
TOWN OF NEWLAND

Financial Statements, Supplemental Schedules,
and Independent Auditor's Report
For the Year Ended June 30, 2022

C. Randolph CPA, PLLC
Certified Public Accountant

TOWN OF NEWLAND

Town Officials

Town Council Members

Derek Roberts, Mayor

Kenny Caraway

James C. Johnson

Lauren Turbyfill

Gail Haller

Christie Hughes

Administrative and Financial Staff

Sandy Lewis, Finance Officer
Bill Bailey, Town Administrator

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Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Council
Newland, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Newland (the "Town"), North Carolina, as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Newland, North Carolina, as of June 30, 2022, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 44 and 45, respectively, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, on pages 46 and 47, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Town of Newland, North Carolina. The individual fund statements, budgetary schedules and other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

C. Randolph CPA, PLLC

West Jefferson, North Carolina
June 24, 2024

Management's Discussion and Analysis

As management of the Town of Newland, we offer readers of Town of Newland's financial statements this narrative overview and analysis of the financial activities of the Town of Newland 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 Town's financial statements, which follow this narrative.

Financial Highlights

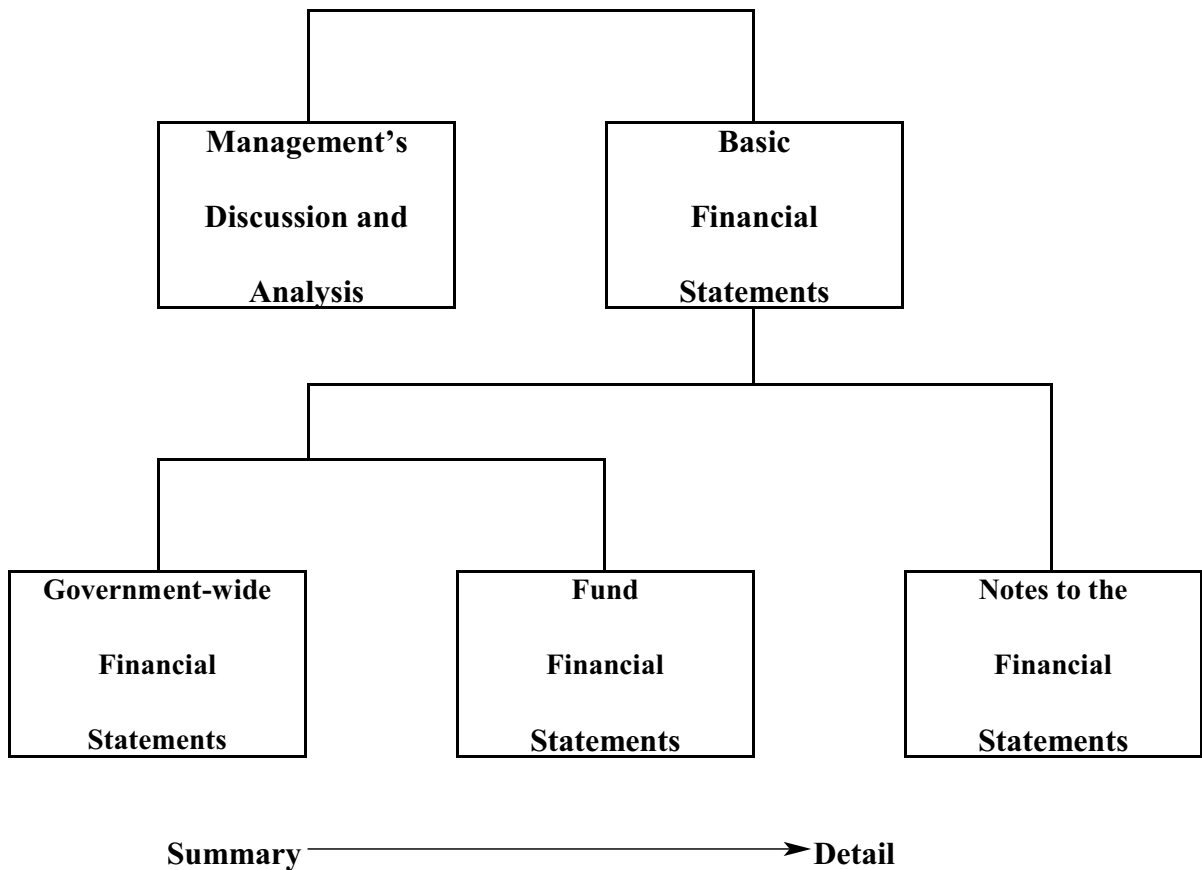
- The assets and deferred outflows of resources of Town of Newland exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$7,067,784 (net position).
- The Town's total net position decreased by \$15,768.
- As of the close of the current fiscal year, the Town of Newland's governmental funds reported combined ending fund balances of \$1,005,506 with a net increase of \$4,064 in fund balance. Approximately 90% of this total amount, or \$901,787, is available for spending at the Town's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$901,787, or 81% of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Newland's basic financial statements. The Town'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 Town 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 Town of Newland.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 10) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town'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 Town's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town'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 Town's financial status as a whole.

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town'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 Town'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 Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Newland.

The government-wide financial statements are Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town'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. Town of Newland, 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 Town's budget ordinance. All of the funds of Town of Newland 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 Town'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 Town'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 Town of Newland adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statements provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town 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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds - The Town of Newland has one kind of proprietary fund. Enterprise Fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Newland uses enterprise funds to account for its water and sewer activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and Statement of Activities.

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 begin on page 21 of this report.

Other Information - Individual fund statements and schedules can be found beginning on page 46 of this report. Required supplementary information can be found beginning on page 44.

Interdependence with Other Entities - The Town of Newland depends on financial resources flowing from, or associated with, both federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

**Government-Wide Financial Analysis
Town of Newland’s Net Position**

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$1,021,705	\$ 1,013,655	\$ 727,970	\$ 543,867	\$1,749,675	\$ 1,557,522
Capital assets	2,597,928	2,631,843	3,863,972	4,076,142	6,461,900	6,707,985
Deferred outflows of resources	<u>139,820</u>	<u>154,736</u>	<u>12,130</u>	<u>12,130</u>	<u>151,950</u>	<u>166,866</u>
Total assets and deferred outflows of resources	<u>3,759,453</u>	<u>3,800,234</u>	<u>4,604,072</u>	<u>4,632,139</u>	<u>8,363,525</u>	<u>8,432,373</u>
Long-term liabilities outstanding	229,231	394,302	836,872	883,012	1,066,103	1,277,314
Other liabilities	11,072	9,169	62,900	48,128	73,972	57,297
Deferred inflows of resources	<u>141,846</u>	<u>5,879</u>	<u>8,330</u>	<u>8,330</u>	<u>150,176</u>	<u>14,209</u>
Total liabilities and deferred inflows of resources	<u>382,149</u>	<u>409,350</u>	<u>908,102</u>	<u>939,470</u>	<u>1,290,251</u>	<u>1,348,820</u>
Net position:						
Net investment in capital assets	2,597,928	2,631,843	3,005,887	3,180,867	5,603,815	5,812,710
Restricted	121,419	104,707	-	-	121,419	104,707
Unrestricted	<u>657,957</u>	<u>654,334</u>	<u>684,593</u>	<u>511,801</u>	<u>1,342,550</u>	<u>1,166,135</u>
Total net position	<u>\$3,377,304</u>	<u>\$ 3,390,884</u>	<u>\$3,690,480</u>	<u>\$ 3,692,668</u>	<u>\$7,067,784</u>	<u>\$ 7,083,552</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 Town of Newland exceeded liabilities and deferred inflows by \$7,067,784 as of June 30, 2023. The Town’s net position decreased by \$15,767 for the fiscal year ended June 30, 2023. However, the largest portion (79%) reflects the Town’s net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Newland uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Newland’s net investment in its 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. An additional portion of the Town of Newland’s net position, \$121,419 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,342,550 is unrestricted.

