

CITY OF NEWTON, NORTH CAROLINA
ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

PREPARED BY
CITY OF NEWTON FINANCE DEPARTMENT

CITY OF NEWTON, NORTH CAROLINA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2022

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CITY OF NEWTON

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

November 30, 2022

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

The Annual Comprehensive Financial Report (ACFR) of the City of Newton, North Carolina, for the fiscal year ended June 30, 2022 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, 2022.

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, 2022, 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, 2022 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 13,175.

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

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

Form of Government

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

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

Quality of Life

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

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

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

The City of Newton can point to a variety of elements that contribute to and enhance the desirability and livability of its citizens. Examples of cultural amenities are The Green Room Community Theatre (Old Post Office Playhouse) in Downtown Newton which provides a modern venue for the performing arts; the Catawba County Museum of History in Downtown Newton which provides a significant collection of the County's history from early settlers, to the furniture, textile, and telecommunications industries; and the Southeastern Narrow Gauge and Shortline Museum in North Newton which is home to one of the country's most extensive collections of narrow gauge railroad rolling stock, equipment, and memorabilia. The City has six parks, two recreation centers, a large pool, a splash pad, one and one-half miles of

greenway, two and one-half miles of mountain bike trails and an amphitheatre in terms of recreation facilities.

Foothills Folk Art Festival

October 2022 marked the fifth 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. The City looks forward to the return of our signature celebration of folk art and artists on May 14, 2022.

Newton Downtown Historic District

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

Wi-Fi

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

Heritage Trail Greenway

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

Woodland Loop Trail

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

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

Newton Depot

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

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

Jacob Fork Disc Golf Course

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

Newton Splash Pad

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

Business and Economic Development

Business Advisory Committee

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

Downtown Newton Development Association

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

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

Branding and Marketing Initiative

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

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

Other Strategic Initiatives for Economic Development

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

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

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

Local Economy

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

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

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

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

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

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

Long-term Financial Planning and Major Initiatives

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

10-Year Capital Improvement Plan (CIP)

The City's 10-Year Capital Improvement Plan for fiscal years 2023-2032 includes \$82.8 million in long-range capital improvements and coordinates community infrastructure needs with the financial capacity of the City. \$60.2 million, or 73%, of the total 10-year period spending is for infrastructure or equipment needs related to electric, water and wastewater. Key capital projects planned are as follows:

- \$4.0 million to purchase three fire engines and one ladder truck for the Fire Department.
- \$2.6 million and \$4.7 million in water rehabilitation projects and wastewater rehabilitation projects, respectively, to replace deteriorated infrastructure due to age. These improvements will provide better water flows and water pressure to specific areas and reduce infiltration and inflow into the sewer system.
- The City, in collaboration with Catawba County, will be completing a \$5.8 million project to extend 42,000 linear ft. of 12" water line from N.C, Highway 16 South to Buffalo Shoals Road and Balls Creek Road. Once completed this project will improve water quality in that area as well as provide a second source of water supply.
- \$2.1 million in a back-up transformer for the Jacob Fork Electric Substation which will provide redundancy in the event of an

emergency in that specific area and for industrial development in the area of the N.C. Highway 10 and U.S. Highway 321 intersection.

- \$6.3 million for a new delivery station for the Electric Department.
- \$.6 million to continue updating existing HPS (High Pressure Sodium) Lighting with Energy Efficiency Lighting.

Downtown Streetscape Master Plan

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

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

❖ *Streetscape Demonstration Project*

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

City.

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

❖ *Virtual Reality Model*

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

Awards

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Newton for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2021. This marked the thirty-seventh consecutive year that the City has achieved this prestigious award.

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

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

The City has been honored for 19 consecutive years with the Area Wide Optimization Program Award (AWOP) presented by the North Carolina

Department of Environment and Natural Resources (NCDENR). The Area-Wide Optimization Program enhances public health protection by encouraging superior performance and operations at water treatment facilities across the country. Facilities that adopt the program aim to reach sustainable water quality standards far more stringent than those required by government regulators.

Acknowledgements

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

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

Respectfully submitted,

Jonathan Franklin
City Manager



Kimberley Robinson
Finance Director





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Newton
North Carolina**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

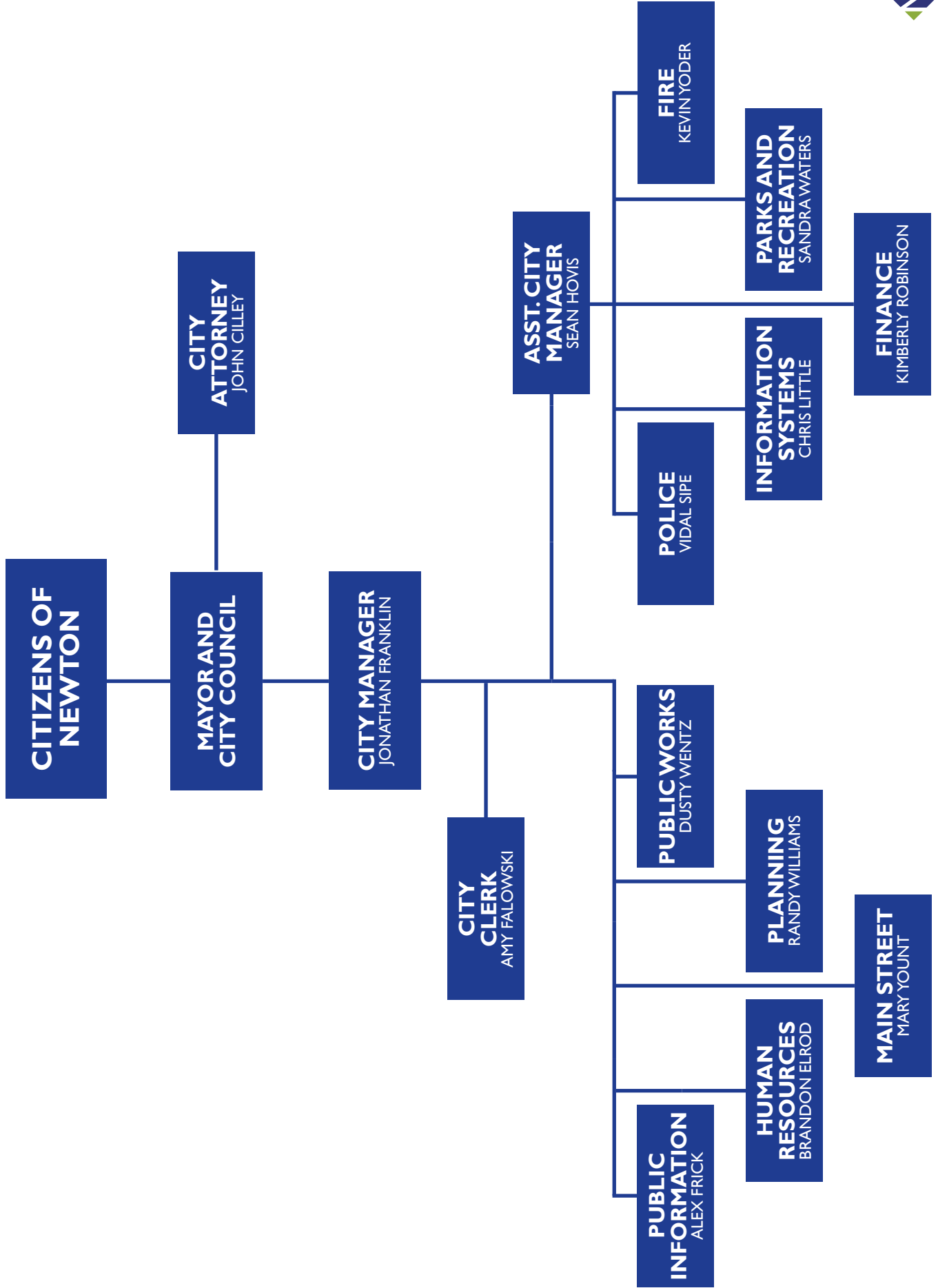
June 30, 2021

Christopher P. Morill

Executive Director/CEO

CITY OF NEWTON

ORGANIZATIONAL CHART



CITY OF NEWTON, NORTH CAROLINA

LIST OF PRINCIPAL OFFICIALS

CITY COUNCIL



EDDIE HAUPT
Mayor



JERRY T. HODGE



ED SAIN



BEVERLY DANNER



JODY DIXON



JOHN STIVER
Mayor Pro Tem



ROY JOHNSON

CITY OF NEWTON, NORTH CAROLINA

LIST OF PRINCIPAL OFFICIALS

CITY ADMINISTRATION

JONATHAN FRANKLIN
City Manager

VIDAL A. SIPE
Police Chief

KEVIN L. YODER
Fire Chief

SEAN A. HOVIS
Assistant City Manager

KIM ROBINSON
Finance Director

BRANDON L. ELROD
Human Resources Director

AMY S. FALOWSKI
City Clerk

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

CHRISTOPHER B. LITTLE
Information Systems Director

JOHN CILLEY
City Attorney

RANDOLPH (RANDY) WILLIAMS
Planning Director

SANDRA A. WATERS
Parks and Recreation Director

MARY M. YOUNT
Main Street Director

FINANCIAL SECTION

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 - **Management's Discussion and Analysis**
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MARTIN STARNES & ASSOCIATES, CPAs, P.A.

“A Professional Association of Certified Public Accountants and Management Consultants”

Independent Auditor’s Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2022, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material aspects, 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, 2022, and the respective changes in financial position and, where applicable, cash flows 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 6 to the financial statements, in 2022 the City adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered-Employee Payroll, the Other Post-Employment Benefits' Schedule of Changes in Total OPEB Liability and Related Ratios, and the Local Governmental Employees' Retirement System Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Newton's 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, as required by 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, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 Federal and State Awards are fairly stated, in all material aspects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2022 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 30, 2022

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, 2022. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

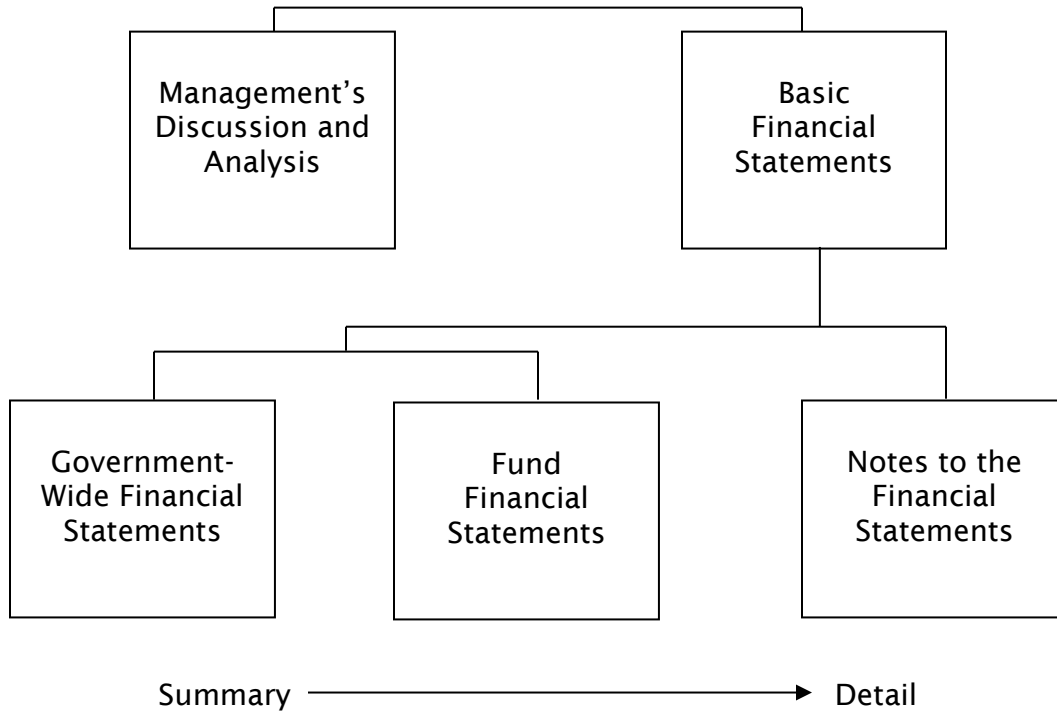
- The assets and deferred outflows of resources of the City of Newton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$70,116,394 (net position). Of this amount, \$21,656,495 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$3,482,930 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 \$15,426,637 with a net change of \$1,375,825 in fund balance. Approximately 35% of this total amount, or \$5,433,717, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$9,094,080, or 58.54%, of total General Fund expenditures and transfers out for the fiscal year.
- The City of Newton's long-term debt decreased by \$465,118, or 2.26%. Outstanding debt principal is \$20,112,789, or \$1,525 per capita.
- The City's legal debt limit is \$97,268,202 (8% of assessed valuation), and the City's legal debt margin is \$89,218,739. The total legal indebtedness of the City is \$20,112,789, which represents 1.65% 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 44-97 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 98 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 105-119 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	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 19,062,674	\$ 15,408,965	\$ 20,247,103	\$ 18,947,419	\$ 39,309,777	\$ 34,356,384
Capital assets	20,273,318	19,471,016	42,814,999	41,653,275	63,088,317	61,124,291
Total assets	<u>39,335,992</u>	<u>34,879,981</u>	<u>63,062,102</u>	<u>60,600,694</u>	<u>102,398,094</u>	<u>95,480,675</u>
Deferred outflows of resources	<u>2,769,145</u>	<u>2,562,557</u>	<u>756,227</u>	<u>685,201</u>	<u>3,525,372</u>	<u>3,247,758</u>
Long-term liabilities	11,091,423	13,218,861	11,279,112	12,217,305	22,370,535	25,436,166
Other liabilities	4,765,916	2,344,823	4,062,847	3,994,681	8,828,763	6,339,504
Total liabilities	<u>15,857,339</u>	<u>15,563,684</u>	<u>15,341,959</u>	<u>16,211,986</u>	<u>31,199,298</u>	<u>31,775,670</u>
Deferred inflows of resources	<u>2,552,278</u>	<u>274,507</u>	<u>2,055,496</u>	<u>44,792</u>	<u>4,607,774</u>	<u>319,299</u>
Net Position:						
Net investment in capital assets	13,604,276	12,288,198	30,905,166	30,150,761	44,509,442	42,438,959
Restricted	3,950,457	3,482,655	-	-	3,950,457	3,482,655
Unrestricted	<u>6,140,787</u>	<u>5,833,494</u>	<u>15,515,708</u>	<u>14,878,356</u>	<u>21,656,495</u>	<u>20,711,850</u>
Total net position	<u>\$ 23,695,520</u>	<u>\$ 21,604,347</u>	<u>\$ 46,420,874</u>	<u>\$ 45,029,117</u>	<u>\$ 70,116,394</u>	<u>\$ 66,633,464</u>

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Newton exceeded liabilities and deferred inflows by \$70,116,394 as of June 30, 2022. The City's net position increased by \$3,482,930 for the fiscal year ended June 30, 2022, due to an increase in both governmental and business-type activities net position.

The largest portion of net position is \$44,509,442, or 63.48%, which reflects the City's net investment in capital assets (e.g., land, buildings, machinery, and equipment). The City of Newton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

The restricted portion of the City of Newton's net position, \$3,950,457, or 5.63%, represents resources that are subject to external restrictions on how they may be used.

The final portion of net position is unrestricted, which is \$21,656,495, or 30.89%, 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, 2022, 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 \$2,091,173 in the City of Newton's governmental activities. This increase is reflective of higher investment earnings due to increase in interest rates, increases in property taxes received due to increased valuation in real property, as well as increased sales tax revenues due to higher consumer spending. The City had lower spending due to delivery delays in capital purchases, temporary vacancies, and controlled spending.

For fiscal year 2022, total net position for business-type activities increased \$1,391,757. This increase was primarily due to an increase in other taxes and miscellaneous revenues and increased earnings investments due to increased interest rates.

City of Newton's Changes in Net Position

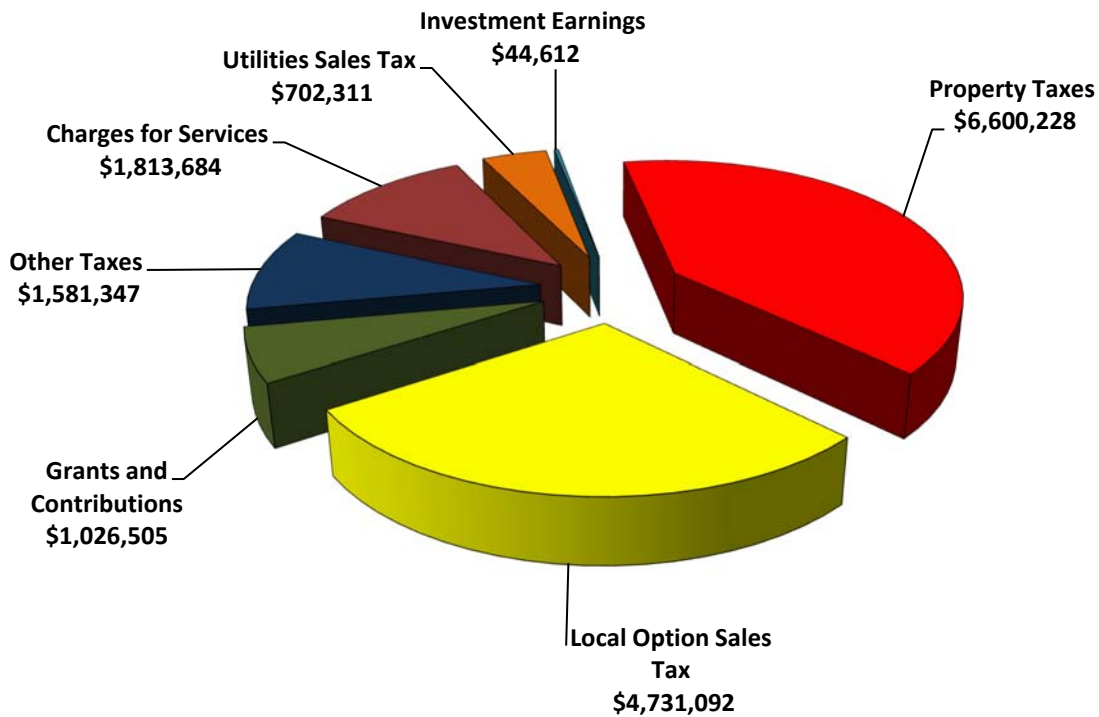
Figure 3

	2022			2021		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 1,813,684	\$ 25,584,930	\$ 27,398,614	\$ 1,701,593	\$ 24,677,600	\$ 26,379,193
Operating grants and contributions	1,025,505	-	1,025,505	627,208	-	627,208
Capital grants and contributions	1,000	282,763	283,763	120,653	20,275	140,928
General revenues:						
Property taxes	6,600,228	-	6,600,228	6,478,800	-	6,478,800
Other taxes	7,014,750	781,249	7,795,999	6,824,931	757,815	7,582,746
Miscellaneous	-	42,930	42,930	-	-	-
Power agency refund	-	633	633	-	2,754,053	2,754,053
Unrestricted investment earnings	44,612	44,984	89,596	2,330	2,718	5,048
Total revenues	16,499,779	26,737,489	43,237,268	15,755,515	28,212,461	43,967,976
Expenses:						
General government	1,979,333	-	1,979,333	2,059,253	-	2,059,253
Transportation	1,190,313	-	1,190,313	1,675,898	-	1,675,898
Environmental protection	1,155,461	-	1,155,461	1,304,530	-	1,304,530
Public safety	7,491,004	-	7,491,004	7,518,114	-	7,518,114
Culture and recreation	1,557,889	-	1,557,889	1,472,717	-	1,472,717
Economic development	830,308	-	830,308	344,845	-	344,845
Operations	-	25,052,271	25,052,271	-	24,325,377	24,325,377
Interest on long-term debt:						
Governmental	204,298	-	204,298	196,972	-	196,972
Water and wastewater	-	191,236	191,236	-	200,900	200,900
Electric	-	102,225	102,225	-	112,051	112,051
Total expenses	14,408,606	25,345,732	39,754,338	14,572,329	24,638,328	39,210,657
Change in net position before transfers	2,091,173	1,391,757	3,482,930	1,183,186	3,574,133	4,757,319
Transfers	-	-	-	536,000	(536,000)	-
Change in net position	2,091,173	1,391,757	3,482,930	1,719,186	3,038,133	4,757,319
Beginning of year - July 1	21,604,347	45,029,117	66,633,464	19,885,161	41,990,984	61,876,145
End of year - June 30	\$ 23,695,520	\$ 46,420,874	\$ 70,116,394	\$ 21,604,347	\$ 45,029,117	\$ 66,633,464

Governmental Activities. Governmental activities increased the City’s net position by \$2,091,173. Key elements of this increase are as follows:

- Higher sales taxes due to higher consumer spending
- Higher investment earnings due to increased interest rates
- Higher property taxes collected due to increased valuation in real property
- Lower spending due to delivery delays for capital purchases, temporary vacancies, and savings from controlled spending

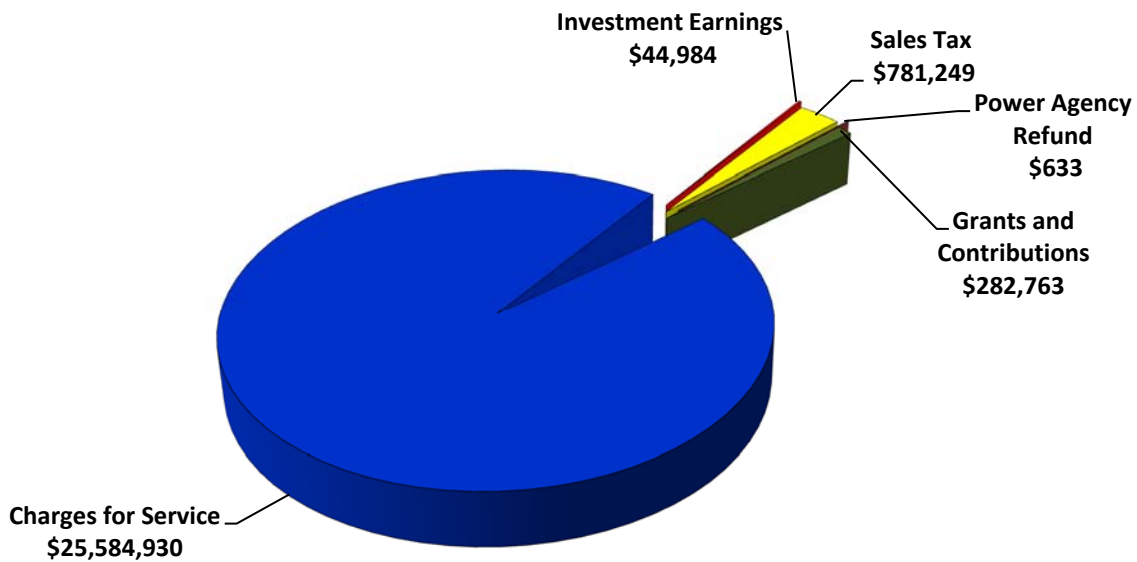
Revenues by Source - Governmental Activities



Business-Type Activities. Business-type activities increased the City of Newton’s net position by \$1,391,757. Key element of this increase is as follows:

- Increase in other taxes
- Increase in miscellaneous revenues
- Increased earnings investments due to increased interest rates

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 \$11,348,586, while total fund balance was \$14,114,362. 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 73.05% of the total General Fund expenditures and transfers out, while total fund balance represents 90.86% of that same amount.

