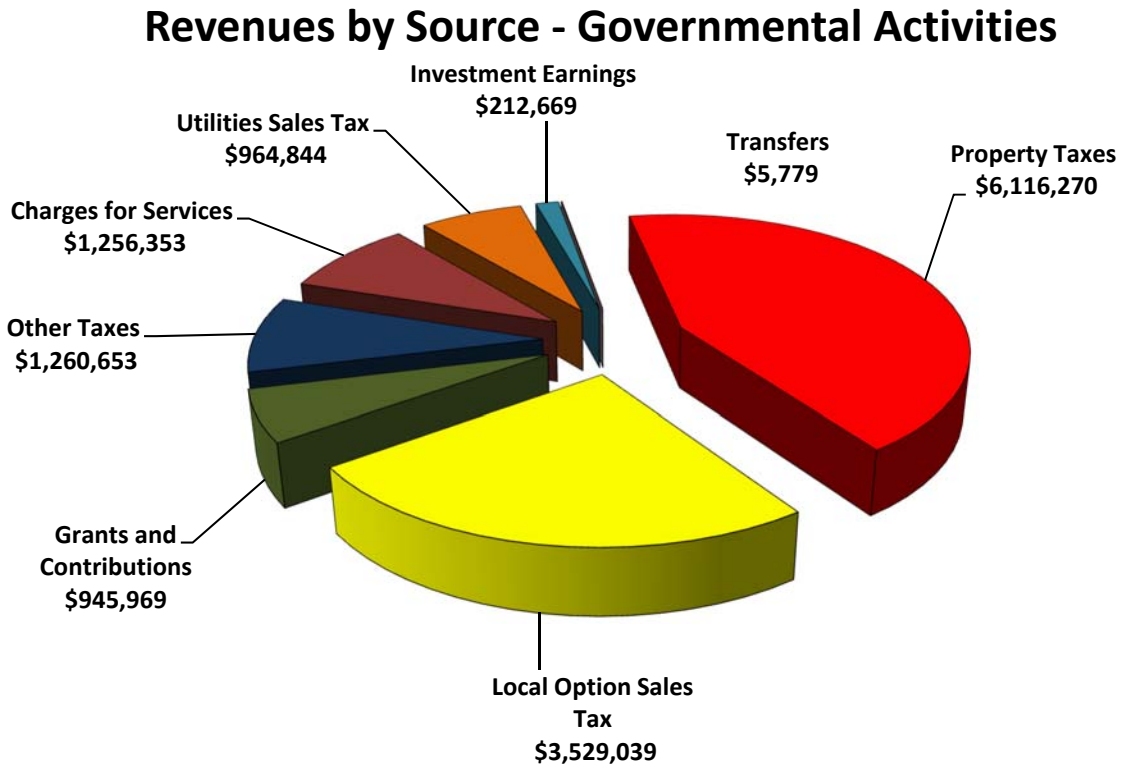
City of Newton's Changes in Net Position

Figure 3

	2019			2018		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues:						
Program revenues:						
Charges for services	$ 1,256,353	$ 23,793,848	$ 25,050,201	$ 1,200,260	$ 23,205,583	$ 24,405,843
Operating grants and contributions	819,293	-	819,293	727,487	165,367	892,854
Capital grants and contributions	126,676	429,044	555,720	207,039	6,584	213,623
General revenues:						
Property taxes	6,116,272	-	6,116,272	5,516,304	-	5,516,304
Other taxes	5,754,536	769,068	6,523,604	5,368,528	771,470	6,139,998
Miscellaneous	-	29,340	29,340	-	28,153	28,153
Unrestricted investment earnings	212,669	155,342	368,011	133,475	94,104	227,579
Total revenues	14,285,799	25,176,642	39,462,441	13,153,093	24,271,261	37,424,354
Expenses:						
General government	1,669,328	-	1,669,328	1,678,380	-	1,678,380
Transportation	1,401,468	-	1,401,468	1,279,189	-	1,279,189
Environmental protection	1,215,375	-	1,215,375	1,082,139	-	1,082,139
Public safety	6,513,975	-	6,513,975	6,267,253	-	6,267,253
Culture and recreation	1,742,567	-	1,742,567	1,727,506	-	1,727,506
Economic development	-	-	-	170,940	-	170,940
Operations	-	23,136,941	23,136,941	-	22,735,856	22,735,856
Interest on long-term debt:						
Governmental	212,893	-	212,893	175,088	-	175,088
Water and wastewater	-	248,896	248,896	-	268,831	268,831
Electric	-	145,204	145,204	-	148,362	148,362
Total expenses	12,755,606	23,531,041	36,286,647	12,380,495	23,153,049	35,533,544
Increase in net position before transfers	1,530,193	1,645,601	3,175,794	772,598	1,118,212	1,890,810
Transfers	5,779	(5,779)	-	-	-	-
Increase in net position	1,535,972	1,639,822	3,175,794	772,598	1,118,212	1,890,810
Beginning of year - July 1	17,246,167	38,190,974	55,437,141	17,299,655	37,410,177	54,709,832
Restatement	-	-	-	(826,086)	(337,415)	(1,163,501)
Beginning of year - July 1 as restated	17,246,167	38,190,974	55,437,141	16,473,569	37,072,762	53,546,331
End of year - June 30	$ 18,782,139	$ 39,830,796	$ 58,612,935	$ 17,246,167	$ 38,190,974	$ 55,437,141

Governmental Activities. Governmental activities increased the City's net position by $1,535,972. Key elements of this increase are as follows:

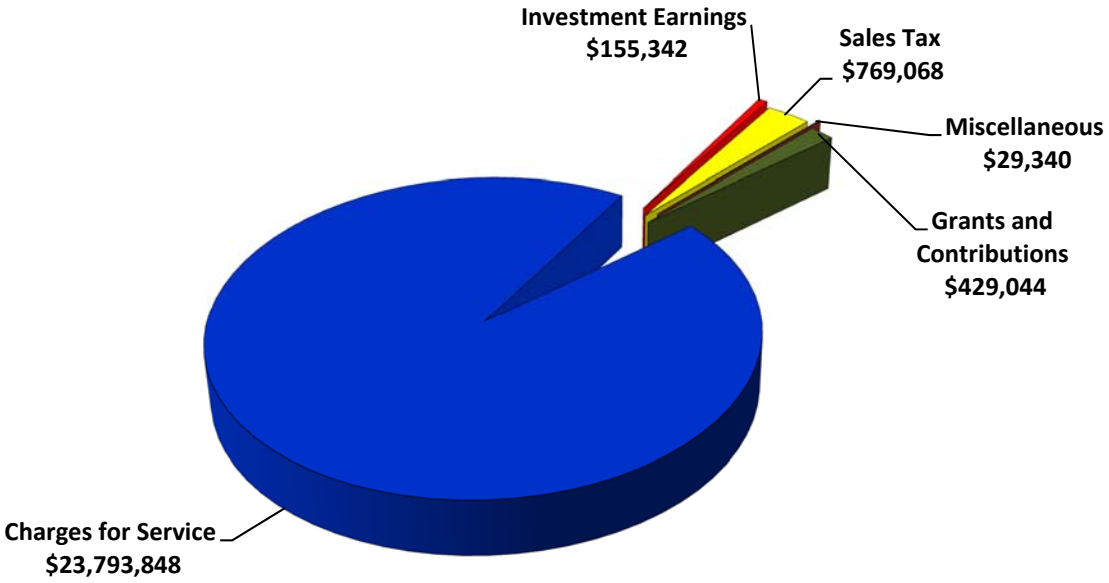
- Higher property taxes due to property additions by certain industrial customers
- Higher sales tax revenues as the economy continues to recover
- Higher unrestricted investment earnings as interest rates continue to rise
- Lower spending due to temporary vacancies and savings from controlled spending



Business-Type Activities. Business-type activities increased the City of Newton's net position by $1,639,822. Key elements of this increase are as follows:

- Implementation of a 2% rate increase for both water and wastewater rates
- Decrease in electric purchased power costs
- Higher unrestricted investment earnings as interest rates continue to rise

Revenues by Source - Business-Type Activities



Financial Analysis of the City's Funds

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

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

The General Fund is the chief operating fund of the City of Newton. At the end of the current fiscal year, available fund balance of the General Fund was $7,447,880, while total fund balance was $9,110,062. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 48.66% of the total General Fund expenditures and transfers out, while total fund balance represents 59.52% of that same amount.

At June 30, 2019, the governmental funds of the City of Newton reported a combined fund balance of $9,827,903 with a net decrease in fund balance of $1,772,529. Included in this change are a decrease of $248,952 in fund balance in the General Fund and a decrease of $1,523,577 in fund balance in the special revenue funds and the capital project funds.

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

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

During fiscal year 2019, there was a $268,215 net decrease in appropriations between the original and the final amended General Fund budget. Budgeted appropriations were increased for Frank and Sue Jones Recreation Fund projects, including $198,000 for an amphitheater, $438,000 for lighting at Jacob Fork Park and $700,550 for a splash pad. In addition, budget expenditures were increased by $319,850 for street paving that was authorized, but not completed in fiscal year 2018. Other budgeted increases were $155,650 for the carryover of various purchase orders not completed in fiscal year 2018, $292,050 for the purchase of a sanitation truck and $111,350 for an HVAC system at the Central Recreation facility. These increases were more than offset by a $3,018,850 decrease in capital outlay expenditures for the West A and Downtown Streetscape projects, which were moved to capital project funds.

Actual revenues were greater than final budgeted amounts by $868,326. This was due to $635,794 higher than budgeted property taxes, primarily due to property additions by certain industrial customers. In addition, sales tax revenues exceeded budget by $150,989 due to an improving economy.

Actual expenditures were less than final budgeted amounts by $2,547,704. These favorable savings resulted mainly from spending authorized, but not yet spent, at June 30, 2019 and carried over to fiscal year 2020, including $726,550 for a Fire Department rescue truck, $359,622 for street paving and $219,350 for other miscellaneous purchases. In addition, there were unspent appropriations in salaries and related benefits due to temporary vacancies in various departments and savings from controlled spending throughout the City.

Proprietary Funds. Unrestricted net position of the Water and Wastewater Fund at the end of the fiscal year amounted to $3,013,033 and for the Electric Fund amounted to $7,151,218. The total change in net position for the Water and Wastewater Fund and the Electric Fund was $305,287 and $1,313,075, respectively.

Capital Asset and Debt Administration

Capital Assets. The City of Newton's investment in capital assets for its governmental and business-type activities as of June 30, 2019 totals $61,139,191 (net of accumulated depreciation). These assets include buildings and system improvements, land, machinery and equipment, park facilities, roads, highways, and bridges.

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

- Business-type activities capital spending included $1,387,286 for Downtown Streetscape water, wastewater and electric infrastructure improvements and $903,851 in water line extensions for the Balls Creek/Buffalo Shoals project.

- Governmental-type activities capital spending included $2,198,147 for Downtown Streetscape street and stormwater improvements.

Additional information on the City's capital assets can be found beginning on page 60 of this report.

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	$ 2,313,146	$ 2,313,146	$ 215,332	$ 215,332	$ 2,528,478	$ 2,528,478
Buildings and improvements	6,300,861	5,980,092	4,640,900	4,940,798	10,941,761	10,920,890
Distribution systems	-	-	29,023,571	30,595,603	29,023,571	30,595,603
Public domain infrastructure	3,371,422	3,547,968	-	-	3,371,422	3,547,968
Equipment	1,128,789	1,244,245	5,728,069	6,283,716	6,856,858	7,527,961
Vehicles	2,111,204	1,698,601	734,078	686,626	2,845,282	2,385,227
Construction in progress	2,912,838	192,483	2,658,981	145,100	5,571,819	337,583
Total	$18,138,260	$14,976,535	$43,000,931	$42,867,175	$61,139,191	$57,843,710

Long-Term Debt. Gross debt obligations of the City are $21,336,827 as of June 30, 2019, which solely consists of notes payable.

City of Newton's Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Direct placement installment purchases	$ 7,644,566	$ 7,845,057	$ 12,554,096	$ 14,122,407	$ 20,198,662	$ 21,967,464
Direct borrowing loans payable	-	-	1,138,165	1,219,293	1,138,165	1,219,293
Compensated absences	579,594	556,538	133,338	126,779	712,932	683,317
Other post-employment benefits	827,038	860,928	337,726	351,281	1,164,764	1,212,209
Net pension liability (LGERS)	2,383,360	1,546,428	752,638	488,346	3,135,998	2,034,774
Total pension liability (LEOSSA)	1,127,545	1,064,104	-	-	1,127,545	1,064,104
Total	$ 12,562,103	$ 11,873,055	$ 14,915,963	$ 16,308,106	$ 27,478,066	$ 28,181,161

The City of Newton's total debt decreased by $703,095, or 2.49%, primarily due to a decrease in notes payable of $1,849,930 due to no major infrastructure borrowing in fiscal year 2019, partially offset by an increase in the net pension liability for the LGERS plan of $1,101,224.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Newton is $82,472,122.

Additional information regarding the City of Newton's long-term debt can be found beginning on page 80 of this report.

Economic Factors and Next Year's Budgets and Rates

The City of Newton continuously strives to provide a high level of municipal service to our citizens and utility customers. Management has taken great care to evaluate a number of conditions and variables when developing the fiscal year 2020 budget. These include a review of local and national economic conditions, forecasted economic changes over the course of the next fiscal year, inflation, and intergovernmental revenues. The core objectives of the fiscal year 2020 budget are:

- Establishing a progressive, merit-based pay plan that compensates employees at comparable market rates. Fiscal year 2020 marks the third year of the City's 2018 Pay and Class Study Implementation.

- Continuing to move the City forward in accordance with the City's Strategic Growth plan adopted in June 2015.

- Continuing a marketing and branding initiative, which is directed at encouraging economic development in the City through new marketing efforts. The City has begun marketing efforts directed at showing Newton as a highly desirable place to live, work and play outside Charlotte's northwest corridor. Also, North Carolina Department of Transportation is currently working on the completion of NC Highway 16 in Catawba County to a multi-lane highway connecting Charlotte to Newton, which will establish Newton as a geographically accessible market within the Charlotte Metro Area.

Highlights of fiscal year 2020 rates include:

- Water and wastewater rates will increase by 5%, primarily to cover increased costs of operations, capital expenses and increased financial stability within the Water and Wastewater Fund.

- Electric rates will decrease by 2% for residential customers due to lower operating costs at the Catawba Nuclear Station.

- $2,616,050 is budgeted to continue the City's rate stabilization plan in an effort to minimize future electric rate increases to the City's electric customers.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

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

NEWTON, NORTH CAROLINA

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CITY OF NEWTON, NORTH CAROLINA

Exhibit A

STATEMENT OF NET POSITION
JUNE 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Current assets:			
Cash and short-term investments	$ 9,464,203	$ 8,597,222	$ 18,061,425
Taxes receivable, net	349,034	-	349,034
Accounts receivable, net	990,791	2,576,610	3,567,401
Interest receivable, net	33	29	62
Due from other governments	236,307	212,307	448,614
Internal balances	(352,561)	352,561	-
Inventories	40,019	808,614	848,633
Restricted cash and cash equivalents	1,421,039	414,515	1,835,554
Total current assets	12,148,865	12,961,858	25,110,723
Capital assets:			
Land, non-depreciable assets, and construction in progress	5,225,984	2,874,313	8,100,297
Other capital assets, net of depreciation	12,912,276	40,126,618	53,038,894
Total capital assets	18,138,260	43,000,931	61,139,191
Total non-current assets	18,138,260	43,000,931	61,139,191
Total assets	30,287,125	55,962,789	86,249,914
Deferred Outflows of Resources:			
Pension deferrals	2,020,199	581,586	2,601,785
OPEB deferrals	61,029	24,410	85,439
Total deferred outflows of resources	2,081,228	605,996	2,687,224
Liabilities:			
Current liabilities:			
Accounts payable and other current liabilities	751,750	1,318,650	2,070,400
Due to other governments	-	45,615	45,615
Liabilities to be paid from restricted assets	90,618	409,201	499,819
Compensated absences	376,989	114,090	491,079
Current portion of long-term liabilities	1,056,340	2,039,418	3,095,758
Total current liabilities	2,275,697	3,926,974	6,202,671
Long-term liabilities:			
Compensated absences, non-current	202,605	19,248	221,853
Net (LGERS) pension liability	2,383,360	752,638	3,135,998
Total (LEOSSA) pension liability	1,127,545	-	1,127,545
Total OPEB liability	827,038	337,726	1,164,764
Due in more than one year	6,588,226	11,652,843	18,241,069
Total long-term liabilities	11,128,774	12,762,455	23,891,229
Total liabilities	13,404,471	16,689,429	30,093,900
Deferred Inflows of Resources:			
Prepaid taxes	2,353	-	2,353
Pension deferrals	110,906	21,168	132,074
OPEB deferrals	68,484	27,392	95,876
Total deferred inflows of resources	181,743	48,560	230,303
Net Position:			
Net investment in capital assets	10,642,496	29,313,984	39,956,480
Restricted for stabilization by state statute	1,662,841	-	1,662,841
Restricted for transportation	353,666	-	353,666
Restricted for public safety	6,648	-	6,648
Restricted for cultural and recreational	860,301	-	860,301
Restricted for economic and physical development	9,564	-	9,564
Unrestricted	5,246,623	10,516,812	15,763,435
Total net position	$ 18,782,139	$ 39,830,796	$ 58,612,935

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

CITY OF NEWTON, NORTH CAROLINA

Exhibit B

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General government	$ 1,669,328	$ 160,715	$ 140,886	$ 22,610	$ (1,345,117)	$ -	$ (1,345,117)
Transportation	1,401,468	34	376,263	-	(1,025,171)	-	(1,025,171)
Environmental protection	1,215,375	934,708	-	-	(280,667)	-	(280,667)
Public safety	6,513,975	78,819	293,392	104,066	(6,037,698)	-	(6,037,698)
Cultural and recreation	1,742,567	82,077	8,752	-	(1,651,738)	-	(1,651,738)
Interest on long-term debt	212,893	-	-	-	(212,893)	-	(212,893)
Total governmental activities	12,755,606	1,256,353	819,293	126,676	(10,553,284)	-	(10,553,284)
Business-Type Activities:							
Water and wastewater	7,767,708	7,666,931	-	387,294	-	286,517	286,517
Electric	15,763,333	16,126,917	-	41,750	-	405,334	405,334
Total business-type activities	23,531,041	23,793,848	-	429,044	-	691,851	691,851
Total primary government	$ 36,286,647	$ 25,050,201	$ 819,293	$ 555,720	(10,553,284)	691,851	(9,861,433)
	General Revenues:						
	Taxes:						
	Property taxes				6,116,272	-	6,116,272
	Local option sales tax				3,529,039	-	3,529,039
	Utilities sales tax				964,844	-	964,844
	Other taxes				1,260,653	769,068	2,029,721
	Miscellaneous revenues, unrestricted				-	29,340	29,340
	Investment earnings, unrestricted				212,669	155,342	368,011
	Total general revenues, excluding transfers				12,083,477	953,750	13,037,227
	Transfers				5,779	(5,779)	-
	Total general revenues and transfers				12,089,256	947,971	13,037,227
	Change in net position				1,535,972	1,639,822	3,175,794
	Net Position:						
	Beginning of year - July 1				17,246,167	38,190,974	55,437,141
	End of year - June 30				$ 18,782,139	$ 39,830,796	$ 58,612,935