Several particular aspects of the Town of Newland’s financial operations positively influenced the total unrestricted governmental net position:

- The Town has a property tax collection rate of 92.74%, which is consistent with the prior year.

Town of Newland’s Changes in Net Position

Figure 3

	Governmental Activities		Business-type Activities		Total	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenues:						
Program revenues:						
Charges for services	\$ 92,093	\$ 83,828	\$502,233	\$ 482,796	\$594,326	\$ 566,624
Operating grants and contributions	137,152	44,161	-	-	137,152	44,161
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	341,713	366,324	-	-	341,713	366,324
Other taxes	512,976	1,440	-	-	512,976	1,440
Grants and contributions not restricted to programs	26,439	522,273	-	-	26,439	522,273
Investment earnings	1,039	2,715	332	112	1,371	2,827
Other	<u>3,282</u>	<u>1,375</u>	<u>-</u>	<u>-</u>	<u>3,282</u>	<u>41,375</u>
Total revenues	<u>1,114,694</u>	<u>1,022,116</u>	<u>502,565</u>	<u>482,908</u>	<u>1,617,259</u>	<u>1,505,024</u>
Expenses:						
General government	294,562	243,305	-	-	294,562	243,305
Public safety	406,794	446,170	-	-	406,794	446,170
Transportation	347,552	220,508	-	-	347,552	220,508
DMV	79,366	80,865	-	-	79,366	80,865
Interest on long-term debt	-	-	35,265	37,877	35,265	37,877
Water and sewer	-	-	469,487	514,256	469,487	514,256
Total expenses	<u>1,128,274</u>	<u>990,848</u>	<u>504,752</u>	<u>552,133</u>	<u>1,633,026</u>	<u>1,542,981</u>
Change in net position	(13,580)	31,268	(2,187)	(69,228)	(15,767)	(37,958)
Net position, July 1	<u>3,390,884</u>	<u>3,359,616</u>	<u>3,692,667</u>	<u>3,761,895</u>	<u>7,083,551</u>	<u>7,121,511</u>
Net position - June 30	<u>\$3,377,04</u>	<u>\$3,390,884</u>	<u>\$3,690,480</u>	<u>\$3,692,668</u>	<u>\$7,067,782</u>	<u>\$7,083,552</u>

Governmental Activities - Governmental activities decreased the Town's net position by \$13,580.

Business-type activities: Business-type activities decreased the Town of Newland's net position by \$2,187.

Financial Analysis of the Town's Funds

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

Governmental Funds - The focus of the Town of Newland's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Newland's financing requirements.

The general fund is the chief operating fund of the Town of Newland. At the end of the current fiscal year, the Town of Newland fund balance available in the general fund was \$901,787 while total fund balance reached \$1,005,506.

At June 30, 2022, the governmental funds of the Town of Newland reported a combined fund balance of \$1,005,506, with a net increase in fund balance of \$4,064. Included in this change in fund balance is an increase in the General Fund.

General Fund Budgetary Highlights - During the fiscal year, the Town 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.

Revenues exceeded budgeted amounts due to conservative estimates.

Proprietary Funds - The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$684,593. The total change in net position was \$(2,187). Other factors concerning the finances of this fund have already been addressed in the discussions of the Town's business-type activities.

Capital Assets and Debt Administration

Capital Assets - The Town of Newland's investment in capital assets for its governmental and business-type activities as of June 30, 2022, totals \$6,461,900 (net of accumulated depreciation). These assets include land, buildings, machinery and equipment, water facilities, and sewer facilities.

Major capital asset transactions during the year include the following:

Governmental activities:

- Sokassa building - \$67,416

Business-type activities:

- Sokassa building - \$33,708

**Town of Newland'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	\$1,107,430	\$ 1,107,430	\$ 63,005	\$ 63,005	\$1,170,435	\$ 1,170,435
Infrastructure	1,134,075	1,194,295	-	-	1,134,075	1,194,295
Buildings	298,627	241,710	-	-	298,627	241,710
Plant	-	-	3,705,631	3,889,087	3,705,631	3,889,087
Vehicles	26,950	46,468	-	-	26,950	46,468
Equipment and furniture	<u>30,846</u>	<u>41,940</u>	<u>95,336</u>	<u>124,050</u>	<u>126,182</u>	<u>165,990</u>
Total	<u>\$2,597,928</u>	<u>\$ 2,631,843</u>	<u>\$3,863,972</u>	<u>\$ 4,076,142</u>	<u>\$6,461,900</u>	<u>\$ 6,707,985</u>

Additional information on the Town's capital assets can be found in Note III.a.4 of the Basic Financial Statements.

Long-Term Debt. As of June 30, 2022, the Town of Newland had total outstanding debt of \$858,085.

**Town of Newland's Outstanding Debt
General Obligation Bonds and Other Long-Term Liabilities**

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>
General obligation bonds	\$ -	\$ -	\$787,000	\$ 805,300	\$ 787,000	\$ 805,300
Installment purchase	-	-	71,085	89,975	71,085	89,975
Compensated absences	12,419	21,583	5,490	7,343	17,909	28,926
Net pension liability	66,652	231,016	16,622	16,622	83,274	247,638
Total pension liability	<u>150,160</u>	<u>141,703</u>	<u>-</u>	<u>-</u>	<u>150,160</u>	<u>141,703</u>
Total	<u>\$229,231</u>	<u>\$ 394,302</u>	<u>\$880,197</u>	<u>\$ 919,240</u>	<u>\$1,109,428</u>	<u>\$1,313,542</u>

The Town of Newland's total long-term liabilities decreased by \$204,114 during the past fiscal year, due to net pension liability, compensated absences, and an installment purchase.

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 the government's boundaries. The legal debt margin for the Town of Newland is \$4,559,769.

Additional information regarding the Town of Newland's long-term debt can be found in Note III.B.4 beginning on page 40 of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the stability and prosperity of the Town:

- Property tax values remain constant with the Town.

Budget Highlights for the Fiscal Year Ending June 30, 2023

Governmental activities:

- Budgeted revenues in the General Fund are expected to remain constant.
- Budgeted expenditures in the General Fund are expected to remain constant.