The General Fund balance increased primarily due to \$731,092 higher than budgeted sales taxes and \$341,609 higher than budgeted Ad Valorem tax collections. In addition, \$633,800 in planned spending was carried over to fiscal year 2022, including \$231,150 for street resurfacing and repairs which were delayed due to supply chain issues and staffing shortages and \$106,700 in motor vehicles for police vehicles that were ordered but not delivered due to delays.

At June 30, 2022, the governmental funds of the City of Newton reported a combined fund balance of \$15,426,637 with a net increase in fund balance of \$1,375,825. Included in this change is an increase of \$846,712 in fund balance in the General Fund and an increase of \$3,706 in fund balance in the major special revenue funds, and an increase of \$10,404 in fund balance in the other governmental funds, and an increase of \$515,003 in the major 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 2022, there was a \$1,333,050 net increase in appropriations between the original and the final amended General Fund budget. Significant budget increases were \$733,150 for the carryover of funds for a custom fire engine purchase, \$268,950 for the carryover of purchase orders not completed in fiscal year 2021, \$140,000 for the purchase of a Knuckle boom truck, \$88,550 for annual street paving, \$50,000 for contracted services for yard waste collection, \$33,850 for a Digital Vehicular Repeater System, and \$24,500 for a portable 3D laser scanner for the Police Department.

Actual revenues were greater than final budgeted amounts by \$865,108. This was primarily due to \$731,092 higher than budgeted sales taxes due to increased consumer spending.

Actual expenditures were less than final budgeted amounts by \$2,570,647. \$633,800 of this savings resulted from spending authorized, but not yet spent, at June 30, 2022 that was carried over to fiscal year 2023, including \$231,150 for street resurfacing and repairs which were delayed as well as \$106,700 in police vehicles ordered but not received. In addition, there were unspent appropriations in salaries and related benefits due to vacancies in various departments as the City struggled with the current labor shortage and there were savings from controlled spending throughout the City.

Proprietary Funds. Unrestricted net position of the Water and Wastewater Fund at the end of the fiscal year amounted to \$3,095,657 and for the Electric Fund amounted to \$12,394,780. The total change in net position for the Water and Wastewater Fund increase and the Electric Fund increase was \$1,122,157 and \$300,230, 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, 2022 totals \$61,877,124 (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 \$963,004 for sewer line rehabilitation, \$701,589 for East 2nd street sewer relocation, \$108,345 for electric distribution automation and \$57,367 for underground cable and reconductoring.
- Governmental-type activities capital spending included \$208,021 for P West A Street bikeway & pedestrian improvement streets and sidewalks and \$36,919 for Westbrook Dr. culvert replacement.

Additional information on the City's capital assets can be found beginning on page 62 of this report.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Land	\$ 2,336,571	\$ 2,336,571	\$ 215,332	\$ 215,332	\$ 2,551,903	\$ 2,551,903
Buildings and improvements	5,983,086	6,147,278	4,508,593	4,804,121	10,491,679	10,951,399
Distribution systems	-	-	28,134,692	29,928,674	28,134,692	29,928,674
Public domain infrastructure	6,093,827	6,439,198	-	-	6,093,827	6,439,198
Equipment	983,053	1,003,412	4,305,508	4,772,912	5,288,561	5,776,324
Vehicles	3,838,566	2,792,146	752,529	898,110	4,591,095	3,690,256
Construction in progress	1,005,307	752,411	3,720,060	1,034,126	4,725,367	1,786,537
Total	<u>\$ 20,240,410</u>	<u>\$ 19,471,016</u>	<u>\$ 41,636,714</u>	<u>\$ 41,653,275</u>	<u>\$ 61,877,124</u>	<u>\$ 61,124,291</u>

Long-Term Debt. Gross debt obligations of the City are \$20,112,789 as of June 30, 2022, which solely consists of notes payable.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Direct placement installment purchases	\$ 8,049,463	\$ 8,094,202	\$ 10,670,898	\$ 11,507,798	\$ 18,720,361	\$ 19,602,000
Direct borrowing loans payable	-	-	1,392,428	975,907	1,392,428	975,907
Compensated absences	739,611	654,827	186,953	185,227	926,564	840,054
Other post-employment benefits	868,774	883,953	354,421	360,492	1,223,195	1,244,445
Net pension liability (LGERS)	1,485,937	3,706,527	469,244	1,170,483	1,955,181	4,877,010
Total pension liability (LEOSSA)	1,437,896	1,354,197	-	-	1,437,896	1,354,197
Total	<u>\$ 12,581,681</u>	<u>\$ 14,693,706</u>	<u>\$ 13,073,944</u>	<u>\$ 14,199,907</u>	<u>\$ 25,655,625</u>	<u>\$ 28,893,613</u>

The City of Newton's total debt decreased by \$3,237,989, or 11.21%, primarily due decreases in the City's net LGERS pension liability of \$2,921,830, decreases in direct placement installment purchases and a decrease in OPEB of \$21,250

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 \$89,218,739.

Additional information regarding the City of Newton's long-term debt can be found beginning on page 82 of this report.

Economic Factors and Next Year's Budgets and Rates

The City of Newton continuously strives to provide a high level of municipal service to its citizens and utility customers. Management has taken great care to evaluate a number of conditions and variables when developing the fiscal year 2022 budget. These include a review of local and national economic conditions, forecasted economic changes over the course of the next fiscal year, inflation, and intergovernmental revenues. The core objectives of the fiscal year 2023 budget are:

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

Highlights of fiscal year 2023 rates include:

- There is a 7% increase in water and wastewater rates.
- The City will incur a .9% increase in allocated demand charges. The City intends to absorb this increase in lieu of a retail electric rate increase to the City's electric customers.
- There is a 7% increase in residential and commercial sanitation fees.

Requests for Information

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



CITY OF NEWTON, NORTH CAROLINA

Exhibit A

STATEMENT OF NET POSITION
JUNE 30, 2022

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Current assets:			
Cash and short-term investments	\$ 12,636,488	\$ 13,005,009	\$ 25,641,497
Taxes receivable, net	231,268	-	231,268
Accounts receivable, net	211,169	3,083,406	3,294,575
Lease receivable, net	19,637	139,206	158,843
Interest receivable, net	-	4,312	4,312
Due from other governments	1,888,370	1,136,816	3,025,186
Internal balances	(25,271)	25,271	-
Inventories	69,931	1,100,443	1,170,374
Restricted cash and cash equivalents	4,031,082	1,752,640	5,783,722
Total current assets	19,062,674	20,247,103	39,309,777
Non-current assets:			
Lease receivable, net of current portion	32,908	1,178,285	1,211,193
Capital assets:			
Land, non-depreciable assets, and construction in progress	3,341,878	3,935,392	7,277,270
Other capital assets, net of depreciation	16,898,532	37,701,322	54,599,854
Total capital assets	20,240,410	41,636,714	61,877,124
Total non-current assets	20,273,318	42,814,999	63,088,317
Total assets	39,335,992	63,062,102	102,398,094
Deferred Outflows of Resources:			
Pension deferrals	2,666,229	715,065	3,381,294
OPEB deferrals	102,916	41,162	144,078
Total deferred outflows of resources	2,769,145	756,227	3,525,372
Liabilities:			
Current liabilities:			
Accounts payable and other current liabilities	1,062,455	1,798,013	2,860,468
Due to other governments	-	49,140	49,140
Advance from grantor	2,179,563	-	2,179,563
Liabilities to be paid from restricted assets	33,640	420,862	454,502
Compensated absences	362,449	117,568	480,017
Current portion of long-term liabilities	1,127,809	1,677,264	2,805,073
Total current liabilities	4,765,916	4,062,847	8,828,763
Long-term liabilities:			
Compensated absences, non-current	377,162	69,385	446,547
Net (LERS) pension liability	1,485,937	469,244	1,955,181
Total (LEOSSA) pension liability	1,437,896	-	1,437,896
Total OPEB liability	868,774	354,421	1,223,195
Due in more than one year	6,921,654	10,386,062	17,307,716
Total long-term liabilities	11,091,423	11,279,112	22,370,535
Total liabilities	15,857,339	15,341,959	31,199,298
Deferred Inflows of Resources:			
Prepaid taxes	1,096	-	1,096
Lease revenues deferrals	50,863	1,303,426	1,354,289
Pension deferrals	2,403,386	713,299	3,116,685
OPEB deferrals	96,933	38,771	135,704
Total deferred inflows of resources	2,552,278	2,055,496	4,607,774
Net Position:			
Net investment in capital assets	13,604,276	30,905,166	44,509,442
Restricted for stabilization by state statute	2,793,524	-	2,793,524
Restricted for transportation	895,675	-	895,675
Restricted for public safety	26,065	-	26,065
Restricted for cultural and recreational	235,193	-	235,193
Unrestricted	6,140,787	15,515,708	21,656,495
Total net position	\$ 23,695,520	\$ 46,420,874	\$ 70,116,394

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, 2022**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities:							
General government	\$ 1,979,333	\$ 186,581	\$ 514,031	\$ -	\$ (1,278,721)	\$ -	\$ (1,278,721)
Transportation	1,190,313	-	417,529	-	(772,784)	-	(772,784)
Environmental protection	1,155,461	1,448,047	-	-	292,586	-	292,586
Public safety	7,491,004	92,421	86,839	-	(7,311,744)	-	(7,311,744)
Cultural and recreation	1,557,889	86,635	7,106	1,000	(1,463,148)	-	(1,463,148)
Economic and physical development	830,308	-	-	-	(830,308)	-	(830,308)
Interest on long-term debt	204,298	-	-	-	(204,298)	-	(204,298)
Total governmental activities	14,408,606	1,813,684	1,025,505	1,000	(11,568,417)	-	(11,568,417)
Business-Type Activities:							
Water and wastewater	8,234,365	9,011,601	-	282,763	-	1,059,999	1,059,999
Electric	17,111,367	16,573,329	-	-	(538,038)	-	(538,038)
Total business-type activities	25,345,732	25,584,930	-	282,763	-	521,961	521,961
Total primary government	\$ 39,754,338	\$ 27,398,614	\$ 1,025,505	\$ 283,763	(11,568,417)	521,961	(11,046,456)
General Revenues:							
Taxes:							
Property taxes					6,600,228	-	6,600,228
Local option sales tax					4,731,092	-	4,731,092
Utilities sales tax					702,311	-	702,311
Other taxes					1,581,347	781,249	2,362,596
Miscellaneous revenues, unrestricted					-	42,930	42,930
Power agency refund					-	633	633
Investment earnings, unrestricted					44,612	44,984	89,596
Total general revenues					13,659,590	869,796	14,529,386
Change in net position					2,091,173	1,391,757	3,482,930
Net Position:							
Beginning of year - July 1					21,604,347	45,029,117	66,633,464
End of year - June 30					\$ 23,695,520	\$ 46,420,874	\$ 70,116,394

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

CITY OF NEWTON, NORTH CAROLINA

Exhibit C
Page 1 of 2

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022**

	Major Funds			Nonmajor Fund	Total
	General Fund	Special Revenue Fund - General	General Capital Projects Fund	Other Governmental Fund	
Assets:					
Cash and short-term investments	\$ 11,655,637	\$ 12,395	\$ 656,333	\$ 26,065	\$ 12,350,430
Taxes receivable, net	231,268	-	-	-	231,268
Accounts receivable, net	210,663	-	-	-	210,663
Lease receivable	52,545	-	-	-	52,545
Due from other governments	1,790,661	92,189	688	4,832	1,888,370
Inventories	69,931	-	-	-	69,931
Restricted cash and cash equivalents	1,089,520	1,705,301	1,236,261	-	4,031,082
Total assets	\$ 15,100,225	\$ 1,809,885	\$ 1,893,282	\$ 30,897	\$ 18,834,289
Liabilities, Deferred Inflows of Resources, and Fund Balances:					
Liabilities:					
Accounts payable and other current liabilities	\$ 618,389	\$ 89,481	\$ 152,715	\$ -	\$ 860,585
Advance from grantor	-	1,702,563	477,000	-	2,179,563
Liabilities to be paid from restricted assets	33,640	-	-	-	33,640
Total liabilities	652,029	1,792,044	629,715	-	3,073,788
Deferred Inflows of Resources:					
Unavailable revenue - property taxes	231,268	-	-	-	231,268
Unavailable revenue - grants	50,607	30	-	-	50,637
Unavailable revenue - leases	50,863	-	-	-	50,863
Prepaid taxes	1,096	-	-	-	1,096
Total deferred inflows of resources	333,834	30	-	-	333,864
Fund Balances:					
Non-spendable - inventories	69,931	-	-	-	69,931
Restricted - stabilization by state statute	2,695,845	92,159	688	4,832	2,793,524
Restricted	1,307,936	-	1,236,261	26,065	2,570,262
Committed	-	-	503,618	-	503,618
Assigned	946,570	-	-	-	946,570
Unassigned	9,094,080	(74,348)	(477,000)	-	8,542,732
Total fund balances	14,114,362	17,811	1,263,567	30,897	15,426,637
Total liabilities, deferred inflows of resources, and fund balances	\$ 15,100,225	\$ 1,809,885	\$ 1,893,282	\$ 30,897	\$ 18,834,289

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

CITY OF NEWTON, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022**

**Exhibit C
Page 2 of 2**

	Total
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Total fund balances	\$ 15,426,637
Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and therefore are not reported in the funds.	20,240,410
Deferred outflows of resources related to pensions are not reported in the funds.	2,666,229
Deferred outflows of resources related to OPEB are not reported in the funds.	102,916
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.	(8,856,772)
Net pension liability - LGERS	(1,485,937)
Total pension liability - LEOSSA	(1,437,896)
Total OPEB liability	(868,774)
Liabilities for earned revenues considered deferred inflows of resources in fund statements	281,905
Deferred inflows of resources related to pensions are not reported in the funds.	(2,403,386)
Deferred inflows of resources related to OPEB are not reported in the funds.	(96,933)
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.	127,121
Net position of governmental activities	\$ 23,695,520

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, 2022**

	Major Funds			Nonmajor Fund	Total
	General Fund	Special Revenue Fund - General	General Capital Projects Fund	Other Governmental Fund	
Revenues:					
Ad valorem taxes	\$ 6,636,609	\$ -	\$ -	\$ -	\$ 6,636,609
Other taxes and licenses	6,112,158	-	-	-	6,112,158
Unrestricted intergovernmental	902,592	-	-	-	902,592
Restricted intergovernmental	460,909	515,350	-	19,047	995,306
Permits and fees	61,913	-	-	-	61,913
Sales and services	1,585,545	-	-	-	1,585,545
Investment earnings	41,344	2,738	41	38	44,161
Miscellaneous	218,338	-	-	-	218,338
Total revenues	<u>16,019,408</u>	<u>518,088</u>	<u>41</u>	<u>19,085</u>	<u>16,556,622</u>
Expenditures:					
Current:					
General government	1,865,455	-	-	-	1,865,455
Transportation	1,108,268	-	-	-	1,108,268
Environmental protection	1,346,949	-	-	-	1,346,949
Public safety	7,910,841	-	-	8,681	7,919,522
Economic and physical development	307,926	522,382	-	-	830,308
Cultural and recreational	1,586,513	-	-	-	1,586,513
Capital outlay	-	-	271,618	-	271,618
Debt service:					
Principal retirement	1,161,216	-	-	-	1,161,216
Interest and fees	207,425	-	-	-	207,425
Total expenditures	<u>15,494,593</u>	<u>522,382</u>	<u>271,618</u>	<u>8,681</u>	<u>16,297,274</u>
Revenues over (under) expenditures	<u>524,815</u>	<u>(4,294)</u>	<u>(271,577)</u>	<u>10,404</u>	<u>259,348</u>
Other Financing Sources (Uses):					
Issuance of debt	362,147	-	754,330	-	1,116,477
Transfers from other funds	-	8,000	32,250	-	40,250
Transfers to other funds	(40,250)	-	-	-	(40,250)
Total other financing sources (uses)	<u>321,897</u>	<u>8,000</u>	<u>786,580</u>	<u>-</u>	<u>1,116,477</u>
Net change in fund balances	846,712	3,706	515,003	10,404	1,375,825
Fund Balances:					
Beginning of year - July 1	<u>13,267,650</u>	<u>14,105</u>	<u>748,564</u>	<u>20,493</u>	<u>14,050,812</u>
End of year - June 30	<u>\$ 14,114,362</u>	<u>\$ 17,811</u>	<u>\$ 1,263,567</u>	<u>\$ 30,897</u>	<u>\$ 15,426,637</u>

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, 2022**

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

Net changes in fund balances - total governmental funds (Exhibit D)	\$ 1,375,825
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Property taxes	(36,379)
Change in unavailable grant revenues	(20,913)
Expenses related to LGERS net pension liability that do not require current financial resources are not reported as expenditures.	246,730
Expenses related to LEOSSA total pension liability that do not require current financial resources are not reported as expenditures.	(97,529)
Expenses related to total OPEB liability that do not require current financial resources are not reported as expenditures.	(17,140)
Expenses related to compensated absences that do not require current financial resources are not reported as expenditures.	(84,784)
Expenses related to interest expense that do not require current financial resources are not reported as expenditures.	3,127
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.	2,420,671
Net book value of capital assets disposed of during the year, not recognized on the modified accrual basis.	(5,828)
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(1,645,449)
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.	1,161,216
Proceeds from issuance of debt are reported as revenues in the governmental funds statement. However, in the Statement of Activities, it is not a revenue, rather it is an increase in liabilities.	(1,116,477)
The net revenue of the internal service funds are reported with governmental activities.	<u>(91,897)</u>
Total changes in net position of governmental activities (Exhibit B)	<u>\$ 2,091,173</u>

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

CITY OF NEWTON, NORTH CAROLINA

Exhibit F

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022**

	General Fund			Variance with Final Budget Over/Under
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 6,295,000	\$ 6,295,000	\$ 6,636,609	\$ 341,609
Other taxes and licenses	5,118,500	5,118,500	6,112,158	993,658
Unrestricted intergovernmental	1,546,150	1,546,150	902,592	(643,558)
Restricted intergovernmental	355,000	429,500	460,909	31,409
Permits and fees	65,100	65,100	61,913	(3,187)
Sales and services	1,550,750	1,550,750	1,585,545	34,795
Investment earnings	1,000	1,000	41,344	40,344
Miscellaneous	132,250	148,300	218,338	70,038
Total revenues	<u>15,063,750</u>	<u>15,154,300</u>	<u>16,019,408</u>	<u>865,108</u>
Expenditures:				
Current:				
General government	2,443,050	2,256,550	1,865,455	391,095
Transportation	1,648,950	1,857,350	1,108,268	749,082
Environmental protection	1,627,750	1,774,100	1,346,949	427,151
Public safety	7,403,200	8,436,600	7,910,841	525,759
Economic and physical development	353,050	353,050	307,926	45,124
Cultural and recreational	1,905,740	2,011,890	1,586,513	425,377
Debt service:				
Principal retirement	1,164,000	1,164,000	1,161,216	2,784
Interest and fees	211,700	211,700	207,425	4,275
Total expenditures	<u>16,757,440</u>	<u>18,065,240</u>	<u>15,494,593</u>	<u>2,570,647</u>
Revenues over (under) expenditures	<u>(1,693,690)</u>	<u>(2,910,940)</u>	<u>524,815</u>	<u>3,435,755</u>
Other Financing Sources (Uses):				
Issuance of debt	596,850	596,850	362,147	(234,703)
Transfers from other funds	548,000	548,000	-	(548,000)
Transfers to other funds	-	(40,250)	(40,250)	-
Appropriated fund balance	548,840	1,806,340	-	(1,806,340)
Total other financing sources (uses)	<u>1,693,690</u>	<u>2,910,940</u>	<u>321,897</u>	<u>(2,589,043)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>846,712</u>	<u>\$ 846,712</u>
Fund Balance:				
Beginning of year - July 1			<u>13,267,650</u>	
End of year - June 30			<u>\$14,114,362</u>	