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

CITY OF NEWTON, NORTH CAROLINA

Exhibit C

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	Major Funds		Nonmajor Funds	
	General Fund	General Capital Projects Fund	Other Governmental Funds	Total
Assets:				
Cash and short-term investments	$ 7,180,127	$ 641,522	$ 16,212	$ 7,837,861
Taxes receivable, net	349,034	-	-	349,034
Accounts receivable, net	989,560	-	-	989,560
Interest receivable	28	-	-	28
Due from other governments	120,629	108,770	6,908	236,307
Inventories	40,019	-	-	40,019
Restricted cash and cash equivalents	1,239,889	181,150	-	1,421,039
Total assets	$ 9,919,286	$ 931,442	$ 23,120	$ 10,873,848
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and other current liabilities	$ 375,402	$ 129,373	$ -	$ 504,775
Liabilities to be paid from restricted assets	58,270	32,348	-	90,618
Total liabilities	433,672	161,721	-	595,393
Deferred Inflows of Resources:				
Unavailable revenue - property taxes	349,034	-	-	349,034
Unavailable revenue - grants	24,165	75,000	-	99,165
Prepaid taxes	2,353	-	-	2,353
Total deferred inflows of resources	375,552	75,000	-	450,552
Fund Balances:				
Non-spendable - inventories	40,019	-	-	40,019
Restricted - stabilization by state statute	1,622,163	33,770	6,908	1,662,841
Restricted	1,181,619	181,150	16,212	1,378,981
Committed	-	479,801	-	479,801
Assigned	377,110	-	-	377,110
Unassigned	5,889,151	-	-	5,889,151
Total fund balances	9,110,062	694,721	23,120	9,827,903
Total liabilities, deferred inflows of resources, and fund balances	$ 9,919,286	$ 931,442	$ 23,120	
Amounts reported for governmental activities in the Statement of Net Position are different because:				
Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and therefore are not reported in the funds.				18,138,260
Deferred outflows of resources related to pensions are not reported in the funds.				2,020,199
Deferred outflows of resources related to OPEB are not reported in the funds.				61,029
Long-term liabilities, compensated absences, and accrued interest are not due and payable in the current period and, therefore, are not reported in the funds.				(8,305,096)
Net pension liability - LGERS				(2,383,360)
Total pension liability - LEOSSA				(1,127,545)
Total OPEB liability				(827,038)
Liabilities for earned revenues considered deferred inflows of resources in fund statements				448,199
Deferred inflows of resources related to pensions are not reported in the funds.				(110,906)
Deferred inflows of resources related to OPEB are not reported in the funds.				(68,484)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.				1,108,978
Net position of governmental activities				$ 18,782,139

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

CITY OF NEWTON, NORTH CAROLINA

Exhibit D

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2019

	Major Funds		Nonmajor Funds	
	General Fund	General Capital Projects Fund	Other Governmental Funds	Total
Revenues:				
Ad valorem taxes	$ 6,195,344	$ -	$ -	$ 6,195,344
Other taxes and licenses	4,188,557	-	-	4,188,557
Unrestricted intergovernmental	1,565,979	-	-	1,565,979
Restricted intergovernmental	669,453	41,721	37,373	748,547
Permits and fees	68,501	-	-	68,501
Sales and services	1,050,070	-	-	1,050,070
Investment earnings	182,718	-	250	182,968
Miscellaneous	236,039	-	-	236,039
Total revenues	14,156,661	41,721	37,623	14,236,005
Expenditures:				
Current:				
General government	1,667,217	-	-	1,667,217
Transportation	1,111,032	-	-	1,111,032
Environmental protection	1,645,793	-	-	1,645,793
Public safety	6,324,997	-	48,807	6,373,804
Cultural and recreational	2,208,371	-	-	2,208,371
Capital outlay	-	2,575,964	-	2,575,964
Debt service:				
Principal retirement	1,101,359	-	-	1,101,359
Interest and fees	225,862	-	-	225,862
Total expenditures	14,284,631	2,575,964	48,807	16,909,402
Revenues over (under) expenditures	(127,970)	(2,534,243)	(11,184)	(2,673,397)
Other Financing Sources (Uses):				
Issuance of debt	900,868	-	-	900,868
Transfers from other funds	-	1,021,850	-	1,021,850
Transfers to other funds	(1,021,850)	-	-	(1,021,850)
Total other financing sources (uses)	(120,982)	1,021,850	-	900,868
Net change in fund balances	(248,952)	(1,512,393)	(11,184)	(1,772,529)
Fund Balances:				
Beginning of year - July 1	9,359,014	2,207,114	34,304	11,600,432
End of year - June 30	$ 9,110,062	$ 694,721	$ 23,120	$ 9,827,903

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

CITY OF NEWTON, NORTH CAROLINA

Exhibit E

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

Amounts reported for governmental activities in the Statement of Activities are different because:	
Net changes in fund balances - total governmental funds (Exhibit D)	$ (1,772,529)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Property taxes	(79,072)
Change in unavailable grant revenues	99,165
Expenses related to LGERS net pension liability that do not require current financial resources are not reported as expenditures.	(114,849)
Expenses related to LEOSSA total pension liability that do not require current financial resources are not reported as expenditures.	(37,431)
Expenses related to total OPEB liability that do not require current financial resources are not reported as expenditures.	24,171
Expenses related to compensated absences that do not require current financial resources are not reported as expenditures.	(23,056)
Expenses related to interest expense that do not require current financial resources are not reported as expenditures.	12,969
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	4,443,324
Net book value of capital assets disposed of during the year, not recognized on the modified accrual basis.	(7,045)
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(1,280,333)
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	1,101,359
Proceeds from issuance of debt are reported as revenues in the governmental funds statement. However, in the Statement of Activities, it is not a revenue, rather it is an increase in liabilities.	(900,868)
Transfer of assets from Electric Fund	5,779
The net revenue of the internal service funds are reported with governmental activities.	64,388
Total changes in net position of governmental activities (Exhibit B)	$ 1,535,972

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

CITY OF NEWTON, NORTH CAROLINA

Exhibit F

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund			
	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over/Under
Revenues:				
Ad valorem taxes	$ 5,559,550	$ 5,559,550	$ 6,195,344	$ 635,794
Other taxes and licenses	4,029,600	4,029,600	4,188,557	158,957
Unrestricted intergovernmental	1,691,100	1,531,550	1,565,979	34,429
Restricted intergovernmental	1,286,150	716,150	669,453	(46,697)
Permits and fees	75,250	75,250	68,501	(6,749)
Sales and services	1,047,150	1,047,150	1,050,070	2,920
Investment earnings	93,450	93,450	182,718	89,268
Miscellaneous	174,650	235,635	236,039	404
Total revenues	13,956,900	13,288,335	14,156,661	868,326
Expenditures:				
Current:				
General government	2,017,800	2,033,350	1,667,217	366,133
Transportation	4,180,700	1,653,050	1,111,032	542,018
Environmental protection	1,400,000	1,717,650	1,645,793	71,857
Public safety	7,254,200	7,483,885	6,324,997	1,158,888
Cultural and recreational	1,941,800	2,616,500	2,208,371	408,129
Debt service:				
Principal retirement	1,101,700	1,101,700	1,101,359	341
Interest and fees	226,200	226,200	225,862	338
Total expenditures	18,122,400	16,832,335	14,284,631	2,547,704
Revenues over (under) expenditures	(4,165,500)	(3,544,000)	(127,970)	3,416,030
Other Financing Sources (Uses):				
Issuance of debt	3,628,000	1,705,250	900,868	(804,382)
Transfers to other funds	-	(1,021,850)	(1,021,850)	-
Appropriated fund balance	537,500	2,860,600	-	(2,860,600)
Total other financing sources (uses)	4,165,500	3,544,000	(120,982)	(3,664,982)
Net change in fund balance	$ -	$ -	(248,952)	$ (248,952)
Fund Balance:				
Beginning of year - July 1			9,359,014	
End of year - June 30			$ 9,110,062	

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

CITY OF NEWTON, NORTH CAROLINA

Exhibit G

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

	Major			
	Water and Wastewater Fund	Electric Fund	Total	Internal Service Fund
Assets:				
Current assets:				
Cash and cash equivalents	$ 2,450,213	$ 6,147,009	$ 8,597,222	$ 1,626,342
Accounts receivable, net	1,050,128	1,526,482	2,576,610	1,231
Interest receivable	8	21	29	5
Due from other funds	-	-	-	-
Due from other governments	148,484	63,823	212,307	-
Prepaids	-	-	-	-
Inventories	130,531	678,083	808,614	-
Restricted cash and cash equivalents	103,088	311,427	414,515	-
Total current assets	3,882,452	8,726,845	12,609,297	1,627,578
Capital assets:				
Non-depreciable capital assets	2,147,566	726,747	2,874,313	-
Depreciable capital assets, net	27,059,596	13,067,022	40,126,618	-
Total capital assets, net	29,207,162	13,793,769	43,000,931	-
Total non-current assets	29,207,162	13,793,769	43,000,931	-
Total assets	33,089,614	22,520,614	55,610,228	1,627,578
Deferred Outflows of Resources:				
Pension deferrals	388,164	193,422	581,586	-
OPEB deferrals	17,754	6,656	24,410	-
Total deferred outflows of resources	405,918	200,078	605,996	-
Liabilities:				
Current liabilities:				
Accounts payable and other current liabilities	157,938	997,636	1,155,574	166,039
Accrued interest payable	93,705	69,371	163,076	-
Due to other government	45,615	-	45,615	-
Accrued compensated absences - current	75,377	38,713	114,090	-
Installment loans payable - current	1,226,140	813,278	2,039,418	-
Liabilities to be paid from restricted assets	103,088	306,113	409,201	-
Total current liabilities	1,701,863	2,225,111	3,926,974	166,039
Non-current liabilities:				
Accrued compensated absences	19,248	-	19,248	-
Long-term installment loans payable	7,720,121	3,932,722	11,652,843	-
Net pension liability	501,759	250,879	752,638	-
Total OPEB liability	244,572	93,154	337,726	-
Total non-current liabilities	8,485,700	4,276,755	12,762,455	-
Total liabilities	10,187,563	6,501,866	16,689,429	166,039
Deferred Inflows of Resources:				
Pension deferrals	14,112	7,056	21,168	-
OPEB deferrals	19,923	7,469	27,392	-
Total deferred outflows of resources	34,035	14,525	48,560	-
Net Position:				
Net investment in capital assets	20,260,901	9,053,083	29,313,984	-
Unrestricted	3,013,033	7,151,218	10,164,251	1,461,539
Total net position	$ 23,273,934	$ 16,204,301	39,478,235	$ 1,461,539
Internal balance due from (to) governmental activities due to consolidation of Internal Service Fund			352,561	
Business-type activities net position (Exhibit A)			$ 39,830,796	

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

CITY OF NEWTON, NORTH CAROLINA

Exhibit H

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2019

	Major			
	Water and Wastewater Fund	Electric Fund	Total	Internal Service Fund
Operating Revenues:				
Charges for services	$ 6,862,966	$ 15,147,919	$ 22,010,885	$ 1,568,698
Other operating revenues	684,923	905,001	1,589,924	-
Total operating revenues	7,547,889	16,052,920	23,600,809	1,568,698
Operating Expenses:				
Administration	1,240,667	846,814	2,087,481	11,562
Power for resale	-	10,891,901	10,891,901	-
Operations	2,911,624	2,739,876	5,651,500	1,500,989
Maintenance	1,385,889	-	1,385,889	-
Depreciation	1,991,362	1,150,268	3,141,630	-
Total operating expenses	7,529,542	15,628,859	23,158,401	1,512,551
Operating income (loss)	18,347	424,061	442,408	56,147
Non-Operating Revenues (Expenses):				
Sales tax	-	769,068	769,068	-
Investment earnings	45,851	109,491	155,342	29,701
Interest expense	(248,896)	(145,204)	(394,100)	-
Rental income and other non-operating items	119,042	73,997	193,039	-
Gain (loss) on disposal of capital assets	(16,351)	45,691	29,340	-
Total non-operating revenues (expenses)	(100,354)	853,043	752,689	29,701
Income (loss) before capital contributions and transfers	(82,007)	1,277,104	1,195,097	85,848
Non-cash transfer of assets	-	(5,779)	(5,779)	
Capital contributions	387,294	41,750	429,044	-
Change in net position	305,287	1,313,075	1,618,362	85,848
Net Position:				
Beginning of year - July 1	22,968,647	14,891,226		1,375,691
End of year - June 30	$ 23,273,934	$ 16,204,301		$ 1,461,539
Internal service activities allocated to business-type activities			21,460	
Change in net position-business type activities (Exhibit B)			$ 1,639,822	

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

CITY OF NEWTON, NORTH CAROLINA

Exhibit I

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Major			
	Water and Wastewater Fund	Electric Fund	Total	Internal Service Fund
Cash Flows from Operating Activities:				
Cash received from customers and users	$ 7,589,255	$ 16,194,573	$ 23,783,828	$ 1,567,666
Cash paid for goods and services	(3,922,769)	(13,771,581)	(17,694,350)	(1,507,477)
Cash paid to or on behalf of employees for services	(1,730,085)	(863,822)	(2,593,907)	-
Net cash provided (used) by operating activities	1,936,401	1,559,170	3,495,571	60,189
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(2,194,552)	(1,106,613)	(3,301,165)	-
Capital contributions - grants	387,294	41,750	429,044	-
Proceeds from sale of capital assets	3,649	45,691	49,340	-
Sales tax	-	769,068	769,068	-
Payments of installment loans payable	(1,536,607)	(820,126)	(2,356,733)	-
Interest paid on general obligation bonds and loans payable	(269,247)	(158,678)	(427,925)	-
Proceeds from issuance of general obligation bonds and loans payable	707,294	-	707,294	-
Net cash provided (used) by capital and related financing activities	(2,902,169)	(1,228,908)	(4,131,077)	-
Cash Flows from Investing Activities:				
Interest on investments	45,851	109,488	155,339	29,701
Net Increase (Decrease) in Cash and Cash Equivalents	(919,917)	439,750	(480,167)	89,890
Cash and Cash Equivalents:				
Beginning of Year - July 1	3,473,218	6,018,686	9,491,904	1,536,452
End of Year - June 30	$ 2,553,301	$ 6,458,436	$ 9,011,737	$ 1,626,342
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	$ 18,347	$ 424,061	$ 442,408	$ 56,147
Adjustments to reconcile operating income (loss) to:				
Depreciation	1,991,362	1,150,268	3,141,630	-
Rental income and other non-operating revenues	119,042	73,997	193,039	-
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(77,779)	67,657	(10,122)	-
(Increase) decrease in due from other governmental agencies	(21,811)	(9,992)	(31,803)	-
(Increase) decrease in inventories	(8,050)	203	(7,847)	-
(Increase) decrease in deferred outflows of resources for pension	(145,105)	(72,552)	(217,657)	-
(Increase) decrease in deferred outflows of resources for OPEB	(3,020)	(1,043)	(4,063)	-
Increase (decrease) in due to other governmental agencies	(827)	-	(827)	-
Increase (decrease) in accounts payable and accrued expenses	(61,076)	(153,781)	(214,857)	4,042
Increase (decrease) in unearned revenue	(51,350)	-	(51,350)	-
Increase (decrease) in accrued vacation pay	7,170	(611)	6,559	-
Increase (decrease) in deferred inflows of resources for pension	(6,912)	(3,456)	(10,368)	-
Increase (decrease) in deferred inflows of resources for OPEB	5,859	2,111	7,970	-
Increase (decrease) in net pension liability	176,195	88,097	264,292	-
Increase (decrease) in OPEB liability	(9,859)	(3,696)	(13,555)	-
Increase (decrease) in customer deposits	4,215	(2,093)	2,122	-
Net cash provided (used) by operating activities	$ 1,936,401	$ 1,559,170	$ 3,495,571	$ 60,189
Non-Cash Transactions				
The Electric Fund transferred $5,779 of capital assets to the General Fund in the current year.	$ -	$ (5,779)	$ (5,779)	$ -

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

NEWTON, NORTH CAROLINA

COPIA IN DIEM

1855

NOTES TO THE FINANCIAL STATEMENTS

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

NEWTON, NORTH CAROLINA

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1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

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

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

The City reports the following major governmental funds:

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

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

The City reports the following nonmajor governmental funds:

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

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

The City reports the following major enterprise funds:

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

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

The City reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

D. Budgetary Data

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

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

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

E. Estimates

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

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

Deposits and Investments

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

State law [G.S. 159-30 (c)] authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust ("NCCMT"). The City's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2019, The Term Portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

Cash and Cash Equivalents

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

Restricted Assets

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

	General Fund	General Capital Projects Fund	Total Restricted Cash
Governmental Activities:			
Unexpended debt proceeds	$ -	$ 148,802	$ 148,802
Liabilities to be paid from restricted assets	58,270	32,348	90,618
Transportation	321,318	-	321,318
Cultural and recreational	860,301	-	860,301
Total governmental activities	$ 1,239,889	$ 181,150	$ 1,421,039

	Water and Wastewater Fund	Electric Fund	Total Restricted Cash
Business-Type Activities:			
Unexpended debt proceeds	$ -	$ 5,314	$ 5,314
Liabilities to be paid from restricted assets	103,088	306,113	409,201
Total business-type activities	$ 103,088	$ 311,427	$ 414,515

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. These taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6th. Liens are placed on these taxes as of March 1st each year. These taxes are based on the assessed values as of January 1, 2018.

Allowance for Doubtful Accounts

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

Inventory

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

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

Capital Assets

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has two items that meet this criteria, pension deferrals and OPEB deferrals for the 2019 fiscal year. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of

net position that applies to a future period and so will not be recognized as revenue until then. The City has several items that meet the criteria for this category – prepaid taxes, unavailable revenues, and deferrals of pension and OPEB expense.

Long-Term Obligations

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

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

Compensated Absences

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

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

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

	General Fund
Inventories - portion of fund balance that is not an available resource because it represents the year-end balance of inventories, which are not spendable resources.	$ 40,019

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

Restricted for stabilization by state statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by state statute (RSS) is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by state statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget*. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet. Current year restricted amounts are $1,622,163, $33,770, and $6,908 for the General Fund, General Capital Projects Fund, and Other Governmental Funds, respectively.