Business-type Activities:

- Water/wastewater revenues are expected to remain constant.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, Town of Newland, PO Box 429, Newland, NC 28657.

TOWN OF NEWLAND

Exhibit 1

**Statement of Net Position
June 30, 2022**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 895,159	\$ 660,572	\$ 1,555,731
Taxes receivable (net)	5,127	-	5,127
Accounts receivable (net)	-	52,743	52,743
Due from other governments	93,200	-	93,200
Restricted cash and cash equivalents	28,219	14,655	42,874
Total current assets	<u>1,021,705</u>	<u>727,970</u>	<u>1,749,675</u>
Noncurrent assets:			
Capital assets:			
Land, non-depreciable improvements and construction in progress	1,107,430	63,005	1,170,435
Other capital assets, net of depreciation	1,490,498	3,800,967	5,291,465
Total capital assets	<u>2,597,928</u>	<u>3,863,972</u>	<u>6,461,900</u>
Total assets	<u>3,619,633</u>	<u>4,591,942</u>	<u>8,211,575</u>
<u>Deferred Outflows of Resources</u>			
Pension deferrals	139,820	12,130	151,950
Total deferred outflows of resources	<u>139,820</u>	<u>12,130</u>	<u>151,950</u>
<u>Liabilities</u>			
Accounts payable and accrued expenses	11,072	11,515	22,587
Current portion of long-term debt	-	37,835	37,835
Customer deposits	-	13,550	13,550
Long-term liabilities:			
Net pension liability	66,652	16,622	83,274
Total pension liability	150,160	-	150,160
Due in more than one year	12,419	820,250	832,669
Total liabilities	<u>240,303</u>	<u>899,772</u>	<u>1,140,075</u>
<u>Deferred Inflows of Resources</u>			
Pension deferrals	141,846	8,330	150,176
Total deferred inflows of resources	<u>141,846</u>	<u>8,330</u>	<u>150,176</u>
<u>Net Position</u>			
Net investment in capital assets	2,597,928	3,005,887	5,603,815
Restricted for:			
Streets - Powell Bill	28,219	-	28,219
Stabilization by State Statute	93,200	-	93,200
Unrestricted	657,957	684,593	1,342,550
Total net position	<u>\$ 3,377,304</u>	<u>\$ 3,690,480</u>	<u>\$ 7,067,784</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF NEWLAND

Exhibit 2

**Statement of Activities
For the Year Ended June 30, 2022**

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Primary Government Total</u>
Primary government:							
Governmental Activities:							
General government	\$ 294,562	\$ 28,314	\$ 109,313	\$ -	\$ (156,935)	\$ -	\$ (156,935)
Public safety	406,794	-	-	-	(406,794)	-	(406,794)
Transportation	347,552	-	27,839	-	(319,713)	-	(319,713)
DMV	79,366	63,779	-	-	(15,587)	-	(15,587)
Total government activities	<u>1,128,274</u>	<u>92,093</u>	<u>137,152</u>	<u>-</u>	<u>(899,029)</u>	<u>-</u>	<u>(899,029)</u>
Business-type activities:							
Water and sewer	<u>504,752</u>	<u>502,233</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,520)</u>	<u>(2,520)</u>
Total business-type activities	<u>504,752</u>	<u>502,233</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,520)</u>	<u>(2,520)</u>
Total primary government	<u>\$ 1,633,026</u>	<u>\$ 594,326</u>	<u>\$ 137,152</u>	<u>\$ -</u>	<u>(899,029)</u>	<u>(2,520)</u>	<u>(901,549)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					341,713	-	341,713
Other taxes					512,976	-	512,976
Grants and other contributions not restricted to specific programs					26,439	-	26,439
Unrestricted investment earnings					1,039	332	1,371
Miscellaneous					3,282	-	3,282
Total general revenues and transfers					<u>885,449</u>	<u>332</u>	<u>885,781</u>
Change in net position					(13,580)	(2,187)	(15,768)
Net position, beginning					<u>3,390,884</u>	<u>3,692,667</u>	<u>7,083,551</u>
Net position, ending					<u>\$ 3,377,304</u>	<u>\$ 3,690,480</u>	<u>\$ 7,067,782</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF NEWLAND

Exhibit 3

**Balance Sheet
Governmental Funds
June 30, 2022**

	<u>Major Fund</u> General <u>Fund</u>	Total Governmental <u>Funds</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 895,159	\$ 895,159
Restricted cash	28,219	28,219
Receivables, net:		
Taxes	5,127	5,127
Due from other governments	<u>93,200</u>	<u>93,200</u>
Total assets	<u>\$ 1,021,705</u>	<u>\$ 1,021,705</u>
<u>Liabilities</u>		
Accounts payable and accrued expenses	\$ 11,072	\$ 11,072
Total liabilities	<u>11,072</u>	<u>11,072</u>
<u>Deferred Inflows of Resources</u>		
Property taxes receivable	<u>5,127</u>	<u>5,127</u>
Total deferred inflows of resources	<u>5,127</u>	<u>5,127</u>
<u>Fund Balances</u>		
Restricted:		
Stabilization by State Statute	93,200	93,200
Streets	10,519	10,519
Unassigned	<u>901,787</u>	<u>901,787</u>
Total fund balances	<u>1,005,506</u>	<u>1,005,506</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,021,705</u>	<u>\$ 1,021,705</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF NEWLAND

Exhibit 4

**Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
June 30, 2022**

Amounts reported for governmental activities in the statement of net position
(Exhibit 1) are different because:

Total fund balance, governmental funds	\$	1,005,506
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		
Gross capital assets at historical cost	\$	3,883,951
Accumulated depreciation	<u>(1,286,023)</u>	2,597,928
Deferred outflows of resources related to pensions are not reported in the funds		139,820
Earned revenues considered deferred inflows of resources in fund statements		5,127
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds		(12,419)
Net pension liability		(66,652)
Total pension liability		(150,160)
Deferred inflows of resources related to pensions are not reported in the funds		<u>(141,846)</u>
Net position of governmental activities	<u>\$</u>	<u>3,377,304</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF NEWLAND**Exhibit 5****Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year ended June 30, 2022**

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Revenues:		
Ad valorem taxes	\$ 343,796	\$ 343,796
Other taxes and licenses		-
Unrestricted intergovernmental	603,194	603,194
Restricted intergovernmental	137,152	137,152
Sales and services	28,314	28,314
Investment earnings	1,039	1,039
Miscellaneous	3,282	3,282
Total revenues	<u>1,116,777</u>	<u>1,116,777</u>
Expenditures:		
General government	295,894	295,894
Public safety	394,567	394,567
Transportation	342,886	342,886
DMV	79,366	79,366
Total expenditures	<u>1,112,713</u>	<u>1,112,713</u>
Net change in fund balances	4,064	4,064
Fund balances, beginning	<u>1,001,442</u>	<u>1,001,442</u>
Fund balances, ending	<u>\$ 1,005,506</u>	<u>\$ 1,005,506</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF NEWLAND

