

**City of Graham, North Carolina
Audited Financial Statements
Year Ended June 30, 2019**

City of Graham, North Carolina

Year Ended June 30, 2019

City Council Members

Jerry Peterman – Mayor

Lee Kimrey - Mayor Pro Tem

Griffin McClure

Chip Turner

Melody Wiggins

Administrative and Financial Staff

Frankie Maness – City Manager

Julianne Cordon – Finance Officer

Sandy Callahan – Tax Collector

City of Graham, North Carolina
June 30, 2019
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STUART
McGOWEN
& KING LLP**

*Certified
Public
Accountants*

*Advisors to
Management*

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

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Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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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, based upon our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Graham, North Carolina as of June 30, 2019, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity 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 Management's Discussion and Analysis on pages 4 through 11, the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, on page 58, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 53 and 54, respectively, the Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of the Proportionate Share of Net Pension Liability on page 55, and the Law Enforcement Officer's Special Separation Allowance Schedules of Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 56 and 57, respectively 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 general accepted in the United State of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge

we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Graham, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2019 on our consideration of the City of Graham's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Graham's internal control over financial reporting and compliance.

STOUT STUART MCGOWEN & KINGS LLP

October 30, 2019

Management's Discussion and Analysis

As management of the City of Graham, we offer readers of the City of Graham's financial statements this narrative overview and analysis of the financial activities of the City of Graham for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

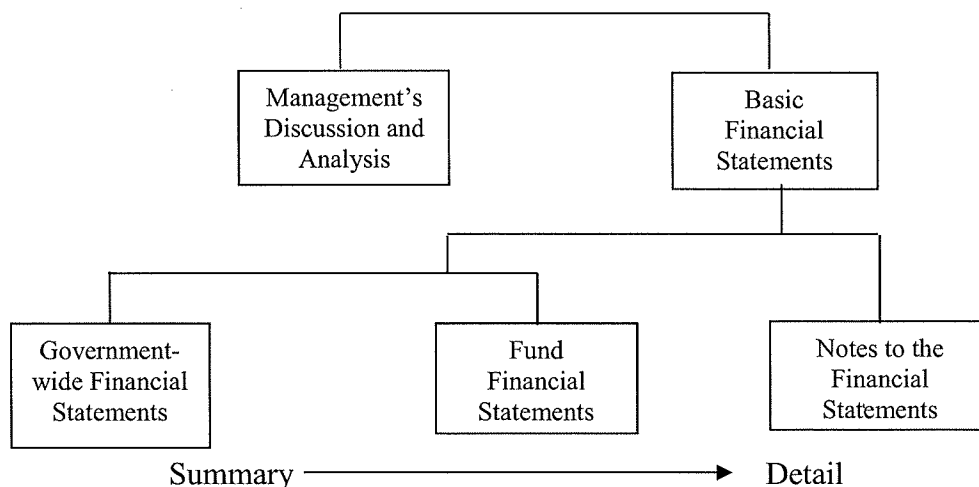
- The assets and deferred outflows of resources of the City of Graham exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$69,750,771 (*net position*).
- The government's total net position increased by \$1,508,320, due to an increase in the business type activities' net position of \$1,000,704 and an increase in the government type activities' net position of \$507,616.
- As of the close of the current fiscal year, the City of Graham's governmental funds reported combined ending fund balances of \$13,577,885 an increase of \$811,132. Approximately 35% of this total amount, or \$4,683,579, is non-spendable or restricted.
- At the end of the current fiscal year, available fund balance for the General Fund was \$8,866,165, or 71% of total general fund expenditures for the fiscal year.
- The City of Graham's total debt decreased by \$531,799 or 10.6% during the current fiscal year.
- The water and sewer fund produced an excess of revenue over expenditures in the amount of \$973,555 under budgetary reporting.

Overview of the Financial Statements

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

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 City's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the city government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual funds. Budgetary information required by the 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 City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

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

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

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

Fund Financial Statements

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

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

Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

Proprietary Funds – The City of Graham has two different kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund 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 the Statement of Activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of the City of Graham. The City uses an internal service fund to account for one activity – its central garage operations. Because this operation benefits predominantly governmental rather than business-type activities, the internal service fund has been included within the governmental activities in the government-wide financial statements.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 23 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Graham's progress in funding its obligation to provide pension benefits and Other Post Employment Benefits (OPEB) to its employees. Required supplementary information can be found beginning on page 53 of this report.