	General Fund	General Capital Projects Fund	Other Governmental Funds	Total
Restricted for Streets - Powell Bill - portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures.	$ 321,318	$ -	$ -	$ 321,318
Restricted for Transportation - portion of fund balance that is restricted by revenue source (unspent debt proceeds) for street construction.	-	148,802	-	148,802
Restricted for Transportation - portion of fund balance that is restricted by revenue source for street construction.	-	32,348	-	32,348
Restricted for Public Safety - portion of fund balance that is restricted by revenue source for certain emergency telephone system expenditures.	-	-	6,648	6,648
Restricted for Cultural and Recreational - portion of fund balance that is restricted by revenue source for the Frank and Sue Jones Recreation Fund for capital improvements to recreations facilities.	860,301	-	-	860,301
Restricted for Economic and Physical Development - portion of fund balance that is restricted by revenue source for economic development purposes.	-	-	9,564	9,564
Total restricted fund balance excluding restricted amounts for stabilization by state statue (Exhibit C)	$ 1,181,619	$ 181,150	$ 16,212	$ 1,378,981

Restricted net position on Exhibit A varies from restricted fund balance on Exhibit C by the amount of unspent debt proceeds restricted for street construction of $148,802 as of June 30, 2019.

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

	General Capital Projects Fund
Committed for Capital Projects - portion of fund balance that is commtted by the governing body for capital improvements.	$ 479,801
Total committed fund balance (Exhibit C)	$ 479,801

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

	General Fund
Assigned for Cultural and Recreational - portion of fund balance that has been earmarked by the governing body for cemetery perpetual care. Utilization of these funds are made at the discretion of the City Manager.	$ 60,810
Subsequent Year's Expenditures - portion of fund balance that is appropriated in next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.	316,300
Total assigned fund balance (Exhibit C)	$ 377,110

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

Fund Balance Available for Appropriation

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

Total fund balance - General Fund	$ 9,110,062
Less:	
Inventories	(40,019)
Stabilization by state statute	(1,622,163)
Available fund balance	$ 7,447,880

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

The outstanding encumbrances represent amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year end. Encumbrances in the General Fund at June 30, 2019 were $536,111.

Defined Benefit Cost-Sharing Plan

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

2. Detail Notes On All Funds

A. Assets

Deposits

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

At June 30, 2019, the City's deposits had a carrying amount of $3,375,791 and a bank balance of $3,699,371. The City also had petty cash and cash on hand of $835. Of the bank balance, $500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method.

Investments

At June 30, 2019, the City's investment balances were as follows:

Investment Type	Valuation Measurement Method	Book Value at 6/30/2019	Maturity	Rating
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	$ 4,050,724	N/A	AAAm
NC Capital Management Trust - Term Portfolio	Fair Value Level 1	12,469,629	0.11 years	Unrated
		$ 16,520,353		

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

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

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

Credit Risk. The City has no formal policy regarding credit risk but has internal management procedures that limits the City's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City's investment in the NC Capital Management Trust Government Portfolio carried a rating of AAAm by Standard and Poor's as of June 30, 2019. The City's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statute 159-30 as amended.

Receivables

Receivables at the government-wide level at June 30, 2019 were as follows:

	Accounts	Taxes	Due from Other Governments	Other	Total
Governmental Activities:					
General	$ 990,791	$ 369,034	$ 120,629	$ 33	$ 1,480,487
Other governmental	-	-	115,678	-	115,678
Total receivables	990,791	369,034	236,307	33	1,596,165
Allowance for doubtful accounts	-	(20,000)	-	-	(20,000)
Total governmental activities	$ 990,791	$ 349,034	$ 236,307	$ 33	$ 1,576,165
Business-Type Activities:					
Water and wastewater	$ 1,063,928	$ -	$ 148,484	$ 8	$ 1,212,420
Electric	1,549,982	-	63,823	21	1,613,826
Total receivables	2,613,910	-	212,307	29	2,826,246
Allowance for doubtful accounts	(37,300)	-	-	-	(37,300)
Total business-type activities	$ 2,576,610	$ -	$ 212,307	$ 29	$ 2,788,946

The total due from other governments consists of the following:

Governmental activities	$ 236,307
Business-type activities	212,307
Total due from other governments	$ 448,614
Sales tax reimbursement	$ 296,449
Grant reimbursement	99,165
Water and Wastewater Capital Projects County contribution	46,092
Emergency telephone system revenue	6,908
Total due from other governments	$ 448,614

Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	July 1, 2018	Increases	Disposals	Adjust/ Transfers	June 30, 2019
Governmental Activities:					
Capital assets not being depreciated:					
Land	$ 2,313,146	$ -	$ -	$ -	$ 2,313,146
Construction in progress	192,483	2,885,598	(17,023)	(148,220)	2,912,838
Total assets not being depreciated	2,505,629	2,885,598	(17,023)	(148,220)	5,225,984
Capital assets being depreciated:					
Buildings and improvements	12,507,575	499,379	-	148,220	13,155,174
Equipment	4,445,167	154,974	-	-	4,600,141
Vehicles	8,435,122	920,396	(191,857)	(7,486)	9,156,175
Infrastructure	6,530,462	-	-	-	6,530,462
Total assets being depreciated	31,918,326	1,574,749	(191,857)	140,734	33,441,952
Less accumulated depreciation:					
Buildings and improvements	(6,527,483)	(326,830)	-	-	(6,854,313)
Equipment	(3,200,922)	(270,430)	-	-	(3,471,352)
Vehicles	(6,736,521)	(506,527)	184,812	13,265	(7,044,971)
Infrastructure	(2,982,494)	(176,546)	-	-	(3,159,040)
Total accumulated depreciation	(19,447,420)	(1,280,333)	184,812	13,265	(20,529,676)
Total assets being depreciated, net	12,470,906	294,416	(7,045)	153,999	12,912,276
Governmental activity capital assets, net	$ 14,976,535	$ 3,180,014	$ (24,068)	$ 5,779	$ 18,138,260

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

General government	$ 113,098
Public safety	626,807
Transportation	269,467
Environmental protection	130,896
Cultural and recreation	140,065
Total depreciation expense - governmental activities	$ 1,280,333

	July 1, 2018	Increases	Disposals	Adjust / Transfers	June 30, 2019
Business-Type Activities:					
Electric Fund:					
Capital assets not being depreciated:					
Land	$ 5,000	$ -	$ -	$ -	$ 5,000
Construction in progress	45,005	924,632	-	(247,890)	721,747
Total assets not being depreciated	50,005	924,632	-	(247,890)	726,747
Capital assets being depreciated:					
Buildings and improvements	375,032	-	-	-	375,032
Equipment	11,629,782	78,868	-	-	11,708,650
Vehicles	1,131,108	28,350	(190,583)	262,374	1,231,249
Distribution systems	12,681,636	74,763	-	-	12,756,399
Total assets being depreciated	25,817,558	181,981	(190,583)	262,374	26,071,330
Less accumulated depreciation:					
Buildings and improvements	(189,658)	(12,654)	-	-	(202,312)
Equipment	(5,915,486)	(644,335)	-	-	(6,559,821)
Vehicles	(791,063)	(116,244)	190,583	(20,263)	(736,987)
Distribution systems	(5,128,153)	(377,035)	-	-	(5,505,188)
Total accumulated depreciation	(12,024,360)	(1,150,268)	190,583	(20,263)	(13,004,308)
Total assets being depreciated, net	13,793,198	(968,287)	-	242,111	13,067,022
Electric Fund capital assets, net	13,843,203	(43,655)	-	(5,779)	13,793,769

	July 1, 2018	Increases	Disposals	Adjust/ Transfers	June 30, 2019
Water and Wastewater Fund:					
Capital assets not being depreciated:					
Land	210,332	-	-	-	210,332
Construction in progress	100,095	2,095,448	(20,000)	(238,309)	1,937,234
Total assets not being depreciated	310,427	2,095,448	(20,000)	(238,309)	2,147,566
Capital assets being depreciated:					
Buildings and improvements	23,072,507	69,601	-	150,490	23,292,598
Equipment	1,343,809	29,503	-	87,819	1,461,131
Vehicles	1,345,633	-	(13,681)	(6,998)	1,324,954
Distribution systems	42,345,873	-	-	-	42,345,873
Total assets being depreciated	68,107,822	99,104	(13,681)	231,311	68,424,556
Less accumulated depreciation:					
Buildings and improvements	(18,317,083)	(507,335)	-	-	(18,824,418)
Equipment	(774,389)	(107,502)	-	-	(881,891)
Vehicles	(999,052)	(106,765)	13,681	6,998	(1,085,138)
Distribution systems	(19,303,753)	(1,269,760)	-	-	(20,573,513)
Total accumulated depreciation	(39,394,277)	(1,991,362)	13,681	6,998	(41,364,960)
Total assets being depreciated, net	28,713,545	(1,892,258)	-	238,309	27,059,596
Water and Wastewater Fund capital assets, net	29,023,972	203,190	(20,000)	-	29,207,162
Business-type activity capital assets, net	$ 42,867,175	$ 159,535	$ (20,000)	$ (5,779)	$ 43,000,931

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2019 is composed of the following elements:

	Governmental Activities	Business-Type Activities
Capital assets	$ 18,138,260	$ 43,000,931
Long-term debt	(12,562,103)	(14,915,963)
Accrued compensated absences, OPEB, LEO, LGERS	4,917,537	1,223,702
Unspent debt proceeds	148,802	5,314
Total	$ 10,642,496	$ 29,313,984

Construction Commitments

The government has active construction projects as of June 30, 2019. The government's commitments with contractors are as follows:

Project	Spent-to Date	Remaining Commitment
Governmental activities:		
Haz-mat unit for fire department	$ 173,498	$ 710,543
Streets and sidewalks projects	-	384,623
Splash pad	99,357	489,072
HVAC system for central gym	50,279	52,217
Business-type activities:		
Electric distribution automation	43,112	25,277
Sewer rehabilitation projects	-	329,470
Hwy 16, Balls Creek and Buffalo Shoals	943,058	2,648,860
Total	$ 1,309,304	$ 4,640,062

B. Liabilities

Accounts Payable

Payables at the government-wide level at June 30, 2019 were as follows:

	Vendors	Salaries and Benefits	Accrued Interest	Total
Governmental Activities:				
General	$ 360,344	$ 181,097	$ 80,936	$ 622,377
Other governmental	129,373	-	-	129,373
Total governmental activities	$ 489,717	$ 181,097	$ 80,936	$ 751,750
Business-Type Activities:				
Water and wastewater	$ 122,527	$ 35,411	$ 93,705	$ 251,643
Electric	983,258	14,378	69,371	1,067,007
Total business-type activities	$1,105,785	$ 49,789	$ 163,076	$1,318,650

Pension Plan and Post-Employment Obligations

Local Governmental Employees' Retirement System

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

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Newton employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Newton's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Newton were $691,153 for the year ended June 30, 2019.

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, 2019, the City reported a liability of $3,135,998 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing updated procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018 (measurement date), the City's proportion was 0.13219%, which was a decrease of 0.001% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of $842,269. At June 30, 2019, 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	$ 483,810	$ 16,234
Changes of assumptions	832,173	-
Net difference between projected and actual earnings on pension plan investments	430,480	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	16,903	71,959
City contributions subsequent to the measurement date	691,153	-
Total	$ 2,454,519	$ 88,193

$691,153 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2020	$ 806,139
2021	530,302
2022	96,932
2023	241,800
2024	-
Thereafter	-
Total	$ 1,675,173

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

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

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

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

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

The projected long-term investment returns, and inflation assumptions are developed through review of current and historical capital market data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

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

The information above is based on 30-year expectations developed with the consulting actuary for the 2018 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 Liability to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	$ 7,532,941	$ 3,135,998	$ (538,155)

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

Law Enforcement Officers' Special Separation Allowance

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

that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A separate report was not issued for the plan.

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance's membership consisted of:

Retirees receiving benefits:	5
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	34
Total	39

Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

Contributions. The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid $59,267 as benefits came due for the reporting period.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the City reported a total pension liability of $1,127,545. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the City recognized pension expense of $97,142.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 78,573	$ -
Changes of assumptions and other inputs	39,059	43,881
City benefit payments and plan administrative expense subsequent to the measurement date	29,634	-
Total	$ 147,266	$ 43,881

$29,634 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2020	$ 15,851
2021	15,851
2022	15,851
2023	19,201
2024	6,997
Thereafter	-
Total	$ 73,751

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

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	$ 1,213,390	$ 1,127,545	$ 1,049,305

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

	2019
Beginning balance	$ 1,064,104
Service cost	48,158
Interest on the total pension liability	32,689
Differences between expected and actual experience in the measurement of the total pension liability	82,086
Changes of assumptions or other inputs	(40,225)
Benefit payments	(59,267)
Ending balance of the total pension liability	$ 1,127,545

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

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

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

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

	LGERS	LEOSSA	Total
Pension expense	$ 842,269	$ 97,142	$ 939,411
Pension liability	$ 3,135,998	$ 1,127,545	$ 4,263,543
Proportionate share of the net pension liability	0.13219%	n/a	-
Deferred Outflows of Resources:			
Differences between expected and actual experience	$ 483,810	$ 78,573	$ 562,383
Changes of assumptions	832,173	39,059	871,232
Net difference between projected and actual earnings on plan investments	430,480	-	430,480
Changes in proportion and differences between City contributions and proportionate share of contributions	16,903	-	16,903
Benefit payments and administrative costs paid subsequent to the measurement date	691,153	29,634	720,787
Total deferred outflows of resources	$ 2,454,519	$ 147,266	$ 2,601,785
Deferred Inflows of Resources:			
Differences between expected and actual experience	$ 16,234	$ -	$ 16,234
Changes of assumptions	-	43,881	43,881
Changes in proportion and differences between City contributions and proportionate share of contributions	71,959	-	71,959
Total deferred inflows of resources	$ 88,193	$ 43,881	$ 132,074

Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to their plan. Contributions for the year ended June 30, 2019 were $95,544, which consisted of $79,306 from the City and $16,238 from the law enforcement officers. No amounts were forfeited.

Other Post-Employment Benefits - Healthcare Benefits

Plan Description. The City administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). According to the City of Newton Personnel Policy, the City provides post-employment healthcare benefits up to age 65 to retirees of the City, whether or not they qualify for Medicare at that time, provided they meet the retirement qualifications outlined by the North Carolina Local Government Employees Retirement System, they are at least 55 years of age, and their last 20 full-time consecutive creditable years of service were with the City. This benefit will not be offered to any employee hired on or after July 1, 2006. The City pays the full cost of coverage for the healthcare benefits paid to qualified retirees having 30 or more creditable years of service under a City resolution that can be amended by the City Council. The City's members pay the City's group rate for qualified retirees having 20 full-time consecutive creditable years of service. The City's members pay the City's group rates for dependent coverage, if enrolled in dependent coverage at the time of retirement. The City has chosen to fund the healthcare benefits on a pay-as-you-go basis. Currently eight retirees can purchase coverage for post-employment health benefits. For the fiscal year ended June 30, 2019, the City made payments for post-retirement health benefit premiums of $105,345. The City is self-insured for health and dental coverage. A separate report was not issued for the Plan.

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

Retirees receiving benefits:	9
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	55
Total	64

Total OPEB Liability

The City's total OPEB liability of $1,164,764 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2018.

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

Inflation	2.50 percent
Real wage growth	1.00 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation:	
General employees & firefighters	3.50 percent - 7.75 percent
Municipal bond index rate	
prior measurement date	3.56 percent
Measurement date	3.89 percent
Healthcare cost trend rates:	
Pre-Medicare	7.25% for 2018 decreasing to an ultimate rate of 4.75% by 2028
Dental	4 percent

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2018	$ 1,212,209
Changes for the year	
Service cost	27,819
Interest	41,296
Differences between expected and actual experience	(50,895)
Changes in assumptions or other inputs	39,680
Benefit payments	(105,345)
Net changes	(47,445)
Balance at June 30, 2019	$ 1,164,764

Changes in assumptions and other inputs reflect a change in the discount rate from 3.56% to 3.89%

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

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

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.89%) or 1 percentage-point higher (4.89%) than the current discount rate:

	1% Decrease (2.89%)	Discount Rate (3.89%)	1% Increase (4.89%)
Total OPEB liability	$ 1,252,191	$ 1,164,764	$ 1,084,459

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

	1% Decrease	Current Rate	1% Increase
Total OPEB liability	$ 1,073,618	$ 1,164,764	$ 1,267,461

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

For the year ended June 30, 2019, the City recognized OPEB expense of $60,324. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 61,969
Changes of assumptions and other inputs	32,556	33,907
City benefit payments and plan administrative costs paid subsequent to the measurement date	52,883	-
Total	$ 85,439	$ 95,876

$52,883 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	Amount
2020	$ (14,868)
2021	(14,868)
2022	(14,868)
2023	(14,868)
2024	(3,848)
Thereafter	-
Total	$ (63,320)

Deferred Outflows and Inflows of Resources

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

Source	Amount
Differences between expected and actual experience	$ 562,383
Changes of assumptions and other inputs	903,788
Net difference between projected and actual earnings on pension plan investments	430,480
Changes in proportion and differences between employer contributions and proportionate share of contributions	16,903
City benefit payments and plan administrative costs paid subsequent to the measurement date	773,670
Total	$ 2,687,224

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

Source	Statement of Net Position	Governmental Funds Balance Sheet
Prepaid taxes	$ 2,353	$ 2,353
Taxes receivable, (net) (General Fund)	-	349,034
Unavailable revenues	-	99,165
Differences between expected and actual experience	78,203	-
Changes of assumptions and other inputs	77,788	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	71,959	-
Total	$ 230,303	$ 450,552

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 disaster for which the City carries commercial insurance. The City has workers' compensation coverage up to statutory limits, law enforcement officers' liability and public official liability of $1 million per occurrence, with a $2 million umbrella policy, auto liability of $1 million per accident, public entity general liability of $1 million per occurrence, $3 million aggregate; commercial inland marine of $1,982,794. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

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

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

Other Employment Benefits

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

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

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

Claims, Judgments and Contingent Liabilities

At June 30, 2019, the City was a defendant to various lawsuits. In the opinion of the City's management and the City attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

Self-Insurance

The City is self-insured for health and dental coverage for all full-time employees. Funding is provided by charges to various funds of the City and employee contributions based upon estimated claims and employee participation. The claims administrator determines estimated claims annually. Aggregate and specific stop loss insurance coverage is provided annually by Blue Cross Blue Shield of North Carolina, who also provides contracted third-party claims administration. The City has recognized a provision of $166,039 for claims incurred but not reported, in the accompanying financial statements. This provision is estimated upon analysis of historical claims experience reviewed by the City's third-party administrator.