Exhibit 6

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of 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	\$	4,064
 Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay expenditures which were capitalized	\$ 67,416	
Depreciation expense for governmental assets	<u>(101,331)</u>	(33,915)
 Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		 31,374
 Contributions to the LEO pension plan in the current fiscal year are not included on the Statement of Activities		 25,676
 Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Change in unavailable revenue for tax revenues		(2,083)
Other		(23,457)
 Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Compensated absences		9,163
Pension expense		<u>(24,402)</u>
 Total changes in net position of governmental activities	 \$	 <u>(13,580)</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF NEWLAND

Exhibit 7

**General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 346,050	\$ 346,050	\$ 343,796	\$ (2,254)
Unrestricted intergovernmental	525,850	525,850	603,194	77,344
Restricted intergovernmental	24,000	24,000	137,152	113,152
Sales and services	25,000	25,000	28,314	3,314
Investment earnings	2,570	2,570	1,039	(1,531)
Miscellaneous	<u>1,500</u>	<u>1,500</u>	<u>3,282</u>	<u>1,782</u>
Total revenues	<u>924,970</u>	<u>924,970</u>	<u>1,116,777</u>	<u>191,807</u>
Expenditures:				
General government	246,740	246,740	295,894	(49,154)
Public Safety	393,810	393,810	394,567	(757)
Transportation	301,825	301,825	342,886	(41,061)
DMV	<u>85,235</u>	<u>85,235</u>	<u>79,366</u>	<u>5,869</u>
Total expenditures	<u>1,027,610</u>	<u>1,027,610</u>	<u>1,112,713</u>	<u>(85,103)</u>
Net change in fund balance before other financing sources (uses)	(102,640)	(102,640)	4,064	106,704
Other Financing Sources (Uses):				
Appropriated fund balance	<u>102,640</u>	<u>102,640</u>	<u>-</u>	<u>(102,640)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	4,064	<u>\$ 4,064</u>
Fund balance-beginning			<u>1,001,442</u>	
Fund balance - ending			<u>\$1,005,506</u>	

The notes to the financial statements are an integral part of this statement.

TOWN OF NEWLAND

Exhibit 8

**Statement of Fund Net Position - Proprietary Fund
June 30, 2022**

<u>Assets</u>	<u>Water and Sewer Fund</u>
Current assets:	
Cash and cash equivalents	\$ 660,572
Accounts receivable, net	52,743
Restricted cash and cash equivalents	<u>14,655</u>
Total current assets	<u>727,970</u>
Noncurrent assets:	
Capital assets:	
Land and construction in progress	63,005
Other capital assets, net of depreciation	<u>3,800,967</u>
Capital assets	<u>3,863,972</u>
Total assets	<u>4,591,942</u>
<u>Deferred Outflows of Resources</u>	
Pension deferrals	<u>12,130</u>
Total deferred outflows of resources	
<u>Liabilities</u>	
Current liabilities:	
Accounts payable and other accrued expenses	11,515
Current portion of long-term debt	37,835
Accrued vacation	5,490
Liabilities payable from restricted assets:	
Customer deposits	<u>13,550</u>
Total current liabilities	<u>68,390</u>
Noncurrent liabilities:	
Notes and bonds payable	820,250
Net pension liability	<u>16,622</u>
Total noncurrent liabilities	<u>836,872</u>
Total liabilities	<u>905,262</u>
<u>Deferred Inflows of Resources</u>	
Pension deferrals	<u>8,330</u>
<u>Net position</u>	
Net investment in capital assets	3,005,887
Unrestricted	<u>684,593</u>
Total net position	<u>\$ 3,690,480</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF NEWLAND

Exhibit 9

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2022**

	<u>Water and Sewer Fund</u>
Operating Revenues:	
	\$ 502,233
Charges for services	
	<u>502,233</u>
Total operating revenues	
Operating Expenditures:	
Water and sewer operations	223,609
Depreciation	<u>245,878</u>
Total operating expenditures	<u>469,487</u>
Operating income (loss)	<u>32,746</u>
Nonoperating Revenues (Expenditures):	
Investment earnings	332
Interest and other charges	<u>(35,265)</u>
Total nonoperating revenues (expenditures)	<u>(34,933)</u>
Change in net position	(2,187)
Net position - beginning	<u>3,692,667</u>
Net position - ending	<u><u>\$ 3,690,480</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF NEWLAND**Exhibit 10****Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2022**

	<u>Water and Sewer Fund</u>
Cash Flows From Operating Activities:	
Cash received from customers	\$ 508,983
Cash paid for goods and services	(150,092)
Cash paid to employees	<u>(63,001)</u>
Net cash provided (used) by operating activities	<u>295,890</u>
 Cash Flows From Noncapital Financing Activities	 <u>-</u>
 Cash Flows From Capital and Related Financing Activities	
Principal paid on long-term debt	(37,190)
Interest and other charges	(35,265)
Purchases of fixed assets	<u>(33,708)</u>
 Net cash provided (used) by financing activities	 <u>(106,163)</u>
 Cash Flows from Investing Activities	
Interest and dividends	<u>332</u>
Net cash provided (used) by investing activities	<u>332</u>
 Net increase (decrease) in cash and cash equivalents	190,059
Balances, beginning	<u>485,168</u>
Balances, ending	<u>\$ 675,227</u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:	
Operating income (loss)	<u>\$ 32,746</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	245,878
Changes in assets, deferred outflows of resources, and liabilities:	
(Increase) decrease in accounts receivable, net	5,100
(Increase) decrease in prepaid expenses	856
Increase (decrease) in customer deposits	1,650
Increase (decrease) in accounts payable and accrued vacation	<u>9,660</u>
Total adjustments	<u>263,144</u>
 Net cash provided (used) by operating activities	 <u>\$ 295,890</u>

The notes to the financial statements are an integral part of this statement.

Town of Newland

Notes to the Financial Statements For the Year Ended June 30, 2022

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Newland, North Carolina 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 Town of Newland, North Carolina is a municipal corporation that is governed by an elected mayor and a five-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 double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

The Town reports the following major governmental funds:

General Fund: - The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are public safety and street maintenance and construction.

The Town reports the following major enterprise funds:

Water and Sewer Fund: Enterprise funds account for those operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that the periodical determination of revenues earned, expense incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability, or other purposes. The Water and Sewer Fund is the only enterprise fund of the Town.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Town 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. The government-wide and proprietary financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town 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 in 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 (a) charges to customers or applicants for goods, services, or privileges provided, (b) operating grants and contributions, and c) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than 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 Town's enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to cover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 60 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, 2014, and for the 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 utilities franchise tax, collected and held by the State at the year-end on behalf of the Town, are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Newland because the tax is levied by Avery 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 Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when the program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Water and Sewer Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, several 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.

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

1. Deposits and Investments

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

State law (G.S. 159-30 (c)) authorizes the Town 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 Town's investments are reported at fair value. The securities of the NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized costs, which is NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

The Town pools money 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 cash and cash equivalents.