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

Government-Wide Financial Analysis

**The City of Graham's Net Position
Figure 2**

	Governmental Activities			Business-Type Activities			Total		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Current and other assets	\$ 14,895,449	\$ 14,158,362	\$ 13,110,730	\$ 16,668,633	\$ 15,848,561	\$ 16,036,201	\$ 31,564,082	\$ 30,006,923	\$ 29,146,931
Capital assets	19,032,710	18,997,375	18,077,230	40,567,610	40,942,962	40,144,636	59,600,320	59,940,337	58,221,866
Deferred outflows of resources	1,871,610	1,245,406	1,525,463	468,934	322,267	413,675	2,340,544	1,567,673	1,939,138
Total assets	35,799,769	34,401,143	32,713,423	57,705,177	57,113,790	56,594,512	93,504,946	91,514,933	89,307,935
Long-term liabilities outstanding	398,250	439,730	3,227,327	4,094,301	4,579,244	6,040,779	4,492,551	5,018,974	9,268,106
Other liabilities	12,872,070	12,420,580	3,531,983	4,280,339	4,294,304	1,621,880	17,152,409	16,714,884	5,153,863
Deferred inflows of resources	1,754,933	1,273,933	188,966	354,282	264,691	35,324	2,109,215	1,538,624	224,290
Total liabilities	15,025,253	14,134,243	6,948,276	8,728,922	9,138,239	7,697,983	23,754,175	23,272,482	14,646,259
Net Position:									
Net invested in capital assets	19,032,710	18,997,375	18,077,230	36,130,791	35,979,125	35,638,712	55,163,501	54,976,500	53,715,942
Restricted	4,683,579	4,560,695	3,612,881	557,049	-	-	5,240,628	4,560,695	3,612,881
Unrestricted	(2,941,773)	(3,291,170)	4,075,036	12,288,415	11,996,426	13,257,817	9,346,642	8,705,256	17,332,853
Total net position	\$ 20,774,516	\$ 20,266,900	\$ 25,765,147	\$ 48,976,255	\$ 47,975,551	\$ 48,896,529	\$ 69,750,771	\$ 68,242,451	\$ 74,661,676

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Graham exceeded liabilities and deferred inflows by \$69,750,771 as of June 30, 2019. The City's net position increase by \$1,508,320 the fiscal year ended June 30, 2019. However, the largest portion (72%) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City of Graham uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Graham's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Graham's net position, 5% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$9,346,642 is unrestricted.

Several particular aspects of the City's financial operations influenced the total unrestricted governmental net position:

- There was an increase in the Ad valorem taxes due to continued diligence in the tax collections.
- There was an increase in water and sewer charges due to growth in the consumer base.