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, 2022**

	Major			Internal Service Fund
	Water and Wastewater Fund	Electric Fund	Total	
Assets:				
Current assets:				
Cash and cash equivalents	\$ 2,010,460	\$ 10,994,549	\$ 13,005,009	\$ 286,058
Accounts receivable, net	1,121,400	1,962,006	3,083,406	506
Interest receivable	3,539	773	4,312	-
Lease receivable	125,270	13,936	139,206	-
Due from other governments	1,059,671	77,145	1,136,816	-
Inventories	193,450	906,993	1,100,443	-
Restricted cash and cash equivalents	<u>470,370</u>	<u>1,282,270</u>	<u>1,752,640</u>	-
Total current assets	<u>4,984,160</u>	<u>15,237,672</u>	<u>20,221,832</u>	<u>286,564</u>
Capital assets:				
Non current Lease receivable, net	1,060,320	117,965	1,178,285	-
Non-depreciable capital assets	3,361,084	574,308	3,935,392	-
Depreciable capital assets, net	<u>26,392,645</u>	<u>11,308,677</u>	<u>37,701,322</u>	-
Total capital assets, net	<u>30,814,049</u>	<u>12,000,950</u>	<u>42,814,999</u>	-
Total assets	<u>35,798,209</u>	<u>27,238,622</u>	<u>63,036,831</u>	<u>286,564</u>
Deferred Outflows of Resources:				
Pension deferrals	477,150	237,915	715,065	-
OPEB deferrals	<u>29,939</u>	<u>11,223</u>	<u>41,162</u>	-
Total deferred outflows of resources	<u>507,089</u>	<u>249,138</u>	<u>756,227</u>	-
Liabilities:				
Current liabilities:				
Accounts payable and other current liabilities	487,653	1,195,535	1,683,188	134,172
Accrued interest payable	74,612	40,213	114,825	-
Due to other government	49,140	-	49,140	-
Accrued compensated absences - current	64,840	52,728	117,568	-
Installment loans payable - current	1,031,179	646,085	1,677,264	-
Liabilities to be paid from restricted assets	<u>106,768</u>	<u>314,094</u>	<u>420,862</u>	-
Total current liabilities	<u>1,814,192</u>	<u>2,248,655</u>	<u>4,062,847</u>	<u>134,172</u>
Non-current liabilities:				
Accrued compensated absences	69,385	-	69,385	-
Long-term installment loans payable	7,267,799	3,118,263	10,386,062	-
Net pension liability	312,829	156,415	469,244	-
Total OPEB liability	<u>256,714</u>	<u>97,707</u>	<u>354,421</u>	-
Total non-current liabilities	<u>7,906,727</u>	<u>3,372,385</u>	<u>11,279,112</u>	-
Total liabilities	<u>9,720,919</u>	<u>5,621,040</u>	<u>15,341,959</u>	<u>134,172</u>
Deferred Inflows of Resources:				
Lease revenue deferrals	1,166,637	136,789	1,303,426	-
Pension deferrals	475,533	237,766	713,299	-
OPEB deferrals	<u>28,199</u>	<u>10,572</u>	<u>38,771</u>	-
Total deferred inflows of resources	<u>1,670,369</u>	<u>385,127</u>	<u>2,055,496</u>	-
Net Position:				
Net investment in capital assets	21,818,353	9,086,813	30,905,166	-
Unrestricted	<u>3,095,657</u>	<u>12,394,780</u>	<u>15,490,437</u>	<u>152,392</u>
Total net position	<u>\$ 24,914,010</u>	<u>\$ 21,481,593</u>	46,395,603	<u>\$ 152,392</u>
Internal balance due from (to) governmental activities due to consolidation of Internal Service Fund			<u>25,271</u>	
Business-type activities net position (Exhibit A)			<u>\$ 46,420,874</u>	

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, 2022**

	Major			
	Water and Wastewater Fund	Electric Fund	Total	Internal Service Fund
Operating Revenues:				
Charges for services	\$ 8,194,822	\$ 15,568,571	\$ 23,763,393	\$ 1,647,992
Other operating revenues	697,633	811,425	1,509,058	-
Total operating revenues	8,892,455	16,379,996	25,272,451	1,647,992
Operating Expenses:				
Administration	1,322,843	951,449	2,274,292	8,024
Power for resale	-	11,307,113	11,307,113	-
Operations	3,083,616	2,746,841	5,830,457	1,762,945
Maintenance	1,476,226	-	1,476,226	-
Depreciation	2,145,129	1,207,175	3,352,304	-
Total operating expenses	8,027,814	16,212,578	24,240,392	1,770,969
Operating income (loss)	864,641	167,418	1,032,059	(122,977)
Non-Operating Revenues (Expenses):				
Sales tax revenue	-	781,249	781,249	-
Sales tax expense	-	(781,249)	(781,249)	-
Investment earnings	25,873	19,111	44,984	450
Interest expense	(191,236)	(102,225)	(293,461)	-
Power agency refund	-	633	633	-
Rental income and other non-operating items	119,146	193,333	312,479	-
Gain (loss) on disposal of capital assets	20,970	21,960	42,930	-
Total non-operating revenues (expenses)	(25,247)	132,812	107,565	450
Income (loss) before capital contributions	839,394	300,230	1,139,624	(122,527)
Capital contributions	282,763	-	282,763	-
Change in net position	1,122,157	300,230	1,422,387	(122,527)
Net Position:				
Beginning of year - July 1	23,791,853	21,181,363		274,919
End of year - June 30	\$ 24,914,010	\$ 21,481,593		\$ 152,392
Internal service activities allocated to business-type activities			(30,630)	
Change in net position-business type activities (Exhibit B)			\$ 1,391,757	

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, 2022**

	Major			Internal Service Fund
	Water and Wastewater Fund	Electric Fund	Total	
Cash Flows from Operating Activities:				
Cash received from customers and users	\$ 7,751,218	\$ 16,387,402	\$ 24,138,620	\$ 1,648,875
Cash paid for goods and services	(3,499,579)	(13,670,616)	(17,170,195)	(1,812,477)
Cash paid to or on behalf of employees for services	(1,958,594)	(1,166,444)	(3,125,038)	-
Net cash provided (used) by operating activities	<u>2,293,045</u>	<u>1,550,342</u>	<u>3,843,387</u>	<u>(163,602)</u>
Cash Flows from Non-Capital Financing Activities:				
Power agency refund	-	633	633	-
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>633</u>	<u>633</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(3,052,069)	(283,674)	(3,335,743)	-
Capital contributions - grants	282,763	-	282,763	-
Proceeds from sale of capital assets	20,970	21,960	42,930	-
Sales tax revenue	-	781,249	781,249	-
Sales tax expense	-	(781,249)	(781,249)	-
Payments of installment loans payable	(1,025,130)	(860,108)	(1,885,238)	-
Interest paid on loans payable	(198,534)	(114,095)	(312,629)	-
Proceeds from issuance of loans payable	1,073,023	391,836	1,464,859	-
Net cash provided (used) by capital and related financing activities	<u>(2,898,977)</u>	<u>(844,081)</u>	<u>(3,743,058)</u>	<u>-</u>
Cash Flows from Investing Activities:				
Interest on investments	22,334	18,338	40,672	450
Net Increase (Decrease) in Cash and Cash Equivalents	(583,598)	725,232	141,634	(163,152)
Cash and Cash Equivalents:				
Beginning of year - July 1	<u>3,064,428</u>	<u>11,551,587</u>	<u>14,616,015</u>	<u>449,210</u>
End of year - June 30	<u>\$ 2,480,830</u>	<u>\$ 12,276,819</u>	<u>\$ 14,757,649</u>	<u>\$ 286,058</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 864,641	\$ 167,418	\$ 1,032,059	\$ (122,977)
Adjustments to reconcile operating income (loss) to:				
Depreciation	2,145,129	1,207,175	3,352,304	-
Rental income and other non-operating revenues	119,146	193,333	312,479	-
Change in assets and liabilities:				
(Increase) decrease in lease receivable	(1,185,590)	(131,901)	(1,317,491)	-
(Increase) decrease in accounts receivable	(67,770)	36,391	(31,379)	-
(Increase) decrease in due from other governmental agencies	(853,697)	(5,589)	(859,286)	-
(Increase) decrease in inventories	(62,955)	(91,543)	(154,498)	-
(Increase) decrease in deferred outflows of resources for pension	(55,417)	(27,708)	(83,125)	-
(Increase) decrease in deferred outflows of resources for OPEB	8,800	3,299	12,099	-
Increase (decrease) in due to other governmental agencies	(1,711)	-	(1,711)	-
Increase (decrease) in accounts payable and accrued expenses	207,856	67,660	275,516	(40,625)
Increase (decrease) in accrued vacation pay	8,156	(6,430)	1,726	-
Increase (decrease) in deferred inflows of resources for pension	470,967	235,483	706,450	-
Increase (decrease) in deferred inflows of resources for OPEB	602	226	828	-
Increase (decrease) in lease revenues	1,166,637	136,789	1,303,426	-
Increase (decrease) in net pension liability	(467,493)	(233,745)	(701,238)	-
Increase (decrease) in OPEB liability	(4,416)	(1,655)	(6,071)	-
Increase (decrease) in customer deposits	160	1,139	1,299	-
Net cash provided (used) by operating activities	<u>\$ 2,293,045</u>	<u>\$ 1,550,342</u>	<u>\$ 3,843,387</u>	<u>\$ (163,602)</u>

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

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.



CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

Fund Financial Statements. The fund financial statements provide information about the City's funds. Separate statements for each fund category - *governmental and proprietary* - are presented. The City has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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).

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 nonmajor governmental fund:

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.

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.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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-General, 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

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

State law [G.S. 159-30 (c)(8)] authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high-quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust ("NCCMT"). The City's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than six 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 debt proceeds in the governmental funds and enterprise funds are classified as restricted assets, because their use is completely restricted to the purpose for which the financing was originally issued. Customer deposits held by the General Fund, the Water/Wastewater Fund and the Electric Fund before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.4. The motor vehicle license fees held in the General Fund are classified as restricted because they are restricted by revenue source. The unexpended grant proceeds for ARP are restricted for purposes of the grant. In addition, funds for cultural and recreational activities held in the General Fund are classified as restricted assets because the contributor placed a restriction that the principal only be utilized for capital costs of recreational facilities.

CITY OF NEWTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>General Fund</u>	<u>Special Revenue Fund- General</u>	<u>General Capital Projects Fund</u>	<u>Total Restricted Cash</u>
Governmental Activities:				
Unexpended debt proceeds	\$ 177,068	\$ -	\$ 1,236,261	\$ 1,413,329
Unexpended grant proceeds-ARP	-	1,705,301	-	1,705,301
Customer deposits	33,640	-	-	33,640
Streets - Powell Bill	341,609	-	-	341,609
Streets - vehicle tax	293,729	-	-	293,729
Cultural and recreational	<u>243,474</u>	<u>-</u>	<u>-</u>	<u>243,474</u>
Total governmental activities	<u>\$ 1,089,520</u>	<u>\$ 1,705,301</u>	<u>\$ 1,236,261</u>	<u>\$ 4,031,082</u>
	<u>Water and Wastewater Fund</u>	<u>Electric Fund</u>	<u>Total Restricted Cash</u>	
Business-Type Activities:				
Unexpended debt proceeds	\$ 363,602	\$ 968,176	\$ 1,331,778	
Customer deposits	<u>106,768</u>	<u>314,094</u>	<u>420,862</u>	
Total business-type activities	<u>\$ 470,370</u>	<u>\$ 1,282,270</u>	<u>\$ 1,752,640</u>	

Ad Valorem Taxes Receivable

In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 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, 2021.

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.

Lease receivable

The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

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:

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

of net assets that applies to future periods 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 2022 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 assets that applies to future periods 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, lease deferrals, 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.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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.

	<u>General Fund</u>
<i>Inventories</i> - portion of fund balance that is not an available resource because it represents the year-end balance of inventories, which are not spendable resources.	<u>\$ 69,931</u>

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

Restricted for stabilization by state statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by state statute (RSS) is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as “restricted by state statute”. *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is “imposed by law through constitutional provisions or enabling legislation.” RSS is reduced by inventories and prepaids as they are classified as non-spendable. Outstanding encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

	General Fund	Special Revenue Fund-General	Capital Projects Fund	Other Governmental Funds	Total
<i>Restricted for Stabilization by State Statute</i> - portion of fund balance that is restricted by state statute [G.S. 159-8(a)].	\$ 2,695,845	\$ 92,159	\$ 688	\$ 4,832	\$ 2,793,524
<i>Restricted for Streets - Powell Bill</i> - portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures.	601,946	-	-	-	601,946
<i>Restricted for Transportation</i> - portion of fund balance that is restricted by revenue source (unspent debt proceeds) for street construction and equipment.	177,068	-	1,236,261	-	1,413,329
<i>Restricted for Transportation</i> - portion of fund balance that is restricted by revenue source for street construction.	293,729	-	-	-	293,729
<i>Restricted for Public Safety</i> - portion of fund balance that is restricted by revenue source for certain emergency telephone system expenditures.	-	-	-	26,065	26,065
<i>Restricted for Cultural and Recreational</i> - portion of fund balance that is restricted by revenue source for the Frank and Sue Jones Recreation Fund for capital improvements to recreations facilities.	235,193	-	-	-	235,193
Total restricted fund balance	\$ 4,003,781	\$ 92,159	\$ 1,236,949	\$ 30,897	\$ 5,363,786

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 \$1,413,329 as of June 30, 2022.

CITY OF NEWTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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	Total
<i>Committed for Capital Projects</i> - portion of fund balance that is committed by the governing body for capital improvements.	<u>\$ 503,618</u>	<u>\$ 503,618</u>

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

	General Fund
<i>Assigned for Cultural and Recreational</i> - portion of fund balance that has been earmarked by the governing body for cemetery perpetual care. Utilization of these funds are made at the discretion of the City Manager.	\$ 77,430
<i>Subsequent Year's Expenditures</i> - portion of fund balance that is appropriated in next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.	<u>869,140</u>
Total assigned fund balance (Exhibit C)	<u>\$ 946,570</u>

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

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

However, in the governmental funds, other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed or assigned to those purposes, it may be necessary to report a negative 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	\$	14,114,362
Less:		
Inventories		(69,931)
Stabilization by state statute		<u>(2,695,845)</u>
Available fund balance	\$	<u>11,348,586</u>

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

The outstanding encumbrances represent amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year end. Encumbrances at June 30, 2022 were \$743,446, \$337,550, and \$2,037,800 for the General Fund, Water and Wastewater Fund, and Electric Fund, respectively.

Defined Benefit Cost-Sharing Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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, 2022, the City's deposits had a carrying amount of \$3,007,847 and a bank balance of \$3,865,670. The City also had petty cash and cash on hand of \$835. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Investments

At June 30, 2022, the City's investment balances were as follows:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2022</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	\$ <u>28,416,537</u>	N/A	AAAm

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

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

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

Credit Risk. The City has no formal policy regarding credit risk but has internal management procedures that limits the City's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City's investment in the NC Capital Management Trust Government Portfolio carried a rating of AAAm by Standard and Poor's and AAA-mf by Moody's Investors Services as of June 30, 2022.

CITY OF NEWTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

Receivables

Receivables at the government-wide level at June 30, 2022 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 211,169	\$ 253,268	\$ 1,790,661	\$ 2,255,098
Other governmental	-	-	97,709	97,709
Total receivables	<u>211,169</u>	<u>253,268</u>	<u>1,888,370</u>	<u>2,352,807</u>
Allowance for doubtful accounts	-	(22,000)	-	(22,000)
Total governmental activities	<u>\$ 211,169</u>	<u>\$ 231,268</u>	<u>\$ 1,888,370</u>	<u>\$ 2,330,807</u>
Business-Type Activities:				
Water and wastewater	\$ 1,279,400	\$ -	\$ 1,059,671	\$ 2,342,610
Electric	<u>2,314,006</u>	-	<u>77,145</u>	<u>2,391,924</u>
Total receivables	<u>3,593,406</u>	-	<u>1,136,816</u>	<u>4,734,534</u>
Allowance for doubtful accounts	<u>(510,000)</u>	-	-	<u>(510,000)</u>
Total business-type activities	<u>\$ 3,083,406</u>	<u>\$ -</u>	<u>\$ 1,136,816</u>	<u>\$ 4,224,534</u>

The total due from other governments consists of the following:

Governmental activities	\$ 1,888,370
Business-type activities	<u>1,136,816</u>
Total due from other governments	<u>\$ 3,025,186</u>
Sales tax reimbursement	\$ 327,621
Grant reimbursement	289,053
Water and wastewater capital projects	
County contribution	777,483
Emergency telephone system revenue	3,174
Sales tax	1,286,588
Utility franchise taxes	235,308
Other taxes	98,871
Other	<u>7,088</u>
Total due from other governments	<u>\$ 3,025,186</u>

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Lease Receivables

For the year ended June 30, 2022 the financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

On July 1, 2021, the City of Newton, NC entered into a 48-month lease as lessor for the use of D9 Brewery. An initial lease receivable was recorded in the amount of \$62,194. As of June 30, 2022, the value of the lease receivable is \$48,331. The lessee is required to make monthly fixed payments of \$1,200. The lease has an interest rate of 1.0112%. The land estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of June 30, 2022 was \$46,721, and the City of Newton recognized lease revenue of \$15,473 during the fiscal year. The lessee has two extension option(s), each for 24 months.

On July 1, 2021, the City of Newton, NC entered into a 147-month lease as lessor for the use of tower - Suncom/T-Mobile. An initial lease receivable was recorded in the amount of \$525,775. As of June 30, 2022, the value of the lease receivable is \$492,074. The lessee is required to make monthly fixed payments of \$3,550. The lease has an interest rate of 1.8850%. The land estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of June 30, 2022 was \$482,903, and the City of Newton recognized lease revenue of \$42,872 during the fiscal year. The lessee has two extension option(s), each for 60 months.

On July 1, 2021, the City of Newton, NC entered into a 24-month lease as lessor for the use of SECU ATM. An initial lease receivable was recorded in the amount of \$8,285. As of June 30, 2022, the value of the lease receivable is \$4,214. The lessee is required to make monthly fixed payments of \$342. The lease has an interest rate of 0.5925%. The land estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of June 30, 2022 was \$4,142, and the City of Newton recognized lease revenue of \$4,142 during the fiscal year.

On July 1, 2021, the City of Newton, NC entered into a 137-month lease as lessor for the use of tower - Carolina West Wireless. An initial lease receivable was recorded in the amount of \$272,603. As of June 30, 2022, the value of the lease receivable is \$251,035. The lessee is required to make annual fixed payments of \$24,000. The lease has an interest rate of 1.8040%. The land

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of June 30, 2022 was \$248,887, and the City of Newton recognized lease revenue of \$23,716 during the fiscal year. The lessee has two extension option(s), each for 60 months.

On July 1, 2021, the City of Newton, NC entered into a 127-month lease as lessor for the use of Tower - AT&T/New Cingular. An initial lease receivable was recorded in the amount of \$480,222. As of June 30, 2022, the value of the lease receivable is \$442,480. The lessee is required to make monthly fixed payments of \$3,630. The lease has an interest rate of 1.8040%. The land estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of June 30, 2022 was \$434,847, and the City of Newton recognized lease revenue of \$45,375 during the fiscal year. The lessee has two extension option(s), each for 60 months.

On July 1, 2021, the City of Newton, NC entered into a 54-month lease as lessor for the use of AT&T Bellsouth Utility Pole Attachment. An initial lease receivable was recorded in the amount of \$175,872. As of June 30, 2022, the value of the lease receivable is \$131,900. The lessee is required to make annual fixed payments of \$45,006. The lease has an interest rate of 1.1770%. The Infrastructure estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of June 30, 2022 was \$136,789, and the City of Newton recognized lease revenue of \$39,083 during the fiscal year. The lessee has two extension option(s), each for 12 months.

Governmental Activities:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 19,637	\$ 431	\$ 20,068
2024	15,579	261	15,840
2025	17,329	95	17,424
	<u>\$ 52,545</u>	<u>\$ 787</u>	<u>\$ 53,332</u>

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Business-Type Activities:

Year Ending June 30	Principal	Interest	Total
2023	\$ 139,206	\$ 22,718	\$ 161,924
2024	144,337	20,425	164,762
2025	148,149	18,033	166,182
2026	105,581	15,595	121,176
2027	109,534	13,639	123,173
2028-2032	602,865	35,393	638,258
2033-2035	67,817	909	68,726
	<u>\$ 1,317,489</u>	<u>\$ 126,712</u>	<u>\$ 1,444,201</u>

Capital Assets

Capital asset activity for the year ended June 30, 2022 was as follows:

	July 1, 2021	Increases	Disposals	Adjust/ Transfers	June 30, 2022
Governmental Activities:					
<i>Capital assets not being depreciated:</i>					
Land	\$ 2,336,571	\$ -	\$ -	\$ -	\$ 2,336,571
Construction in progress	752,411	1,066,400	-	(813,504)	1,005,307
<i>Total assets not being depreciated</i>	<u>3,088,982</u>	<u>1,066,400</u>	<u>-</u>	<u>(813,504)</u>	<u>3,341,878</u>
<i>Capital assets being depreciated:</i>					
Buildings and improvements	13,745,313	233,076	-	-	13,978,389
Equipment	4,967,042	149,184	(53,071)	117,975	5,181,130
Vehicles	10,706,392	972,011	(262,431)	829,186	12,245,158
Infrastructure	10,194,258	-	-	-	10,194,258
<i>Total assets being depreciated</i>	<u>39,613,005</u>	<u>1,354,271</u>	<u>(315,502)</u>	<u>947,161</u>	<u>41,598,935</u>
Less accumulated depreciation:					
Buildings and improvements	(7,598,035)	(397,268)	-	-	(7,995,303)
Equipment	(3,963,630)	(231,737)	46,774	(49,484)	(4,198,077)
Vehicles	(7,914,246)	(671,073)	262,900	(84,173)	(8,406,592)
Infrastructure	(3,755,060)	(345,371)	-	-	(4,100,431)
<i>Total accumulated depreciation</i>	<u>(23,230,971)</u>	<u>(1,645,449)</u>	<u>309,674</u>	<u>(133,657)</u>	<u>(24,700,403)</u>
<i>Total assets being depreciated, net</i>	<u>16,382,034</u>	<u>(291,178)</u>	<u>(5,828)</u>	<u>813,504</u>	<u>16,898,532</u>
Governmental activity capital assets, net	<u>\$ 19,471,016</u>	<u>\$ 775,222</u>	<u>\$ (5,828)</u>	<u>\$ -</u>	<u>\$ 20,240,410</u>

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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

General government	\$ 155,816
Public safety	711,781
Transportation	407,420
Environmental protection	149,387
Cultural and recreation	<u>221,045</u>
 Total depreciation expense - governmental activities	 <u>\$ 1,645,449</u>