3. Restricted Cash

Security deposits held by the Town 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 outlined in G.S. 136-41.1 through 136-41.4.

Town of Newland Restricted Cash:

Governmental activities

General Fund:

Streets

\$ 28,219

Business-type activities

Water and Sewer Fund:

Customer deposits

14,655

Total restricted cash

\$42,874

4. Ad Valorem Taxes Receivable

In accordance with State Law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values of January 1, 2016.

5. Allowances for Doubtful Accounts

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

6. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

7. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost greater than \$2,500 and an estimated useful life greater than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or significantly extend the asset's life are not capitalized. The Town capitalizes interest costs which are incurred during the construction period of capital assets. In conjunction with implementing GASB 34, "The New Reporting Model", the Town began capitalizing public domain ("infrastructure") capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems as of July 1, 2003. Infrastructure assets exceeding the Town's capitalization threshold of \$5,000 will be reported as capital assets in the Statement of Net Position. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General governmental infrastructure assets acquired prior to July 1, 2003 were not retroactively reported; therefore, the infrastructure capital assets in the Statement of Net Position only include assets purchased after July 1, 2003.

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

Asset Class	Estimated Useful Lives
Infrastructure	20
Buildings and equipment	50
Improvements	25
Vehicles	6
Furniture and equipment	10
Computer equipment	3

8. Compensated Absences

Town employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation days up to a maximum of thirty days. All vacation pay is accrued when earned in the government-wide and proprietary fund financial statements. Vacation pay taken is reduced using the first-in-first-out method. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements. The Town's sick leave policy provides for unlimited accumulation of earned sick leave. Sick leave does not vest but any unused sick leave at the time of retirement may be used in the determination of length of service for retirement benefit purposes. In accordance with the provisions of Statement of Governmental Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulation rights to receive sick pay benefits.

9. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be

recognized as an expense or expenditure until then. The Town has one item that meets this criterion, pension deferrals in the 2020 fiscal year. In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category - property taxes receivable and pension deferrals.

10. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, and proprietary fund type statement of net position. Debt 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.

11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements is 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:

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

 Prepaid expenses - portion of fund balance that is not an available resource because it represents prepaid items, which are not spendable resources.

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

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

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

Committed Fund Balance - This classification represents the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town's governing body (highest level of decision-making authority, the Town Council). Any changes or removal of specific purpose restrictions requires majority action by the governing body. 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.

There are no committed fund balances.

Assigned Fund Balance - Assigned fund balance is the portion of fund balance that the Town intends to use for specific purposes.

There are no assigned fund balances.

Unassigned Fund Balance - 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 other funds.

The Town of Newland 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/debt proceeds, Federal funds, State funds and local non-Town funds, Town 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 is in the best interest of the Town or when required by grant or other contractual agreements.

The Town of Newland has not officially adopted a fund balance policy.

12. Interfund Transactions

Interfund services provided are accounted for as revenues or expenses in the government-wide financial statements since they would be treated as such if they involved organizations external to the Town. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

13. Use of 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.

14. Pensions

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

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additions to/deductions from FRSWPF's fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

II. Stewardship, Compliance and Accountability

A. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2022, the expenditures made by the Town's General Fund exceeded the authorized appropriations made by the governing board for general government by \$49,154, public safety by \$757, transportation by \$41,061. These over-expenditures occurred because of unplanned expenditures in the fund. Management and the Board will more closely review the budget reports to ensure compliance in future years.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town 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 Town's agents in this 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 Town, these deposits are considered to be held by the Town's agents 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 Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town 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 Town 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 Town complies with provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2022, the Town's deposits had a carrying amount of \$1,036,771, and a bank balance of \$1,041,191. Of the bank balance, \$250,000 was covered by FDIC per bank and the remainder was covered by collateral held under the pooling method. At June 30, 2022, the Town's petty cash fund totaled \$700.

2. Investments

At June 30, 2022, the Town had \$561,134 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's (S&P). The Town has no policy regarding credit risk.

3. Receivables - Allowance for Doubtful Accounts

The amounts presented in the fund Balance Sheet and the Statement of Net Position for the year ended June 30, 2022 are net of the following allowances for doubtful accounts:

	<u>Taxes</u>	<u>Due from other governments</u>	<u>Total</u>
<u>Governmental Activities:</u>			
Property Taxes	\$25,550	\$ -	\$ 25,550
Local options sales/franchise tax	-	93,200	93,200
Allowance for doubtful accounts	<u>(20,423)</u>	<u>-</u>	<u>(20,423)</u>
Total governmental activities	<u>\$ 5,127</u>	<u>\$ 93,200</u>	<u>\$98,327</u>

4. Capital Assets

Primary Government

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	<u>\$1,107,431</u>	\$ -	\$ -	<u>\$1,107,431</u>
Total capital assets not being depreciated	<u>1,107,431</u>	<u>-</u>	<u>-</u>	<u>1,107,431</u>
Capital assets being depreciated:				
Buildings	438,639	67,416	-	506,055
Equipment and furniture	156,281	-	-	156,281
Vehicles	171,003	-	-	171,003
Infrastructure	<u>1,943,181</u>	<u>-</u>	<u>-</u>	<u>1,943,181</u>
Total capital assets being depreciated	<u>2,709,104</u>	<u>67,416</u>	<u>-</u>	<u>2,776,520</u>

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Less accumulated depreciation for:				
Buildings	\$ 196,929	\$10,499	\$ -	\$207,428
Equipment and furniture	114,341	11,094	-	125,435
Vehicles	124,536	19,519	-	144,055
Infrastructure	<u>748,886</u>	<u>60,220</u>	-	<u>809,106</u>
Total accumulated depreciation	<u>1,184,692</u>	<u>101,332</u>	-	<u>1,286,024</u>
Total capital assets being depreciated, net	<u>1,524,412</u>			
 Governmental activity capital assets, net	 <u>\$2,631,843</u>			 <u>\$2,597,928</u>

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

Governmental activities:

General government	\$ 12,029
Public safety	17,221
Transportation	<u>72,082</u>
Total depreciation expense	<u>\$101,332</u>

Proprietary Capital Assets

Capital assets of the proprietary fund of the Town at June 30, 2022 were as follows:

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Business-type Activities:				
Water and Sewer Fund:				
Capital assets not being depreciated:				
Land	\$ 63,005	\$ -	\$ -	\$ 63,005
Total capital assets not being depreciated	<u>63,005</u>	<u>-</u>	<u>-</u>	<u>63,005</u>
Capital assets being depreciated:				
Plant	8,190,424	33,708	-	8,224,132
Vehicles	40,208	-	-	40,208
Furniture and maintenance equipment	<u>380,532</u>	<u>-</u>	<u>-</u>	<u>380,532</u>
Total capital assets being depreciated	<u>8,611,164</u>	<u>33,708</u>	<u>-</u>	<u>8,644,872</u>
Less accumulated depreciation for:				
Plant	4,301,336	217,164	\$ -	4,518,500
Vehicles	40,209	-	-	40,209
Furniture and maintenance equipment	<u>256,482</u>	<u>28,714</u>	<u>-</u>	<u>285,196</u>
Total accumulated depreciation	<u>4,598,027</u>	<u>245,878</u>	<u>-</u>	<u>4,843,905</u>
Total capital assets being depreciated, net	<u>4,013,137</u>			<u>3,800,967</u>
Business-type activities capital assets, net	<u>\$4,076,142</u>			<u>\$3,863,972</u>

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description - The Town of Newland is a participating employer in statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local 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 Local Governmental Employees' Retirement System 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 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 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 Town of Newland employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town’s contractually required contribution rate for the year ended June 30, 2022 was 12.10% of compensation for law enforcement officers and 11.25% for general employees, 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 Town were \$57,049 for the year ended June 30, 2022.