City of Graham's Change in Net Position
Figure 3

	Governmental Activities			Business-type Activities			Total		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Revenues:									
Program revenues:									
Charges for services	\$ 1,204,718	\$ 1,205,925	\$ 1,143,111	\$ 7,524,535	\$ 7,393,677	\$ 6,823,812	\$ 8,729,253	\$ 8,599,602	\$ 7,966,923
Grants and contributions									
Operating	1,113,984	915,931	691,918	-	-	-	1,113,984	915,931	691,918
Capital	329,586	78,853	(464,659)	(12,220)	1,614	-	317,366	80,467	(464,659)
General revenues:									
Property taxes	5,505,751	5,311,067	5,040,572	-	-	-	5,505,751	5,311,067	5,040,572
Other taxes	5,078,501	4,853,332	4,527,932	-	-	-	5,078,501	4,853,332	4,527,932
Grants and contributions not restricted to specific program	213,174	208,302	225,654	-	-	-	213,174	208,302	225,654
Unrestricted investment earnings	108,117	99,399	75,386	117,253	81,579	45,319	225,370	180,978	120,705
Transfers	-	940,388	-	-	(940,388)	-	-	-	-
Other	(22,771)	18,295	100,899	-	-	-	(22,771)	18,295	100,899
Total revenues	13,531,060	13,631,492	11,340,813	7,629,568	6,536,482	6,869,131	21,160,628	20,167,974	18,209,944
Expenses:									
General government	3,050,248	2,945,682	2,769,276	-	-	-	3,050,248	2,945,682	2,769,276
Public safety	5,762,804	5,145,266	5,099,674	-	-	-	5,762,804	5,145,266	5,099,674
Transportation	1,432,656	1,548,386	1,411,227	-	-	-	1,432,656	1,548,386	1,411,227
Economic protection	852,723	694,733	714,145	-	-	-	852,723	694,733	714,145
Culture and recreation	1,925,013	1,704,700	1,761,757	-	-	-	1,925,013	1,704,700	1,761,757
Water and sewer	-	-	-	6,628,864	5,943,872	5,822,052	6,628,864	5,943,872	5,822,052
Total expenses	13,023,444	12,038,767	11,756,079	6,628,864	5,943,872	5,822,052	19,652,308	17,982,639	17,578,131
Increase in net position	507,616	1,592,725	(415,266)	1,000,704	592,610	1,047,079	1,508,320	2,185,335	631,813
Net assets, July 1	20,266,900	25,765,147	25,636,386	47,975,551	48,896,529	47,749,450	68,242,451	74,661,676	73,385,836
Net assets - July 1 - Restated	20,266,900	18,674,175	26,180,413	47,975,551	47,382,941	47,849,450	68,242,451	66,057,116	74,029,863
Net assets, June 30	\$ 20,774,516	\$ 20,266,900	\$ 25,765,147	\$ 48,976,255	\$ 47,975,551	\$ 48,896,529	\$ 69,750,771	\$ 68,242,451	\$ 74,661,676

Governmental activities: Governmental activities increased the City's net position by \$507,616, accounting for 33.65% of the total growth in the net position of the City of Graham. Key elements of this change in net position are as follows:

- There was an increase in the Ad valorem taxes in the amount of \$194,684.
- There was an increase in the other taxes, mainly the local option sales taxes, in the amount of \$225,169.

Business-type activities: Business-type activities increased the City of Graham's net position by \$1,000,704, accounting for 66.35% of the total growth in the government's net position. Key elements of this increase are as follows:

- There was an increase in charges for services of \$130,858.
- In the prior year there was a transfer to the general fund in the amount of \$940,388, thereby accounting for the prior year being lower than normal.

Financial Analysis of the City's Funds

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

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

Management Discussion and Analysis
City of Graham

The general fund is the chief operating fund of the City of Graham. At the end of the current fiscal year, the City of Graham's fund balance available in the General Funds was \$8,866,165, while total fund balance reached \$11,045,267. The Governing Body of the City of Graham has determined that the City should maintain an available fund balance of 30% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting cash flow needs of the City. The City currently has an available fund balance of 71% of general fund expenditures, while total fund balance represents 89% of the same amount.

At June 30, 2019, the governmental funds of the City of Graham reported a combined fund balance of \$13,577,885, with a net increase in fund balance of \$811,132. Included in this change in fund balance is an increase of \$877,086 in the general fund and a decrease in the non-major funds of \$65,954.

General Fund Budgetary Highlights: During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Revenues received were more than the original budgeted amounts during the year, keeping pace with expenditures resulting in revenue over expenditures of \$877,086.

Proprietary Funds. The City'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 \$12,288,395. The total increase in unrestricted net position was \$1,000,704 due to strong operating results.

Capital Asset and Debt Administration

Capital assets. The City of Graham's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$59,600,320 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following additions and disposals:

- Several new vehicles and trucks in addition to equipment were purchased during the year.