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

	2019	2018
Claims liability, beginning of year	$ 160,965	$ 148,539
Claims incurred	1,247,615	1,284,613
Payments on claims	(1,242,541)	(1,272,187)
Claims liability, end of year	$ 166,039	$ 160,965

Long-Term Obligations

Installment Purchase Contracts

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

Direct placement installment purchases at June 30, 2019 are comprised of the following:

	Serviced by:			
	General Fund	Water / Wastewater Fund	Electric Fund	Total
$370,000, 2005, 3.97% loan payable to bank in annual installments of $33,208 for fire truck due in 2019	$ 31,940	$ -	$ -	$ 31,940
$2,300,000, 2005, 2.63% loan payable to bank in annual installments of $193,614 for water and wastewater capital improvements due in 2019	-	188,652	-	188,652
$2,500,000, 2005, 2.73% loan payable to bank in annual installments of $214,606 for water and wastewater capital improvements due in 2020	-	208,903	-	208,903
$207,369, 2013, 1.78% loan payable to bank in annual installments of a fixed payment of $29,624.14 plus interest for an electrical vehicle due in 2020	-	-	29,625	29,625
$388,359, 2015, 1.60% loan payable to bank in annual installments of a fixed payment of $77,672 plus interest for vehicle and equipment due in 2020	77,672	-	-	77,672

	Serviced by:			
	General Fund	Water / Wastewater Fund	Electric Fund	Total
$108,200, 2015, 1.71% loan payable to bank in annual installments of a fixed payment of $21,640 plus interest for vehicles due in 2020	21,360	-	21,920	43,280
$4,000,000, 2006, 2.97% loan payable to bank in annual installments of $344,788 for water and wastewater, electric and general capital improvements and equipment due in 2021	150,205	118,539	707,089	975,833
$472,800, 2017, 1.64% loan payable to bank in annual installments of a fixed payment of $94,560 plus interest for vehicles and equipment due in 2021	189,180	62,760	31,740	283,680
$651,000, 2008, 2.97% loan to bank in annual installments of a fixed payment of $43,400 plus interest for real property improvements and equipment due in 2022	173,600	-	-	173,600
$626,100, 2015, 1.97% loan to bank in annual installments of a fixed payment of $89,443 plus interest for vehicles due in 2022	115,257	-	242,514	357,771
$4,940,000, 2009, 3.03% loan payable to bank in annual installments of a fixed payment of $329,333 plus interest for water and wastewater, electric and general capital improvements and equipment due in 2024	117,467	562,387	966,813	1,646,667
$290,000, 2014, 2.59% loan payable to bank in annual installments of a fixed payment of $29,000 plus interest for a fire truck refurbishment due in 2024	145,000	-	-	145,000
$896,033, 2015, 2.37% loan payable to bank in annual installments of a fixed payment of $89,603 plus interest for police radio communication system and a fire tanker due in 2025	537,620	-	-	537,620

	Serviced by:			
	General Fund	Water / Wastewater Fund	Electric Fund	Total
$3,256,225, 2012, 3.11% loan payable to bank in annual installments of a fixed payment of $217,082 plus interest for water and wastewater, and electric capital improvements and equipment due in 2027	-	1,358,587	378,067	1,736,654
$403,790, 2013, 2.60% loan payable to bank in annual installments of a fixed payment of $26,919 plus interest for street and water capital improvements due in 2028	124,020	118,254	-	242,274
$1,340,265, 2013, 2.58% loan payable to bank in annual installments of a fixed payment of $89,351 plus interest for water and wastewater, and electric capital improvements due in 2028	-	440,073	364,086	804,159
$3,460,000, 2014, 2.91% loan payable to bank in annual installments of a fixed payment of $230,667 plus interest for construction of a fire department headquarters due in 2029	2,306,667	-	-	2,306,667
$592,200, 2014, 2.91% loan payable to bank in annual installments of a fixed payment of $39,480 plus interest for water and electric capital improvements due in 2029	-	261,467	133,333	394,800
$3,940,000, 2015, 2.78% loan payable to bank in annual installments of a fixed payment of $262,667 plus interest for water and electric smart grid AMI metering system due in 2029	-	1,789,333	1,100,000	2,889,333

	Serviced by:			
	General Fund	Water / Wastewater Fund	Electric Fund	Total
$400,000, 2016, 2.90% loan payable to the bank in annual installments of a fixed payment of $26,667 plus interest for stormwater infrastructure due in 2031	320,000	-	-	320,000
$1,400,000, 2017, 2.67% loan payable to bank in annual installments of a fixed payment of $93,333 plus interest for wastewater capital improvements due in 2032	-	1,213,333	-	1,213,333
$713,769, 2018, 2.15% loan payable to bank in annual installments of a fixed payment of $142,754 plus interest for vehicles and equipment due in 2023	289,560	90,335	191,120	571,015
$137,000, 2018, 3.45% loan payable to bank in annual installments of a fixed payment of $9,133 plus interest for water line extension due in 2033	-	127,867	-	127,867
$3,457,000, 2018, 3.45% loan payable to bank in annual installments of a fixed payment of $172,850 plus interest for streetscape projects due in 2038	2,144,149	560,312	579,693	3,284,154
$770,745, 2019, 2.59% loan payable to bank in annual installments of a fixed payment of $154,149 plus interest for vehicles due in 2024	770,745	-	-	770,745
$707,294, 2019, no interest loan payable to Catawba County in annual installments of a fixed payment over 10 years. NCDOT portion beginning 12 months from the date the County initiates loan to the City. Non-NCDOT portion beginning 12 months after the final reimbursement is made to the City.	-	707,294	-	707,294
$130,124, 2019, no interest loan payable to Catawba County. The City shall make the first payment 12 months from the initial loan.	130,124	-	-	130,124
	$ 7,644,566	$ 7,808,096	$ 4,746,000	$ 20,198,662

The City's outstanding note from direct placements related to governmental activities of $31,940 is secured by a security interest in various equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the equipment securing the loan and the City will relinquish all rights to the equipment.

The City's outstanding note from direct placements related to the Water and Wastewater Fund of $188,652 is secured by a security interest in the capital improvements. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the improvements securing the loan and the City will relinquish all rights to the improvements.

The City's outstanding note from direct placements related to the Water and Wastewater Fund of $208,903 is secured by a security interest in the capital improvements. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the improvements securing the loan and the City will relinquish all rights to the improvements.

The City's outstanding note from direct placements related to the Electric Fund of $29,625 is secured by a security interest in the vehicle. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the vehicle securing the loan and the City will relinquish all rights to the vehicle.

The City's outstanding note from direct placements related to governmental activities of $77,672 is secured by a security interest in various vehicles and equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the vehicles and equipment securing the loan and the City will relinquish all rights to the vehicles and equipment.

The City's outstanding note from direct placements related to governmental and business type activities of $43,280 is secured by a security interest in the vehicle. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the vehicle securing the loan and the City will relinquish all rights to the vehicle.

The City's outstanding note from direct placements related to governmental and business type activities of $975,833 is secured by a security interest in various equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the equipment securing the loan and the City will relinquish all rights to the equipment.

The City's outstanding note from direct placements related to governmental and business type activities of $283,680 is secured by a security interest in various vehicles and equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the vehicles and equipment securing the loan and the City will relinquish all rights to the vehicles and equipment.

The City's outstanding note from direct placements related to governmental activities of $173,600 is secured by a security interest in various improvements and equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the improvement fixtures and equipment securing the loan and the City will relinquish all rights to the improvement fixtures and equipment.

The City's outstanding note from direct placements related to governmental and business type activities of $357,771 is secured by a security interest in various vehicles. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the vehicles securing the loan and the City will relinquish all rights to the vehicles.

The City's outstanding note from direct placements related to governmental and business type activities of $1,646,667 is secured by a security interest in various improvements and equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the improvement fixtures and equipment securing the loan and the City will relinquish all rights to the improvement fixtures and equipment.

The City's outstanding note from direct placements related to governmental activities of $145,000 is secured by a security interest in the vehicle. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the vehicle securing the loan and the City will relinquish all rights to the vehicle.

The City's outstanding note from direct placements related to governmental activities of $537,620 is secured by a security interest in the vehicle and equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the vehicle and equipment securing the loan and the City will relinquish all rights to the vehicle and equipment.

The City's outstanding note from direct placements related to the business type activities of $1,736,654 is secured by a security interest in improvements and equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the improvement fixtures and equipment securing the loan and the City will relinquish all rights to the improvement fixtures and equipment.

The City's outstanding note from direct placements related to governmental and business type activities of $242,274 is secured by a security interest in improvements. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the improvement fixtures securing the loan and the City will relinquish all rights to the improvement fixtures.

The City's outstanding note from direct placements related to the business type activities of $804,159 is secured by a security interest in improvements. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the improvement fixtures securing the loan and the City will relinquish all rights to the improvement fixtures.

The City's outstanding note from direct placements related to governmental activities of $2,306,667 is secured by a security interest in the building. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the building securing the loan and the City will relinquish all rights to the building.

The City's outstanding note from direct placements related to the business type activities of $394,800 is secured by a security interest in the capital improvements. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the improvements securing the loan and the City will relinquish all rights to the improvements.

The City's outstanding note from direct placements related to the business type activities of $2,889,333 is secured by a security interest in various equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the equipment securing the loan and the City will relinquish all rights to the equipment.

The City's outstanding note from direct placements related to governmental activities of $320,000 is secured by a security interest in the infrastructure. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the infrastructure securing the loan and the City will relinquish all rights to the infrastructure.

The City's outstanding note from direct placements related to the Water and Wastewater Fund of $1,213,333 is secured by a security interest in the capital improvements. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the improvements securing the loan and the City will relinquish all rights to the improvements.

The City's outstanding note from direct placements related to governmental and business type activities of $571,015 is secured by a security interest in various vehicles and equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the vehicles and equipment securing the loan and the City will relinquish all rights to the vehicles and equipment.

The City's outstanding note from direct placements related to the Water and Wastewater Fund of $127,867 is secured by a security interest in the capital improvements. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the improvements securing the loan and the City will relinquish all rights to the improvements.

The City's outstanding note from direct placements related to governmental and business type activities of $3,284,154 is secured by a security interest in the capital improvements. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the improvements securing the loan and the City will relinquish all rights to the improvements.

The City's outstanding note from direct placements related to governmental activities of $770,745 is secured by a security interest in various vehicles. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the vehicles securing the loan and the City will relinquish all rights to the vehicles.

The City's outstanding note from direct placements related to the Water and Wastewater Fund of $707,294 is secured by a security interest in the capital improvements. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the improvements securing the loan and the City will relinquish all rights to the improvements.

The City's outstanding note from direct placements related to governmental activities of $130,124 is not secured. There is no language regarding event of default. Contract may be terminated by either party, with or without cause, by providing other party at least 180 days' notice before the conclusion of each fiscal year. If so, the City will pay the County within 365 days of termination, balance of the loan, portion of the grant prorated by multiplying number of years between the date of termination and June 30, 2034, divided by 15 years, plus 6% interest.

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

Year Ended	Direct Placement Installment Purchases	
June 30	Principal	Interest
Governmental Activities:		
2020	$ 1,056,340	$ 218,957
2021	956,846	191,020
2022	947,653	165,418
2023	833,052	140,151
2024	690,648	117,029
2025-2029	2,039,033	363,353
2030-2034	660,977	140,799
2035-2039	460,017	39,555
Total governmental activities	7,644,566	1,376,282

Business-type Activities:		
Water and Wastewater Fund:		
2020	1,145,011	204,816
2021	819,324	172,749
2022	820,498	151,282
2023	758,902	129,839
2024	733,899	109,918
2025-2029	2,715,103	297,556
2030-2034	697,369	58,851
2035-2039	117,990	10,336
Total Water and Wastewater Fund	7,808,096	1,135,347
Electric Fund:		
2020	813,278	136,530
2021	790,450	114,014
2022	786,488	91,810
2023	533,281	69,614
2024	425,092	54,783
2025-2029	1,022,798	144,835
2030-2034	252,540	40,207
2035-2039	122,073	10,693
Total Electric Fund	4,746,000	662,486
Total business-type activities	12,554,096	1,797,833
Total all activities	$ 20,198,662	$ 3,174,115

Direct Borrowing Revolving Loan Payables

On May 10, 2012, the City was approved for a loan amount of $498,921 from the U.S. Environmental Protection Agency passed through the North Carolina Department of Environmental and Natural Resources under the Drinking Water State Revolving Fund program. The loan proceeds were being used to upgrade the wastewater treatment plant. The loan is repayable at 2.22% for 19 years. The loan repayment schedule based on the loan of $498,921 calls for annual principal and interest repayments that amount to $26,259 annually for 19 years. The total amount outstanding at June 30, 2019 was $315,108.

On March 12, 2015, the City was approved for a loan amount of $1,097,409 from the U.S. Environmental Protection Agency passed through the North Carolina Department of Environmental and Natural Resources under the Drinking Water State Revolving Fund program. The loan proceeds were being

used to upgrade the wastewater treatment plant. The loan is repayable at 2.00% for 20 years. The loan repayment schedule based on the loan of $1,097,409 calls for annual principal payments amount to $54,870 annually for 20 years. The total amount outstanding at June 30, 2019 was $823,057.

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

Total outstanding direct borrowing revolving loan payables at June 30, 2019 are $1,138,165.

Year Ended June 30	Direct Borrowing Notes Payable Principal	Interest
Water and Wastewater Fund:		
2020	$ 81,129	$ 23,457
2021	81,129	21,776
2022	81,129	20,096
2023	81,129	18,415
2024	81,129	16,735
2025-2029	405,645	58,470
2030-2034	326,875	18,210
Total Water and Wastewater Fund	$ 1,138,165	$ 177,159

At June 30, 2019, the City of Newton had a legal debt margin of $82,472,122.

Changes in Long-Term Liabilities

The following is a summary of changes in long-term debt for the year ended June 30, 2019.

	July 1, 2018	Increases	Decreases	June 30, 2019	Current Portion of Balance
Governmental Activities:					
Direct placement installment purchases	$ 7,845,057	$ 900,868	$ 1,101,359	$ 7,644,566	$ 1,056,340
Compensated absences	556,538	421,960	398,904	579,594	376,989
Total OPEB liability	860,928	-	33,890	827,038	-
Net pension liability (LGERS)	1,546,428	836,932	-	2,383,360	-
Total pension liability (LEOSSA)	1,064,104	63,441	-	1,127,545	-
Total governmental activities	$ 11,873,055	$ 2,223,201	$ 1,534,153	$ 12,562,103	$ 1,433,329
Business-Type Activities:					
Water and Wastewater Fund:					
Direct placement installment purchases	$ 8,556,281	$ 707,294	$ 1,455,479	$ 7,808,096	$ 1,145,011
Direct borrowing loans payable	1,219,293	-	81,128	1,138,165	81,129
Compensated absences	87,455	79,559	72,389	94,625	75,377
Total OPEB liability	254,431	-	9,859	244,572	-
Net pension liability (LGERS)	325,564	176,195	-	501,759	-
Total Water and Wastewater Fund	10,443,024	963,048	1,618,855	9,787,217	1,301,517
Electric Fund:					
Direct placement installment purchases	5,566,126	-	820,126	4,746,000	813,278
Compensated absences	39,324	42,724	43,335	38,713	38,713
Total OPEB liability	96,850	-	3,696	93,154	-
Net pension liability (LGERS)	162,782	88,097	-	250,879	-
Total Electric Fund	5,865,082	130,821	867,157	5,128,746	851,991
Total business-type activities	$ 16,308,106	$ 1,093,869	$ 2,486,012	$ 14,915,963	$ 2,153,508

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

C. Interfund Balances and Activity

Transfers To/From Other Funds

Transfers to/from other funds at June 30, 2019 consist of the following:

Fund	From	To	Purpose
General Fund	$ 1,021,850	$ -	Fund capital projects
General Capital Projects Fund	-	1,021,850	
	$ 1,021,850	$ 1,021,850	

Internal Balances

Interfund loans are summarized as follows:

Due from governmental activities for Internal Service Fund activity allocation to business-type activities	$ 352,561

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

D. Revenues, Expenditures and Expenses

On-Behalf Payments for Fringe Benefits and Salaries

The City has recognized as a revenue and an expenditure on-behalf payment for fringe benefits and salaries of $10,736 for the salary supplement and stipend benefits paid to eligible firefighters by the local Board of Trustees of the Firefighter's Relief Fund during the fiscal year ended June 30, 2019. Under state law, the local Board of Trustees for the fund receives an amount each year, which the Board may use at its own discretion for eligible firefighters or their departments.

3. Jointly Governed Organization

North Carolina Municipal Power Agency Number 1 (NCMPA1)

The City, in conjunction with 18 other local governments in the Piedmont and Foothills Region of North Carolina, is a member of the North Carolina Municipal Power Agency Number 1 (NCMPA1). The NCMPA1 has 75% ownership interest in Catawba Nuclear Station Unit 2, located in York County, South Carolina, which is operated by Duke Energy. It also has an agreement with Duke Energy that provides for electric power via McGuire Nuclear Station and Catawba Unit 1 should Catawba Nuclear Station Unit 2 be unavailable for service. NCMPA1 is governed

by a Board of Commissioners, which consists of fourteen members elected throughout North Carolina. Each participating government appoints one Commissioner and an alternate Commissioner to the Board. The 19 members, who receive power from the NCMPA1, have signed power sales agreements to purchase a specified share of the power generated by the NCMPA1. NCMPA1 revenues derived from the Power Sales Agreement are pledged as security for the Power Agency bonds outstanding. The City's purchase of power for the fiscal year ended June 30, 2019 was $10,810,390.

Newton-Conover Auditorium Authority

The Newton-Conover Auditorium Authority was organized and incorporated by the Secretary of State of North Carolina as a non-profit corporation on December 27, 1990. It is composed of a Board of Directors including members appointed by the City of Newton (four members); Newton-Conover School Board (three members); and the Catawba County Board of Commissioners (three members). The Authority's responsibilities include the restoration and renovation of the former Newton-Conover High School auditorium for use as a civic auditorium for a wide range of community activities. This community auditorium is available for use by individuals, civic groups, the schools and the local community theater group. The City funded $25,000 to the Newton-Conover Auditorium Authority during fiscal year ended June 30, 2019.

Western Piedmont Council of Governments

The Western Piedmont Council of Governments (WPCOG) is a regional planning organization. It consists of 24 municipalities and four counties within western North Carolina. The WPCOG's governing board is comprised of one elected official from each of these local governments and seven at-large citizen members. Each local government has one vote. The City paid membership dues of $14,937 during fiscal year ended June 30, 2019.

Western Piedmont Regional Transit Authority

Western Piedmont Regional Transit Authority (WPRTA) is the first regional public transportation authority with consolidated urban-rural transit service in North Carolina. Alexander, Burke, Caldwell, and Catawba counties in conjunction with the municipalities of Conover, Hickory, and Newton each appoint one member to the governing board of the WPRTA. The City paid $54,648 to WPRTA during fiscal year ended June 30, 2019.