Refunds of Contributions: Town 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 Town reported a liability of \$83,274 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 update procedures incorporating the actuarial assumptions. The Town’s proportion of the net pension liability was based on a projection of the Town’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, the Town’s proportion was 0.00543%, which was an decrease of 0.0015% from its portion measured as of June 30, 2020.

For the year ended June 30, 2022, the Town recognized pension expense of \$3,720. At June 30, 2022, the Town 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 actuarial experience	\$ 26,493	\$ -
Changes of assumptions	52,318	-
Net difference between projected and actual earnings on pension plan investments	-	118,974
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,104	21,533
Town contributions subsequent to the measurement date	<u>28,425</u>	<u>-</u>
Total	<u>\$108,340</u>	<u>\$ 140,507</u>

\$108,340 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred inflows or outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2022	\$ 625
2023	(8,954)
2024	(15,858)
2025	(36,407)
2026	-
Thereafter	-
Total	<u>\$(60,594)</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%
Salary increase	3.25% to 7.75%, including inflation and productivity factor
Investment rate of return	7.5%, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the

U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

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

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

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

projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

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

The information above is based on 30-year expectations developed with the consulting actuary for the 2018 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculation from nominal rates multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount Rate: The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contribution 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 member. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefits payments to determine the total pension liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate: The following presents the Town's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Town's proportionate share of the net pension liability (asset)	<u>\$ 323,264</u>	<u>\$ 83,274</u>	<u>\$(114,223)</u>

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

b. Law Enforcement Officers’ Special Separation Allowance

1. Plan Description

The Town administers a public employee retirement system (the “Separation Allowance”), a single-employer defined benefit pension plan that provides retirement benefits to the Town’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 .85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns that authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2020, the Separation Allowance’s membership consisted of:

Active plan members	<u>4</u>
Total	<u>4</u>

2. Summary of Significant Accounting Policies

Basis of Accounting: The Town 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 Statements 73.

3. Actuarial Assumptions

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

Inflation	2.50%
Salary increase	3.25% to 7.75%, including inflation and productivity factor
Discount rate	2.25%

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

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

4. Contributions

The Town 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 operation budget. There were no contributions made by the employees. The Town’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 Town paid \$-0- as benefits came due for the reporting period.

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

At June 30, 2022, the Town reported a total pension liability of \$150,160. 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 Town recognized pension expense of \$20,682.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$16,571	\$3,923
Changes of assumptions and other inputs	27,039	5,746
Town benefit payments and plan administrative expenses subsequent to the measurement date	_____ -	_____ -
Total	<u>\$43,610</u>	<u>\$9,669</u>

\$-0- reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2023	\$8,278
2024	9,566
2025	8,683
2026	5,914
2027	1,715
Thereafter	(215)

\$-0- paid as benefits came due and \$-0- of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the Town's Total Pension Liability to Changes in the Discount Rate: The following presents the Town's total pension liability calculated using the discount rate of 1.93%, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (.93%) or 1-percentage-point higher (4.26%) than the current:

	1% Decrease (1.25%)	Discount Rate (2.25%)	1% Increase (3.25%)
Town's proportionate share of the net pension liability (asset)	<u>\$ 165,712</u>	<u>\$ 150,160</u>	<u>\$ 136,362</u>

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

	<u>2022</u>
Beginning balance	\$141,703
Service cost at end of year	9,669
Interest	2,735
Changes of benefit terms	-
Differences between expected and actual experience	830
Changes of assumptions or other inputs	(4,777)
Benefit payments	-
Other changes	<u>-</u>
Ending balance of the total pension liability	<u>\$150,160</u>

The plan currently uses mortality tables that vary by age and health status (i.e. disabled and

healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension Expense	\$3,720	\$20,682	\$24,402
Pension Liability	83,274	150,160	233,434
Proportionate share of the net pension liability	0.00543	N/A	-
Deferred of Outflows of Resources:			
Difference between expected and actual experience	26,493	16,571	43,064
Change in assumptions	52,318	27,039	79,357
Change in proportion and differences between contributions and proportionate share of contributions	1,104	-	1,104
Benefit payments and administrative cost paid subsequent to measurement date	28,425	-	28,425
Deferred of Inflows of Resources:			
Difference between expected and actual experience	-	3,923	3,923
Change in assumptions	-	5,746	5,746
Net difference between projected and actual earnings on plan investments	118,974	-	118,974
Change in proportion and differences between contributions and proportionate share of contributions	21,533	-	21,533

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description: The Town 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 Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) Plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Serve Center, Raleigh,

North Carolina 27699-1410, or by calling 919-981-5454.

Funding Policy: Article 12E of G.S. Chapter 143 requires the Town 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 the plan. Contributions for the year ended June 30, 2022 were \$17,435, which consisted of \$11,500 from the Town and \$5,935 from the law enforcement officers.

d. Other Employment Benefits

The Town 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 will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan and not by the Town. The Town does not determine the number of eligible participants. The Town 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 not set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

2. Deferred Outflows and Inflows of Resources

Deferred outflows of resources at year end are comprised of the following:

Benefit payments made and administrative expenses for LGERS	\$ 28,425
Differences between expected and actual experience	43,064
Changes of assumptions	79,357
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>1,104</u>
Total	<u>\$151,950</u>

Deferred inflows of resources at year end are comprised of the following:

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable (General Fund), less penalties	\$ -	\$5,127
Changes in assumptions	5,746	-
Differences between expected and actual experience	3,923	-
Net difference between projected and actual earnings on pension plan investments	118,974	
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>21,533</u>	<u>-</u>
Total	<u>\$150,176</u>	<u>\$3,044</u>

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, and workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request. The Town purchases employee health insurance from a private insurance company. The health insurance plan is fully insured by the private carrier.

The Town carries commercial coverage for all other risks of loss. 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. The Town does not carry flood insurance.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance-bonded through a commercial surety bond. The finance officer is bonded for \$260,000 and tax collector is bonded for \$20,000.