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

	Governmental Activities			Business-type Activities			Total		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Land	\$ 2,782,911	\$ 3,118,468	\$ 3,118,468	\$ 1,281,547	\$ 1,281,547	\$ 1,281,547	\$ 4,064,458	\$ 4,400,015	\$ 4,400,015
Art Collection	62,100	62,100	62,100	-	-	-	62,100	62,100	62,100
Building and systems	1,766,293	1,820,972	1,875,651	10,213,533	10,448,734	10,683,925	11,979,826	12,269,706	12,559,576
Water and sewer systems	-	-	-	15,402,962	15,758,393	13,238,779	15,402,962	15,758,393	13,238,779
Improvements other than buildings	2,809,383	2,888,953	2,787,695	11,816,417	11,846,271	9,130,601	14,625,800	14,735,224	11,918,296
Infrastructure	6,538,832	6,610,882	4,494,730	-	-	-	6,538,832	6,610,882	4,494,730
Vehicles and equipment	3,563,263	3,254,066	2,628,860	1,210,799	1,016,447	877,974	4,774,062	4,270,513	3,506,834
Construction in progress	1,509,928	1,241,934	3,109,726	642,352	591,570	4,931,810	2,152,280	1,833,504	8,041,536
Total Capital Assets	\$ 19,032,710	\$ 18,997,375	\$ 18,077,230	\$ 40,567,610	\$ 40,942,962	\$ 40,144,636	\$ 59,600,320	\$ 59,940,337	\$ 58,221,866

Additional information on the city's capital assets can be found in note II.A.4. of the Basic Financial Statements.

Long-term Debt

As of June 30, 2019, the City of Graham had no bonded debt outstanding.

City of Graham's Outstanding Debt

The City of Graham's total debt decreased by 10.6% during the past fiscal year, this decrease is due to payments on debt which totaled \$531,799. North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Graham is \$92,414,305. Additional information regarding the City of Graham's long-term debt can be found in note II.B.5.

Economic Factors and Next Year's Budgets and Rates

The City of Graham is currently experiencing remarkable growth and transformation. We have welcomed hundreds of new residents in recent years and it's highly likely that hundreds more are welcomed in the next year or so. New businesses are opening while others are in varying stages of development. Our downtown is experiencing a level of interest not seen in decades, perhaps a century, and Graham is certainly generating a buzz, both locally and regionally.

While this brings much excitement, you can bet increased demand for City services is in tow. Notwithstanding the challenges presented by growth and transformation are the challenges traditionally faced by the City. Updating aging infrastructure, maintaining efficient operations, responding to legislative changes and promoting the City as an employer of choice are ongoing initiatives that must be balanced with emerging demand.

Assisting the City in the provision of services is an economy that is in a general state of growth. This means most revenues are trending upward, particularly those that swing with the general economy like sales tax. However, the rate of revenue growth is currently insufficient to expand service; it merely allows us to keep the current pace. Good economic times, also, do not relieve us from our obligation to monitor fluctuations and adjust expenditures accordingly.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: Some of the highlights for the FY 2019-2020 General Fund Budget are:

- The Ad Valorem tax rate remains at 45.5¢ per \$100 of valuation where one penny on the tax rate is estimated to generate \$117,165 in the upcoming year based on a 97% collection rate, a 3.9% increase.
- Refuse fees and Recycling Fees increased to offset increased demand and cost of service.
- The employee Cost of Living Adjustment (COLA) is 2% based on the CPI-U increase of 1.9%. The previous fiscal year saw a 2% COLA based on a 2.1% CPI-U increase. The pool for performance based pay remains at 1.5%.
- Overall expenditures for salaries is estimated at \$7,464,000, generating 333,440 man hours or 160 fulltime equivalent (FTE) positions.
- Staffing levels are proposed to increase with the addition of one fulltime Public Works employee and 7.29 FTEs of part-time/auxiliary additions to public safety departments.
- Employee Health Insurance premiums are budgeted to increase by 8% or about \$86,000.
- A mandatory employer contribution increase of an additional 1.2% to the Local Government Employees' Retirement System (LGERS) is included. This will cost the City an extra \$90,000.
- No interfund transfers are included.

Business-type Activities: Second in size to the General Fund, but twice as complex, is the City's Water and Sewer Fund; which is proposed at \$7,645,000 for FY 2019-2020. This represents a 4.42% increase from the current year. The Water and Sewer Fund is capital intense and once again, capital expenditures are the primary driver for the overall increase. Capital expenditures are proposed at \$1,537,000, a \$457,000 increase over the previous year, a \$684,000 increase over 2017-2018 and a \$1,320,000 increase over FY 2016-2017. The added investment in capital expenses is largely due to our ability to now do so, but secondarily in an attempt to get ahead of other known capital expenditures that are likely on the horizon, particularly the Wastewater Treatment Plant Biological Nutrient Removal Upgrades.