4. Interlocal Agreement

The City entered into an interlocal agreement with Catawba County in March 2017 for financing the costs related to a joint construction project. The City will request reimbursement from the County for 75% of the costs paid by the City for construction, which will then be repaid to the County after the project is completed. Payments will be made in equal annual installments over 10 years, beginning 12 months after the final reimbursement. The total construction loan is estimated to be $2,999,616 and the construction project is expected to be completed in 2021.

5. Summary Disclosure of Significant Contingencies

Federal and State-Assisted Programs

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

REQUIRED SUPPLEMENTARY INFORMATION

This section contains additional information required by generally accepted accounting principles

- Schedule of Changes in Total Pension Liability for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Payroll for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Changes in Total OPEB Liability and Related Ratios for the Other Post-Employment Benefits
- Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System
- Schedule of Contributions for Local Government Employees' Retirement System

NEWTON, NORTH CAROLINA

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CITY OF NEWTON, NORTH CAROLINA

Schedule A-1

SCHEDULES OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST THREE FISCAL YEARS

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

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

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

CITY OF NEWTON, NORTH CAROLINA

Schedule A-2

SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST THREE FISCAL YEARS

	2019	2018	2017
Total pension liability	$ 1,127,545	$ 1,064,104	$ 974,693
Covered payroll	1,584,980	1,653,328	1,484,503
Total pension liability as a percentage of covered payroll	71.14%	64.36%	65.66%

Notes to the Schedules:

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

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

CITY OF NEWTON, NORTH CAROLINA

Schedule A-3

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

	2019	2018
Total OPEB liability - beginning	$ 1,212,209	$ 1,284,324
Service cost	27,819	30,204
Interest	41,296	37,758
Differences between expected and actual experience	(50,895)	(29,813)
Changes of assumptions	39,680	(50,015)
Benefit payments	(105,345)	(60,249)
Net change in total OPEB liability	(47,445)	(72,115)
Total OPEB liability - ending	$ 1,164,764	$ 1,212,209
Covered payroll	$ 2,800,153	$ 3,060,842
Total OPEB liability as a percentage of covered payroll	41.60%	39.60%

Notes to Schedule:

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

Fiscal Year	Rate
2019	3.89%
2018	3.56%

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

CITY OF NEWTON, NORTH CAROLINA

Schedule A-4

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

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

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

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

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

CITY OF NEWTON, NORTH CAROLINA

Schedule A-5

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

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

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

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GOVERNMENTAL ACTIVITIES
MAJOR FUNDS

GENERAL FUND

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

CAPITAL PROJECTS FUND

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

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

NEWTON, NORTH CAROLINA

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GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			
	Final Budget	Actual	Variance Over/Under	2018 Actual
Revenues:				
Ad Valorem Taxes:				
Current year	$ 5,368,550	$ 5,997,386	$ 628,836	$ 5,379,100
Prior years	143,500	150,211	6,711	122,567
Penalties and interest	47,500	47,747	247	53,478
Total	5,559,550	6,195,344	635,794	5,555,145
Other Taxes and Licenses:				
Local option sales tax	3,378,050	3,529,039	150,989	3,377,488
Solid waste disposal tax	8,750	9,665	915	8,655
Other taxes and licenses	21,000	28,087	7,087	22,238
Rural fire district tax	621,800	621,766	(34)	453,542
Total	4,029,600	4,188,557	158,957	3,861,923
Unrestricted Intergovernmental Revenues:				
Payments in lieu of taxes	501,550	501,550	-	492,750
Utilities sales tax	970,000	964,844	(5,156)	957,432
Beer and wine tax	60,000	56,210	(3,790)	56,423
Other	-	43,375	43,375	-
Total	1,531,550	1,565,979	34,429	1,506,605
Restricted Intergovernmental Revenues:				
Federal grants	310,650	275,175	(35,475)	124,971
Federal asset seizure allocation	-	4,621	4,621	-
Other	-	2,658	2,658	7,585
On-behalf payments - fire	25,000	10,736	(14,264)	11,989
Powell Bill state street aid allocation	380,500	376,263	(4,237)	382,010
Total	716,150	669,453	(46,697)	526,555
Permits and Fees:				
Licenses	250	130	(120)	130
Local franchise - cable tv	75,000	68,371	(6,629)	71,696
Total	75,250	68,501	(6,749)	71,826
Sales and Services:				
Supportive court services	5,250	2,016	(3,234)	2,073
Refuse collection fees	908,900	914,053	5,153	868,120
Recreation fees and concessions	62,000	63,270	1,270	66,121
Other	71,000	70,731	(269)	68,475
Total	1,047,150	1,050,070	2,920	1,004,789
Investment Earnings	93,450	182,718	89,268	114,899

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			
	Final Budget	Actual	Variance Over/Under	2018 Actual
Miscellaneous:				
Rentals and sale of property	61,600	41,503	(20,097)	66,425
Other	174,035	194,536	20,501	295,727
Total	235,635	236,039	404	362,152
Total revenues	13,288,335	14,156,661	868,326	13,003,894
Expenditures:				
General Government:				
Governing Body:				
Salaries and employee benefits	44,850	43,520		43,183
Other operating expenditures	27,450	8,784		29,416
Interdepartmental charges	(49,700)	(49,700)		(51,950)
Total	22,600	2,604	19,996	20,649
Administration:				
Salaries and employee benefits	575,700	532,700		414,684
Other operating expenditures	217,950	178,847		165,364
Interdepartmental charges	(412,700)	(412,700)		(409,000)
Total	380,950	298,847	82,103	171,048
Finance:				
Salaries and employee benefits	541,050	517,568		463,131
Other operating expenditures	241,050	187,685		190,202
Interdepartmental charges	(633,500)	(633,500)		(589,650)
Total	148,600	71,753	76,847	63,683
Purchasing/Warehouse:				
Salaries and employee benefits	125,150	124,347		119,507
Other operating expenditures	15,500	10,712		16,919
Interdepartmental charges	(100,650)	(100,650)		(94,500)
Total	40,000	34,409	5,591	41,926
Technology/MIS:				
Salaries and employee benefits	177,850	176,463		165,584
Other operating expenditures	194,600	185,432		257,152
Capital outlay	79,300	72,285		98,997
Interdepartmental charges	(242,900)	(242,900)		(223,650)
Total	208,850	191,280	17,570	298,083
Human Resources:				
Salaries and employee benefits	277,600	274,195		285,839
Other operating expenditures	200,050	187,160		164,343
Interdepartmental charges	(87,300)	(87,300)		(88,300)
Total	390,350	374,055	16,295	361,882

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			
	Final Budget	Actual	Variance Over/Under	2018 Actual
Planning:				
Salaries and employee benefits	204,950	201,098		191,087
Other operating expenditures	153,450	41,853		110,860
Capital outlay	37,250	37,220		170,500
Interdepartmental charges	(49,400)	(49,400)		(56,550)
Total	346,250	230,771	115,479	415,897
Main Street:				
Salaries and employee benefits	72,700	71,743		69,242
Other operating expenditures	19,600	17,611		14,067
Total	92,300	89,354	2,946	83,309
Municipal Building:				
Other operating expenditures	164,200	143,139		171,891
Capital outlay	28,350	28,234		7,853
Total	192,550	171,373	21,177	179,744
Public Works Administration:				
Salaries and employee benefits	180,950	179,421		170,583
Other operating expenditures	85,400	82,087		74,734
Interdepartmental charges	(205,900)	(205,900)		(203,600)
Total	60,450	55,608	4,842	41,717
Garage:				
Salaries and employee benefits	164,850	162,497		138,782
Other operating expenditures	65,700	65,344		71,084
Interdepartmental charges	(84,500)	(84,500)		(61,400)
Total	146,050	143,341	2,709	148,466
Downtown Public Parking:				
Other operating expenditures	4,400	3,822		3,546
Total	4,400	3,822	578	3,546
Total general government	2,033,350	1,667,217	366,133	1,829,950
Transportation:				
Streets:				
Salaries and employee benefits	327,850	321,580		302,961
Other operating expenditures	247,650	174,906		208,291
Capital outlay	-	-		85,677
Total	575,500	496,486	79,014	596,929

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			
	Final Budget	Actual	Variance Over/Under	2018 Actual
Powell Bill:				
Salaries and employee benefits	162,400	151,244		142,159
Other operating expenditures	915,150	463,302		406,073
Total	1,077,550	614,546	463,004	548,232
Total transportation	1,653,050	1,111,032	542,018	1,145,161
Environmental Protection:				
Sanitation:				
Salaries and employee benefits	680,100	634,780		571,548
Other operating expenditures	462,900	441,738		408,992
Capital outlay	574,650	569,275		29,116
Total	1,717,650	1,645,793	71,857	1,009,656
Total environmental protection	1,717,650	1,645,793	71,857	1,009,656
Public Safety:				
Police Department:				
Salaries and employee benefits	2,860,050	2,699,883		2,661,063
Other operating expenditures	514,925	446,965		476,475
Capital outlay	400,050	286,866		444,164
Interdepartmental charges	(2,700)	(2,700)		(2,500)
Total	3,772,325	3,431,014	341,311	3,579,202
Fire Department:				
Salaries and employee benefits	2,482,200	2,441,060		2,123,124
Other operating expenditures	408,060	364,008		444,922
Capital outlay	964,600	232,215		25,000
Interdepartmental charges	(143,300)	(143,300)		(132,600)
Total	3,711,560	2,893,983	817,577	2,460,446
Total public safety	7,483,885	6,324,997	1,158,888	6,039,648
Cultural and Recreational:				
Administration:				
Salaries and employee benefits	642,800	611,525		608,327
Other operating expenditures	174,850	145,637		164,397
Total	817,650	757,162	60,488	772,724
Central Recreation Center:				
Salaries and employee benefits	26,500	19,531		20,216
Other operating expenditures	49,050	39,027		45,176
Capital outlay	120,850	50,279		-
Total	196,400	108,837	87,563	65,392

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			
	Final Budget	Actual	Variance Over/Under	2018 Actual
Swimming Pool:				
Salaries and employee benefits	37,200	20,908		29,921
Other operating expenditures	41,100	35,263		40,750
Total	78,300	56,171	22,129	70,671
Parks:				
Salaries and employee benefits	67,800	62,565		63,832
Other operating expenditures	127,250	115,822		109,222
Capital outlay	632,300	589,009		99,471
Total	827,350	767,396	59,954	272,525
Cemeteries:				
Salaries and employee benefits	190,900	186,895		178,420
Other operating expenditures	29,350	23,057		30,969
Capital outlay	-	-		7,387
Total	220,250	209,952	10,298	216,776
Special Appropriations:				
Other operating expenditures	476,550	308,853		264,719
Total	476,550	308,853	167,697	264,719
Total cultural and recreational	2,616,500	2,208,371	408,129	1,662,807
Debt Service:				
Principal paid on installment purchase	1,101,700	1,101,359		1,012,028
Interest and fees	226,200	225,862		163,846
Total debt service	1,327,900	1,327,221	679	1,175,874
Total expenditures	16,832,335	14,284,631	2,547,704	12,863,096
Revenues over (under) expenditures	(3,544,000)	(127,970)	3,416,030	140,798
Other Financing Sources (Uses):				
Issuance of debt	1,705,250	900,868	(804,382)	361,950
Transfers to General Capital Projects Fund	(1,021,850)	(1,021,850)	-	-
Appropriated fund balance	2,860,600	-	(2,860,600)	-
Total other financing sources (uses)	3,544,000	(120,982)	(3,664,982)	361,950
Net change in fund balance	$ -	(248,952)	$ (248,952)	$ 502,748
Fund Balance:				
Beginning of year - July 1		9,359,014		
End of year - June 30		$ 9,110,062		

CITY OF NEWTON, NORTH CAROLINA

Schedule 2

GENERAL CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

		Actual			
	Project Authorization	Prior Years	Current Year	Closed Projects	Total to Date
Revenues:					
Restricted Intergovernmental	$ 1,386,450	$ -	$ 41,721	$ -	$ 41,721
Interest earned	-	242	-	-	242
Total revenues	1,386,450	242	41,721	-	41,963
Expenditures:					
Capital Outlay:					
West A Street bikeway & pedestrian improvements:					
Culvert replacement	49,050	-	-	-	-
Streets and sidewalks	1,452,850	20,056	97,836	-	117,892
Downtown Streetscape Improvements:					
Culvert replacement	1,440,750	-	191,823	-	191,823
Streets and sidewalks	8,346,300	30,072	2,006,324	-	2,036,396
Parks and amphitheater	198,000	-	180,624	-	180,624
Splash pad	700,550	-	99,357	-	99,357
Total expenditures	12,187,500	50,128	2,575,964	-	2,626,092
Revenues over (under) expenditures	(10,801,050)	(49,886)	(2,534,243)	-	(2,584,129)
Other Financing Sources (Uses):					
Issuance of long-term debt	9,779,200	2,257,000	-	-	2,257,000
Transfers from General Fund	1,021,850	-	1,021,850	-	1,021,850
Total other financing sources (uses)	10,801,050	2,257,000	1,021,850	-	3,278,850
Net change in fund balance	$ -	$ 2,207,114	$ (1,512,393)	$ -	$ 694,721

GOVERNMENTAL ACTIVITIES
NONMAJOR FUNDS

SPECIAL REVENUE FUND

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

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

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

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CITY OF NEWTON, NORTH CAROLINA

Schedule 3

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019

	Special Revenue Funds		
	Special Revenue Fund - General	Emergency Telephone System Fund	Total Nonmajor Governmental Funds
Assets:			
Current assets:			
Cash and investments	$ 9,564	$ 6,648	$ 16,212
Due from other governments	-	6,908	6,908
Total assets	$ 9,564	$ 13,556	$ 23,120
Fund Balances:			
Restricted - stabilization by state statute	$ -	$ 6,908	$ 6,908
Restricted	9,564	6,648	16,212
Total fund balances	9,564	13,556	23,120
Total liabilities, deferred inflows of resources, and fund balances	$ 9,564	$ 13,556	$ 23,120

CITY OF NEWTON, NORTH CAROLINA

Schedule 4

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Funds		
	Special Revenue Fund - General	Emergency Telephone System Fund	Total Nonmajor Governmental Funds
Revenues:			
Restricted intergovernmental	$ -	$ 37,373	$ 37,373
Interest earned	-	250	250
Total revenues	-	37,623	37,623
Expenditures:			
Current:			
Public safety	-	48,807	48,807
Total expenditures	-	48,807	48,807
Net change in fund balances	-	(11,184)	(11,184)
Fund Balances:			
Beginning of year - July 1	9,564	24,740	34,304
End of year - June 30	$ 9,564	$ 13,556	$ 23,120

CITY OF NEWTON, NORTH CAROLINA

Schedule 5

SPECIAL REVENUE FUND - GENERAL
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

		Actual			
	Project Authorization	Prior Years	Current Year	Closed Projects	Total to Date
Revenues:					
Restricted intergovernmental revenue	$ 323,750	$ 236,772	$ -	$ (236,772)	$ -
Miscellaneous	2,750	10,401	-	-	10,401
Total revenues	326,500	247,173	-	(236,772)	10,401
Expenditures:					
Economic and physical development:					
Building Reuse grant	339,950	252,809	-	(252,809)	-
CDBG rehabilitation	2,750	1,000	-	-	1,000
Total expenditures	342,700	253,809	-	(252,809)	1,000
Revenues over (under) expenditures	(16,200)	(6,636)	-	16,037	9,401
Other Financing Sources (Uses):					
Transfers in - General Fund	16,200	16,200	-	(16,037)	163
Net change in fund balance	$ -	$ 9,564	$ -	$ -	$ 9,564

CITY OF NEWTON, NORTH CAROLINA

Schedule 6

EMERGENCY TELEPHONE SYSTEM FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Final Budget	Actual	Variance Over/Under
Revenues:			
Restricted intergovernmental revenue	$ 32,000	$ 37,373	$ 5,373
Interest earned	250	250	-
Total revenues	32,250	37,623	5,373
Expenditures:			
Public Safety:			
Other operating expenditures	32,250	29,807	2,443
Capital outlay	19,000	19,000	-
Total expenditures	51,250	48,807	2,443
Revenues over (under) expenditures	(19,000)	(11,184)	7,816
Other Financing Sources (Uses):			
Appropriated fund balance	19,000	-	(19,000)
Change in net position	$ -	(11,184)	$ (11,184)
Fund Balance:			
Beginning of year - July 1		24,740	
End of year - June 30		$ 13,556	

BUSINESS-TYPE ACTIVITIES

ENTERPRISE FUNDS

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

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

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

INTERNAL SERVICE FUND

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

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

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CITY OF NEWTON, NORTH CAROLINA

WATER AND WASTEWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Over/Under
Revenues:			
Operating revenues:			
Charges for services	$ 6,935,900	$ 6,862,966	$ (72,934)
Other	440,200	498,273	58,073
Total operating revenues	7,376,100	7,361,239	(14,861)
Non-operating revenues:			
Other non-operating revenue	131,300	119,042	(12,258)
Federal grant	6,350	186,650	180,300
Interest earned	30,100	45,851	15,751
Total non-operating revenues	167,750	351,543	183,793
Total revenues	7,543,850	7,712,782	168,932
Expenditures:			
Operations	2,944,250	2,887,294	56,956
Maintenance	1,475,390	1,385,889	89,501
Administration	1,232,350	1,240,667	(8,317)
Capital outlay	1,062,140	421,539	640,601
Debt principal	1,536,700	1,536,607	93
Interest and fees	269,300	269,247	53
Total expenditures	8,520,130	7,741,243	778,887
Revenues over (under) expenditures	(976,280)	(28,461)	947,819
Other Financing Sources (Uses):			
Proceeds from sale of capital assets	5,000	3,649	(1,351)
Intrafund transfers to - Water and Wastewater Capital Project Fund	(255,000)	(35,000)	220,000
Appropriated fund balance	1,226,280	-	(1,226,280)
Total other financing sources (uses)	976,280	(31,351)	(1,007,631)
Revenues and other financing sources over (under) expenditures and other financing uses	$ -	$ (59,812)	$ (59,812)

WATER AND WASTEWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Over/Under
Reconciliation from Budgetary Basis (Modified Accrual to Full Accrual):			
Revenues and other financing sources over (under) expenditures and other financing uses		$ (59,812)	
Reconciling items:			
Capital project income		387,294	
Capital project expenditures		(1,773,013)	
Capital project expenditures capitalized to CIP		1,773,013	
Loss on disposal of capital assets		(20,000)	
Transfers to (from) - Intrafund		35,000	
Depreciation		(1,991,362)	
Capital outlay capitalized		421,539	
Payment of debt principal		1,536,607	
Increase (decrease) in deferred outflows of resources - pensions		145,105	
Increase (decrease) in deferred outflows of resources - OPEB		3,020	
(Increase) decrease in net pension liability		(176,195)	
(Increase) decrease in total OPEB liability		9,859	
(Increase) decrease in deferred inflows of resources - pensions		6,912	
(Increase) decrease in deferred inflows of resources - OPEB		(5,859)	
Increase (decrease) in accrued interest receivable		(2)	
(Increase) decrease in accrued interest payable		20,351	
(Increase) decrease in compensated absences		(7,170)	
Change in net position		$ 305,287	