	<u>July 1, 2021</u>	<u>Increases</u>	<u>Disposals</u>	<u>Adjust/ Transfers</u>	<u>June 30, 2022</u>
Business-Type Activities:					
Electric Fund:					
<i>Capital assets not being depreciated:</i>					
Land	\$ 5,000	\$ -	\$ -	\$ -	\$ 5,000
Construction in progress	396,199	173,109	-	-	569,308
<i>Total assets not being depreciated</i>	<u>401,199</u>	<u>173,109</u>	<u>-</u>	<u>-</u>	<u>574,308</u>
<i>Capital assets being depreciated:</i>					
Buildings and improvements	402,471	30,756	-	-	433,227
Equipment	11,779,513	-	-	-	11,779,513
Vehicles	1,556,294	50,633	(46,056)	(25,972)	1,534,899
Distribution systems	14,066,417	29,176	-	-	14,095,593
<i>Total assets being depreciated</i>	<u>27,804,695</u>	<u>110,565</u>	<u>(46,056)</u>	<u>(25,972)</u>	<u>27,843,232</u>
Less accumulated depreciation:					
Buildings and improvements	(227,324)	(12,653)	-	-	(239,977)
Equipment	(7,849,858)	(630,335)	-	-	(8,480,193)
Vehicles	(993,146)	(133,296)	46,056	25,972	(1,054,414)
Distribution systems	(6,329,080)	(430,891)	-	-	(6,759,971)
Total accumulated depreciation	<u>(15,399,408)</u>	<u>(1,207,175)</u>	<u>46,056</u>	<u>25,972</u>	<u>(16,534,555)</u>
<i>Total assets being depreciated, net</i>	<u>12,405,287</u>	<u>(1,096,610)</u>	<u>-</u>	<u>-</u>	<u>11,308,677</u>
Electric Fund capital assets, net	<u>12,806,486</u>	<u>(923,501)</u>	<u>-</u>	<u>-</u>	<u>11,882,985</u>

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

	<u>July 1, 2021</u>	<u>Increases</u>	<u>Disposals</u>	<u>Adjust/ Transfers</u>	<u>June 30, 2022</u>
Water and Wastewater Fund:					
<i>Capital assets not being depreciated:</i>					
Land	210,332	-	-	-	210,332
Construction in progress	637,927	2,631,458	-	(118,633)	3,150,752
<i>Total assets not being depreciated</i>	<u>848,259</u>	<u>2,631,458</u>	<u>-</u>	<u>(118,633)</u>	<u>3,361,084</u>
<i>Capital assets being depreciated:</i>					
Buildings and improvements	24,306,286	30,757	-	118,633	24,455,676
Equipment	2,010,298	359,425	(33,867)	(49,484)	2,286,372
Vehicles	1,544,173	30,429	(54,578)	(58,201)	1,461,823
Distribution systems	45,499,728	-	-	-	45,499,728
<i>Total assets being depreciated</i>	<u>73,360,485</u>	<u>420,611</u>	<u>(88,445)</u>	<u>10,948</u>	<u>73,703,599</u>
Less accumulated depreciation:					
Buildings and improvements	(19,677,312)	(463,021)	-	-	(20,140,333)
Equipment	(1,167,041)	(196,494)	33,867	49,484	(1,280,184)
Vehicles	(1,209,211)	(93,347)	54,578	58,201	(1,189,779)
Distribution systems	(23,308,391)	(1,392,267)	-	-	(24,700,658)
Total accumulated depreciation	<u>(45,361,955)</u>	<u>(2,145,129)</u>	<u>88,445</u>	<u>107,685</u>	<u>(47,310,954)</u>
<i>Total assets being depreciated, net</i>	<u>27,998,530</u>	<u>(1,724,518)</u>	<u>-</u>	<u>118,633</u>	<u>26,392,645</u>
Water and Wastewater Fund capital assets, net	<u>28,846,789</u>	<u>906,940</u>	<u>-</u>	<u>-</u>	<u>29,753,729</u>
Business-type activity capital assets, net	<u>\$ 41,653,275</u>	<u>\$ (16,561)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,636,714</u>

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2022 is composed of the following elements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 20,240,410	\$ 41,636,714
Long-term debt	(12,581,680)	(13,073,944)
Accrued compensated absences, OPEB, LEO, LGERS	4,532,217	1,010,618
Unspent debt proceeds	1,413,329	1,331,778
Total	<u>\$ 13,604,276</u>	<u>\$ 30,905,166</u>

CITY OF NEWTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

Construction Commitments

The government has active construction projects as of June 30, 2022. The government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to Date</u>	<u>Remaining Commitment</u>
Business-type activities:		
Westbrook Drive culvert project	\$ 36,919	\$ 428,911
Young Drive culvert project	-	224,211
Sutphen fire engine	-	771,050
Splash pad	708,588	24,178
West A Street sewer rehabilitation	1,316,548	148,037
Streetscape	926,869	26,066
Distribution automation	298,295	224,099
Hwy 10 Substation breaker replacement	112,195	10,500
Underground cable & wire replacement	78,744	352,306
East 2nd Street	909,733	818,154
S Hwy 16 Balls Creek and Buffalo Shoals	1,121,185	19,618
WTP fluoride feed	264,429	7,958
Total	<u>\$ 5,773,505</u>	<u>\$ 3,055,088</u>

B. Liabilities

Accounts Payable

Payables at the government-wide level at June 30, 2022 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Total</u>
Governmental Activities:				
General	\$ 429,338	\$ 323,223	\$ 67,698	\$ 820,259
Other governmental	231,760	-	10,436	242,196
Total governmental activities	<u>\$ 661,098</u>	<u>\$ 323,223</u>	<u>\$ 78,134</u>	<u>\$ 1,062,455</u>
Business-Type Activities:				
Water and wastewater	\$ 429,488	\$ 58,165	\$ 74,612	\$ 562,265
Electric	1,162,963	32,571	40,214	1,235,748
Total business-type activities	<u>\$ 1,592,451</u>	<u>\$ 90,736</u>	<u>\$ 114,826</u>	<u>\$ 1,798,013</u>

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Pension Plan and Post-Employment Obligations

Local Governmental Employees' Retirement System

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

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

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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. The 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, 2022, was 12.04% of compensation for law enforcement officers and 11.41% 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 \$1,130,043 for the year ended June 30, 2022.

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, 2022, the City reported a liability of \$1,955,181 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 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, 2021 (measurement date), the City's proportion was 0.12749%, which was a decrease of 0.00899% from its proportion measured as of June 30, 2020.

CITY OF NEWTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

For the year ended June 30, 2022, the City recognized pension expense of \$805,397. At June 30, 2022, 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	\$ 622,014	\$ -
Changes of assumptions	1,228,353	-
Net difference between projected and actual earnings on pension plan investments	-	2,793,367
Changes in proportion and differences between employer contributions and proportionate share of contributions	30,277	178,706
City contributions subsequent to the measurement date	1,130,043	-
Total	<u>\$ 3,010,687</u>	<u>\$ 2,972,073</u>

\$1,130,043 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, 2023. 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
2023	\$ 131,147
2024	(101,774)
2025	(266,015)
2026	(854,787)
2027	-
Thereafter	-
Total	<u>\$ (1,091,429)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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, 2020 valuation, were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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, 2021 are summarized in the following table:

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

The information above is based on 30-year expectations developed with the consulting actuary as part of a study conducted in 2016 and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability was 6.50%. 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 6.50%, 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 (5.50%) or one percentage point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
City's proportionate share of the net pension liability (asset)	\$ 7,589,852	\$ 1,955,181	\$ 2,681,825

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

Law Enforcement Officers' Special Separation Allowance

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

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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, 2020, the Separation Allowance's membership consisted of:

Retirees receiving benefits:	4
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>32</u>
Total	<u><u>36</u></u>

Summary of Significant Accounting Policies

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

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

Actuarial Assumptions. The entry age normal actuarial cost method was used in the December 31, 2020 valuation. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	2.25 percent

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

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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

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

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

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

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

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

Contributions. The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$52,168 as benefits came due for the reporting period.

CITY OF NEWTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2022, the City reported a total pension liability of \$1,437,896. The total pension liability was measured as of December 31, 2021 based on a December 31, 2020 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the City recognized pension expense of \$150,140.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 96,837	\$ 100,046
Changes of assumptions and other inputs	248,689	44,566
City benefit payments and plan administrative expense subsequent to the measurement date	25,081	-
Total	\$ 370,607	\$ 144,612

\$25,081 paid as benefits which came due subsequent to the measurement date have been reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ending June 30, 2023. 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
2023	\$ 51,184
2024	38,980
2025	33,143
2026	60,870
2027	16,069
Thereafter	668
Total	\$ 200,914

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 2.25%, 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 (1.25%) or 1-percentage-point higher (3.25%) than the current rate:

	1% Decrease (1.25%)	Discount (2.25%)	1% Increase (3.25%)
Total pension liability	\$ 1,559,297	\$ 1,437,896	\$ 1,327,131

CITY OF NEWTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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

	<u>2022</u>
Beginning balance	\$ 1,354,197
Service cost	76,230
Interest on the total pension liability	25,633
Differences between expected and actual experience in the measurement of the total pension liability	71,665
Changes of assumptions or other inputs	(37,661)
Benefit payments	<u>(52,168)</u>
Ending balance of the total pension liability	<u>\$ 1,437,896</u>

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

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an experience study completed by the actuary for the Local Governmental Employees Retirement System for the five-year period ended December 31, 2019.

CITY OF NEWTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 805,397	\$ 150,140	\$ 955,537
Pension liability	1,955,181	1,437,896	3,393,077
Proportionate share of the net pension liability	0.12749%	n/a	-
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$ 622,014	\$ 96,837	\$ 718,851
Changes of assumptions	1,228,353	248,689	1,477,042
Changes in proportion and differences between City contributions and proportionate share of contributions	30,277	-	30,277
Benefit payments and administrative costs paid subsequent to the measurement date	<u>1,130,043</u>	<u>25,081</u>	<u>1,155,124</u>
Total deferred outflows of resources	<u>\$ 3,010,687</u>	<u>\$ 370,607</u>	<u>\$ 3,381,294</u>
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$ -	\$ 100,046	\$ 100,046
Changes of assumptions	-	44,566	44,566
Net difference between projected and actual earnings on plan investments	2,793,367	-	2,793,367
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>178,706</u>	<u>-</u>	<u>178,706</u>
Total deferred inflows of resources	<u>\$ 2,972,073</u>	<u>\$ 144,612</u>	<u>\$ 3,116,685</u>

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to their plan. Contributions for the year ended June 30, 2022 were \$100,819, which consisted of \$87,645 from the City and \$13,174 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 Governmental 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, 2022, the City made payments for post-retirement health benefit premiums of \$16,420. The City is self-insured for health and dental coverage. A separate report was not issued for the Plan.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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

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

Total OPEB Liability

The City's total OPEB liability of \$1,223,195 was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2020.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Real wage growth	0.75 percent
Wage inflation	3.25 percent
Salary increases, including wage inflation:	
General employees & firefighters	3.50 percent - 8.41 percent
Municipal bond index rate	
prior measurement date	2.21 percent
Measurement date	2.16 percent
Healthcare cost trend rates:	
Pre-Medicare	7.00% for 2020 decreasing to an ultimate rate of 4.50% by 2030
Member and spouse contributions	3.00 percent

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

CITY OF NEWTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at July 1, 2021	\$ 1,244,445
Changes for the year	
Service cost	23,817
Interest	27,848
Differences between expected and actual experience	(51,333)
Changes in assumptions or other inputs	(5,162)
Benefit payments	(16,420)
Net changes	<u>(21,250)</u>
Balance at June 30, 2022	<u>\$ 1,223,195</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.21% to 2.16%.

Mortality rates were based on the PUB-210 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g., initial per capita costs, healthcare cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2020 valuation were based on a review of recent plan experience performed concurrently with the June 30, 2020 valuation.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (1.16%) or 1 percentage-point higher (3.16%) than the current discount rate:

	<u>1% Decrease (1.16%)</u>	<u>Discount (2.16%)</u>	<u>1% Increase (3.16%)</u>
Total OPEB liability	<u>\$ 1,300,334</u>	<u>\$ 1,223,195</u>	<u>\$ 1,151,066</u>

CITY OF NEWTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 1,133,155	\$ 1,223,195	\$ 1,322,514

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

For the year ended June 30, 2022, the City recognized OPEB expense of \$38,599. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 121,794
Changes of assumptions and other inputs	99,198	13,910
City benefit payments and plan administrative costs paid subsequent to the measurement date	44,880	-
Total	\$ 144,078	\$ 135,704

\$44,880 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, 2023. Other amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2023	\$ (19,055)
2024	(8,035)
2025	(1,485)
2025	(5,971)
2026	(1,960)
Thereafter	-
Total	\$ (36,506)

CITY OF NEWTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

Deferred Outflows and Inflows of Resources

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

<u>Source</u>	<u>Amount</u>
Differences between expected and actual experience	\$ 718,851
Changes of assumptions and other inputs	1,576,240
Changes in proportion and differences between employer contributions and proportionate share of contributions	30,277
City benefit payments and plan administrative costs paid subsequent to the measurement date	<u>1,200,004</u>
Total	<u>\$ 3,525,372</u>

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

<u>Source</u>	<u>Statement of Net Position</u>	<u>Governmental Funds Balance Sheet</u>
Prepaid taxes	\$ 1,096	\$ 1,096
Taxes receivable, (net) (General Fund)	-	231,268
Unavailable revenues	-	50,637
Unavailable lease revenues	1,354,289	50,863
Differences between expected and actual experience	221,840	-
Changes of assumptions and other inputs	58,476	-
Changes in proportion and differences between City contributions and proportionate share of contributions	2,793,367	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>178,706</u>	-
Total	<u>\$ 4,607,774</u>	<u>\$ 333,864</u>

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries commercial insurance. The City has workers' compensation coverage up to statutory limits, law enforcement officers' liability and public official liability of \$1 million per occurrence, with a \$2 million umbrella policy, auto liability of \$1 million per accident, public entity general liability of \$1 million per occurrence, \$3 million aggregate; commercial inland marine of \$1,856,378. There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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

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

Other Employment Benefits

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

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

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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, 2022, 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 \$134,172 for claims incurred but not reported, in the accompanying financial statements. This provision is estimated upon analysis of historical claims experience reviewed by the City's third-party administrator.

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

	<u>2022</u>	<u>2021</u>
Claims liability, beginning of year	\$ 175,680	\$ 161,677
Claims incurred	1,603,888	1,490,840
Payments on claims	<u>(1,645,396)</u>	<u>(1,476,837)</u>
Claims liability, end of year	<u>\$ 134,172</u>	<u>\$ 175,680</u>

Long-Term Obligations

Installment Purchase Contracts

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

CITY OF NEWTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

Direct placement installment purchases at June 30, 2022 are comprised of the following:

	Serviced by:			Total
	General Fund	Water / Wastewater Fund	Electric Fund	
\$651,000, 2008, 2.97% loan to bank in annual installments of a fixed payment of \$43,400 plus interest for real property improvements and equipment due in 2023	\$ 43,400	\$ -	\$ -	\$ 43,400
\$626,100, 2016, 1.97% loan to bank in annual installments of a fixed payment of \$89,443 plus interest for vehicles due in 2023	28,814	-	60,629	89,443
\$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	48,307	223,503	386,857	658,667
\$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	58,000	-	-	58,000
\$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	268,810	-	-	268,810
\$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	-	849,117	236,295	1,085,412
\$403,790, 2014, 2.60% loan payable to bank in annual installments of a fixed payment of \$26,919 plus interest for street and water capital improvements due in 2028	82,680	78,836	-	161,516

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Serviced by:</u>			<u>Total</u>
	<u>General Fund</u>	<u>Water / Wastewater Fund</u>	<u>Electric Fund</u>	
\$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	-	293,382	242,724	536,106
\$3,460,000, 2014, 2.91% loan payable to bank in annual installments of a fixed payment of \$230,667 plus interest for construction of a fire department headquarters due in 2029	1,614,667	-	-	1,614,667
\$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	-	183,027	93,333	276,360
\$3,940,000, 2015, 2.78% loan payable to bank in annual installments of a fixed payment of \$262,667 plus interest for water and electric smart grid AMI metering system due in 2030	-	1,301,333	800,000	2,101,333
\$400,000, 2016, 2.90% loan payable to bank in annual installments of a fixed payment of \$26,667 plus interest for stormwater infrastructure due in 2031	240,000	-	-	240,000
\$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	-	933,333	-	933,333
\$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	72,390	22,585	47,780	142,755
\$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	-	100,467	-	100,467

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

	<u> Serviced by:</u>			<u> Total</u>
	<u>General</u> <u>Fund</u>	<u>Water /</u> <u>Wastewater</u> <u>Fund</u>	<u>Electric</u> <u>Fund</u>	
\$3,457,000, 2018, 3.45% loan payable to bank in annual installments of a fixed payment of \$172,850 plus interest for streetscape project due in 2038	1,805,585	471,847	488,168	2,765,600
\$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	308,298	-	-	308,298
\$735,152, 2020, no interest loan payable to Catawba County in annual installments of a fixed payment of \$73,515 for non-DOT portion of water line extension due in 2030	-	588,122	-	588,122
\$105,736, 2021, no interest loan payable to Catawba County in annual installments of a fixed payment over 10 years for DOT portion of water line extension, beginning 12 months after the final reimbursement is made to the City	-	105,736	-	105,736
\$673,875, 2020, no-interest loan payable to Catawba County in annual installments of a fixed payment of \$44,925 for fire rescue truck due in 2035	584,025	-	-	584,025
\$757,300, 2020, 2.62% loan payable to bank in annual installments of a fixed payment of \$50,487 plus interest for streetscape project due in 2034	474,933	-	181,393	656,326
\$538,460, 2020, 2.62% loan payable to bank in annual installments of a fixed payment of \$35,897 plus interest for water and wastewater capital improvements due in 2035	-	466,665	-	466,665
\$108,870, 2021, 1.61% loan payable to bank in annual installments of a fixed payment of \$10,887 plus interest for water and wastewater capital improvements due in 2031	-	97,983	-	97,983

CITY OF NEWTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Serviced by:</u>			<u>Total</u>
	<u>General Fund</u>	<u>Water / Wastewater Fund</u>	<u>Electric Fund</u>	
\$1,529,921, 2021, 1.92% loan payable to bank in annual installments of \$101,945 for water and wastewater, electric and general capital improvements and equipment due in 2036	269,565	323,025	835,333	1,427,923
\$234,886, 2021, 1.22% loan payable to bank in annual installments of a fixed payment of \$46,977 plus interest for vehicles due in 2026	187,908	-	-	187,908
\$529,371, 2021, 1.57% loan payable to bank in annual installments of a fixed payment of \$75,624 plus interest for vehicles and water and wastewater equipment due in 2028	148,591	305,156	-	453,747
\$746,750, 2021, 2.34% loan payable to bank in annual installments of a fixed payment of \$49,783 plus interest for fire engine due in 2036	696,967	-	-	696,967
\$752,677, 2022, 2.21% loan payable to bank in annual installments of a fixed payment of \$75,268 plus interest for vehicles and equipment in all funds due in 2032	202,858	157,983	391,836	752,677
\$1,318,069, 2022, 2.39% loan payable to bank in annual installments of a fixed payment of \$87,871 plus interest for equipment and infrastructure improvements due in 2037	913,665	404,450	-	1,318,115
	<u>\$ 8,049,463</u>	<u>\$ 6,906,550</u>	<u>\$ 3,764,348</u>	<u>\$ 18,720,361</u>

The City's outstanding note from direct placements related to governmental activities of \$43,400 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

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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 \$89,443 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 \$658,667 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 \$58,000 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 \$268,810 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 \$1,085,412 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 \$161,516 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

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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 \$536,106 is secured by a security interest in improvements. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the improvement fixtures securing the loan and the City will relinquish all rights to the improvement fixtures.

The City's outstanding note from direct placements related to governmental activities of \$1,614,667 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 \$276,360 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 \$2,101,333 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 \$240,000 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.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

The City's outstanding note from direct placements related to the Water and Wastewater Fund of \$933,333 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 \$142,755 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 \$100,467 is secured by a security interest in the capital improvements. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the improvements securing the loan and the City will relinquish all rights to the improvements.

The City's outstanding note from direct placements related to governmental and business type activities of \$2,765,600 is secured by a security interest in the capital improvements. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the improvements securing the loan and the City will relinquish all rights to the improvements.

The City's outstanding note from direct placements related to governmental activities of \$308,298 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 \$588,122 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.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

The City's outstanding note from direct placements related to Water and Wastewater Fund of \$105,736 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 \$584,025 is not secured. There is no language regarding event of default. Contract may be terminated by either party, with or without cause, by providing other party at least 180 days' notice before the conclusion of each fiscal year. If so, the City will pay the County within 365 days of termination, balance of the loan, portion of the grant prorated by multiplying number of years between the date of termination and June 30, 2034, divided by 15 years, plus 6% interest.

The City's outstanding note from direct placements related to governmental and business type activities of \$656,326 is secured by a security interest in the capital improvements. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the improvements securing the loan and the City will relinquish all rights to the improvements.

The City's outstanding note from direct placements related to Water and Wastewater Fund of \$466,665 is secured by a security interest in the capital improvements. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the improvements securing the loan and the City will relinquish all rights to the improvements.

The City's outstanding note from direct placements related to Water and Wastewater Fund of \$97,983 is secured by a security interest in the capital improvements. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the improvements securing the loan and the City will relinquish all rights to the improvements.

The City's outstanding note from direct placements related to governmental and business type activities of \$1,427,923 is secured by a security interest in the capital improvements and equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

outstanding principal and interest are due. Upon default, the lender will take possession of the improvements securing the loan and the City will relinquish all rights to the improvements and equipment.

The City's outstanding note from direct placements related to governmental activities of \$187,908 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 \$453,747 is secured by a security interest in various vehicles and equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the vehicles securing the loan and the City will relinquish all rights to the vehicles and equipment.

The City's outstanding note from direct placements related to governmental activities of \$696,967 is secured by a security interest in various equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the vehicles securing the loan and the City will relinquish all rights to the equipment.

The City's outstanding note from direct placements related to governmental activities of \$752,677 is secured by a security interest in various equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the vehicles securing the loan and the City will relinquish all rights to the equipment.

The City's outstanding note from direct placements related to governmental activities of \$1,318,115 is secured by a security interest in various equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the vehicles securing the loan and the City will relinquish all rights to the equipment.