Other Capital Projects of note for FY 2019-2020 include: Phase 2 of our Advanced Meter Infrastructure; water line replacements on Ardmore Street and Montree Lane; and a rebuild to filters 3 & 4 at the Water Treatment Plant. Appropriations to continue our efforts to reduce infiltration and inflow in the collections system include root control (\$35,000), manhole rehabilitation (\$50,000) and sewer sliplining (\$100,000). Additionally, an appropriation of \$90,000 is dedicated to investigating and repairing infiltration and inflow specifically in the Boyd Creek Sewershed. In total, \$275,000 is dedicated to addressing infiltration and inflow, an increase of nearly 15%.

In addition to the aforementioned capital expenditures, other major expenditures include Phase 1 of a required Risk and Resilience Assessment (\$30,000), a Unidirectional Flushing Program Study (\$32,000), salaries and benefits (\$2,240,000) and debt service (\$649,000). Although not part of the operating budget for FY 2019-2020, we should be mindful of three major capital projects that could have an impact on future operating budgets. Those three include the Back Creek Sewer outfall (~2,000,000), the Boyd Creek Pump Station Project (~2,500,000) and the aforementioned Wastewater Treatment Plant Biological Nutrient Removal Upgrades (~12,000,000).

User charges (rates) for water and sewer remain the same although revenues for each are anticipated to increase due to greater consumption; most attributed to growth and redevelopment. Revenue from Water and Sewer User charges is anticipated to total \$5,610,000 or 73.4% of revenue for the Fund. Interlocal agreements will continue to provide an estimated \$502,000 in revenue for FY 2019-2020. If these interlocal agreements were absent, user rates would require an increase of 9% to maintain the same amount of revenue for the fund.

The Cemetery Trust Fund has a single expenditure of \$64,000 for resurfacing at Graham Memorial Park.

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any information found in this report or request for additional information should be directed to:

Frankie Maness, City Manager
City of Graham
201 South Main Street
Graham, NC 27253

City of Graham, North Carolina

Exhibit 1

Statement of Net Position

June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 11,828,699	\$ 10,556,267	\$ 22,384,966
Taxes receivables (net)	191,676	-	191,676
Accrued interest receivable on taxes	47,539	-	47,539
Accounts receivable (net)	402,710	1,160,491	1,563,201
Prepaid expenses	64,161	-	64,161
Due from other governments	2,008,234	-	2,008,234
Internal balances	(20,220)	20,220	-
Restricted Cash and cash equivalents	372,650	738,136	1,110,786
Notes receivable	-	4,193,519	4,193,519
Capital assets (Note 1):			
Land, non-depreciable improvements, and construction in progress	4,354,939	1,923,899	6,278,838
Other capital assets, net of depreciation	14,677,771	38,643,711	53,321,482
Total capital assets	19,032,710	40,567,610	59,600,320
Total assets	33,928,159	57,236,243	91,164,402
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	-	4,817	4,817
Pension deferrals	1,634,349	403,617	2,037,966
OPEB deferrals	237,261	60,500	297,761
Total deferred outflows of resources	1,871,610	468,934	2,340,544
LIABILITIES			
Accounts payable	449,552	88,909	538,461
Accrued interest payable	-	49,076	49,076
Payable from restricted assets	35,720	107,429	143,149
Long-term liabilities:			
Net pension liability - LGERS	1,990,183	524,738	2,514,921
Net pension liability - LEO	1,050,974	-	1,050,974
Net OPEB Liability	9,058,858	2,942,438	12,001,296
Due within one year	286,783	567,749	854,532
Due in more than one year	398,250	4,094,301	4,492,551
Total liabilities	13,270,320	8,374,640	21,644,960
DEFERRED INFLOWS OF RESOURCES			
Prepaid Taxes	7,118	-	7,118
Unearned Revenues	336,930	-	336,930
Pension deferrals	168,488	31,995	200,483
OPEB deferrals	1,242,397	322,287	1,564,684
Total deferred inflows of resources	1,754,933	354,282	2,109,215
NET POSITION			
Net investment in capital assets	19,032,710	36,130,791	55,163,501
Restricted for:			
Cemetery Perpetual Care	2,504,477	-	2,504,477
Stabilization by State Statute	2,179,102	-	2,179,102
Capital Reserve Fund	-	557,049	557,049
Unrestricted	(2,941,773)	12,288,415	9,346,642
Total net position	\$ 20,774,516	\$ 48,976,255	\$ 69,750,771