CITY OF NEWTON, NORTH CAROLINA

Schedule 8

WATER AND WASTEWATER CAPITAL PROJECTS FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP) FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

		Actual			
	Project Authorization	Prior Years	Current Year	Closed Projects	Total to Date
Revenues:					
Restricted intergovernmental	$ 583,550	$ -	$ 387,294	$ -	$ 387,294
Capital contribution	1,459,850	6,584	-	(6,584)	-
Interest earned	-	27	-	-	27
Total revenues	2,043,400	6,611	387,294	(6,584)	387,321
Expenditures:					
Capital outlay:					
West A Street:					
Water rehabilitation	723,650	8,498	36,756	-	45,254
Sewer rehabilitation	482,600	5,208	49,786	-	54,994
Downtown Streetscape Improvements:					
Water rehabilitation	1,102,200	11,030	341,055	-	352,085
Sewer rehabilitation	489,600	16,152	420,601	-	436,753
Sewer Relocation:					
East 2nd Street	1,900,000	-	20,964	-	20,964
Water extension projects:					
S Hwy 16 - Buffalo Shoals	5,839,350	39,207	903,851	-	943,058
Total expenditures	10,537,400	80,095	1,773,013	-	1,853,108
Revenues over (under) expenditures	(8,494,000)	(73,484)	(1,385,719)	(6,584)	(1,465,787)
Other Financing Sources (Uses):					
Issuance of long-term debt	8,239,000	589,800	707,294	-	1,297,094
Transfers from - Water and Wastewater Fund	255,000	-	35,000	-	35,000
Total other financing sources (uses)	8,494,000	589,800	742,294	-	1,332,094
Revenues and other financing sources over (under) expenditures and other financing uses	$ -	$ 516,316	$ (643,425)	$ (6,584)	$ (133,693)

ELECTRIC ENTERPRISE FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Over/Under
Revenues:			
Operating revenues			
Charges for services	$ 15,672,900	$ 15,147,919	$ (524,981)
Other	767,550	900,001	132,451
Total operating revenues	16,440,450	16,047,920	(392,530)
Non-operating revenues:			
Contributions	5,000	5,000	-
Other non-operating revenue	73,500	73,997	497
Interest earned	25,100	109,488	84,388
Sales tax	757,150	769,068	11,918
Total non-operating revenues	860,750	957,553	96,803
Total revenues	17,301,200	17,005,473	(295,727)
Expenditures:			
Power for resale	11,221,800	10,810,390	411,410
Renewable energy	81,600	81,511	89
Operations	4,172,600	2,731,026	1,441,574
Administration	843,000	846,814	(3,814)
Capital outlay	644,600	429,870	214,730
Debt principal	820,250	820,126	124
Interest and fees	158,700	158,678	22
Total expenditures	17,942,550	15,878,415	2,064,135
Revenues over (under) expenditures	(641,350)	1,127,058	1,768,408
Other Financing Sources (Uses):			
Issuance of long-term debt	153,000	-	(153,000)
Proceeds from sale of assets	1,000	45,691	44,691
Intrafund transfers to - Electric Capital project	(175,500)	(65,500)	110,000
Appropriated fund balance	662,850	-	(662,850)
Total other financing sources (uses)	641,350	(19,809)	(661,159)
Revenues and other financing sources over (under) expenditures and other financing uses	$ -	$ 1,107,249	$ 1,107,249

ELECTRIC ENTERPRISE FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Over/Under
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and other financing sources over (under) expenditures and other financing uses		$ 1,107,249	
Reconciling items:			
Capital project income		41,750	
Capital project expenditures		(676,743)	
Capital project expenditures capitalized to CIP		676,743	
Transfers to (from) - Intrafund		65,500	
Capital outlay capitalized		429,870	
Transfer of assets to General Fund		(5,779)	
Payment of debt principal		820,126	
Depreciation		(1,150,268)	
Increase (decrease) in deferred outflows of resources - pensions		72,552	
Increase (decrease) in deferred outflows of resources - OPEB		1,043	
(Increase) decrease in net pension liability		(88,097)	
(Increase) decrease in total OPEB liability		3,696	
(Increase) decrease in deferred inflows of resources - pensions		3,456	
(Increase) decrease in deferred inflows of resources - OPEB		(2,111)	
Increase (decrease) in accrued interest receivable		3	
(Increase) decrease in accrued interest payable		13,474	
(Increase) decrease in compensated absences		611	
Change in net position		$ 1,313,075	

CITY OF NEWTON, NORTH CAROLINA

Schedule 10

ELECTRIC FUND CAPITAL PROJECTS
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

		Actual			
	Project Authorization	Prior Years	Current Year	Closed Projects	Total to Date
Revenues:					
Restricted intergovernmental	$ -	$ -	$ 41,750	$ -	$ 41,750
Interest earned	-	35	-	-	35
Total revenues	-	35	41,750	-	41,785
Expenditures:					
West A Street Electric					
Infrastructure Rehabilitation	266,800	2,505	8,000	-	10,505
Downtown Streetscape Improvements:					
Infrastructure Rehabilitation	1,988,600	42,500	625,631	-	668,131
Electric Distribution Automation	184,050	-	43,112	-	43,112
Total expenditures	2,439,450	45,005	676,743	-	721,748
Revenues over (under) expenditures	(2,439,450)	(44,970)	(634,993)	-	(679,963)
Other Financing Sources (Uses):					
Issuance of long-term debt	2,263,950	610,200	-	-	610,200
Transfers from - Electric Fund	175,500	-	65,500	-	65,500
Total other financing sources (uses)	2,439,450	610,200	65,500	-	675,700
Revenues and other financing sources over (under) expenditures and other financing uses	$ -	$ 565,230	$ (569,493)	$ -	$ (4,263)

CITY OF NEWTON, NORTH CAROLINA

Schedule 11

HEALTH INSURANCE INTERNAL SERVICE FUND
SCHEDULE OF REVENUES AND EXPENDITURES - PLAN AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2019

	Plan	Actual	Variance Over/Under
Operating Revenues:			
Charges for services	$ 1,651,800	$ 1,568,698	$ (83,102)
Total operating revenues	1,651,800	1,568,698	(83,102)
Operating Expenditures - Group Insurance:			
Claims paid	1,357,800	1,242,541	115,259
Claims incurred but not reported	-	4,045	(4,045)
Stop-loss insurance fees	296,000	254,403	41,597
Administrative charges	12,000	11,562	438
Total operating expenditures	1,665,800	1,512,551	153,249
Operating income (loss)	(14,000)	56,147	70,147
Non-Operating Revenues:			
Investment earnings	14,000	29,701	15,701
Revenues over expenditures	$ -	$ 85,848	$ 85,848

NEWTON, NORTH CAROLINA

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OTHER SCHEDULES

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

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

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CITY OF NEWTON, NORTH CAROLINA

Schedule 12

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2019

Fiscal Year	Uncollected Balance July 1, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2018-2019	$ -	$ 6,087,664	$ 5,995,034	$ 92,630
2017-2018	114,840	-	67,809	47,031
2016-2017	58,018	-	27,663	30,355
2015-2016	43,670	-	17,707	25,963
2014-2015	34,939	-	9,529	25,410
2013-2014	37,918	-	7,413	30,505
2012-2013	47,936	-	3,422	44,514
2011-2012	33,280	-	7,557	25,723
2010-2011	30,398	-	5,598	24,800
2009-2010	24,653	-	2,550	22,103
2008-2009	27,455	-	27,455	-
Total	$ 453,107	$ 6,087,664	$ 6,171,737	369,034
Less allowance for uncollectible ad valorem taxes receivable				20,000
Ad valorem taxes receivable, net				$ 349,034

Ad Valorem Taxes Receivable, Net

General Fund	$ 349,034

Reconcilement with Revenues:

Ad valorem taxes - General Fund	$ 6,195,344
Amounts written off per Statute of Limitations	25,713
Miscellaneous	(1,573)
Interest and penalties collected	(47,747)
Total collections and credits	$ 6,171,737

CITY OF NEWTON, NORTH CAROLINA

Schedule 13

ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2019

	City-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Total property taxed at current year's rate	$ 1,000,657,651	$ 0.54	$ 5,403,551	$ 5,403,551	$ -
Registered motor vehicles taxed at current year's tax rate	90,310,319	0.54	487,676	-	487,676
Penalties	-		1,158	1,158	-
Total	1,090,967,970		5,892,385	5,404,709	487,676
Discoveries:					
Current year taxes	34,291,552		185,174	185,174	-
Prior year taxes	3,153,654		16,316	16,316	-
Penalties	-		4,654	4,654	-
Total	37,445,206		206,144	206,144	-
Releases:					
Property:					
Current year taxes	(1,255,420)		(6,779)	(6,779)	-
Prior year taxes	(8,625)		(47)	(47)	-
Motor Vehicles:					
Current year taxes	(421,320)		(2,275)	-	(2,275)
Prior year taxes	(269,215)		(1,292)	-	(1,292)
Penalties	-		(472)	(472)	-
Total	(1,954,580)		(10,865)	(7,298)	(3,567)
Total property valuation	$ 1,126,458,596				
Net Levy			6,087,664	5,603,555	484,109
Less uncollected taxes at June 30, 2019			(92,630)	(92,552)	(78)
Current Year's Taxes Collected			$ 5,995,034	$ 5,511,003	$ 484,031
Current Levy Collection Percentage			98.48%	98.35%	99.98%

STATISTICAL SECTION
(Unaudited)

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

Contents

Financial Trends

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

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

Revenue Capacity

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

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

Debt Capacity

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

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

STATISTICAL SECTION (continued)
(Unaudited)

Demographic and Economic Information

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

Demographic and Economic Statistics	Table 16
Principal Employers	Table 17

Operating Information

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

Full-Time Equivalent City Government Employees By Function	Table 18
Operating Indicators by Function	Table 19
Capital Asset Statistics by Function	Table 20

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

CITY OF NEWTON, NORTH CAROLINA

Table 1

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities:										
Net investment in capital assets	$ 7,025,672	$ 7,130,316	$ 7,704,679	$ 7,819,537	$ 8,097,287	$ 7,984,441	$ 8,406,848	$ 9,065,600	$ 9,419,704	$ 10,642,496
Restricted	393,488	1,127,790	2,141,848	2,365,037	2,814,243	3,125,095	2,663,217	2,917,143	3,038,107	2,893,020
Unrestricted	3,381,059	2,640,730	2,783,144	3,163,055	3,517,744	4,373,511	5,910,938	5,316,912	4,788,356	5,246,623
Total governmental activities net position	$ 10,800,219	$ 10,898,836	$ 12,629,671	$ 13,347,629	$ 14,429,274	$ 15,483,047	$ 16,981,003	$ 17,299,655	$ 17,246,167	$ 18,782,139
Business-type Activities:										
Net investment in capital assets	$ 29,030,185	$ 29,078,708	$ 30,854,510	$ 30,063,136	$ 29,665,815	$ 29,007,878	$ 28,842,217	$ 28,478,465	$ 28,984,497	$ 29,313,984
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	3,128,651	4,403,843	4,137,292	5,702,567	6,650,083	7,281,257	8,089,777	8,931,712	9,206,477	10,516,812
Total business-type activities net position	$ 32,158,836	$ 33,482,551	$ 34,991,802	$ 35,765,703	$ 36,315,898	$ 36,289,135	$ 36,931,994	$ 37,410,177	$ 38,190,974	$ 39,830,796
Primary Government:										
Net investment in capital assets	$ 36,055,857	$ 36,209,024	$ 38,559,189	$ 37,882,673	$ 37,763,102	$ 36,992,319	$ 37,249,065	$ 37,544,065	$ 38,404,201	$ 39,956,480
Restricted	393,488	1,127,790	2,141,848	2,365,037	2,814,243	3,125,095	2,663,217	2,917,143	3,038,107	2,893,020
Unrestricted	6,509,710	7,044,573	6,920,436	8,865,622	10,167,827	11,654,768	14,000,715	14,248,624	13,994,833	15,763,435
Total primary government net position	$ 42,959,055	$ 44,381,387	$ 47,621,473	$ 49,113,332	$ 50,745,172	$ 51,772,182	$ 53,912,997	$ 54,709,832	$ 55,437,141	$ 58,612,935

CITY OF NEWTON, NORTH CAROLINA

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses:										
Governmental activities:										
General government	$ 1,591,739	$ 1,946,752	$ 1,313,202	$ 1,016,494	$ 1,280,351	$ 1,389,614	$ 1,352,512	$ 1,411,267	$ 1,678,380	$ 1,669,328
Transportation	839,025	975,976	954,979	1,047,081	1,162,093	1,162,092	1,347,083	1,147,668	1,279,189	1,401,468
Environmental protection	927,344	917,124	938,935	1,006,970	1,051,744	1,043,820	1,086,149	1,165,561	1,082,139	1,215,375
Public Safety	4,770,652	4,776,714	4,917,591	5,124,114	5,245,701	5,316,433	5,586,817	6,357,517	6,267,253	6,513,975
Cultural and recreational	2,108,551	2,076,673	2,089,168	2,076,132	1,906,260	1,551,277	1,510,818	1,636,461	1,727,506	1,742,567
Economic and physical development	105,699	42,698	-	1,000	50,000	-	-	151,185	170,940	-
Interest on long-term debt	150,324	98,794	151,154	102,178	140,224	190,377	186,606	172,773	175,088	212,893
Total governmental activities expenses	10,493,334	10,834,731	10,365,029	10,373,969	10,836,373	10,653,613	11,069,985	12,042,432	12,380,495	12,755,606
Business-type activities:										
Water and Wastewater	5,696,945	5,751,998	6,165,378	6,279,211	6,762,583	6,590,574	6,747,790	7,230,215	7,507,636	7,767,708
Electric	12,055,754	13,080,453	13,419,024	13,804,985	14,673,951	15,599,254	14,969,080	15,177,322	15,645,413	15,763,333
Total business-type activities expenses	17,752,699	18,832,451	19,584,402	20,084,196	21,436,534	22,189,828	21,716,870	22,407,537	23,153,049	23,531,041
Total primary government expenses	$ 28,246,033	$ 29,667,182	$ 29,949,431	$ 30,458,165	$ 32,272,907	$ 32,843,441	$ 32,786,855	$ 34,449,969	$ 35,533,544	$ 36,286,647
Program Revenues:										
Governmental activities:										
Charges for services										
General government	$ 505,982	$ 219,066	$ 208,600	$ 273,757	$ 169,502	$ 179,212	$ 199,335	$ 139,340	$ 148,044	$ 160,715
Transportation	488	-	-	2,104	-	24,975	4,767	-	-	34
Environmental protection	578,162	574,846	575,067	757,023	881,425	886,194	880,225	883,748	887,607	934,708
Public safety	178,450	86,706	119,909	102,231	75,350	79,765	73,717	80,173	61,981	78,819
Cultural and recreational	110,732	83,628	68,561	68,544	175,478	81,399	78,971	110,246	102,628	82,077
Economic and physical development	14,273	-	-	-	-	-	-	-	-	-
Operating grants and contributions	447,973	30,879	482,714	486,590	624,303	524,449	486,903	662,304	727,487	819,293
Capital grants and contributions	105,522	448,357	1,364,849	36,089	125,805	294,285	119,417	291,342	207,039	126,676
Total governmental activities program revenues	1,941,582	1,443,482	2,819,700	1,726,338	2,051,863	2,070,279	1,843,335	2,167,153	2,134,786	2,202,322

continued

CITY OF NEWTON, NORTH CAROLINA

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Business-type activities:										
Charges for services-Water and Wastewater	5,699,745	6,094,148	5,970,545	6,010,519	6,143,604	6,342,485	6,681,287	7,033,702	7,474,923	7,666,931
Charges for services - Electric	12,536,124	13,721,107	13,801,529	14,529,294	15,265,571	15,087,077	14,881,401	14,821,219	15,730,660	16,126,917
Operating grants and contributions	-	-	-	161	1,441	240,491	5,584	-	165,367	-
Capital grants and contributions	(3,868)	52,815	1,039,758	23,667	195,592	19,865	31,653	221,047	6,584	429,044
Total business-type activities program revenues	18,232,001	19,868,070	20,811,832	20,563,641	21,606,208	21,689,918	21,599,925	22,075,968	23,377,534	24,222,892
Total primary government program revenues	$ 20,173,583	$ 21,311,552	$ 23,631,532	$ 22,289,979	$ 23,658,071	$ 23,760,197	$ 23,443,260	$ 24,243,121	$ 25,512,320	$ 26,425,214
Net revenue (expense)										
Governmental activities	$ (8,551,752)	$ (9,391,249)	$ (7,545,329)	$ (8,647,631)	$ (8,784,510)	$ (8,583,334)	$ (9,226,650)	$ (9,875,279)	$ (10,245,709)	$ (10,553,284)
Business-type activities	479,302	1,035,619	1,227,430	479,445	169,674	(499,910)	(116,945)	(331,569)	224,485	691,851
Total primary government net expense	$ (8,072,450)	$ (8,355,630)	$ (6,317,899)	$ (8,168,186)	$ (8,614,836)	$ (9,083,244)	$ (9,343,595)	$ (10,206,848)	$ (10,021,224)	$ (9,861,433)
General Revenues and Other Changes in Net Position:										
Governmental activities:										
Ad valorem taxes	$ 5,080,456	$ 5,175,540	$ 5,091,914	$ 5,201,384	$ 5,535,417	$ 5,723,810	$ 5,627,039	$ 5,489,113	$ 5,516,304	$ 6,116,272
Local option sales tax	2,457,645	2,566,400	2,580,288	2,595,442	2,694,664	2,917,919	3,111,139	3,263,760	3,377,488	3,529,039
Utilities sales tax	776,181	785,773	781,701	759,087	810,418	935,345	971,859	969,834	957,432	964,844
Other taxes and licenses	390,137	948,139	811,413	788,672	813,734	917,719	978,029	999,650	1,033,608	1,260,653
Unrestricted investment earnings	6,913	9,013	7,498	11,004	7,922	16,443	36,540	56,263	133,475	212,669
Miscellaneous	252,347	-	-	-	-	-	-	-	-	-
Transfers	(466,921)	5,000	3,350	10,000	4,000	-	-	-	-	5,779
Total governmental activities	8,496,758	9,489,865	9,276,164	9,365,589	9,866,155	10,511,236	10,724,606	10,778,620	11,018,307	12,089,256