4. Long-Term Obligations

A. General Obligation Indebtedness

Those general obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligations bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2022 are comprised of the following individual issues:

General Obligation Bonds:

Serviced by the Water and Sewer Fund:

\$992,000, 2008 - Sewer general obligation bonds due in annual installments varying from \$20,631 to \$41,750 plus interest through June 1, 2047; interest is at 4.375%	\$ 782,000
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\$10,000, 1995 - Wastewater treatment general obligation bonds due in annual installments varying from \$164 to \$578 plus interest through June 1, 2034; interest is at 5.00%	<u>5,000</u>
--	--------------

\$ 787,000

Maturities of long-term debt, including interest, are as follows:

Year Ending June 30	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 19,300	\$ 34,462
2024	20,300	33,616
2025	\$ 21,350	\$32,726
2026-2030	118,000	148,960
2031-2035	148,050	120,573
2036-2040	180,000	85,575
2041-2045	200,000	43,750
2046-2050	<u>80,000</u>	<u>5,250</u>
Total	<u>\$787,000</u>	<u>\$504,912</u>

B. Installment Purchase

In December 2020, the Town entered into a \$99,209 direct placement contract to finance a piece of equipment. The equipment is pledged as collateral for the debt while the debt is outstanding. The financing contract requires principal payments beginning in the fiscal year 2021 with an interest rate of 3.16%. Annual debt service payments of the installment purchase as of June 30, 2022, including \$18,890 of interest, are as follows:

<u>Year Ending June 30:</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$19,535	\$1,964
2024	20,161	1,337
2025	20,807	691
2026	<u>10,582</u>	<u>96</u>
	<u>\$71,085</u>	<u>\$4,088</u>

At June 30, 2021, The Town of Newland has a legal debt margin of \$4,559,769.

Changes in Long-Term Liabilities:

	Balance			Balance	Current
	July 1, 2021	Increases	Decreases	June 30, 2022	Portion
Governmental activities:					of Long-term
					Debt
General Fund:					
Compensated absences	\$ 21,583	\$ -	\$ 9,164	\$ 12,419	\$ -
Net pension liability (LGERS)	231,016	-	147,742	83,274	-
Total pension liability (LEO)	<u>141,703</u>	<u>8,457</u>	<u>-</u>	<u>150,160</u>	<u>-</u>
General Fund long-term liabilities	<u>\$394,302</u>	<u>\$8,457</u>	<u>\$156,906</u>	<u>\$245,853</u>	<u>\$ -</u>
Business-type activities:					
Water and Sewer Fund:					
General obligation bonds	\$805,300	\$ -	\$18,300	\$787,000	\$19,300
Installment purchase	89,975	-	18,890	71,085	18,535
Net pension liability (LGERS)	16,622	-	-	16,622	-
Compensated absences	<u>7,343</u>	<u>-</u>	<u>1,843</u>	<u>5,490</u>	<u>-</u>
Water and Sewer Fund long-term liabilities	<u>\$919,240</u>	<u>\$</u>	<u>\$39,033</u>	<u>\$880,197</u>	<u>\$37,835</u>

Compensated absences for governmental activities have typically been liquidated in the General Fund.

5. Interfund Balances and Activity

There were no transfers during the year ended June 30, 2022.

6. Net Investment in Capital Assets

	Governmental	Business-type
	Activities	Activities
Capital assets	\$ 2,597,928	\$3,863,972
Less: long-term debt	-	(858,085)
Add: unexpended debt proceeds	<u>-</u>	<u>-</u>
Net investment in capital asset	<u>\$2,597,928</u>	<u>\$3,005,887</u>

7. Fund Balance

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

Total fund balance-General Fund	\$1,005,506
Less:	
Streets	10,519
Stabilization by State Statute	<u>93,200</u>
Remaining fund balance	<u>\$901,787</u>

IV. Jointly Governed Organizations

The Town, in conjunction with seven counties and eighteen municipalities, established the Region D Council of Governments (Council). The participating governments established the Council to coordinate various funding received from Federal and State agencies. Each participating government appoints one member to the Council's governing board.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs:

The Town 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 moneys 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.

VI. Significant Effects of Subsequent Events

Management has evaluated subsequent events through June 24, 2024, the date on which the financial statements were available to be issued. During the period from the end of the year and through this date, no circumstances occurred that require recognition or disclosure in these financial statements.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

TOWN OF NEWLAND**Schedule 1****Schedule of Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Local Government Employees' Retirement System
Last Seven Fiscal Years***

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Proportion of the net pension liability (asset) (%)	0.00543%	0.00693%	0.00697%	0.00657%	0.00640%	0.00820%	0.00794%
Proportion of the net pension liability (asset) (\$)	83,274	\$247,638	\$190,345	\$155,863	\$ 97,774	\$174,244	\$ 35,635
Town of Newland's covered payroll	\$486,395	\$501,628	\$472,952	\$352,067	\$367,116	\$415,956	\$415,956
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	17.12%	49.37%	40.25%	44.27%	26.63%	41.89%	8.57%
Plan fiduciary net position as a percentage of the total pension liability**	92.00%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%

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

Pension schedules are intended to show information for ten years, additional years' information will be displayed as it comes available.

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

TOWN OF NEWLAND**Schedule 2****Schedule of Employer Contributions
Required Supplementary Information
Local Government Employees' Retirement System
Last Seven Fiscal Years**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 43,457	\$ 61,314	\$ 79,327	\$ 37,262	\$ 27,429	\$ 28,036	\$ 28,519
Contributions in relation to the contractually required contribution	<u>43,457</u>	<u>61,314</u>	<u>79,327</u>	<u>37,262</u>	<u>27,429</u>	<u>28,036</u>	<u>28,519</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town of Newland's covered payroll	\$ 535,325	\$ 486,395	\$ 501,628	\$ 472,952	\$ 352,067	\$ 367,116	\$ 415,956
Contributions as a percentage of covered payroll	8.12%	12.61%	15.81%	7.88%	7.79%	7.64%	6.86%

TOWN OF NEWLAND**Schedule 3****Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Last Five Fiscal Years**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning Balance	\$ 141,703	\$ 90,626	\$ 78,994	\$ 43,712	\$ 48,915
Service Cost	9,669	7,884	6,690	5,727	3,992
Interest on the total pension liability	2,735	2,954	2,875	1,381	1,888
Differences between expected and actual experience in the measurement of the total pension liability	830	4,693	(1,423)	31,893	(14,406)
Changes of assumptions or other inputs	(4,777)	35,546	3,490	(3,719)	3,323
Benefit payments	-	-	-	-	-
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 150,160</u>	<u>\$ 141,703</u>	<u>\$ 90,626</u>	<u>\$ 78,994</u>	<u>\$ 43,712</u>

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

*Pension schedules are intended to show information for ten years, additional years' information will be displayed as it comes available.