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

City of Graham, North Carolina
Statement of Activities
For the Year Ended June 30, 2019

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for	Operating Grants	Capital Grants and	Governmental	Business-type	Total
		Services	and Contributions	Contributions	Activities	Activities	
Governmental Activities:							
General government	\$ 3,050,248	\$ 265,829	\$ 310,662	\$ 188,069	\$ (2,285,688)	\$ -	\$ (2,285,688)
Public safety	5,762,804	360,682	303,174	-	(5,098,948)	-	(5,098,948)
Transportation	1,432,656	-	434,810	65,447	(932,399)	-	(932,399)
Environmental protection	852,723	332,025	-	-	(520,698)	-	(520,698)
Human services	-	-	34,526	-	34,526	-	34,526
Cultural and recreation	1,925,013	246,182	30,812	76,070	(1,571,949)	-	(1,571,949)
Total governmental activities	13,023,444	1,204,718	1,113,984	329,586	(10,375,156)	-	(10,375,156)
Business-type activities:							
Water and sewer	6,628,864	7,524,535	-	(12,220)	-	883,451	883,451
Total business-type activities	6,628,864	7,524,535	-	(12,220)	-	883,451	883,451
Total primary government	\$ 19,652,308	\$ 8,729,253	\$ 1,113,984	\$ 317,366	(10,375,156)	883,451	(9,491,705)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					5,505,751	-	5,505,751
Other taxes					5,078,501	-	5,078,501
Grants and contributions not restricted to specific programs					213,174	-	213,174
Unrestricted investment earnings					108,117	117,253	225,370
Miscellaneous					(22,771)	-	(22,771)
Total general revenues excluding special items, transfers					10,882,772	117,253	11,000,025
Transfers					-	-	-
Total general revenues, special items, and transfers					10,882,772	117,253	11,000,025
Change in net position					507,616	1,000,704	1,508,320
Net position-beginning					20,266,900	47,975,551	68,242,451
Net position-ending					\$ 20,774,516	\$ 48,976,255	\$ 69,750,771

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

City of Graham, North Carolina
Balance Sheet
Governmental Funds
June 30, 2019

Exhibit 3

	Major Fund General	Total Non- Major Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 9,308,209	\$ 2,319,441	\$ 11,627,650
Restricted cash	372,650	-	372,650
Accrued interest receivable	87,496	22,106	109,602
Taxes receivables, net	191,676	-	191,676
Accounts receivables, net	254,443	-	254,443
Due from other governments	1,817,163	191,071	2,008,234
Prepaid expenses	20,000	-	20,000
Total assets	<u>\$ 12,051,637</u>	<u>\$ 2,532,618</u>	<u>\$ 14,584,255</u>
LIABILITIES			
Accounts payable and accrued liabilities	434,926	-	434,926
Payable from restricted cash	35,720	-	35,720
Total liabilities	<u>470,646</u>	<u>-</u>	<u>470,646</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	191,676	-	191,676
Prepaid taxes	7,118	-	7,118
Unearned revenue	336,930	-	336,930
Total deferred inflows of resources	<u>535,724</u>	<u>-</u>	<u>535,724</u>
FUND BALANCES			
Non Spendable			
Cemetery Perpetual Care	-	2,504,477	2,504,477
Restricted			
Stabilization by State Statute	2,179,102	-	2,179,102
Assigned			
General Government improvements	-	28,141	28,141
Subsequent year's expenditures	1,281,000	-	1,281,000
Unassigned	7,585,165	-	7,585,165
Total fund balances	<u>11,045,267</u>	<u>2,532,618</u>	<u>13,577,885</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 12,051,637</u>	 <u>\$ 2,532,618</u>	