continued

CITY OF NEWTON, NORTH CAROLINA

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

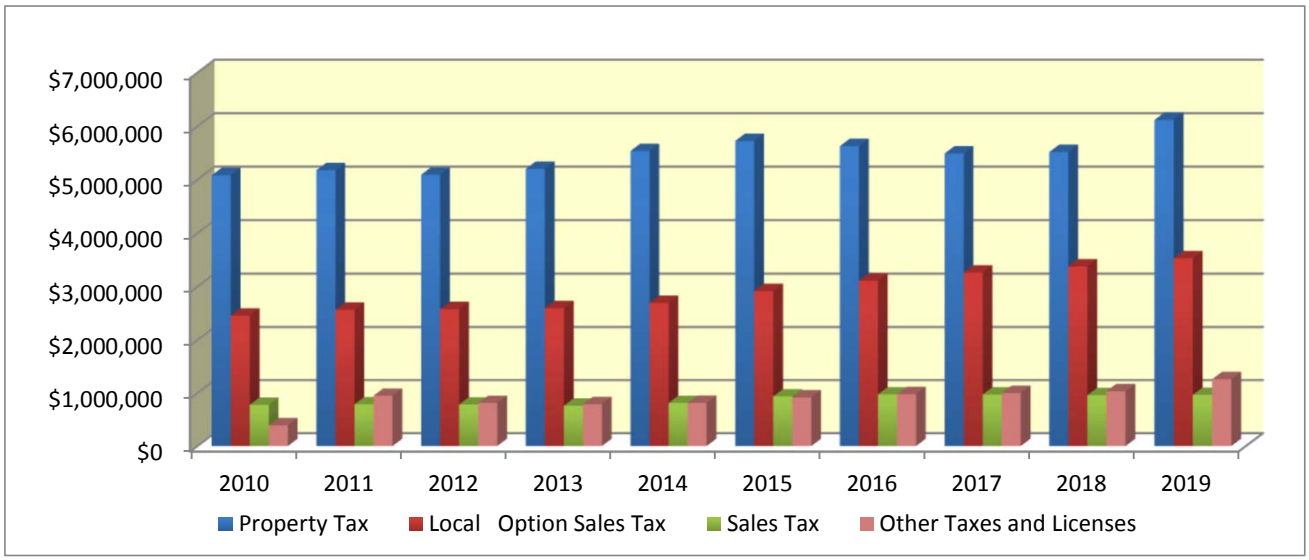
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Business-type activities:										
Other taxes and licenses	293,352	286,181	277,993	297,967	319,537	735,702	737,150	751,171	771,470	769,068
Unrestricted investment earnings	8,464	6,915	7,177	6,490	5,081	8,758	20,922	40,261	94,104	155,342
Miscellaneous	376,124	-	-	-	31,870	4,728	1,732	18,320	28,153	29,340
Capital contributions	-	-	-	-	28,033	-	-	-	-	-
Transfers	466,921	(5,000)	(3,350)	(10,000)	(4,000)	-	-	-	-	(5,779)
Total business-type activities	1,144,861	288,096	281,820	294,457	380,521	749,188	759,804	809,752	893,727	947,971
Total primary government	$ 9,641,619	$ 9,777,961	$ 9,557,984	$ 9,660,046	$ 10,246,676	$ 11,260,424	$ 11,484,410	$ 11,588,372	$ 11,912,034	$ 13,037,227
Change in Net Position:										
Governmental activities	$ (54,994)	$ 98,616	$ 1,730,835	$ 717,958	$ 1,081,645	$ 1,927,902	$ 1,497,956	$ 903,341	$ 772,598	$ 1,535,972
Business-type activities	1,624,163	1,323,715	1,509,250	773,902	550,195	249,278	642,859	478,183	1,118,212	1,639,822
Total primary government	$ 1,569,169	$ 1,422,331	$ 3,240,085	$ 1,491,860	$ 1,631,840	$ 2,177,180	$ 2,140,815	$ 1,381,524	$ 1,890,810	$ 3,175,794

CITY OF NEWTON, NORTH CAROLINA

Table 3

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

Fiscal Year	Property Tax	Local Option Sales Tax	Utilities Sales Tax	Other Taxes and Licenses	Total
2010	$ 5,080,456	$ 2,457,645	$ 776,181	$ 390,137	$ 8,704,419
2011	5,175,540	2,566,400	785,773	948,139	9,475,852
2012	5,091,914	2,580,288	781,701	811,413	9,265,316
2013	5,201,384	2,595,441	759,087	788,672	9,344,584
2014	5,535,417	2,694,664	810,418	813,734	9,854,233
2015	5,723,810	2,917,919	935,345	917,719	10,494,793
2016	5,627,039	3,111,139	971,859	978,029	10,688,066
2017	5,489,113	3,263,760	969,834	999,650	10,722,357
2018	5,516,304	3,377,488	957,432	1,033,608	10,884,832
2019	6,116,270	3,529,039	964,844	1,260,653	11,870,806



CITY OF NEWTON, NORTH CAROLINA

Table 4

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund:										
Reserved	$1,388,536									
Unreserved										
Designated	415,000									
Undesignated	1,872,934									
Non-Spendable - inventory	-	$ 47,797	$ 46,555	$ 62,836	$ 56,653	$ 41,363	$ 41,442	$ 44,606	$ 49,037	$ 40,019
Non-Spendable - prepaids	-	-	-	-	-	194,572	214,392	395,283	-	-
Restricted - Stabilization by state statute	-	633,240	672,248	735,016	1,114,520	1,145,967	944,907	1,056,556	1,227,022	1,622,163
Restricted	-	413,353	2,368,989	1,763,479	2,017,530	2,374,069	1,985,557	1,879,460	1,808,007	1,181,619
Assigned	-	-	-	47,490	42,750	45,690	474,790	1,020,600	596,870	377,110
Unassigned	-	2,871,206	2,636,336	2,615,140	3,190,736	4,130,932	4,960,008	4,459,761	5,678,078	5,889,151
Total General Fund	$3,676,470	$3,965,596	$5,724,128	$5,223,961	$6,422,189	$7,932,593	$8,621,096	$8,856,266	$9,359,014	$9,110,062
All other Governmental Funds:										
Unreserved, reported in										
Special revenue funds	$ 10,587									
Capital projects funds	3,696									
Non-Spendable - prepaids										
Special revenue funds	-	$ -	$ -	$ -	$ -	$ -	$ 10,693	$ -	$ -	$ -
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Restricted - Stabilization by state statute										
Special revenue funds	-	6,864	893	-	-	1,076	1,412	56,617	1,765	6,908
Capital projects funds	-	3,303	280	127,364	27,619	75,443	8,204	-	-	33,770
Restricted										
Special revenue funds	-	-	1,369	1,734	5,781	17,505	9,040	23,801	2,289,539	16,212
Capital projects funds	-	-	-	-	2,302,634	7,634	-	-	-	181,150
Committed										
Special revenue funds	-	14,919	2,595	-	-	-	-	-	-	-
Capital projects funds	-	35,724	87,538	97,930	-	-	-	242	-	479,801
Unassigned										
Special revenue funds	-	(6,748)	(893)	-	(251,783)	-	-	(33,132)	(49,886)	-
Capital projects funds	-	-	-	-	-	(71,264)	(7,962)	-	-	-
Total expenditures	$ 14,283	$ 54,062	$ 91,782	$ 227,028	$2,084,251	$ 30,394	$ 21,387	$ 47,528	$2,241,418	$ 717,841

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

CITY OF NEWTON, NORTH CAROLINA

Table 5

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues:										
Ad valorem taxes	$ 5,055,130	$ 5,122,713	$ 5,045,726	$ 5,136,073	$ 5,522,391	$ 5,820,879	$ 5,661,736	$ 5,554,119	$ 5,555,145	$ 6,195,344
Other taxes and licenses	2,857,098	2,930,535	2,969,847	2,961,194	3,062,603	3,374,238	3,593,002	3,732,651	3,861,923	4,188,557
Unrestricted intergovernmental	1,204,608	1,369,777	1,203,555	1,182,007	1,256,213	1,396,745	1,468,025	1,500,593	1,506,605	1,565,979
Restricted intergovernmental	597,264	474,851	667,112	495,228	734,785	505,854	576,029	878,871	696,019	748,547
Permits and fees	93,514	89,953	85,022	120,130	77,535	77,621	74,062	74,021	71,826	68,501
Sales and services	678,966	688,134	668,236	869,564	1,068,745	987,234	974,145	1,027,230	1,004,789	1,050,070
Investment earnings	6,934	7,244	6,751	10,271	6,955	14,278	31,686	48,245	115,157	182,968
Miscellaneous	134,051	190,544	1,399,330	241,416	170,798	499,570	219,099	187,031	362,152	236,039
Total revenues	10,627,565	10,873,751	12,045,579	11,015,883	11,900,025	12,676,419	12,597,784	13,002,761	13,173,616	14,236,005
Expenditures:										
Current:										
General government	1,473,652	1,421,950	1,226,079	1,190,651	1,297,639	1,424,326	1,441,187	1,641,718	1,829,950	1,667,217
Transportation	705,417	860,236	990,918	1,106,278	932,167	1,205,132	1,116,908	876,934	1,145,161	1,111,032
Environmental protection	853,462	853,954	899,515	1,276,480	994,820	987,293	1,065,055	1,248,865	1,009,656	1,645,793
Public safety	4,512,692	4,607,757	5,377,827	4,942,898	5,422,069	5,934,798	5,773,881	6,160,618	6,051,412	6,373,804
Cultural and recreational	2,072,172	2,009,886	2,008,898	2,080,553	1,699,457	1,605,676	1,531,592	1,780,230	1,662,807	2,208,371
Economic and physical development	170,216	391,090	133,577	1,000	50,000	-	-	151,185	170,940	-
Capital Outlay	712,186	-	-	251,314	1,605,278	2,066,766	387,731	-	50,128	2,575,964
Debt service:										
Principal	748,659	772,042	777,353	878,663	768,247	1,086,464	1,064,396	1,014,600	1,012,028	1,101,359
Interest	178,738	133,930	136,849	122,930	101,897	193,809	192,638	182,600	163,846	225,862
Total expenditures	11,427,194	11,050,845	11,551,016	11,850,767	12,871,574	14,504,264	12,573,388	13,056,750	13,095,928	16,909,402
Revenues over (under) expenditures	(799,629)	(177,094)	494,563	(834,884)	(971,549)	(1,827,845)	24,396	(53,989)	77,688	(2,673,397)
Other Financing Sources (Uses):										
Issuance of debt	509,150	501,000	1,298,339	443,682	4,023,000	1,284,392	655,100	315,300	2,618,950	900,868
Other miscellaneous receipts	45,631	-	-	-	-	-	-	-	-	-
Transfers from other funds	418,136	375,330	177,685	445,417	267,676	-	29,413	17,482	-	1,021,850
Transfers to other funds	(885,057)	(370,330)	(174,335)	(435,417)	(263,676)	-	(29,413)	(17,482)	-	(1,021,850)
Capital contributions	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	87,860	506,000	1,301,689	453,682	4,027,000	1,284,392	655,100	315,300	2,618,950	900,868
Net change in fund balances	$ (711,769)	$ 328,906	$ 1,796,252	$ (381,202)	$ 3,055,451	$ (543,453)	$ 679,496	$ 261,311	$ 2,696,638	$(1,772,529)
Debt service as a percentage of non-capital expenditures	8.7%	8.7%	8.9%	9.5%	8.3%	11.6%	11.2%	10.2%	9.7%	10.6%

CITY OF NEWTON, NORTH CAROLINA

Table 6

Assessed Valuation of Property
Last Ten Fiscal Years
(Unaudited)

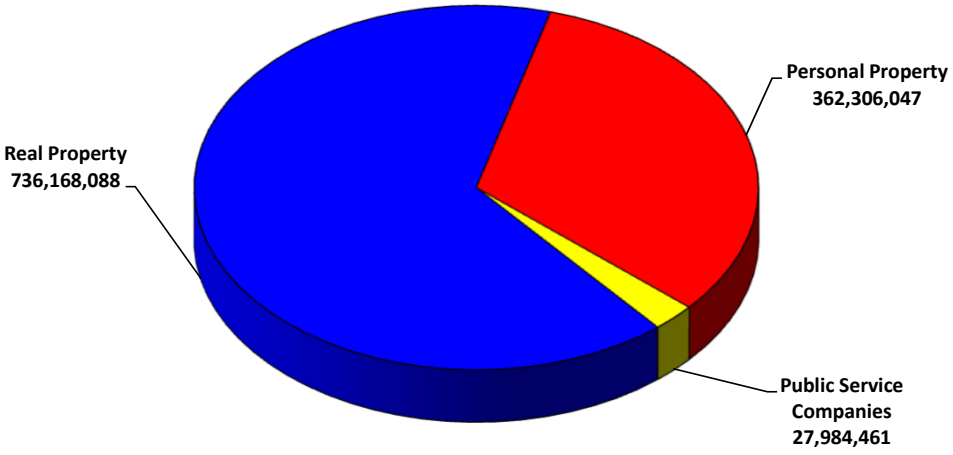
Fiscal Year		Assessed Value [1] Real Property	Personal Property [3]	Public Service Companies	Total	Property Tax Rate (Per $100 Assessed Value	Percent Increase in Value [2]
2010		$ 769,143,484	$ 277,326,569	$ 22,460,684	$1,068,930,737	0.48	9.6%
2011		773,519,907	279,668,240	21,178,162	$1,074,366,309	0.48	0.5%
2012		767,118,238	273,986,190	19,646,031	1,060,750,459	0.48	-1.3%
2013	(2)	770,022,896	293,650,012	19,881,983	1,083,554,891	0.48	2.1%
2014		769,626,622	353,362,911	18,978,817	1,141,968,350	0.48	5.4%
2015		771,410,548	318,829,225	20,837,982	1,111,077,755	0.51	-2.7%
2016		704,869,272	304,781,289	24,281,708	1,033,932,269	0.54	-6.9%
2017	(2)	711,364,646	272,585,642	26,562,454	1,010,512,742	0.54	-2.3%
2018		712,528,906	275,179,899	26,656,033	1,014,364,838	0.54	0.4%
2019		736,168,088	362,306,047	27,984,461	1,126,458,596	0.54	11.1%

NOTES:

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

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

(3) Includes vehicles.



CITY OF NEWTON, NORTH CAROLINA

Table 7

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

Fiscal Year	City of Newton	Catawba County	Total City and County Rate
2010	$ 0.48	$ 0.535	$ 1.015
2011	0.48	0.535	1.015
2012	0.48	0.530	1.010
2013	0.48	0.530	1.010
2014	0.48	0.530	1.010
2015	0.51	0.530	1.040
2016	0.54	0.575	1.115
2017	0.54	0.575	1.115
2018	0.54	0.575	1.115
2019	0.54	0.575	1.115

Other Tax Data:

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

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

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

CITY OF NEWTON, NORTH CAROLINA

Table 8

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

		2019			2010		
Taxpayer	Type of Enterprise	Total Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Total Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Target Corp.	Distribution Center	$ 73,584,481	1	6.53%	$103,972,014	1	9.73%
Corning	Fiber Optic Cable	70,430,894	2	6.25%			
ZF Lemforder Corp.	Automotive Product Mfg.	48,809,928	3	4.33%	25,236,469	3	2.36%
Sarstedt, Inc.	Pharmaceutical Plastics	20,997,488	4	1.86%	11,461,411	6	1.07%
Flowers Baking Co.	Bread and Pastries	16,605,948	5	1.47%	35,115,716	2	3.28%
Technibilt, Ltd.	Shopping Cart Manufacturing	16,104,111	6	1.43%	12,977,807	5	1.21%
International Paper	Paper Products	12,655,925	7	1.12%	10,700,269	7	1.00%
Renwood Mills	Flour Mill	11,615,293	8	1.03%			
Peoples Bank	Banking	10,744,295	9	0.95%	9,486,906	9	0.89%
Bassett Furniture Industries	Furniture Manufacturing	9,110,019	10	0.81%	9,100,722	10	0.85%
Midstate Mills, Inc.	Flour Mill				15,537,809	4	1.45%
Andrew, LLC	Business Personal Property				9,690,579	8	0.91%
Totals		$290,658,382		25.78%	$243,279,702		22.75%

Source: Catawba County Tax Office

CITY OF NEWTON, NORTH CAROLINA

Table 9

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

Fiscal Year	Total Tax Levy for Fiscal Year	Current Year's Taxes Collected/ Credited	Percentage of Levy Collected	Collections in Subsequent Years	Total Collections and Credits	Percentage of Total Tax Collections To Net Levy	Taxes Receivable Balance- June 30 [1]
2010	$ 5,160,638	$ 4,983,452	96.6%	$ 155,083	$ 5,138,535	99.6%	$ 22,103
2011	5,162,400	4,945,369	95.8%	192,231	5,137,600	99.5%	24,800
2012	5,095,309	4,853,555	95.3%	216,031	5,069,586	99.5%	25,723
2013	5,225,531	4,951,737	94.8%	229,280	5,181,017	99.1%	44,514
2014	5,495,149	5,267,703	95.9%	196,942	5,464,645	99.4%	30,504
2015	5,674,945	5,538,243	97.6%	111,291	5,649,534	99.6%	25,411
2016	5,595,433	5,467,059	97.7%	102,411	5,569,470	99.5%	25,963
2017	5,464,152	5,349,828	97.9%	83,970	5,433,798	99.4%	30,354
2018	5,486,139	5,371,299	97.9%	67,809	5,439,108	99.1%	47,031
2019	6,087,664	5,995,034	98.5%	-	5,995,034	98.5%	92,630

NOTES:

[1] Includes current portion only of taxes receivable.