CITY OF NEWTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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

<u>Year Ending June 30</u>	<u>Direct Placement Installment Purchases</u>	
	<u>Principal</u>	<u>Interest</u>
Governmental Activities:		
2023	\$ 1,127,809	\$ 205,023
2024	985,452	176,543
2025	777,003	152,157
2026	687,399	132,851
2027	640,422	116,071
2028-2032	2,329,264	353,755
2033-2037	1,389,336	122,037
2038-2041	<u>112,778</u>	<u>3,956</u>
Total governmental activities	<u>8,049,463</u>	<u>1,262,393</u>

<u>Year Ending June 30</u>	<u>Direct Placement Installment Purchases</u>	
	<u>Principal</u>	<u>Interest</u>
Business-type Activities:		
Water and Wastewater Fund:		
2023	925,167	167,794
2024	900,163	144,522
2025	789,622	121,735
2026	789,622	102,371
2027	789,622	83,006
2028-2032	2,085,718	198,598
2033-2037	491,376	40,731
2038-2041	<u>135,260</u>	<u>1,034</u>
Total Water and Wastewater Fund	<u>6,906,550</u>	<u>859,791</u>

Electric Fund:		
2023	646,085	99,064
2024	537,899	81,857
2025	344,357	66,871
2026	344,357	57,743
2027	344,357	48,615
2028-2032	1,083,679	131,060
2033-2037	433,067	35,036
2038-2041	<u>30,547</u>	<u>1,069</u>
Total Electric Fund	<u>3,764,348</u>	<u>521,315</u>
Total business-type activities	<u>10,670,898</u>	<u>1,381,106</u>
Total all activities	<u>\$ 18,720,361</u>	<u>\$ 2,643,499</u>

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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, 2022 was \$236,331.

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, 2022 was \$658,447.

The City's outstanding note from direct placements related to governmental activities of \$497,651 is secured by a security interest in various equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the vehicles securing the loan and the City will relinquish all rights to the equipment.

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, 2022 are \$1,392,428.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Year Ending June 30	Direct Borrowing Notes Payable	
	Principal	Interest
Water and Wastewater Fund:		
2023	\$ 106,012	\$ 18,415
2024	106,012	16,735
2025	106,012	15,055
2026	106,012	13,374
2027	106,012	11,694
2028-2032	503,801	33,265
2033-2037	234,154	3,292
2033-2034	124,413	-
Total Water and Wastewater Fund	\$ 1,392,428	\$ 111,830

At June 30, 2022, the City of Newton had a legal debt margin of \$89,218,739.

Changes in Long-Term Liabilities

The following is a summary of changes in long-term debt for the year ended June 30, 2022.

	July 1, 2021	Increases	Decreases	June 30, 2022	Current Portion of Balance
Governmental Activities:					
Direct placement installment purchases	\$ 8,094,202	\$ 1,116,477	\$ 1,161,216	\$ 8,049,463	\$ 1,127,809
Compensated absences	654,827	447,233	362,449	739,611	362,449
Total OPEB liability	883,953	-	15,179	868,774	-
Net pension liability (LGERS)	3,706,527	-	2,220,590	1,485,937	-
Total pension liability (LEOSSA)	1,354,197	83,699	-	1,437,896	-
Total governmental activities	\$ 14,693,706	\$ 1,647,409	\$ 3,759,434	\$ 12,581,681	\$ 1,490,258
Business-Type Activities:					
Water and Wastewater Fund:					
Direct placement installment purchases	\$ 7,275,178	\$ 550,490	\$ 919,118	\$ 6,906,550	\$ 925,167
Direct borrowing loans payable	975,907	522,533	106,012	1,392,428	106,012
Compensated absences	126,069	72,996	64,840	134,225	64,840
Total OPEB liability	261,130	-	4,416	256,714	-
Net pension liability (LGERS)	780,322	-	467,493	312,829	-
Total Water and Wastewater Fund	9,418,606	1,146,019	1,561,879	9,002,746	1,096,019
Electric Fund:					
Direct placement installment purchases	4,232,620	391,836	860,108	3,764,348	646,085
Compensated absences	59,158	51,345	57,775	52,728	52,728
Total OPEB liability	99,362	-	1,655	97,707	-
Net pension liability (LGERS)	390,161	-	233,746	156,415	-
Total Electric Fund	4,781,301	443,181	1,153,284	4,071,198	698,813
Total business-type activities	\$ 14,199,907	\$ 1,589,200	\$ 2,715,163	\$ 13,073,944	\$ 1,794,832

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.

CITY OF NEWTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

C. Interfund Balances and Activity

Transfers To/From Other Funds

Transfers to/from other funds for the year ended June 30, 2022 consist of the following:

<u>Fund</u>	<u>From</u>	<u>To</u>	<u>Purpose</u>
General Fund	\$ 40,250	\$ -	Fund capital projects
Special Revenue Fund-General	-	8,000	
General Capital Projects Fund	-	32,250	
	<u>\$ 40,250</u>	<u>\$ 40,250</u>	

Internal Balances

Interfund loans are summarized as follows:

Due from governmental activities for Internal Service Fund activity allocation to business-type activities	<u>\$ 25,271</u>
--	------------------

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

D. Revenues, Expenditures and Expenses

On-Behalf Payments for Fringe Benefits and Salaries

The City has recognized as a revenue and an expenditure on-behalf payment for fringe benefits and salaries of \$12,180 for the salary supplement and stipend benefits paid to eligible firefighters by the local Board of Trustees of the Firefighter's Relief Fund during the fiscal year ended June 30, 2022. 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

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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, 2022 was \$11,205,278.

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 \$18,092 during fiscal year ended June 30, 2022.

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 \$42,378 to WPRTA during fiscal year ended June 30, 2022.

4. Interlocal Agreement

The City entered into an interlocal agreement with Catawba County in March 2017 for financing the costs related to a joint construction project. The City will request reimbursement from the County for 75% of the costs paid by the City for construction, which will then be repaid to the County after the project is completed. Payments will be made in equal annual installments over 10 years, beginning 12 months after the final reimbursement. The total construction loan is estimated to be \$2,237,253 and the construction project is expected to be completed in December 2022.

CITY OF NEWTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

5. Summary Disclosure of Significant Contingencies

Federal and State-Assisted Programs

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

6. Change in Accounting Principle

For the year ended June 30, 2022 the financial statements include the adoption of GASB Statement No.87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

7. Reimbursements for Pandemic-Related Expenditures

In FY 2020/21, The American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for the eligible state, local, territorial, and tribal governments. The City was allocated \$4,199,476.22 of fiscal recovery funds to be paid in two equal installments. The first installment of \$2,099,738.11 was received in August 2021. The second installment was received in August 2022. City staff and the City Council have elected to use up to \$400,453 of the ARPA funds for premium pay and the remaining \$3,799,023.22 for revenue replacement. The City used \$397,175 for premium pay in Fiscal Year 2022 and they plan on using the remaining \$3,802,301.22 for revenue replacement before the end of the performance period. The \$397,175 used for premiums pay was reported in the Special Revenue fund where the ARPA Funds were allocated.

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 Employee Payroll for the Law Enforcement Officers' Special Separation Allowance
 - Schedule of Changes in Total OPEB Liability and Related Ratios for the Other Post-Employment Benefits
 - Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Governmental Employees' Retirement System
 - Schedule of Contributions for Local Governmental Employees' Retirement System
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CITY OF NEWTON, NORTH CAROLINA

Schedule A-1

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 1,354,197	\$ 981,612	\$ 1,127,545	\$ 1,064,104	\$ 974,693	\$ 982,044
Service cost	76,230	44,883	44,635	48,158	44,120	40,872
Interest on the total pension liability	25,633	31,252	39,980	32,689	36,369	33,964
Differences between expected and actual experience	71,665	11,452	(201,446)	82,086	15,536	-
Changes of assumptions or other inputs	(37,661)	330,945	29,284	(40,225)	58,347	(20,842)
Benefit payments	<u>(52,168)</u>	<u>(45,947)</u>	<u>(58,386)</u>	<u>(59,267)</u>	<u>(64,961)</u>	<u>(61,345)</u>
Ending balance of the total pension liability	<u>\$ 1,437,896</u>	<u>\$ 1,354,197</u>	<u>\$ 981,612</u>	<u>\$ 1,127,545</u>	<u>\$ 1,064,104</u>	<u>\$ 974,693</u>

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

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

CITY OF NEWTON, NORTH CAROLINA

Schedule A-2

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 1,437,896	\$ 1,354,197	\$ 981,612	\$ 1,127,545	\$ 1,064,104	\$ 974,693
Covered-employee payroll	1,672,833	1,576,081	1,635,129	1,584,980	1,653,328	1,484,503
Total pension liability as a percentage of covered-employee payroll*	85.96%	85.92%	60.03%	71.14%	64.36%	65.66%

Notes to the Schedules:

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

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

* Valuation payroll

CITY OF NEWTON, NORTH CAROLINA

Schedule A-3

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability - beginning	\$ 1,244,445	\$ 1,178,864	\$ 1,164,764	\$ 1,212,209	\$ 1,284,324
Service cost	23,817	25,052	23,077	27,819	30,204
Interest	27,848	40,917	44,945	41,296	37,758
Differences between expected and actual experience	(51,333)	(46,653)	(66,983)	(50,895)	(29,813)
Changes of assumptions	(5,162)	116,604	31,987	39,680	(50,015)
Benefit payments	<u>(16,420)</u>	<u>(70,339)</u>	<u>(18,926)</u>	<u>(105,345)</u>	<u>(60,249)</u>
Net change in total OPEB liability	<u>(21,250)</u>	<u>65,581</u>	<u>14,100</u>	<u>(47,445)</u>	<u>(72,115)</u>
Total OPEB liability - ending	<u>\$ 1,223,195</u>	<u>\$ 1,244,445</u>	<u>\$ 1,178,864</u>	<u>\$ 1,164,764</u>	<u>\$ 1,212,209</u>
Covered-employee payroll*	\$ 2,501,785	\$ 2,501,785	\$ 2,800,153	\$ 2,800,153	\$ 3,060,842
Total OPEB liability as a percentage of covered-employee payroll*	48.89%	49.74%	42.10%	41.60%	39.60%

Notes to Schedule:

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

<u>Fiscal Year</u>	<u>Rate</u>
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

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

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

* Valuation payroll

CITY OF NEWTON, NORTH CAROLINA

Schedule A-4
Page 1 of 2

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Proportion of the net pension liability (asset) (%)	0.12749%	0.13648%	0.13121%	0.13219%	0.13319%
Proportion of the net pension liability (asset) (\$)	\$ 1,955,181	\$ 4,877,010	\$ 3,583,242	\$ 3,135,998	\$ 2,034,774
Covered payroll	9,187,397	9,078,454	8,700,957	8,080,897	7,998,926
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	21.28%	53.72%	41.18%	38.81%	25.44%
Plan fiduciary net position as a percentage of the total pension liability**	95.51%	88.61%	90.86%	91.63%	94.18%

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

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

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

CITY OF NEWTON, NORTH CAROLINA

Schedule A-4
Page 2 of 2

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability (asset) (%)	0.12712%	0.13523%	0.13913%	0.13720%
Proportion of the net pension liability (asset) (\$)	\$ 2,697,912	\$ 606,906	\$ (820,513)	\$ 1,653,787
Covered payroll	7,564,686	7,169,996	7,082,583	6,704,520
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	35.66%	8.46%	-11.58%	24.67%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

CITY OF NEWTON, NORTH CAROLINASchedule A-5
Page 1 of 2**LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
CONTRIBUTIONS
LAST NINE FISCAL YEARS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 1,130,043	\$ 948,146	\$ 829,722	\$ 691,153	\$ 623,214
Contributions in relation to the contractually required contribution	<u>1,130,043</u>	<u>948,146</u>	<u>829,722</u>	<u>691,153</u>	<u>623,214</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$9,807,024	\$9,187,397	\$9,078,454	\$8,700,957	\$8,080,897
Contributions as a percentage of covered payroll	11.52%	10.32%	9.14%	7.94%	7.71%

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

CITY OF NEWTON, NORTH CAROLINA

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Page 2 of 2

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
CONTRIBUTIONS
LAST NINE FISCAL YEARS

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



GOVERNMENTAL ACTIVITIES MAJOR FUNDS

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.

SPECIAL REVENUE FUNDS

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

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

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.



CITY OF NEWTON, NORTH CAROLINA

Schedule 1
Page 1 of 5

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022**

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

	2022		Variance Over/Under	2021 Actual
	Final Budget	Actual		
Revenues:				
Ad Valorem Taxes:				
Current year	\$ 6,108,000	\$ 6,487,465	\$ 379,465	\$ 6,322,593
Prior years	142,000	109,804	(32,196)	166,463
Penalties and interest	45,000	39,340	(5,660)	68,261
Total	<u>6,295,000</u>	<u>6,636,609</u>	<u>341,609</u>	<u>6,557,317</u>
Other Taxes and Licenses:				
Local option sales tax	4,000,000	4,731,092	731,092	4,181,974
Solid waste disposal tax	9,000	229,562	220,562	9,774
Other taxes and licenses	26,000	36,085	10,085	38,288
Rural fire district tax	833,500	779,029	(54,471)	813,378
Motor vehicle license fee	250,000	336,390	86,390	264,570
Total	<u>5,118,500</u>	<u>6,112,158</u>	<u>993,658</u>	<u>5,307,984</u>
Unrestricted Intergovernmental Revenues:				
Payments in lieu of taxes	540,150	148,000	(392,150)	525,850
Utilities sales tax	950,000	702,311	(247,689)	936,555
Beer and wine tax	56,000	52,281	(3,719)	54,542
Total	<u>1,546,150</u>	<u>902,592</u>	<u>(643,558)</u>	<u>1,516,947</u>
Restricted Intergovernmental Revenues:				
Federal grants	74,500	24,450	(50,050)	155,297
Other	-	4,499	4,499	4,451
On-behalf payments - fire	15,000	14,619	(381)	12,180
Powell Bill state street aid allocation	340,000	417,341	77,341	352,733
Total	<u>429,500</u>	<u>460,909</u>	<u>31,409</u>	<u>524,661</u>
Permits and Fees:				
Licenses	100	50	(50)	50
Local franchise - cable tv	65,000	61,863	(3,137)	61,997
Total	<u>65,100</u>	<u>61,913</u>	<u>(3,187)</u>	<u>62,047</u>
Sales and Services:				
Supportive court services	2,250	1,752	(498)	1,472
Refuse collection fees	1,430,000	1,428,994	(1,006)	1,434,660
Recreation fees and concessions	51,000	31,771	(19,229)	8,332
Other	67,500	123,028	55,528	107,188
Total	<u>1,550,750</u>	<u>1,585,545</u>	<u>34,795</u>	<u>1,551,652</u>
Investment Earnings	<u>1,000</u>	<u>41,344</u>	<u>40,344</u>	<u>2,220</u>
Miscellaneous:				
Rentals and sale of property	47,700	75,903	28,203	34,938
Other	100,600	142,435	41,835	179,646
Total	<u>148,300</u>	<u>218,338</u>	<u>70,038</u>	<u>214,584</u>
Total revenues	<u>15,154,300</u>	<u>16,019,408</u>	<u>865,108</u>	<u>15,737,412</u>

CITY OF NEWTON, NORTH CAROLINA

Schedule 1
Page 2 of 5

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022**

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

	2022		2021 Actual
	Final Budget	Actual	
Expenditures:			
General Government:			
Governing Body:			
Salaries and employee benefits	51,500	45,537	42,459
Other operating expenditures	24,900	24,175	3,857
Interdepartmental charges	(49,250)	(49,250)	(33,200)
Total	27,150	20,462	6,688
Administration:			
Salaries and employee benefits	700,500	658,891	677,158
Other operating expenditures	183,750	110,867	118,759
Capital outlay	43,200	41,963	-
Interdepartmental charges	(544,400)	(544,400)	(513,800)
Total	383,050	267,321	115,729
Finance:			
Salaries and employee benefits	596,100	554,554	486,394
Other operating expenditures	262,500	232,848	205,426
Interdepartmental charges	(679,900)	(679,850)	(633,500)
Total	178,700	107,552	71,148
Purchasing/Warehouse:			
Salaries and employee benefits	136,450	135,762	144,667
Other operating expenditures	17,850	14,606	17,016
Capital outlay	25,750	25,750	-
Interdepartmental charges	(105,500)	(105,500)	(100,200)
Total	74,550	70,618	3,932
Technology/MIS:			
Salaries and employee benefits	202,650	201,224	194,771
Other operating expenditures	375,400	345,221	310,402
Capital outlay	-	-	68,330
Interdepartmental charges	(345,550)	(345,550)	(322,000)
Total	232,500	200,895	31,605
Human Resources:			
Salaries and employee benefits	289,950	287,763	287,582
Other operating expenditures	175,100	149,565	157,598
Interdepartmental charges	(85,900)	(85,900)	(86,700)
Total	379,150	351,428	27,722
Planning:			
Salaries and employee benefits	231,100	228,391	221,850
Other operating expenditures	84,900	63,986	123,523
Interdepartmental charges	(46,250)	(46,250)	(55,300)
Total	269,750	246,127	23,623
Main Street:			
Salaries and employee benefits	99,500	92,318	51,189
Other operating expenditures	89,750	66,162	17,937
Total	189,250	158,480	30,770

CITY OF NEWTON, NORTH CAROLINA

Schedule 1
Page 3 of 5

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022**

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

	2022		Variance Over/Under	2021 Actual
	Final Budget	Actual		
Municipal Building:				
Other operating expenditures	192,550	175,170		143,206
Capital outlay	-	-		7,289
Total	<u>192,550</u>	<u>175,170</u>	<u>17,380</u>	<u>150,495</u>
Public Works Administration:				
Salaries and employee benefits	211,700	209,515		203,321
Other operating expenditures	68,900	57,505		60,223
Capital outlay	74,300	39,094		78,425
Interdepartmental charges	(191,550)	(191,550)		(182,900)
Total	<u>163,350</u>	<u>114,564</u>	<u>48,786</u>	<u>159,069</u>
Garage:				
Salaries and employee benefits	186,300	182,285		174,845
Other operating expenditures	65,050	56,144		59,098
Interdepartmental charges	(89,650)	(89,650)		(86,050)
Total	<u>161,700</u>	<u>148,779</u>	<u>12,921</u>	<u>147,893</u>
Downtown Public Parking:				
Other operating expenditures	4,850	4,059		4,761
Total	<u>4,850</u>	<u>4,059</u>	<u>791</u>	<u>4,761</u>
Total general government	<u>2,256,550</u>	<u>1,865,455</u>	<u>391,095</u>	<u>1,846,436</u>
Transportation:				
Streets:				
Salaries and employee benefits	374,350	343,809		348,135
Other operating expenditures	630,700	263,105		461,816
Capital outlay	512,300	346,261		148,093
Total	<u>1,517,350</u>	<u>953,175</u>	<u>564,175</u>	<u>958,044</u>
Powell Bill:				
Salaries and employee benefits	194,750	125,242		163,723
Other operating expenditures	145,250	29,851		215,759
Total	<u>340,000</u>	<u>155,093</u>	<u>184,907</u>	<u>379,482</u>
Total transportation	<u>1,857,350</u>	<u>1,108,268</u>	<u>749,082</u>	<u>1,337,526</u>
Environmental Protection:				
Sanitation:				
Salaries and employee benefits	659,500	515,490		614,766
Other operating expenditures	666,900	500,720		528,118
Capital outlay	447,700	330,739		-
Total	<u>1,774,100</u>	<u>1,346,949</u>	<u>427,151</u>	<u>1,142,884</u>
Total environmental protection	<u>1,774,100</u>	<u>1,346,949</u>	<u>427,151</u>	<u>1,142,884</u>

CITY OF NEWTON, NORTH CAROLINA

Schedule 1
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**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022**

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

	2022		Variance Over/Under	2021 Actual
	Final Budget	Actual		
Public Safety:				
Police Department:				
Salaries and employee benefits	3,178,400	3,006,118		2,884,435
Other operating expenditures	785,700	711,664		621,479
Capital outlay	549,900	339,695		706,602
Interdepartmental charges	(3,100)	(3,100)		(3,000)
Total	<u>4,510,900</u>	<u>4,054,377</u>	<u>456,523</u>	<u>4,209,516</u>
Fire Department:				
Salaries and employee benefits	2,842,150	2,791,131		2,653,040
Other operating expenditures	442,950	426,616		437,796
Capital outlay	798,950	797,067		92,495
Interdepartmental charges	(158,350)	(158,350)		(149,050)
Total	<u>3,925,700</u>	<u>3,856,464</u>	<u>69,236</u>	<u>3,034,281</u>
Total public safety	<u>8,436,600</u>	<u>7,910,841</u>	<u>525,759</u>	<u>7,243,797</u>
Economic and Physical Development:				
Special Appropriations:				
Other operating expenditures	<u>353,050</u>	<u>307,926</u>		<u>344,845</u>
Total Economic and Physical Development	<u>353,050</u>	<u>307,926</u>	<u>45,124</u>	<u>344,845</u>
Cultural and Recreational:				
Administration:				
Salaries and employee benefits	663,300	642,395		577,789
Other operating expenditures	171,190	122,021		119,843
Capital outlay	49,400	37,287		-
Total	<u>883,890</u>	<u>801,703</u>	<u>82,187</u>	<u>697,632</u>
Central Recreation Center:				
Salaries and employee benefits	27,650	11,713		17,616
Other operating expenditures	54,450	37,957		42,503
Capital outlay	70,900	70,853		-
Total	<u>153,000</u>	<u>120,523</u>	<u>32,477</u>	<u>60,119</u>
Swimming Pool:				
Salaries and employee benefits	16,300	5,035		5,921
Other operating expenditures	67,600	50,340		62,449
Total	<u>83,900</u>	<u>55,375</u>	<u>28,525</u>	<u>68,370</u>
Parks:				
Salaries and employee benefits	64,950	20,818		18,363
Other operating expenditures	135,900	128,471		103,721
Capital outlay	173,750	91,171		85,003
Total	<u>374,600</u>	<u>240,460</u>	<u>134,140</u>	<u>207,087</u>
Cemeteries:				
Salaries and employee benefits	208,850	195,287		159,271
Other operating expenditures	32,300	21,917		40,195
Capital outlay	9,200	9,200		49,448
Total	<u>250,350</u>	<u>226,404</u>	<u>23,946</u>	<u>248,914</u>