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

(continued)

City of Graham, North Carolina
Balance Sheet
Governmental Funds
June 30, 2019

Exhibit 3

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total Fund Balance, Governmental Funds	\$	13,577,885
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$	32,337,992
Accumulated depreciation	(13,305,282)	
Total	<u>19,032,710</u>	
Less internal service fund net capital assets included as net assets below	<u>(59,143)</u>	18,973,567
Deferred outflows of resources related to pensions are not reported in the funds		
		1,596,153
Deferred outflows of resources related to OPEB are not reported in the funds		
		231,960
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds		
		47,539
Internal service funds are used by management to charge the costs of the garage fund, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position.		
		129,198
Consolidation adjustment for internal balances between the Internal Service Fund and the Governmental Funds		
	<u>(20,220)</u>	108,978
Earned revenues considered deferred inflows of resources in fund statements.		
		191,676
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
		(669,801)
Net LEOSA pension		(1,050,974)
Net OPEB liability		(8,911,270)
Net pension liability		(1,939,884)
Deferred inflows of resources related to pensions are not reported in the funds		
		(165,965)
Deferred inflows of resources related to OPEB are not reported in the funds		
		<u>(1,215,348)</u>
Net position of governmental activities	<u>\$</u>	<u>20,774,516</u>

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

City of Graham, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

Exhibit 4

	Major Fund		
	General Fund	Total Non-Major Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 5,510,578	\$ -	\$ 5,510,578
Other taxes and licenses	805	-	805
Unrestricted intergovernmental	5,205,490	-	5,205,490
Restricted intergovernmental	704,493	188,069	892,562
Permits and fees	340,337	-	340,337
Sales and services	656,463	37,200	693,663
Investment earnings	108,254	41,253	149,507
Other revenues	805,829	-	805,829
Total revenues	<u>13,332,249</u>	<u>266,522</u>	<u>13,598,771</u>
EXPENDITURES			
Current:			
General government	2,444,678	64,483	2,509,161
Public safety	5,591,240	-	5,591,240
Transportation	1,351,985	-	1,351,985
Environmental protection	1,010,410	-	1,010,410
Culture and recreation	2,056,850	267,993	2,324,843
Capital Outlay	-	-	-
Total expenditures	<u>12,455,163</u>	<u>332,476</u>	<u>12,787,639</u>
Excess (deficiency) of revenues over expenditures	<u>877,086</u>	<u>(65,954)</u>	<u>811,132</u>
OTHER FINANCING SOURCES (USES)			
Transfers (to) from other funds	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	877,086	(65,954)	811,132
Fund balances-beginning	10,168,181	2,598,572	12,766,753
Fund balances-ending	<u>\$ 11,045,267</u>	<u>\$ 2,532,618</u>	<u>\$ 13,577,885</u>

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

(continued)

City of Graham, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

Exhibit 4
(continued)

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

Net changes in fund balances - total governmental funds	\$	811,132
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	\$	1,113,244
Depreciation expense for governmental assets	<u>(776,919)</u>	336,325
Book value of disposed capital asset not recorded in fund statements		(357,650)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		535,383
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities		14,016
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		270,826
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		
Amount of donated assets		65,447
Change in unavailable revenue for tax revenue		1,944
Change in accrued interest receivable on taxes		(6,770)
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		17,935
Pension expense		(653,367)
Net pension obligation LEO		(82,918)
Other postemployment benefits		(439,660)
Consolidation adjustment for internal balances between the Internal Service Fund and the Governmental Funds	15,193	
Net revenue of internal service funds determined to be governmental-type	<u>(20,220)</u>	(5,027)
Total changes in net position of governmental activities	<u>\$</u>	<u>507,616</u>