CITY OF NEWTON, NORTH CAROLINA

Table 10

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

Fiscal Year	Type of Customer			
	Residential	Industrial	Commercial	Total
2010	45.9	52.0	53.2	151.1
2011	51.8	55.1	51.8	158.7
2012	46.9	56.3	47.4	150.6
2013	47.4	55.0	46.9	149.3
2014	48.5	52.8	47.6	148.9
2015	47.6	51.5	47.0	146.1
2016	46.9	50.2	47.6	144.7
2017	47.3	47.7	47.8	142.8
2018	47.5	48.8	49.3	145.6
2019	48.8	52.6	49.7	151.1

Source: City of Newton Utility Billing

CITY OF NEWTON, NORTH CAROLINA

Table 11

Electricity Rates
Last Ten Fiscal Years
(Unaudited)

	Residential				Industrial				
Fiscal Year	Basic Facilities	Rate per kWh 1st 350	Rate per kWh next 950	Rate per kWh over 1300	Basic Facilities	Demand over 30 KW (per KW)	Rate per kWh 1st 3000	Rate per kWh next 9000	Rate per kWh over 12000
2010	$ 10.02	$ 0.084582	$ 0.095063	$ 0.085570	$ 20.12	$ 6.4900	$ 0.114641	$ 0.062685	$ 0.054932
2011	10.52	0.088811	0.099816	0.089849	21.13	6.8100	0.120373	0.065819	0.057679
2012	11.10	0.093696	0.105306	0.094791	22.29	7.1800	0.126994	0.069439	0.060851
2013	11.79	0.099505	0.111835	0.100668	23.67	7.6300	0.134868	0.073744	0.064624
2014	12.45	0.105077	0.118098	0.106305	25.00	8.0573	0.142421	0.077874	0.068243
2015	12.45	0.105077	0.118098	0.106305	25.00	8.0573	0.142421	0.077874	0.068243
2016	12.45	0.105077	0.118098	0.106305	25.00	8.0573	0.142421	0.077874	0.068243
2017	12.57	0.106128	0.119279	0.107368	25.25	8.1379	0.143845	0.078653	0.068925
2018	12.57	0.106128	0.119279	0.107368	25.25	8.1379	0.143845	0.078653	0.068925
2019	12.57	0.101883	0.114508	0.103073	25.25	8.1379	0.142407	0.077866	0.068236

	Commercial				
	Basic Facilities	Demand over 30 KW	Rate per kWh 1st 3000	Rate per kWh next 9000	Rate per kWh over 12000
2010	$ 13.45	$ 7.3345	$ 0.118835	$ 0.062410	$ 0.056287
2011	14.12	7.7012	0.124777	0.065531	0.059101
2012	14.90	8.1248	0.131640	0.069135	0.062352
2013	15.82	8.6285	0.139802	0.073421	0.066218
2014	16.71	9.1117	0.147631	0.077533	0.069926
2015	16.71	9.1117	0.147631	0.077533	0.069926
2016	16.71	9.1117	0.147631	0.077533	0.069926
2017	16.88	9.2028	0.149107	0.078308	0.070625
2018	16.88	9.2028	0.149107	0.078308	0.070625
2019	16.88	9.2028	0.147616	0.077525	0.069919

Source: City of Newton Utility Billing

CITY OF NEWTON, NORTH CAROLINA

Table 12

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

	Governmental Activities		Business-type Activities				
Fiscal Year	General Obligation Bonds	Loans Payable	General Obligation Bonds	Loans Payable	Total Government	Percentage of Personal Income (1)	Per Capita (1)
2010	$ 27,080	$ 4,052,008	$ 502,920	$ 15,939,600	$ 20,521,608	4.57%	$ 1,485
2011	4,343	3,803,702	80,657	13,923,727	17,812,429	4.11%	1,371
2012	-	4,329,031	-	16,468,617	20,797,648	4.62%	1,603
2013	-	3,894,050	-	16,571,480	20,465,530	4.48%	1,579
2014	-	7,148,803	-	16,068,940	23,217,743	4.85%	1,782
2015	-	7,346,731	-	18,160,439	25,507,170	4.87%	1,959
2016	-	6,937,435	-	16,492,279	23,429,714	4.35%	1,805
2017	-	6,238,135	-	15,885,782	22,123,917	3.89%	1,698
2018	-	7,845,057	-	15,341,700	23,186,757	N/A	1,782
2019	-	7,644,566	-	13,692,261	21,336,827	N/A	1,640

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

(1) See Schedule of Demographic and Economic Statistics.

CITY OF NEWTON, NORTH CAROLINA

Table 13

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

Fiscal Year	Population [1]	Total Assessed Value	Gross Bonded Debt	Percentage of Estimated Actual Taxable Value of Property	Percentage of Personal Income	Per Capita
2010	13,819	$ 1,068,930,737	$ 530,000	0.05%	0.12%	38
2011	12,995	1,074,366,309	85,000	0.01%	0.02%	7
2012	12,971	1,060,750,459	-	0.00%	0.00%	-
2013	12,961	1,083,554,891	-	0.00%	0.00%	-
2014	13,031	1,141,968,350	-	0.00%	0.00%	-
2015	13,018	1,111,077,755	-	0.00%	0.00%	-
2016	12,982	1,033,932,269	-	0.00%	0.00%	-
2017	13,027	1,010,512,742	-	0.00%	0.00%	-
2018	13,009	1,014,364,838	-	0.00%	N/A	-
2019	13,010	1,126,458,596	-	0.00%	N/A	-

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

(1) See Schedule of Demographic and Economic Statistics.

CITY OF NEWTON, NORTH CAROLINA

Table 14

Direct and Overlapping Government Activities Debt
June 30, 2019
(Unaudited)

	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
County of Catawba	$ 175,393,381	6.56%	$ 11,505,806
Subtotal, overlapping debt			11,505,806
City of Newton direct debt			7,644,566
Total			$ 19,150,372

Note: The percentage of overlapping debt is based on the June 30, 2019 assessed valuation of the County of Catawba of $17,181,488,855 as compared to the June 30, 2019 assessed valuation for the City of Newton of $1,126,458,596.

CITY OF NEWTON, NORTH CAROLINA

Table 15

Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Assessed value of taxable property	$1,068,930,737	$1,074,366,309	$1,060,750,459	$1,083,554,891	$1,141,968,350	$1,111,077,755	$1,033,932,269	$1,010,512,742	$1,014,364,838	$1,126,458,596
Debt limit, 8% of assessed value (statutory limitation)	$ 85,514,459	$ 85,949,305	$ 84,860,037	$ 86,684,391	$ 91,357,468	$ 88,886,220	$ 82,714,582	$ 80,841,019	$ 81,149,187	$ 90,116,688
Debt applicable to limit:										
General obligation bonds	530,000	85,000	-	-	-	-	-	-	-	-
Loans payable	4,329,031	4,329,031	4,329,031	3,894,050	7,148,803	7,346,731	6,937,435	6,238,135	7,845,057	7,644,566
Total net debt applicable to limit	4,859,031	4,414,031	4,329,031	3,894,050	7,148,803	7,346,731	6,937,435	6,238,135	7,845,057	7,644,566
Legal debt margin	$ 80,655,428	$ 81,535,274	$ 80,531,006	$ 82,790,341	$ 84,208,665	$ 81,539,489	$ 75,777,147	$ 74,602,884	$ 73,304,130	$ 82,472,122
Total net debt applicable to the limit as a percentage of assessed property tax value	0.45%	0.41%	0.41%	0.36%	0.63%	0.66%	0.67%	0.62%	0.77%	0.68%

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

CITY OF NEWTON, NORTH CAROLINA

Table 16

Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Population[1]	Personal Income (amounts expressed in thousands)[5]	Per Capita Personal Income[2][5]	Median Age[1]	School Enrollment[3]	Unemployment Rate[4]
2010	13,819	$ 449,173	$ 32,504	38.2	2,808	13.0%
2011	12,995	432,993	33,320	39.6	2,861	12.1%
2012	12,971	450,301	34,716	40.0	2,863	11.3%
2013	12,961	456,875	35,250	40.3	2,889	10.8%
2014	13,031	478,785	36,742	40.5	2,977	7.1%
2015	13,018	524,170	40,265	40.7	3,073	6.1%
2016	12,982	538,454	41,477	40.9	3,094	4.9%
2017	13,027	568,642	43,651	41.0	3,078	4.0%
2018	13,009	N/A	N/A	41.1	2,957	3.8%
2019	13,010	N/A	N/A	41.3	2,930	4.2%

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

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

CITY OF NEWTON, NORTH CAROLINA

Table 17

Principal Employers
Current Year and Nine Years Ago
(Unaudited)

	2019			2010		
Employer	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Catawba County Schools	1,975	1	2.47%	1,975	1	2.68%
Catawba County Government	1,300	2	1.62%	1,333	2	1.81%
Target Distribution Center	904	3	1.13%	500	3	0.68%
Lee Industries	656	4	0.82%	420	4	0.57%
Bassett Furniture	619	5	0.77%			
Newton-Conover City Schools	460	6	0.57%	409	5	0.55%
United Church Homes & Services (Abernethy Laurels)	381	7	0.48%	346	7	0.47%
Technibilt	375	8	0.47%	350	6	0.47%
McCreary Modern	361	9	0.45%			
Flowers Baking Company	225	10	0.28%	240	10	0.33%
Goldtoe-Moretz				324	8	0.44%
General Dynamics				253	9	0.34%
Total	7,256		9.06%	6,150		8.34%
Total Civilian Labor Force	80,084			73,729		

Source: City of Newton Public Information Office

CITY OF NEWTON, NORTH CAROLINA

Table 18

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

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government										
Administration	3	3	3	4	4	4	4	4	4	4
Finance	9	9	9	9	9	9	9	9	9	9
Finance-Purchasing/Warehouse	2	2	2	2	2	2	2	2	2	2
Technology/MIS	2	2	2	2	2	2	2	2	2	2
Human Resources	2	2	2	2	2	2	2	2	2	2
Mainstreet	-	-	-	-	-	-	-	-	1	1
Planning	5	4	4	3	3	3	3	3	2	2
Public Works Administration	3	2	2	2	2	2	2	2	2	2
Garage	2	2	2	2	2	2	2	2	3	3
Transportation										
Street	7	6	6	6	6	6	6	6	6	6
Powell Bill	3	3	3	3	3	3	3	3	3	3
Environmental Protection										
Sanitation	13	13	13	13	14	14	14	14	13	13
Public Safety										
Police										
Officers	34	35	35	35	36	36	36	36	36	36
Civilians	9	8	8	9	8	8	8	8	8	8
Fire	25	26	26	26	26	26	28	28	28	37
Cultural and Recreational										
Administration	11	10	10	10	10	10	10	10	10	10
Cemeteries	4	4	4	4	4	4	4	4	4	4
Water and Sewer										
Distribution & Collection	10	10	11	11	11	11	11	11	11	11
Water Treatment Plant	8	8	9	9	8	8	8	8	8	8
Waste Water Treatment Plant	13	12	12	12	12	12	12	12	12	12
Electric	15	15	15	15	14	14	13	13	13	14
Total	180	176	178	179	178	178	179	179	179	189

Source: Budgeted personnel records

CITY OF NEWTON, NORTH CAROLINA

Operating Indicators By Function
Last Ten Fiscal Years
(Unaudited)

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police**										
Calls for Service	25,078	26,517	23,609	22,265	20,352	21,951	18,171	19,657	17,979	19,913
Arrests	599	601	742	659	644	578	668	580	597	544
Traffic Stops	1,580	2,903	2,779	2,596	2,242	2,181	2,122	2,421	1,782	1,752
Citations	1,435	2,665	2,561	1,797	1,597	1,400	1,229	1,084	917	961
Property Checks*	8,611	8,669	6,148	4,656	5,255	5,719	3,239	3,451	3,681	3,806
Incidents	1,944	2,003	1,823	1,817	2,408	2,445	2,655	2,626	2,590	2,554
Fire										
Emergency Incidents(Calls)	826	883	911	1,110	1,098	1,634	1,829	1,884	1,759	2,125
Fire Inspections Completed	543	492	575	535	578	604	602	617	593	658
Fire Prevention Programs	257	176	244	131	76	51	77	24	32	24
Permits Issued	28	40	42	42	24	89	127	81	97	145
Training Hours Completed	8,721	9,282	10,453	8,638	8,795	5,735	9,269	7,660	6,953	5,781
Highways & Streets										
Paved/Resurfaced (miles)	2.00	2.00	1.27	1.04	-	3.44	0.25	0.60	0.24	0.91
Potholes Repaired	69	72	28	35	54	20	65	20	20	16
Sanitation										
Residential collections (tons)	4,263	4,343	4,281	4,260	4,360	4,269	4,505	5,112	4,830	4,955
Recyclables (tons)	464	418	439	418	387	383	409	407	345	327
Yardwaste collected (tons)	733	1,940	994	2,115	1,191	975	919	936	607	546
Households served**	5,368	5,440	5,440	4,632	4,642	4,645	4,652	4,701	4,714	4,735

CITY OF NEWTON, NORTH CAROLINA

Operating Indicators By Function
Last Ten Fiscal Years
(Unaudited)

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Culture & Recreation (participants)										
Center activities	21,126	23,351	24,123	24,150	26,149	27,800	23,542	40,258	40,756	34,045
Athletics	58,093	60,874	70,326	65,987	60,175	61,152	58,388	60,188	60,257	54,676
Fitness Room	3,721	3,250	3,200	1,200	1,204	1,351	2,015	2,352	3,932	3,099
Swimming Pool	-	983	3,106	3,227	3,424	3,972	4,250	4,324	4,397	3,872
Shelters	1,750	2,345	2,514	3,255	4,215	5,497	8,000	8,500	8,750	11,570
Cemetery burials	59	48	46	57	90	65	45	31	45	47
Water										
New connection	28	21	15	20	11	17	22	20	36	58
Water main breaks	32	33	23	12	12	12	17	14	14	31
Avg Daily Consumption (MGD)	3.6	3.8	3.6	3.7	3.7	3.5	3.7	3.8	3.8	3.5
Number of customers	5,989	5,956	5,977	5,965	5,974	6,032	6,063	6,044	6,083	6,195
Wastewater										
Average daily usage (MGD)	1.90	1.80	1.70	1.80	1.95	1.80	1.85	1.77	1.77	3.06
Number of customers	4,663	4,679	4,653	4,656	4,670	4,687	4,688	4,771	4,783	4,781
Electric										
Average daily usage (Kwh)	411,850	434,421	436,351	431,198	426,462	422,703	414,894	402,620	423,505	431,683
Peak demand	33,758	35,394	32,221	31,076	34,514	35,316	30,137	30,223	30,193	30,703
Number of customers	4,526	4,428	4,428	4,425	4,435	4,456	4,485	4,509	4,518	4,698

Sources: Various government departments.
Note: Indicators are not available for the general government function.
* Substantial increase beginning in Fiscal Year 2008-2009 is due to including churches as part of daily property checks.
** Beginning in Fiscal Year 2012-2013 tracking was completed through the use of updated computer software programs.

CITY OF NEWTON, NORTH CAROLINA

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

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police										
Police stations	3	3	3	3	3	3	3	3	3	3
Police patrol vehicles	35	30	31	30	35	33	31	31	29	29
Other police vehicles	18	18	22	16	16	16	16	17	17	17
Fire										
Fire Stations	3	3	3	3	3	3	3	3	3	3
Fire Suppression Vehicles	9	9	9	10	10	10	8	8	8	8
Other Fire Vehicles	7	7	7	7	7	6	6	6	8	8
Highways & Streets										
Streets maintained (miles)	76.34	76.58	77.39	77.39	77.39	77.39	77.39	77.39	77.39	77.39
Storm Sewer (miles)	56.48	56.53	65.36	65.4	65.4	65.4	65.4	65.4	65.4	65.4
Sidewalk (miles)	27.84	27.84	27.84	27.84	27.84	27.84	27.84	27.84	27.84	27.84
Catch Basin inlets	1,380	1,380	1,380	1,380	1,380	1,380	1,380	1,380	1,380	1,380
Powell Bill equipment	15	15	15	9	9	8	8	8	8	8
Street equipment	18	18	18	28	30	26	26	28	28	28
Sanitation										
Residential trucks	4	4	4	4	4	4	4	4	4	4
Dumpster Trucks	2	2	2	2	2	2	2	2	2	2
Other Equipment	11	11	11	10	10	10	10	10	10	10

CITY OF NEWTON, NORTH CAROLINA

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

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Culture & Recreation										
Recreation centers	2	2	2	2	2	2	2	2	2	2
Parks	5	5	5	5	5	5	5	5	5	5
Park acreage	153.5	153.5	153.5	153.5	153.5	153.5	153.5	153.5	153.5	177
Swimming pool	1	1	1	1	1	1	1	1	1	1
Tennis courts	8	8	8	8	8	8	8	8	6	6
Cemeteries	3	3	3	3	3	3	3	3	3	3
Water										
Water lines (miles)	182.9	182.9	182.5	182.5	182.5	182.5	182.5	182.5	182.5	190.3
Fire hydrants	1,077	1,077	1,077	1,022	1,022	1,024	1,024	1,024	1,024	1,163
Max. daily capacity (MGD)	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Wastewater										
Max. daily capacity (MGD)	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Sanitary sewer lines (miles)	132.5	132.5	134.7	132	132	132	132	132	132	133
Electric										
Substations	5	5	3	2	2	2	2	2	2	2
Service lines (miles)	125	125	125	125	125	125	125	125	125	125

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

COMPLIANCE SECTION

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*

Report On Compliance For Each Major State Program And Report On Internal Control Over Compliance Required By The Uniform Guidance And The State Single Audit Implementation Act

Schedule of Findings and Questioned Costs

Summary Schedule of Prior Year's Audit Findings

Schedule of Expenditures of Federal and State Awards

NEWTON, NORTH CAROLINA

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

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Newton
Newton, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newton, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Newton's basic financial statements, and have issued our report thereon dated November 25, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Newton's internal control over financial reporting (internal control) 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 the City of Newton's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Newton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
November 25, 2019

Report On Compliance For Each Major State Program And Report On Internal Control Over Compliance Required By The Uniform Guidance And The State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the City of Newton, North Carolina's, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the City of Newton's major state programs for the year ended June 30, 2019. The City of Newton's major state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Newton's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina,* and the State Single Audit Implementation Act.

Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City of Newton's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the City of Newton's compliance.

Opinion on Each Major State Program

In our opinion, the City of Newton complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the City of Newton is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Newton's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
November 25, 2019

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CITY OF NEWTON, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

1. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Non-compliance material to financial statements noted?	No

State Awards

Internal control over major state programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major state programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance the State Single Audit Implementation Act?	No

Identification of major state programs:

Program Name
Powell Bill

2. Financial Statement Findings

None reported

3. State Award Findings and Questioned Costs

None reported

CITY OF NEWTON, NORTH CAROLINA

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

None reported

CITY OF NEWTON, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct and Pass-through) Expenditures	State Expenditures	Pass-Through to Subrecipients
Federal Grants:					
Cash Programs:					
U.S. Department of Justice					
Direct Program:					
Equitable Sharing Program	16.922		$ 3,020	$ -	$ -
Bulletproof Vest Partnership Grant	16.607		2,749	-	-
Passed-through the N.C. Department of Public Safety:					
Governor's Crime Commission	16.738	PROJ012622	23,790	-	-
Total U.S. Department of Justice			29,559	-	-
U.S. Department of Homeland Security					
Federal Emergency Management Agency:					
2016 SAFER Grant	97.083		233,373	-	-
Total U.S. Department of Homeland Security			233,373	-	-
Total assistance - federal programs			262,932	-	-
State Grants:					
Cash Assistance:					
N.C. Department of Transportation					
Powell Bill			-	300,058	-
N.C. Department of Environmental Quality					
Division of Water Infrastructure					
State Reserve Grant - Water and Wastewater Asset Inventory and Assessment		E-AIA-W-16-0023 & H-AIA-D-16-0016	-	135,300	-
N.C. Department of Commerce					
Downtown Streetscape		2018-055-1257-1534	-	225,000	-
Total assistance - state programs			-	660,358	-
Total assistance			$ 262,932	$ 660,358	$ -

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and state grant activity of the City of Newton under the programs of the federal government and the State of North Carolina for the year ended June 30, 2019. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and the State Single Audit Implementation Act. Because the schedule presents only a selected portion of the operations of the City of Newton, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Newton.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

The City of Newton has elected not to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

NEWTON, NORTH CAROLINA

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