TOWN OF NEWLAND

Schedule 4

**Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
Last Five Fiscal Years**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability	\$ 150,160	\$ 141,703	\$ 90,626	\$ 78,994	\$ 43,712
Covered payroll	\$ 174,957	\$ 208,215	\$ 191,203	\$ 200,889	\$ 177,958
Total pension liability as a percentage of covered payroll	85.83%	68.06%	47.40%	39.32%	24.56%

Notes to the Schedules:

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

**INDIVIDUAL FUND
SCHEDULES AND
OTHER SCHEDULES**

TOWN OF NEWLAND

Schedule 5

Page 1 of 3

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$ -	\$ 342,678	\$ -
Penalties and interest	-	1,118	-
Total	<u>346,050</u>	<u>343,796</u>	<u>(2,254)</u>
Unrestricted intergovernmental revenues:			
Local option sales taxes	-	409,744	-
Utilities franchise tax	-	103,232	-
DMV tag revenue	-	63,779	-
Avery County allocation	-	20,000	-
Gas tax refund	-	-	-
Court fees	-	93	-
Sales tax refund	-	2,153	-
Business registry fees	-	890	-
Passport processing fees	-	484	-
ABC profit distribution	-	2,819	-
Total	<u>525,850</u>	<u>603,194</u>	<u>77,344</u>
Restricted intergovernmental revenues:			
CARES grant	-	109,313	-
Powell Bill street aid allocation	-	27,839	-
Total	<u>24,000</u>	<u>137,152</u>	<u>113,152</u>
Sales and services:			
Rental income	<u>25,000</u>	<u>28,314</u>	<u>3,314</u>
Investment earnings	<u>2,570</u>	<u>1,039</u>	<u>(1,531)</u>

cont.

TOWN OF NEWLAND

Schedule 5

Page 2 of 3

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Miscellaneous	\$ 1,500	\$ 3,282	\$ 1,782
Total revenues	<u>924,970</u>	<u>1,116,777</u>	<u>191,807</u>
Expenditures:			
General government:			
Administration:			
Salaries and employee benefits	-	165,326	-
Operating expenditures	-	130,568	-
Capital outlay	-	-	-
Total general government	<u>246,740</u>	<u>295,894</u>	<u>(49,154)</u>
Public safety:			
Police:			
Salaries and employee benefits	-	327,705	-
Operating expenditures	-	66,862	-
Total public safety	<u>393,810</u>	<u>394,567</u>	<u>(757)</u>
Transporation:			
Streets and highways:			
Salaries and employee benefits	-	129,274	-
Operating expenditures	-	146,196	-
Capital outlay	-	67,416	-
Total transporation	<u>301,825</u>	<u>342,886</u>	<u>(41,061)</u>
DMV:			
Salaries and employee benefits	-	74,856	-
Other operating expenditures	-	4,510	-
Total DMV	<u>85,235</u>	<u>79,366</u>	<u>5,869</u>
Total expenditures	<u>1,027,610</u>	<u>1,112,713</u>	<u>(85,103)</u>

cont.

TOWN OF NEWLAND

Schedule 5
Page 3 of 3, cont.

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Revenues over (under) expenditures before other financing sources (uses)	\$ (102,640)	\$ 4,064	\$ 106,704
Other Financing Sources (Uses):			
Appropriation of fund balance	<u>102,640</u>	<u>-</u>	<u>(102,640)</u>
Total	<u>\$ -</u>	4,064	<u>\$ 4,064</u>
Fund balance-beginning		<u>1,001,442</u>	
Fund balance - ending		<u>\$ 1,005,506</u>	

TOWN OF NEWLAND

Schedule 6

**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Water and Sewer Fund
For the Year Ended June 30, 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Charges for services	\$ 464,000	\$ 502,233	\$ 38,233
Nonoperating revenues:			
Interest earnings	<u>52</u>	<u>332</u>	<u>280</u>
Total revenues	<u>464,052</u>	<u>502,565</u>	<u>38,513</u>
Expenditures:			
Water and sewer administration:			
Salaries and employee benefits	-	63,001	-
Other operating expenditures	<u>-</u>	<u>162,461</u>	<u>-</u>
Total water and sewer administration	<u>357,052</u>	<u>225,462</u>	<u>131,590</u>
Debt service:			
Interest and other charges	-	35,265	-
Principal retirement	<u>-</u>	<u>37,190</u>	<u>-</u>
Total debt service	<u>73,000</u>	<u>72,455</u>	<u>545</u>
Capital outlay:			
Capital outlay	<u>34,000</u>	<u>33,708</u>	<u>292</u>
Total expenditures	<u>464,052</u>	<u>331,625</u>	<u>132,427</u>
Revenues over (under) expenditures	<u>\$ -</u>	170,940	<u>\$ 170,940</u>
Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual:			
Reconciling items:			
Principal retirement		37,190	
Capital outlay		33,708	
Increase (decrease) in accrued vacation		1,853	
Depreciation		<u>(245,878)</u>	
Change in net position		<u>\$ (2,187)</u>	

TOWN OF NEWLAND

Schedule 7

**Schedule of Ad Valorem Taxes Receivable
June 30, 2022**

<u>Fiscal year:</u>	<u>Uncollected Balance June 30, 2021</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2022</u>
2021-2022	\$ -	\$ 352,161	\$ 344,722	\$ 7,439
2020-2021	15,021	-	8,871	6,150
2019-2020	-	2,609	-	2,609
2018-2019	-	130	-	130
2017-2018	-	-	-	-
2016-2017	-	-	-	-
2015-2016	-	-	-	-
2014-2015	-	-	-	-
2013-2014	-	-	-	-
2012-2013	-	-	-	-
DMV tags	8,445	777	-	9,222
	<u>\$ 23,466</u>	<u>\$ 355,677</u>	<u>\$ 353,593</u>	25,550
Less: allowance for uncollectible accounts:				<u>(20,423)</u>
Balance				<u>\$ 5,127</u>
Reconciliation With Revenues:				
Ad valorem taxes - General Fund				\$ 343,796
Reconciling items:				
Prior year releases				-
Other				8,679
Penalties and interest				<u>1,118</u>
Subtotal				
Total collections and credits				<u>\$ 353,593</u>

TOWN OF NEWLAND

Schedule 8

**Analysis of Current Tax Levy
Town -Wide Levy
June 30, 2022**

	<u>Town-Wide</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Amount of Levy</u>	<u>Property excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy:					
Property taxes at current year's rate	\$ 61,641,445	0.52	\$ 320,536	\$ 320,536	\$ -
Registered motor vehicles taxed	6,004,423	0.52	31,223	-	31,223
Penalties	<u>77,308</u>	0.52	<u>402</u>	<u>402</u>	<u>-</u>
Total	67,723,176		352,161	320,938	31,223
Discoveries:					
Current year taxes	-	0.52	-	-	-
Abatements	<u>-</u>	0.52	<u>-</u>	<u>-</u>	<u>-</u>
Total property valuation	<u>\$ 67,723,176</u>				
Net levy			352,161	320,938	31,223
Uncollected taxes at June 30, 2022			<u>(16,328)</u>	<u>(16,328)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 335,833</u>	<u>\$ 304,610</u>	<u>\$ 31,223</u>
Current levy collection percentage			<u>95.36%</u>	<u>94.91%</u>	<u>100.00%</u>