CITY OF NEWTON, NORTH CAROLINA

Schedule 1
Page 5 of 5

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021**

	<u>2022</u>			
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>2021 Actual</u>
Special Appropriations:				
Other operating expenditures	266,150	142,048		130,613
Total	<u>266,150</u>	<u>142,048</u>	<u>124,102</u>	<u>130,613</u>
Total cultural and recreational	<u>2,011,890</u>	<u>1,586,513</u>	<u>425,377</u>	<u>1,412,735</u>
Debt Service:				
Principal paid on installment purchase	1,164,000	1,161,216		1,029,630
Interest and fees	211,700	207,425		205,377
Total debt service	<u>1,375,700</u>	<u>1,368,641</u>	<u>7,059</u>	<u>1,235,007</u>
Total expenditures	<u>18,065,240</u>	<u>15,494,593</u>	<u>2,570,647</u>	<u>14,563,230</u>
Revenues over (under) expenditures	<u>(2,910,940)</u>	<u>524,815</u>	<u>3,435,755</u>	<u>1,174,182</u>
Other Financing Sources (Uses):				
Issuance of debt	596,850	362,147	(234,703)	1,154,991
Transfers from Electric Fund	548,000	-	(548,000)	536,000
Transfers to Special Revenue Fund	(8,000)	(8,000)	-	-
Transfers to General Capital Projects Fund	(32,250)	(32,250)	-	(350,350)
Appropriated fund balance	<u>1,806,340</u>	<u>-</u>	<u>(1,806,340)</u>	<u>-</u>
Total other financing sources (uses)	<u>2,910,940</u>	<u>321,897</u>	<u>(2,589,043)</u>	<u>1,340,641</u>
Net change in fund balance	<u>\$ -</u>	<u>846,712</u>	<u>\$ 846,712</u>	<u>\$ 2,514,823</u>
Fund Balance:				
Beginning of year - July 1		<u>13,267,650</u>		
End of year - June 30		<u>\$ 14,114,362</u>		

CITY OF NEWTON, NORTH CAROLINA

Schedule 2

**MAJOR 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, 2022**

	Project Authorization	Actual			Total to Date
		Prior Years	Current Year	Closed Projects	
Revenues:					
Restricted intergovernmental revenue	\$ 1,727,750	\$ 14,942	\$ 118,175	\$ -	\$ 133,117
Restricted intergovernmental revenue-ARPA	4,199,476	-	397,175	-	397,175
Interest earned	-	-	2,738	-	2,738
Miscellaneous	5,000	-	-	-	-
Total revenues	5,932,226	14,942	518,088	-	533,030
Expenditures:					
Economic and physical development:					
CDBG - CV grant	715,000	-	87,972	-	87,972
Scattered Site Housing grant	750,000	-	27,235	-	27,235
ARPA salary, benefits, & other expenses	4,199,476	-	397,175	-	397,175
Building Reuse grant	273,000	-	10,000	-	10,000
CDBG rehabilitation	2,750	1,000	-	-	1,000
Total expenditures	5,940,226	1,000	522,382	-	523,382
Revenues over (under) expenditures	(8,000)	13,942	(4,294)	-	9,648
Other Financing Sources (Uses):					
Transfers in - General Fund	8,000	163	8,000	-	8,163
Net change in fund balance	\$ -	\$ 14,105	\$ 3,706	\$ -	\$ 17,811

CITY OF NEWTON, NORTH CAROLINA

Schedule 3

**MAJOR 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, 2022**

	Project Authorization	Actual			Total to Date
		Prior Years	Current Year	Closed Projects	
Revenues:					
Restricted intergovernmental	\$ 787,250	\$ 116,971	\$ -	\$ -	\$ 116,971
Interest earned	-	302	41	-	343
Total revenues	<u>787,250</u>	<u>117,273</u>	<u>41</u>	<u>-</u>	<u>117,314</u>
Expenditures:					
Capital Outlay:					
West 24th Street improvements:					
Culvert replacement	288,850	283,941	-	-	283,941
West A Street bikeway & pedestrian improvements:					
Streets and sidewalks	350,350	-	208,021	-	208,021
Downtown streetscape improvements:					
Culvert replacement	1,441,000	215,473	-	-	215,473
Streets and sidewalks	8,346,300	3,164,381	-	-	3,164,381
Parks and amphitheater	198,000	180,624	-	-	180,624
Downtown Revitalization Project	477,000	-	-	-	-
Westbrook Dr. Culvert Replacement	507,700	-	36,919	-	36,919
Young Drive Culvert Replacement	246,630	-	-	-	-
Sutphen Fire Engine Project	906,000	-	-	-	-
Splash pad	732,800	681,910	26,678	-	708,588
Total expenditures	<u>13,494,630</u>	<u>4,526,329</u>	<u>271,618</u>	<u>-</u>	<u>4,797,947</u>
Revenues over (under) expenditures	<u>(12,707,380)</u>	<u>(4,409,056)</u>	<u>(271,577)</u>	<u>-</u>	<u>(4,680,633)</u>
Other Financing Sources (Uses):					
Issuance of long-term debt	10,611,330	3,093,820	754,330	-	3,848,150
Transfers from General Fund	2,206,050	2,173,800	32,250	-	2,206,050
Transfers to General Fund	(110,000)	(110,000)	-	-	(110,000)
Total other financing sources (uses)	<u>12,707,380</u>	<u>5,157,620</u>	<u>786,580</u>	<u>-</u>	<u>5,944,200</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 748,564</u>	<u>\$ 515,003</u>	<u>\$ -</u>	<u>\$ 1,263,567</u>



GOVERNMENTAL ACTIVITIES NONMAJOR FUND

SPECIAL REVENUE FUND

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

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.



CITY OF NEWTON, NORTH CAROLINA

Schedule 4

**EMERGENCY TELEPHONE SYSTEM FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental revenue	\$ 19,000	\$ 19,047	\$ 47
Interest earned	-	38	38
Total revenues	<u>19,000</u>	<u>19,085</u>	<u>85</u>
Expenditures:			
Public Safety:			
Other operating expenditures	<u>19,000</u>	<u>8,681</u>	<u>10,319</u>
Change in net position	<u>\$ -</u>	10,404	<u>\$ 10,404</u>
Fund Balance:			
Beginning of year - July 1		<u>20,493</u>	
End of year - June 30		<u>\$ 30,897</u>	



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.



CITY OF NEWTON, NORTH CAROLINA

Schedule 5
Page 1 of 2

**WATER AND WASTEWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services	\$ 7,833,500	\$ 8,194,822	\$ 361,322
Other	<u>418,000</u>	<u>584,138</u>	<u>166,138</u>
Total operating revenues	<u>8,251,500</u>	<u>8,778,960</u>	<u>527,460</u>
Non-operating revenues:			
Other non-operating revenue	120,150	7,183	(112,967)
State grant	150,000	113,495	(36,505)
Lease Revenue	-	111,963	111,963
Interest earned	<u>-</u>	<u>25,834</u>	<u>25,834</u>
Total non-operating revenues	<u>270,150</u>	<u>258,475</u>	<u>(11,675)</u>
Total revenues	<u>8,521,650</u>	<u>9,037,435</u>	<u>515,785</u>
Expenditures:			
Operations	3,727,650	3,075,460	652,190
Maintenance	1,740,000	1,476,226	263,774
Administration	1,355,800	1,369,800	(14,000)
Capital outlay	1,960,800	768,016	1,192,784
Debt principal	1,136,700	1,025,130	111,570
Interest and fees	<u>201,900</u>	<u>198,533</u>	<u>3,367</u>
Total expenditures	<u>10,122,850</u>	<u>7,913,165</u>	<u>2,209,685</u>
Revenues over (under) expenditures	<u>(1,601,200)</u>	<u>1,124,270</u>	<u>2,725,470</u>
Other Financing Sources (Uses):			
Issuance of long-term debt	963,500	157,983	(805,517)
Proceeds from sale of capital assets	1,000	20,970	19,970
Intrafund transfers to - Water and Wastewater Capital Project Fund	(360,400)	(360,400)	-
Appropriated fund balance	<u>997,100</u>	<u>-</u>	<u>(997,100)</u>
Total other financing sources (uses)	<u>1,601,200</u>	<u>(181,447)</u>	<u>(1,782,647)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 942,823</u>	<u>\$ 942,823</u>

CITY OF NEWTON, NORTH CAROLINA

Schedule 5
Page 2 of 2

**WATER AND WASTEWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Reconciliation from Budgetary Basis (Modified Accrual to Full Accrual):			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 942,823	
Reconciling items:			
Capital project income		282,802	
Transfers to (from) - Intrafund		360,400	
Depreciation		(2,145,129)	
Capital outlay expenditures		768,016	
Payment of debt principal		1,025,130	
Increase (decrease) in deferred outflows of resources - pensions		55,417	
Increase (decrease) in deferred outflows of resources - OPEB		(8,800)	
(Increase) decrease in net pension liability		467,493	
(Increase) decrease in total OPEB liability		4,416	
(Increase) decrease in deferred inflows of resources - pensions		(470,967)	
(Increase) decrease in deferred inflows of resources - OPEB		(602)	
(Increase) decrease in accrued interest payable		7,297	
(Increase) decrease in compensated absences		(8,156)	
Issuance of long-term debt		<u>(157,983)</u>	
Change in net position		<u>\$ 1,122,157</u>	

CITY OF NEWTON, NORTH CAROLINA

Schedule 6

**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, 2022**

	Project Authorization	Actual			Total to Date
		Prior Years	Current Year	Closed Projects	
Revenues:					
Restricted intergovernmental	\$ 1,738,300	\$ 427,512	\$ 282,763	\$ -	\$ 710,275
Interest earned	-	85	39	-	124
Total revenues	<u>1,738,300</u>	<u>427,597</u>	<u>282,802</u>	<u>-</u>	<u>710,399</u>
Expenditures:					
Capital outlay:					
West A Street:					
Sewer line rehabilitation	1,133,200	145,522	963,004	-	1,108,526
Downtown streetscape improvements:					
Water line rehabilitation	1,117,250	462,212	-	-	462,212
Sewer line rehabilitation	499,950	461,657	-	-	461,657
Sewer relocation:					
East 2nd Street	1,798,500	208,144	701,589	-	909,733
Valley Drive:					
Valley Drive water infrastructure rehabilitation	538,460	484,853	-	-	484,853
WTP filter rehabilitation:					
WTP filter rehabilitation	941,100	941,104	-	-	941,104
WWTP lime piping:					
WWTP Lime Piping Replacement project	415,750	73,206	337,779	-	410,985
Water Extension projects:					
S Hwy 16 - Buffalo Shoals	5,839,350	1,103,933	17,252	-	1,121,185
N Shipp Ave:					
Water line rehabilitation	346,100	307,941	-	-	307,941
WTP System Improvement projects:					
WTP Fluoride Feed System Improvement	349,100	-	264,429	-	264,429
Total expenditures	<u>12,978,760</u>	<u>4,188,572</u>	<u>2,284,053</u>	<u>-</u>	<u>6,472,625</u>
Revenues over (under) expenditures	<u>(11,240,460)</u>	<u>(3,760,975)</u>	<u>(2,001,251)</u>	<u>-</u>	<u>(5,762,226)</u>
Other Financing Sources (Uses):					
Issuance of long-term debt	9,571,810	2,302,310	915,040	-	3,217,350
Transfers from - Water and Wastewater Fund	1,822,250	1,241,850	360,400	-	1,602,250
Transfers to - Water and Wastewater Fund	(153,600)	(153,600)	-	-	(153,600)
Total other financing sources (uses)	<u>11,240,460</u>	<u>3,390,560</u>	<u>1,275,440</u>	<u>-</u>	<u>4,666,000</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (370,415)</u>	<u>\$ (725,811)</u>	<u>\$ -</u>	<u>\$ (1,096,226)</u>

CITY OF NEWTON, NORTH CAROLINA

Schedule 7
Page 1 of 2

**ELECTRIC ENTERPRISE FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues			
Charges for services	\$ 15,195,000	\$ 15,568,571	\$ 373,571
Other	801,500	811,425	9,925
Total operating revenues	<u>15,996,500</u>	<u>16,379,996</u>	<u>383,496</u>
Non-operating revenues:			
Contributions	10,000	10,000	-
Other non-operating revenue	199,100	144,250	(54,850)
Power agency refund	-	633	633
Interest earned	1,000	19,052	18,052
Lease revenue	-	39,083	39,083
Sales tax	780,000	781,249	1,249
Total non-operating revenues	<u>990,100</u>	<u>994,267</u>	<u>4,167</u>
Total revenues	<u>16,986,600</u>	<u>17,374,263</u>	<u>387,663</u>
Expenditures:			
Power for resale	11,155,000	11,205,278	(50,278)
Renewable energy	102,200	101,835	365
Operations	5,542,700	3,534,520	2,008,180
Administration	943,550	975,550	(32,000)
Capital outlay	1,264,600	112,664	1,151,936
Debt principal	860,200	860,108	92
Interest and fees	114,150	114,095	55
Total expenditures	<u>19,982,400</u>	<u>16,904,050</u>	<u>3,078,350</u>
Revenues over (under) expenditures	<u>(2,995,800)</u>	<u>470,213</u>	<u>3,466,013</u>
Other Financing Sources (Uses):			
Issuance of long-term debt	1,115,450	391,836	(723,614)
Proceeds from sale of assets	16,000	21,960	5,960
Transfers to - General Fund	(548,000)	-	548,000
Appropriated fund balance	2,412,350	-	(2,412,350)
Total other financing sources (uses)	<u>2,995,800</u>	<u>413,796</u>	<u>(2,582,004)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 884,009</u>	<u>\$ 884,009</u>

CITY OF NEWTON, NORTH CAROLINA

Schedule 7
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**ELECTRIC ENTERPRISE FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 884,009	
Reconciling items:			
Capital project income		59	
Capital outlay expenditures		112,664	
Payment of debt principal		860,108	
Depreciation		(1,207,175)	
Increase (decrease) in deferred outflows of resources - pensions		27,708	
Increase (decrease) in deferred outflows of resources - OPEB		(3,299)	
(Increase) decrease in net pension liability		233,746	
(Increase) decrease in total OPEB liability		1,655	
(Increase) decrease in deferred inflows of resources - pensions		(235,483)	
(Increase) decrease in deferred inflows of resources - OPEB		(226)	
(Increase) decrease in accrued interest payable		11,870	
(Increase) decrease in compensated absences		6,430	
Issuance of long-term debt		<u>(391,836)</u>	
Change in net position		<u>\$ 300,230</u>	

CITY OF NEWTON, NORTH CAROLINA

Schedule 8

**ELECTRIC FUND CAPITAL PROJECTS
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2022**

	Project Authorization	Actual			Total to Date
		Prior Years	Current Year	Closed Projects	
Revenues:					
Restricted intergovernmental	\$ -	\$ 41,750	\$ -	\$ -	\$ 41,750
Interest earned	-	88	59	-	147
Total revenues	-	41,838	59	-	41,897
Expenditures:					
West A Street electric					
Downtown streetscape improvements:					
Infrastructure rehabilitation	1,988,600	920,781	-	-	920,781
Electric distribution automation	1,033,000	267,928	108,345	-	376,273
Hwy 10 substation breaker replacement	243,450	106,895	5,300	-	112,195
Underground cable and reconductoring	458,000	21,377	57,367	-	78,744
Total expenditures	3,723,050	1,316,981	171,012	-	1,487,993
Revenues over (under) expenditures	(3,723,050)	(1,275,143)	(170,953)	-	(1,446,096)
Other Financing Sources (Uses):					
Issuance of long-term debt	3,214,900	1,714,500	-	-	1,714,500
Transfers from - Electric Fund	518,650	408,650	-	-	408,650
Transfers to - Electric Fund	(10,500)	(10,500)	-	-	(10,500)
Total other financing sources (uses)	3,723,050	2,112,650	-	-	2,112,650
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 837,507	\$ (170,953)	\$ -	\$ 666,554

CITY OF NEWTON, NORTH CAROLINA

Schedule 9

**HEALTH INSURANCE INTERNAL SERVICE FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
PLAN AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Operating Revenues:			
Charges for services	\$ 1,995,000	\$ 1,647,992	\$ (347,008)
Operating Expenditures - Group Insurance:			
Claims paid	1,950,000	1,645,396	304,604
Claims incurred but not reported	-	94,855	(94,855)
Stop-loss insurance fees	28,000	22,694	5,306
Administrative charges	17,000	8,024	8,976
Total operating expenditures	<u>1,995,000</u>	<u>1,770,969</u>	<u>224,031</u>
Operating income (loss)	-	(122,977)	(122,977)
Non-Operating Revenues:			
Investment earnings	-	450	450
Revenues over expenditures	<u>\$ -</u>	<u>\$ (122,527)</u>	<u>\$ (122,527)</u>



OTHER SCHEDULES

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

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



CITY OF NEWTON, NORTH CAROLINA

Schedule 10

**SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2022**

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2021</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2022</u>
2021-2022	\$ -	\$ 6,577,750	\$ 6,485,904	\$ 91,846
2020-2021	87,964	-	56,715	31,249
2019-2020	46,361	-	17,651	28,710
2018-2019	24,525	-	8,909	15,616
2017-2018	18,801	-	9,703	9,098
2016-2017	13,727	-	4,244	9,483
2015-2016	12,249	-	2,843	9,406
2014-2015	12,713	-	3,110	9,603
2013-2014	20,314	-	3,003	17,311
2012-2013	32,969	-	2,023	30,946
2011-2012	<u>16,024</u>	<u>-</u>	<u>16,024</u>	<u>-</u>
 Total	 <u>\$ 285,647</u>	 <u>\$ 6,577,750</u>	 <u>\$ 6,610,129</u>	 253,268
Less allowance for uncollectible ad valorem taxes receivable				<u>22,000</u>
Ad valorem taxes receivable, net				<u>\$ 231,268</u>
Ad Valorem Taxes Receivable, Net				
General Fund				<u>\$ 231,268</u>
 Reconciliation with Revenues:				
Ad valorem taxes - General Fund				\$ 6,636,609
Taxes written off				14,945
Miscellaneous				(2,085)
Interest and penalties collected				<u>(39,340)</u>
Total collections and credits				<u>\$ 6,610,129</u>

CITY OF NEWTON, NORTH CAROLINA

Schedule 11

**ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2022**

	City-Wide		Total Levy	
	Property Valuation	Rate	Total Levy	Registered Motor Vehicles
				Registered Motor Vehicles
Original Levy:				
Total property taxed at current year's rate	\$ 1,090,202,883	\$ 0.54	\$ 5,887,096	\$ 5,887,096
Registered motor vehicles taxed at current year's tax rate	113,085,972	0.54	610,664	-
Penalties	-		3,638	3,638
Total	<u>1,203,288,855</u>		<u>6,501,398</u>	<u>5,890,734</u>
Discoveries:				
Current year taxes	5,654,156		30,532	30,532
Prior year taxes	10,472,606		56,552	56,552
Penalties	-		12,703	12,703
Total	<u>16,126,762</u>		<u>99,787</u>	<u>99,787</u>
Releases:				
Property:				
Current year taxes	(2,885,289)		(15,581)	(15,581)
Prior year taxes	(66,665)		(354)	(354)
Motor Vehicles:				
Current year taxes	(541,300)		(2,923)	-
Prior year taxes	(69,840)		(335)	-
Penalties	-		(4,242)	(4,242)
Total	<u>(3,563,094)</u>		<u>(23,435)</u>	<u>(20,177)</u>
Total property valuation	<u>\$ 1,215,852,523</u>			
Net Levy			6,577,750	5,970,344
Less uncollected taxes at June 30, 2022			(91,846)	(91,846)
Current Year's Taxes Collected			<u>\$ 6,485,904</u>	<u>\$ 5,878,498</u>
Current Levy Collection Percentage			<u>98.60%</u>	<u>98.46%</u>

STATISTICAL SECTION

(Unaudited)

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

Contents

Financial Trends

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

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

Revenue Capacity

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

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

Debt Capacity

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

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

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 Annual Comprehensive 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)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental Activities:										
Net investment in capital assets	\$ 7,819,537	\$ 8,097,287	\$ 7,984,441	\$ 8,406,848	\$ 9,065,600	\$ 9,419,704	\$ 10,642,496	\$ 11,892,626	\$ 12,288,198	\$ 13,604,276
Restricted	2,365,037	2,814,243	3,125,095	2,663,217	2,917,143	3,038,107	2,860,674	2,890,464	3,482,655	3,950,457
Unrestricted	3,163,055	3,517,744	4,373,511	5,910,938	5,316,912	4,788,356	5,179,802	5,102,071	5,833,494	6,140,787
Total governmental activities net position	\$ 13,347,629	\$ 14,429,274	\$ 15,483,047	\$ 16,981,003	\$ 17,299,655	\$ 17,246,167	\$ 18,682,972	\$ 19,885,161	\$ 21,604,347	\$ 23,695,520
Business-type Activities:										
Net investment in capital assets	\$ 30,063,136	\$ 29,665,815	\$ 29,007,878	\$ 28,842,217	\$ 28,478,465	\$ 28,984,497	\$ 29,313,984	\$ 30,085,473	\$ 30,150,761	\$ 30,905,166
Unrestricted	5,702,567	6,650,083	7,281,257	8,089,777	8,931,712	9,206,477	10,516,812	11,905,511	14,878,356	15,515,708
Total business-type activities net position	\$ 35,765,703	\$ 36,315,898	\$ 36,289,135	\$ 36,931,994	\$ 37,410,177	\$ 38,190,974	\$ 39,830,796	\$ 41,990,984	\$ 45,029,117	\$ 46,420,874
Primary Government:										
Net investment in capital assets	\$ 37,882,673	\$ 37,763,102	\$ 36,992,319	\$ 37,249,065	\$ 37,544,065	\$ 38,404,201	\$ 39,956,480	\$ 41,978,099	\$ 42,438,959	\$ 44,509,442
Restricted	2,365,037	2,814,243	3,125,095	2,663,217	2,917,143	3,038,107	2,860,674	2,890,464	3,482,655	3,950,457
Unrestricted	8,865,622	10,167,827	11,654,768	14,000,715	14,248,624	13,994,833	15,696,614	17,007,582	20,711,850	21,656,495
Total primary government net position	\$ 49,113,332	\$ 50,745,172	\$ 51,772,182	\$ 53,912,997	\$ 54,709,832	\$ 55,437,141	\$ 58,513,768	\$ 61,876,145	\$ 66,633,464	\$ 70,116,394

CITY OF NEWTON, NORTH CAROLINA

Table 2, page 1 of 2

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Expenses:										
Governmental activities:										
General government	\$ 1,016,494	\$ 1,280,351	\$ 1,389,614	\$ 1,352,512	\$ 1,411,267	\$ 1,678,380	\$ 1,669,328	\$ 2,134,406	\$ 2,059,253	\$ 1,979,333
Transportation	1,047,081	1,162,093	1,162,092	1,347,083	1,147,668	1,279,189	1,401,468	2,181,097	1,675,898	1,190,313
Environmental protection	1,006,970	1,051,744	1,043,820	1,086,149	1,165,561	1,082,139	1,215,375	1,275,886	1,304,530	1,155,461
Public Safety	5,124,114	5,245,701	5,316,433	5,586,817	6,357,517	6,267,253	6,513,975	7,116,753	7,518,114	7,491,004
Cultural and recreational	2,076,132	1,906,260	1,551,277	1,510,818	1,636,461	1,727,506	1,742,567	1,252,357	1,472,717	1,557,889
Economic and physical development	1,000	50,000	-	-	151,185	170,940	-	406,805	344,845	830,308
Interest on long-term debt	102,178	140,224	190,377	186,606	172,773	175,088	212,893	217,251	196,972	204,298
Total governmental activities expenses	10,373,969	10,836,373	10,653,613	11,069,985	12,042,432	12,380,495	12,755,606	14,584,555	14,572,329	14,408,606
Business-type activities:										
Water and Wastewater	6,279,211	6,762,583	6,590,574	6,747,790	7,230,215	7,507,636	7,767,708	8,247,698	8,206,063	8,234,365
Electric	13,804,985	14,673,951	15,599,254	14,969,080	15,177,322	15,645,413	15,763,333	16,256,403	16,432,265	17,111,367
Total business-type activities expenses	20,084,196	21,436,534	22,189,828	21,716,870	22,407,537	23,153,049	23,531,041	24,504,101	24,638,328	25,345,732
Total primary government expenses	\$ 30,458,165	\$ 32,272,907	\$ 32,843,441	\$ 32,786,855	\$ 34,449,969	\$ 35,533,544	\$ 36,286,647	\$ 39,088,656	\$ 39,210,657	\$ 39,754,338
Program Revenues:										
Governmental activities:										
Charges for services	\$ 273,757	\$ 169,502	\$ 179,212	\$ 199,335	\$ 139,340	\$ 148,044	\$ 160,715	\$ 107,180	\$ 117,850	\$ 186,581
General government	2,104	-	24,975	4,767	-	-	34	-	-	-
Transportation	757,023	881,425	886,194	880,225	883,748	887,607	934,708	1,013,925	1,447,214	1,448,047
Environmental protection	102,231	75,350	79,765	73,717	80,173	61,981	78,819	84,556	92,474	92,421
Public safety	68,544	175,478	81,399	78,971	110,246	102,628	82,077	70,687	44,055	86,635
Cultural and recreational	486,590	624,303	524,449	486,903	662,304	727,487	819,293	942,559	627,208	1,025,505
Operating grants and contributions	36,089	125,805	294,285	119,417	291,342	207,039	126,676	24,990	120,653	1,000
Total governmental activities program revenues	1,726,338	2,051,863	2,070,279	1,843,335	2,167,153	2,134,786	2,202,322	2,243,897	2,449,454	2,840,189
Business-type activities:										
Charges for services-Water and Wastewater	6,010,519	6,143,604	6,342,485	6,681,287	7,033,702	7,474,923	7,666,931	7,856,779	8,562,162	9,011,601
Charges for services - Electric	14,529,294	15,265,571	15,087,077	14,881,401	14,821,219	15,730,660	16,126,917	15,543,099	16,115,438	16,573,329
Operating grants and contributions	161	1,441	240,491	5,584	-	165,367	-	-	-	-
Capital grants and contributions	23,667	195,592	19,865	31,653	221,047	6,584	429,044	19,943	20,275	282,763
Total business-type activities program revenues	20,563,641	21,606,208	21,689,918	21,599,925	22,075,968	23,377,534	24,222,892	23,419,821	24,697,875	25,867,693
Total primary government program revenues	\$ 22,289,979	\$ 23,658,071	\$ 23,760,197	\$ 23,443,260	\$ 24,243,121	\$ 25,512,320	\$ 26,425,214	\$ 25,663,718	\$ 27,147,329	\$ 28,707,882
Net revenue (expense)	\$ (8,647,631)	\$ (8,784,510)	\$ (8,583,334)	\$ (9,226,650)	\$ (9,875,279)	\$ (10,245,709)	\$ (10,553,284)	\$ (12,340,658)	\$ (12,122,875)	\$ (11,568,417)
Governmental activities	479,445	169,674	(499,910)	(116,945)	(331,569)	224,485	691,851	(1,084,280)	59,547	521,961
Business-type activities	\$ (8,168,186)	\$ (8,614,836)	\$ (9,083,244)	\$ (9,343,595)	\$ (10,206,848)	\$ (10,021,224)	\$ (9,861,433)	\$ (13,424,938)	\$ (12,063,328)	\$ (11,046,456)

continued

CITY OF NEWTON, NORTH CAROLINA

Table 2, page 2 of 2

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

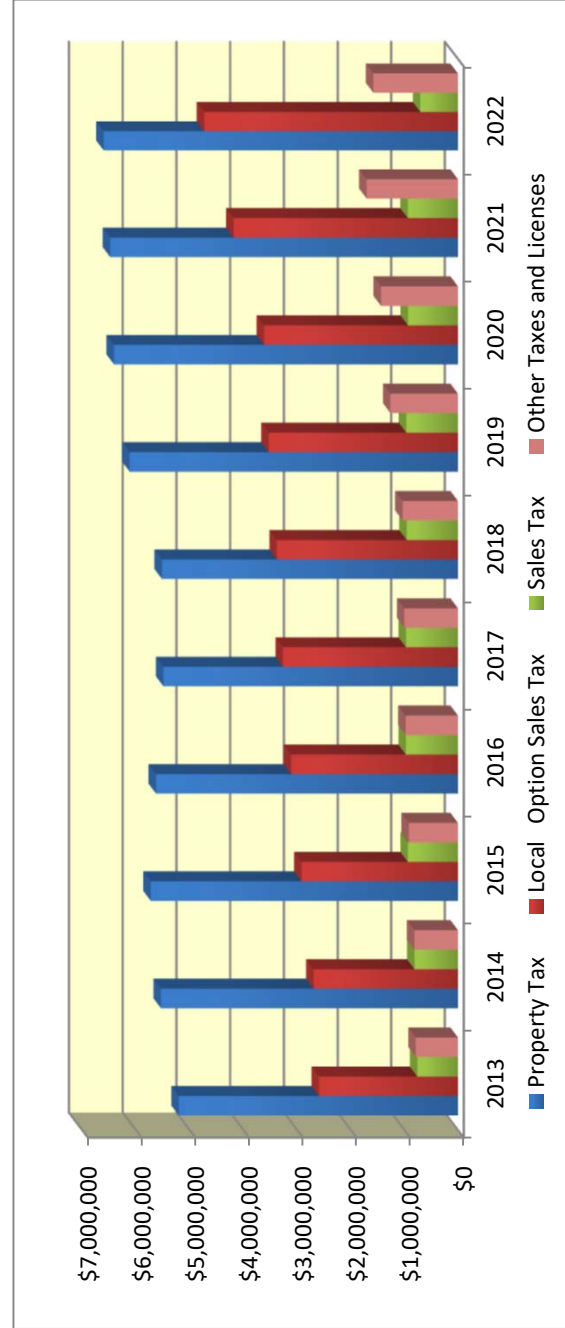
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Revenues and Other Changes in Net Position:										
Governmental activities:										
Ad valorem taxes	\$ 5,201,384	\$ 5,535,417	\$ 5,723,810	\$ 5,627,039	\$ 5,489,113	\$ 5,516,304	\$ 6,116,272	\$ 6,407,920	\$ 6,478,800	\$ 6,600,228
Local option sales tax	2,595,442	2,694,664	2,917,919	3,111,139	3,263,760	3,377,488	3,529,039	3,615,584	4,181,974	4,731,092
Utilities sales tax	759,087	810,418	935,345	971,859	969,834	957,432	964,844	932,261	936,555	702,311
Other taxes and licenses	788,672	813,734	917,719	978,029	999,650	1,033,608	1,260,653	1,438,364	1,706,402	1,581,347
Unrestricted investment earnings	11,004	7,922	16,443	36,540	56,263	133,475	212,669	130,918	2,330	44,612
Capital contributions	-	-	-	-	-	-	5,779	-	-	-
Transfers	10,000	4,000	-	-	-	-	-	349,550	536,000	-
Total governmental activities	9,365,589	9,866,155	10,511,236	10,724,606	10,778,620	11,018,307	12,089,256	12,874,597	13,842,061	13,659,590
Business-type activities:										
Other taxes and licenses	297,967	319,537	735,702	737,150	751,171	771,470	769,068	743,064	757,815	781,249
Unrestricted investment earnings	6,490	5,081	8,758	20,922	40,261	94,104	155,342	133,545	2,718	44,984
Miscellaneous	-	31,870	4,728	1,732	18,320	28,153	29,340	11,299	-	42,930
Power agency refund	-	-	-	-	-	-	-	2,007,580	2,754,053	633
Capital contributions	-	28,033	-	-	-	-	-	-	-	-
Transfers	(10,000)	(4,000)	-	-	-	-	(5,779)	(349,550)	(536,000)	-
Total business-type activities	294,457	380,521	749,188	759,804	809,752	893,727	947,971	2,545,938	2,978,586	869,796
Total primary government	\$ 9,660,046	\$ 10,246,676	\$ 11,260,424	\$ 11,484,410	\$ 11,588,372	\$ 11,912,034	\$ 13,037,227	\$ 15,420,535	\$ 16,820,647	\$ 14,529,386
Change in Net Position:										
Governmental activities	\$ 717,958	\$ 1,081,645	\$ 1,927,902	\$ 1,497,956	\$ 903,341	\$ 772,598	\$ 1,535,972	\$ 533,939	\$ 1,719,186	\$ 2,091,173
Business-type activities	773,902	550,195	249,278	642,859	478,183	1,118,212	1,639,822	1,461,658	3,038,133	1,391,757
Total primary government	\$ 1,491,860	\$ 1,631,840	\$ 2,177,180	\$ 2,140,815	\$ 1,381,524	\$ 1,890,810	\$ 3,175,794	\$ 1,995,597	\$ 4,757,319	\$ 3,482,930

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
2013	5,201,384	2,595,441	759,087	788,672	9,344,584
2014	5,535,417	2,694,664	810,418	813,734	9,854,233
2015	5,723,810	2,917,919	935,345	917,719	10,494,793
2016	5,627,039	3,111,139	971,859	978,029	10,688,066
2017	5,489,113	3,263,760	969,834	999,650	10,722,357
2018	5,516,304	3,377,488	957,432	1,033,608	10,884,832
2019	6,116,272	3,529,039	964,844	1,260,653	11,870,808
2020	6,407,920	3,615,584	932,261	1,438,364	12,394,129
2021	6,478,800	4,181,974	936,555	1,706,402	13,303,731
2022	6,600,228	4,731,092	702,311	1,581,347	13,614,978



CITY OF NEWTON, NORTH CAROLINA

Table 4

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Fund:										
Non-Spendable - inventory	\$ 62,836	\$ 56,653	\$ 41,363	\$ 41,442	\$ 44,606	\$ 49,037	\$ 40,019	\$ 37,356	\$ 49,505	\$ 69,931
Non-Spendable - prepaids	-	-	194,572	214,392	395,283	-	-	-	-	-
Restricted - Stabilization by State Statute	735,016	1,114,520	1,145,967	944,907	1,056,556	1,227,022	1,622,163	2,217,878	2,752,304	2,695,845
Restricted	1,763,479	2,017,530	2,374,069	1,985,557	1,879,460	1,808,007	1,181,619	632,084	1,600,025	1,307,936
Assigned	47,490	42,750	45,690	474,790	1,020,600	596,870	377,110	828,380	617,870	946,570
Unassigned	2,615,140	3,190,736	4,130,932	4,960,008	4,459,761	5,678,078	5,889,151	7,037,129	8,247,946	9,094,080
Total General Fund	\$ 5,223,961	\$ 6,422,189	\$ 7,932,593	\$ 8,621,096	\$ 8,856,266	\$ 9,359,014	\$ 9,110,062	\$ 10,752,827	\$ 13,267,650	\$ 14,114,362
All other Governmental Funds:										
Non-Spendable - prepaids	\$ -	\$ -	\$ -	\$ 10,693	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special revenue funds	-	-	1,076	1,412	56,617	1,765	6,908	5,712	3,554	96,991
Restricted - Stabilization by State Statute	-	-	75,443	8,204	-	-	33,770	15,028	2,222	688
Special revenue funds	127,364	27,619	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Restricted	1,734	5,781	17,505	9,040	23,801	2,289,539	16,212	19,762	31,044	26,065
Special revenue funds	-	2,302,634	7,634	-	-	-	181,150	222,389	4,890	1,236,261
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Special revenue funds	97,930	-	-	-	242	-	479,801	139,204	741,452	503,618
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Unassigned	-	(251,783)	-	-	(33,132)	(49,886)	-	-	-	(74,348)
Special revenue funds	-	-	-	(7,962)	-	-	-	-	-	(477,000)
Capital projects funds	-	-	(71,264)	-	-	-	-	-	-	-
Total expenditures	\$ 227,028	\$ 2,084,251	\$ 30,394	\$ 21,387	\$ 47,528	\$ 2,241,418	\$ 717,841	\$ 402,095	\$ 783,162	\$ 1,312,275

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

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues:										
Ad valorem taxes	\$ 5,136,073	\$ 5,522,391	\$ 5,820,879	\$ 5,661,736	\$ 5,554,119	\$ 5,555,145	\$ 6,195,344	\$ 6,410,789	\$ 6,557,317	\$ 6,636,609
Other taxes and licenses	2,961,194	3,062,603	3,374,238	3,593,002	3,732,651	3,861,923	4,188,557	4,307,540	5,307,984	6,112,158
Unrestricted intergovernmental	1,182,007	1,256,213	1,396,745	1,468,025	1,500,593	1,506,605	1,565,979	1,678,669	1,516,947	902,592
Restricted intergovernmental	495,228	734,785	505,854	576,029	878,871	696,019	748,547	897,736	620,542	995,306
Permits and fees	120,130	77,535	77,621	74,062	74,021	71,826	68,501	63,197	62,047	61,913
Sales and services	869,564	1,068,745	987,234	974,145	1,027,230	1,004,789	1,050,070	1,131,354	1,551,652	1,585,545
Investment earnings	10,271	6,955	14,278	31,686	48,245	115,157	182,968	114,136	2,242	44,161
Miscellaneous	241,416	170,798	499,570	219,099	187,031	362,152	236,039	179,855	214,584	218,338
Total revenues	11,015,883	11,900,025	12,676,419	12,597,784	13,002,761	13,173,616	14,236,005	14,783,276	15,833,315	16,556,622
Expenditures:										
Current:										
General government	1,190,651	1,297,639	1,424,326	1,441,187	1,641,718	1,829,950	1,667,217	1,840,924	1,846,436	1,865,455
Transportation	1,106,278	932,167	1,205,132	1,116,908	876,934	1,145,161	1,111,032	1,378,944	1,337,526	1,108,268
Environmental protection	1,276,480	994,820	987,293	1,065,055	1,248,865	1,009,656	1,645,793	1,092,671	1,142,884	1,346,949
Public safety	4,942,898	5,422,069	5,934,798	5,773,881	6,160,618	6,051,412	6,373,804	7,040,331	7,255,555	7,919,522
Cultural and recreational	2,080,553	1,699,457	1,605,676	1,531,592	1,780,230	1,662,807	2,208,371	1,673,724	1,412,735	1,586,513
Economic and physical development	1,000	50,000	-	-	151,185	170,940	-	406,805	344,845	830,308
Capital Outlay	251,314	1,605,278	2,066,766	387,731	-	50,128	2,575,964	1,557,989	342,248	271,618
Debt service:										
Principal	878,663	768,247	1,086,464	1,064,396	1,014,600	1,012,028	1,101,359	1,056,297	1,029,630	1,161,216
Interest	122,930	101,897	193,809	192,638	182,600	163,846	225,862	218,957	205,377	207,425
Total expenditures	11,850,767	12,871,574	14,504,264	12,573,388	13,056,750	13,095,928	16,909,402	16,266,642	14,917,236	16,297,274
Revenues over (under) expenditures	(834,884)	(971,549)	(1,827,845)	24,396	(53,989)	77,688	(2,673,397)	(1,483,366)	916,079	259,348
Other Financing Sources (Uses):										
Issuance of debt	443,682	4,023,000	1,284,392	655,100	315,300	2,618,950	900,868	1,091,752	1,443,811	1,116,477
Transfers from other funds	445,417	267,676	-	29,413	17,482	-	1,021,850	2,061,150	886,350	40,250
Transfers to other funds	(435,417)	(263,676)	-	(29,413)	(17,482)	-	(1,021,850)	(911,600)	(350,350)	(40,250)
Total other financing sources (uses)	453,682	4,027,000	1,284,392	655,100	315,300	2,618,950	900,868	2,241,302	1,979,811	1,116,477
Net change in fund balances	\$ (381,202)	\$ 3,055,451	\$ (543,453)	\$ 679,496	\$ 261,311	\$ 2,696,638	\$ (1,772,529)	\$ 757,936	\$ 2,895,890	\$ 1,375,825
Debt service as a percentage of non-capital expenditures	9.5%	8.3%	11.6%	11.2%	10.2%	9.7%	10.6%	9.5%	9.3%	9.9%

CITY OF NEWTON, NORTH CAROLINA

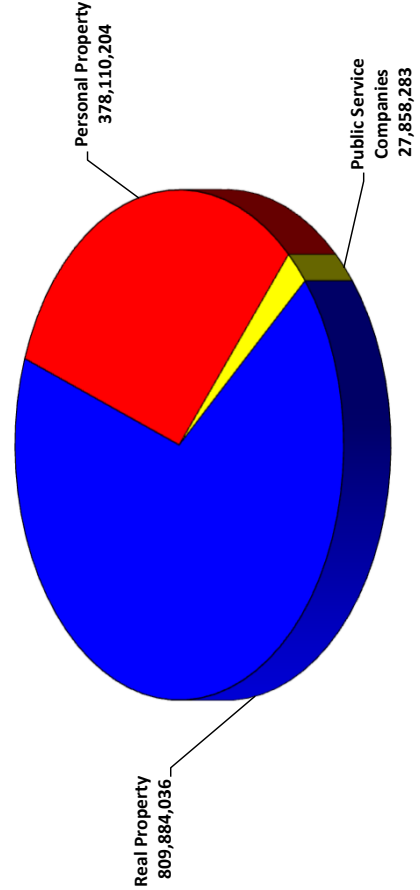
Table 6

Assessed Valuation of Property
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Assessed Value ⁽¹⁾			Total	Property Tax Rate (Per \$100 Assessed Value)	Percent Increase in Value ⁽²⁾
	Real Property	Personal Property ⁽³⁾	Public Service Companies			
2013	770,022,896	293,650,012	19,881,983	1,083,554,891	0.48	2.1%
2014	769,626,622	353,362,911	18,978,817	1,141,968,350	0.48	5.4%
2015	771,410,548	318,829,225	20,837,982	1,111,077,755	0.51	-2.7%
2016	(2) 704,869,272	304,781,289	24,281,708	1,033,932,269	0.54	-6.9%
2017	711,364,646	272,585,642	26,562,454	1,010,512,742	0.54	-2.3%
2018	712,528,906	275,179,899	26,656,033	1,014,364,838	0.54	0.4%
2019	736,168,088	362,306,047	27,984,461	1,126,458,596	0.54	11.1%
2020	(2) 786,988,068	367,871,123	28,923,331	1,183,782,522	0.54	5.1%
2021	795,466,609	362,855,289	27,495,278	1,185,817,176	0.54	5.3%
2022	809,884,036	378,110,204	27,858,283	1,215,852,523	0.54	2.7%

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
2013	0.48	0.530	1.010
2014	0.48	0.530	1.010
2015	0.51	0.530	1.040
2016	0.54	0.575	1.115
2017	0.54	0.575	1.115
2018	0.54	0.575	1.115
2019	0.54	0.575	1.115
2020	0.54	0.575	1.115
2021	0.54	0.575	1.115
2022	0.54	0.575	1.115

Other Tax Data:

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

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

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

CITY OF NEWTON, NORTH CAROLINA

Table 8

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

Taxpayer	Type of Enterprise	2022			2013		
		Total Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Total Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Target Corp.	Distribution Center	\$ 76,080,369	1	6.26%	\$ 110,592,254	1	10.21%
Corning	Fiber Optic Cable	47,254,254	2	3.89%			
ZF Lemforder Corp.	Automotive Product Mfg.	42,634,951	3	3.51%	39,059,760	2	3.60%
Sarstedt, Inc.	Pharmaceutical Plastics	26,753,966	4	2.20%	21,446,264	4	1.98%
Flowers Baking Co.	Bread and Pastries	17,565,249	5	1.44%	25,361,355	3	2.34%
Wanzl North America	Shopping Cart Manufacturing	17,088,659	6	1.41%	12,300,877	6	1.14%
Renwood Mills	Flour Mill	13,566,774	7	1.12%	13,272,523	5	1.22%
International Paper	Paper Products	12,108,176	8	1.00%	9,560,838	7	0.88%
Duke Energy Carolinas, LLC	Electric Service Provider	11,098,206	9	0.91%			
Peoples Bank	Banking Services	9,900,120	10	0.81%	9,517,102	8	0.88%
Bassett Furniture Industries	Furniture				7,936,436	9	0.73%
Comm Scope, Inc.	Fiber				6,940,800	10	0.64%
Totals		\$ 274,050,724		22.55%	\$ 255,988,209		23.62%

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		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⁾
		Taxes Collected/ Credited	of Levy Collected					
2013	5,225,531	4,951,737	94.8%	242,848	5,194,585	99.4%	30,946	
2014	5,495,149	5,267,703	95.9%	210,136	5,477,839	99.7%	17,310	
2015	5,674,945	5,538,243	97.6%	127,099	5,665,342	99.8%	9,603	
2016	5,595,433	5,467,059	97.7%	118,968	5,586,027	99.8%	9,406	
2017	5,464,152	5,349,828	97.9%	104,843	5,454,671	99.8%	9,481	
2018	5,486,139	5,371,299	97.9%	105,742	5,477,041	99.8%	9,097	
2019	6,087,664	5,995,034	98.5%	77,010	6,072,044	99.7%	15,620	
2020	6,395,971	6,277,280	98.1%	89,981	6,367,261	99.6%	28,710	
2021	6,409,118	6,321,154	98.6%	56,715	6,377,869	99.5%	31,249	
2022	6,577,750	6,485,904	98.6%		6,485,904	98.6%	91,846	

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			Total
	Residential	Industrial	Commercial	
2013	47.4	55.0	46.9	149.3
2014	48.5	52.8	47.6	148.9
2015	47.6	51.5	47.0	146.1
2016	46.9	50.2	47.6	144.7
2017	47.3	47.7	47.8	142.8
2018	47.5	48.8	49.3	145.6
2019	48.8	52.6	49.7	151.1
2020	47.3	50.3	47.5	145.1
2021	48.5	52.4	49.8	150.7
2022	48.4	54.0	53.4	155.8

Source: City of Newton Utility Billing

CITY OF NEWTON, NORTH CAROLINA

Table 11

Electricity Rates
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Residential				Industrial				
	Basic Facilities	Rate per kWh 1st 350	Rate per kWh next 950	Rate per kWh over 1300	Basic Facilities	Demand over 30 KW (per KW)	Rate per kWh 1st 3000	Rate per kWh next 9000	Rate per kWh over 12000
2013	11.79	0.099505	0.111835	0.100668	23.67	7.6300	0.134868	0.073744	0.064624
2014	12.45	0.105077	0.118098	0.106305	25.00	8.0573	0.142421	0.077874	0.068243
2015	12.45	0.105077	0.118098	0.106305	25.00	8.0573	0.142421	0.077874	0.068243
2016	12.45	0.105077	0.118098	0.106305	25.00	8.0573	0.142421	0.077874	0.068243
2017	12.57	0.106128	0.119279	0.107368	25.25	8.1379	0.143845	0.078653	0.068925
2018	12.57	0.106128	0.119279	0.107368	25.25	8.1379	0.143845	0.078653	0.068925
2019	12.57	0.101883	0.114508	0.103073	25.25	8.1379	0.142407	0.077866	0.068236
2020	12.57	0.099885	0.112263	0.101055	25.25	8.1379	0.142407	0.077866	0.068236
2021	12.57	0.099885	0.112263	0.101055	25.25	8.1379	0.142407	0.077866	0.068236
2022	12.57	0.099885	0.112263	0.101055	25.25	8.1379	0.142407	0.077866	0.068236

Fiscal Year	Commercial				
	Basic Facilities	Demand over 30 KW	Rate per kWh 1st 3000	Rate per kWh next 9000	Rate per kWh over 12000
2013	15.82	8.6285	0.139802	0.073421	0.066218
2014	16.71	9.1117	0.147631	0.077533	0.069926
2015	16.71	9.1117	0.147631	0.077533	0.069926
2016	16.71	9.1117	0.147631	0.077533	0.069926
2017	16.88	9.2028	0.149107	0.078308	0.070625
2018	16.88	9.2028	0.149107	0.078308	0.070625
2019	16.88	9.2028	0.147616	0.077525	0.069919
2020	16.88	9.2028	0.147616	0.077525	0.069919
2021	16.88	9.2028	0.147616	0.077525	0.069919
2022	16.88	9.2028	0.147616	0.077525	0.069919

Source: City of Newton Utility Billing

CITY OF NEWTON, NORTH CAROLINA

Table 12

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

Fiscal Year	Governmental Activities		Business-type Activities		Total Government	Percentage of Personal Income ⁽¹⁾	Per Capita ⁽¹⁾
	General Obligation Bonds	Loans Payable	General Obligation Bonds	Loans Payable			
2013	-	3,894,050	-	16,571,480	20,465,530	4.48%	1,579
2014	-	7,148,803	-	16,068,940	23,217,743	4.85%	1,782
2015	-	7,346,731	-	18,160,439	25,507,170	4.87%	1,959
2016	-	6,937,435	-	16,492,279	23,429,714	4.35%	1,805
2017	-	6,238,135	-	15,885,782	22,123,917	3.89%	1,698
2018	-	7,845,057	-	15,341,700	23,186,757	3.93%	1,782
2019	-	7,644,566	-	13,692,261	21,336,827	3.54%	1,640
2020	-	7,680,021	-	12,460,435	20,140,456	3.14%	1,542
2021	-	8,094,202	-	12,483,705	20,577,907	N/A	1,562
2022	-	8,049,463	-	12,063,326	20,112,789	N/A	1,527

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		Per Capita
				Estimated Actual Taxable Value of Property	Percentage of Personal Income	
2013	12,961	1,083,554,891	-	0.00%	0.00%	-
2014	13,031	1,141,968,350	-	0.00%	0.00%	-
2015	13,018	1,111,077,755	-	0.00%	0.00%	-
2016	12,982	1,033,932,269	-	0.00%	0.00%	-
2017	13,027	1,010,512,742	-	0.00%	0.00%	-
2018	13,009	1,014,364,838	-	0.00%	0.00%	-
2019	13,010	1,126,458,596	-	0.00%	0.00%	-
2020	13,059	1,183,782,522	-	0.00%	0.00%	-
2021	13,173	1,185,817,176	-	0.00%	N/A	-
2022	13,175	1,215,852,523	-	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, 2022
(Unaudited)

	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
County of Catawba	\$ 147,410,281	6.13%	\$ 9,036,250
Subtotal, overlapping debt			9,036,250
City of Newton direct debt			8,094,202
Total			\$ 17,130,452

Note: The percentage of overlapping debt is based on the June 30, 2022 assessed valuation of the County of Catawba of \$19,836,704,600 as compared to the June 30, 2022 assessed valuation for the City of Newton of \$1,215,852,523.

CITY OF NEWTON, NORTH CAROLINA

Table 15

Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Assessed value of taxable property	\$ 1,083,554,891	\$ 1,141,968,350	\$ 1,111,077,755	\$ 1,033,932,269	\$ 1,010,512,742	\$ 1,014,364,838	\$ 1,126,458,596	\$ 1,183,782,522	\$ 1,185,817,176	\$ 1,215,852,523
Debt limit, 8% of assessed value (statutory limitation)	\$ 86,684,391	\$ 91,357,468	\$ 88,886,220	\$ 82,714,582	\$ 80,841,019	\$ 81,149,187	\$ 90,116,688	\$ 94,702,602	\$ 94,865,374	\$ 97,268,202
Debt applicable to limit:										
General obligation bonds	3,894,050	7,148,803	7,346,731	6,937,435	6,238,135	7,845,057	7,644,566	7,680,021	8,094,202	8,049,463
Loans payable	3,894,050	7,148,803	7,346,731	6,937,435	6,238,135	7,845,057	7,644,566	7,680,021	8,094,202	8,049,463
Total net debt applicable to limit	\$ 82,790,341	\$ 84,208,665	\$ 81,539,489	\$ 75,777,147	\$ 74,602,884	\$ 73,304,130	\$ 82,472,122	\$ 87,022,581	\$ 86,771,172	\$ 89,218,739
Legal debt margin	0.36%	0.63%	0.66%	0.67%	0.62%	0.77%	0.68%	0.65%	0.68%	0.66%
Total net debt applicable to the limit as a percentage of assessed property tax value										

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		Median Age ⁽¹⁾	School Enrollment ⁽³⁾	Unemployment Rate ⁽⁴⁾
			Personal Income ⁽²⁾⁽⁵⁾	Income			
2013	12,961	456,875	35,250		40.3	2,889	10.8%
2014	13,031	478,785	36,742		40.5	2,977	7.1%
2015	13,018	524,170	40,265		40.7	3,073	6.1%
2016	12,982	538,454	41,477		40.9	3,094	4.9%
2017	13,027	568,642	43,651		41.0	3,078	4.0%
2018	13,009	589,854	45,342		41.1	2,957	3.8%
2019	13,010	603,235	46,367		41.3	2,930	4.2%
2020	13,059	642,411	49,193		41.5	2,888	6.2%
2021	13,173	N/A	N/A		41.7	2,798	5.9%
2022	13,175	N/A	N/A		41.8	2,814	4.7%

Data sources

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

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

CITY OF NEWTON, NORTH CAROLINA

Table 17

Principal Employers
Current Year and Nine Years Ago
(Unaudited)

Employer	2022			2013		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Target Distribution Center	2,000	2	2.62%	500	5	0.70%
Catawba County Schools	2,053	1	2.69%	1,986	1	2.70%
Catawba County Government	1,207	3	1.58%	1,084	2	1.50%
Bassett Furniture	662	4	0.87%			
Newton-Conover City Schools	384	6	0.50%	500	6	0.70%
United Church Homes & Services (Abernethy Laurels)	367	8	0.48%	328	8	0.40%
McCreary Modern	360	9	0.47%	628	3	0.90%
Wanzl North America	374	7	0.49%	360	7	0.50%
Flowers Baking Company	296	10	0.39%	234	10	0.30%
Lee Industries	615	5	0.80%	500	4	0.70%
General Dynamics	-		0.00%	250	9	0.30%
Total	8,318		10.89%	6,370		8.70%
Total Civilian Labor Force	76,433			74,177		

Source: City of Newton Public Information Office

CITY OF NEWTON, NORTH CAROLINA
Full-Time Equivalent City Government Employees by Function
 Last Ten Fiscal Years
 (Unaudited)

Table 18

Function	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Government										
Administration	4	4	4	4	4	4	4	6	6	6
Finance	9	9	9	9	9	9	9	9	9	9
Finance-Purchasing/Warehouse	2	2	2	2	2	2	2	2	2	2
Technology/MIS	2	2	2	2	2	2	2	2	2	2
Human Resources	2	2	2	2	2	2	2	2	2	2
Mainstreet	-	-	-	-	-	1	1	1	1	1
Planning	3	3	3	3	3	2	2	2	2	2
Public Works Administration	2	2	2	2	2	2	2	2	2	2
Garage	2	2	2	2	2	3	3	3	3	3
Transportation										
Street	6	6	6	6	6	6	6	6	6	6
Powell Bill	3	3	3	3	3	3	3	3	3	3
Environmental Protection										
Sanitation	13	14	14	14	14	13	13	13	13	13
Public Safety										
Police										
Officers	35	36	36	36	36	36	36	35	35	35
Civilians	9	8	8	8	8	8	8	9	9	9
Fire	26	26	26	28	28	28	37	37	37	37
Cultural and Recreational										
Administration	10	10	10	10	10	10	10	10	10	10
Cemeteries	4	4	4	4	4	4	4	4	4	4
Water and Sewer										
Distribution & Collection	11	11	11	11	11	11	11	11	11	11
Water Treatment Plant	9	8	8	8	8	8	8	8	8	8
Waste Water Treatment Plant	12	12	12	12	12	12	12	12	12	12
Electric	15	14	14	13	13	13	14	15	15	15
Total	179	178	178	179	179	179	189	192	192	192

Source: Budgeted personnel records

CITY OF NEWTON, NORTH CAROLINA

Operating Indicators By Function
Last Ten Fiscal Years
(Unaudited)

Function	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Police**										
Calls for Service	22,265	20,352	21,951	18,171	19,657	17,979	19,913 *	17,885	16,899	17,350
Arrests	659	644	578	668	580	597	544 *	523	463	567
Traffic Stops	2,596	2,242	2,181	2,122	2,421	1,782	1,752 *	1,719	1,152	1,874
Citations	1,797	1,597	1,400	1,229	1,084	917	961 *	987	776	904
Property Checks	4,656	5,255	5,719	3,239	3,451	3,681	3,806 *	2,252	2,311	2,206
Incidents	1,817	2,408	2,445	2,655	2,626	2,590	2,554 *	2,384	2,207	2,485
Fire										
Emergency Incidents(Calls)	1,110	1,098	1,634	1,829	1,884	1,759	2,125 *	1,757	1,588	2,345
Fire Inspections Completed	535	578	604	602	617	593	658	638	721	637
Fire Prevention Programs	131	76	51	77	24	32	24	34	-	21
Permits Issued	42	24	89	127	81	97	145 *	72	98	103
Training Hours Completed	8,638	8,795	5,735	9,269	7,660	6,953	5,781 *	3,848	3,972	7,327
Highways & Streets										
Paved/Resurfaced (miles)	1.04	-	3.44	0.25	0.60	0.24	0.91	0.66	1.26	0.43
Potholes Repaired	35	54	20	65	20	20	16	68	36	41
Sanitation										
Residential collections (tons)	4,260	4,360	4,269	4,505	5,112	4,830	4,955	5,312	5,703	7,158
Recyclables (tons)	418	387	383	409	407	345	327	321	260	391
Yardwaste collected (tons)	2,115	1,191	975	919	936	607	546	681	209	368
Households served**	4,632	4,642	4,645	4,667	4,701	4,714	4,735	4,800	4,863	4,952
Culture & Recreation (participants)										
Center activities	24,150	26,149	27,800	23,542	40,258	40,756	34,045 *	32,676	18,836	7,089
Athletics	65,987	60,175	61,152	58,388	60,188	60,257	54,676 *	35,488	1,886	5,139
Fitness Room	1,200	1,204	1,351	2,015	2,352	3,932	3,099 *	1,036	799	1,050
Swimming Pool	3,227	3,424	3,972	4,250	4,324	4,397	3,872 *	2,495	-	2,550
Shelters	3,255	4,215	5,497	8,000	8,500	8,750	11,570 *	7,332	2,385	8,158
Cemetery burials	57	90	65	45	31	45	47	44	65	137
Water										
New connection	20	11	17	22	20	36	58	65	95	124
Water main breaks	12	12	12	17	14	14	31	30	41	29
Avg Daily Consumption (MGD)	3.7	3.7	3.5	3.7	3.8	3.8	3.5	3.5	3.7	3.8
Number of customers	5,977	5,974	6,032	6,072	6,107	6,146	6,195	6,306	6,397	6,514

CITY OF NEWTON, NORTH CAROLINA

Table 19, page 2 of 2

Operating Indicators By Function
Last Ten Fiscal Years
(Unaudited)

Function	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Wastewater										
Average daily usage (MGD)	1.80	1.95	1.80	1.85	1.77	1.77	3.06	3.07	3.20	3.01
Number of customers	4,656	4,670	4,687	4,736	4,752	4,750	4,781	4,836	4,940	5,033
Electric										
Average daily usage (Kwh)	431,198	426,462	422,703	414,894	402,620	423,505	431,683	418,675	432,770	448,365
Peak demand	31,076	34,514	35,316	30,137	30,223	30,193	30,703	37,094	32,706	32,227
Number of customers	4,425	4,435	4,456	4,471	4,498	4,511	4,533	4,595	4,637	4,697

Sources: Various government departments.

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

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

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

CITY OF NEWTON, NORTH CAROLINA

Table 20, page 1 of 2

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

Function	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Police										
Police stations	3	3	3	3	3	3	3	3	3	3
Police patrol vehicles	30	35	33	31	31	29	29	27	33	34
Other police vehicles	16	16	16	16	17	17	17	20	13	23
Fire										
Fire Stations	3	3	3	3	3	3	3	3	3	3
Fire Suppression Vehicles	10	10	10	8	8	8	8	8	8	9
Other Fire Vehicles	7	7	6	6	6	8	8	9	8	8
Highways & Streets										
Streets maintained (miles)	77.39	77.39	77.39	77.39	77.39	77.39	77.39	77.39	77.39	77.39
Storm Sewer (miles)	65.4	65.4	65.4	65.4	65.4	65.4	65.4	65.4	65.4	65.4
Sidewalk (miles)	27.84	27.84	27.84	27.84	27.84	27.84	27.84	27.84	27.84	27.84
Catch Basin inlets	1,380	1,380	1,380	1,380	1,380	1,380	1,380	1,380	1,380	1,380
Powell Bill equipment	9	9	8	8	8	8	8	8	8	8
Street equipment	28	30	26	26	28	28	28	28	28	30
Sanitation										
Residential trucks	4	4	4	4	4	4	4	4	5	5
Dumpster Trucks	2	2	2	2	2	2	2	2	2	2
Other Equipment	10	10	10	10	10	10	10	10	10	10
Culture & Recreation										
Recreation centers	2	2	2	2	2	2	2	2	2	2
Parks	5	5	5	5	5	5	5	5	5	5
Park acreage	153.5	153.5	153.5	153.5	153.5	153.5	177	177	177	177
Swimming pool	1	1	1	1	1	1	1	1	1	1
Tennis courts	8	8	8	8	8	6	6	6	6	6
Cemeteries	3	3	3	3	3	3	3	3	3	3

CITY OF NEWTON, NORTH CAROLINA

Table 20, page 2 of 2

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

Function	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Water										
Water lines (miles)	182.5	182.5	182.5	182.5	182.5	182.5	182.5	190.3	193.1	195.52
Fire hydrants	1,077	1,022	1,022	1,024	1,024	1,024	1,024	1,163	1,163	1,207
Max. daily capacity (MGD)	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Wastewater										
Max. daily capacity (MGD)	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Sanitary sewer lines (miles)	134.7	132	132	132	132	132	132	133	133	133
Electric										
Substations	3	2	2	2	2	2	2	2	2	2
Service lines (miles)	125	125	125	125	125	125	125	125	125	125

Sources: Various government departments.

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



COMPLIANCE SECTION

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 Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act

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, Responses, and Questioned Costs

Summary Schedule of Prior Year's Audit Findings

Schedule of Expenditures of Federal and State Awards



MARTIN STARNES

& ASSOCIATES, CPAs, P.A.

“A Professional Association of Certified Public Accountants and Management Consultants”

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), 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, 2022, 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 30, 2022.

Report on Internal Control Over Financial Reporting

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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City'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 30, 2022

MARTIN STARNES & ASSOCIATES, CPAs, P.A.

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

Report on Compliance for Each Major Federal 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 Federal Program

Opinion on Each Major Federal Program

We have audited the City of Newton, North Carolina's, compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Governmental Commission that could have a direct and material effect on each of the City of Newton's major federal programs for the year ended June 30, 2022. The City of Newton's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

In our opinion, the City of Newton complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Newton and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Newton's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Newton's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material non-compliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Newton's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and the State Single Audit Implementation Act will always detect material non-compliance when it exists. The risk of not detecting material non-compliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Non-compliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City of Newton's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material non-compliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Newton's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City of Newton's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of the City of Newton's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material non-compliance with a type of compliance requirement of a federal 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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the 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 30, 2022



MARTIN STARNES & ASSOCIATES, CPAs, P.A.

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

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

Opinion on Each Major State Program

We have audited the City of Newton, North Carolina's, compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Governmental 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, 2022. The City of Newton's major state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

In our opinion, the City of Newton complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Newton and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of the City of Newton's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Newton's state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material non-compliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Newton's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and the State Single Audit Implementation Act will always detect material non-compliance when it exists. The risk of not detecting material non-compliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Non-compliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City of Newton's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material non-compliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Newton's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City of Newton's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of the City of Newton's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 combination of deficiencies, in internal control over compliance, such that there is 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the 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 30, 2022



CITY OF NEWTON, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

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

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? No
- Significant deficiency(s) identified? None reported

Type of auditor's report issued on compliance for major federal programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major federal programs:

Program Name **AL#**

Clean Water State Revolving Fund Cluster 66.458

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? No

CITY OF NEWTON, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

1. Summary of Auditor's Results (continued)

State Awards

Internal control over major state programs:

- Material weakness(es) identified? No
- Significant deficiency(s) 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 with the State Single Audit Implementation Act? No

Identification of major state programs:

Program Name

State Reserve Loan

2. Financial Statement Findings

None reported.

3. Federal Award Findings and Questioned Costs

None reported.

4. 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, 2022**

None noted.

CITY OF NEWTON, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Grantor/Pass-through Grantor/Program Title	Federal AL Number	State/ Pass-through Grantor's Number	Federal (Direct and Pass-through) Expenditures	State Expenditures	Pass-Through to Subrecipients
Federal Grants:					
Cash Programs:					
<u>U.S. Department of Justice</u>					
Direct Program:					
Equitable Sharing Program	16.922		\$ 1,655	\$ -	\$ -
Bulletproof Vest Partnership Grant	16.607		2,126	-	-
Total U.S. Department of Justice			3,781	-	-
<u>U.S. Department of Treasury</u>					
Direct Program:					
COVID-19 Coronavirus State and Local Fiscal Recovery Funds Passed through NC Office of State Budget and Management	21.027		397,175	-	-
NC Pandemic Recovery Office					
COVID-19 Coronavirus Relief Fund	21.019	20-V-3531	87,972	-	-
Total U.S. Department of Treasury			485,147	-	-
<u>U.S. Department of Housing & Urban Development</u>					
Passed through NC Department of Commerce					
Community Development Block Grants/States Program and Non-Entitlement Grants in Hawaii	14.228	19-C-3132	27,235	-	-
Total U.S. Department of Housing & Urban Development			27,235	-	-
<u>U.S. Environmental Protection Agency (EPA)</u>					
Passed through NC Department of Environmental Quality					
Clean Water State Revolving Fund Cluster					
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS370685-03	776,101	-	-
Total Clean Water State Revolving Fund Cluster			776,101	-	-
Total assistance - federal programs			1,292,264	-	-
State Grants:					
Cash Assistance:					
<u>N.C. Department of Transportation</u>					
Powell Bill			-	155,092	-
<u>N.C. Department of Commerce</u>					
Building Reuse Grant			-	10,000	-
<u>N.C. Department of Environmental Quality</u>					
Division of Water Infrastructure					
State Reserve Loan			-	1,100,208	-
State Reserve Grant - Water and Wastewater Asset			-	113,496	-
Total assistance - state programs			-	1,378,796	-
Total assistance			\$ 1,292,264	\$ 1,378,796	\$ -

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, 2022. 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 the 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 minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4 - Loans Outstanding

The City had the following loan balances outstanding at June 30, 2022 for loans that the grantor/pass-through grantor has still imposed continuing Compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2022 consist of:

Program Title	AL Number	Pass-Through Grantor's Number	Amount Outstanding
Capitalization Grants for Drinking Water State Revolving Funds	66.468	CS370685-03	\$ 497,661