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

City of Graham, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019

Exhibit 5

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 5,203,600	\$ 5,203,600	\$ 5,510,578	\$ 306,978
Other taxes and licenses	100	100	805	705
Unrestricted intergovernmental	4,592,500	4,592,500	5,205,490	612,990
Restricted intergovernmental	505,000	581,200	704,493	123,293
Permits and fees	126,000	126,000	340,337	214,337
Sales and services	610,000	610,000	656,463	46,463
Investment earnings	40,000	40,000	108,254	68,254
Other revenues	459,100	458,100	805,829	347,729
Total revenues	11,536,300	11,611,500	13,332,249	1,720,749
Expenditures:				
Current:				
General government	2,568,900	2,553,900	2,444,678	109,222
Public safety	5,595,300	5,670,500	5,591,240	79,260
Transportation	1,575,100	1,575,100	1,351,985	223,115
Environmental protection	1,055,300	1,055,300	1,010,410	44,890
Cultural and recreation	2,219,500	2,234,500	2,056,850	177,650
Total expenditures	13,014,100	13,089,300	12,455,163	634,138
Revenues over (under) expenditures	(1,477,800)	(1,477,800)	877,086	2,354,887
Other financing sources (uses):				
Appropriated fund balance				
General Fund	1,477,800	1,477,800	-	(1,477,800)
Transfers (to) from other funds	-	-	-	-
Total other financing sources (uses)	1,477,800	1,477,800	-	(1,477,800)
Net change in fund balance	\$ -	\$ -	877,086	\$ 877,087
Fund balances, beginning of year				
as previously reported			10,168,181	
Prior period adjustment			-	
Fund balances, beginning as restated			10,168,181	
Fund balances, end of year			\$ 11,045,267	

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

City of Graham, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2019

Exhibit 6

	Water and Sewer Fund	Internal Service Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 10,556,267	\$ 201,049
Accounts receivable (net)	1,160,491	38,665
Due from other governments	-	-
Prepaid Expenses	-	44,161
Restricted cash and cash equivalents	738,136	-
Total current assets	<u>12,454,894</u>	<u>283,875</u>
Noncurrent assets:		
Notes receivable	4,193,519	-
Capital assets:		
Land and other non-depreciable assets	1,923,899	9,500
Other capital assets, net of depreciation	38,643,711	49,643
Capital assets (net)	<u>40,567,610</u>	<u>59,143</u>
Total noncurrent assets	<u>44,761,129</u>	<u>59,143</u>
Total assets	<u>57,216,023</u>	<u>343,018</u>
DEFERRED OUTFLOWS OF RESOURCES		
Contributions to pension plan	403,617	38,196
OPEB deferrals	60,500	5,301
Deferred charge on refunding	4,817	-
Total deferred outflows of resources	<u>468,934</u>	<u>43,497</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	88,909	14,626
Accrued interest	49,076	-
Customer deposits	107,429	-
Current portion of long term debts	567,749	-
Total current liabilities	<u>813,163</u>	<u>14,626</u>
Noncurrent liabilities:		
Other noncurrent liabilities:		
Other postemployment benefits	2,942,438	147,587
Compensated absences	143,632	15,234
Net pension liability	524,738	50,298
Non-current portion of long term debt	3,950,669	-
Total noncurrent liabilities	<u>7,561,477</u>	<u>213,119</u>
Total liabilities	<u>8,374,640</u>	<u>227,745</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	31,995	2,523
OPEB deferrals	322,287	27,049
Total deferred inflows of resources	<u>354,282</u>	<u>29,572</u>
NET POSITION		
Net investment in capital assets	36,130,791	59,143
Restricted for:		
Capital Reserve Funds	557,049	
Unrestricted	<u>12,268,195</u>	<u>70,055</u>
Total net position	48,956,035	<u>\$ 129,198</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>20,220</u>	
Net position of business- type activities	<u>\$ 48,976,255</u>	

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

City of Graham, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2019

Exhibit 7

	Water and Sewer Fund	Internal Service Fund
OPERATING REVENUES		
Charges for services	\$ 6,538,114	\$ 869,220
Other operating revenues	886,421	-
Total operating revenues	<u>7,424,535</u>	<u>869,220</u>
OPERATING EXPENSES		
Billing and metering	397,279	-
Distribution and maintenance	1,363,574	-
Sewer mains	128,757	-
Water treatment plant	1,533,525	-
Sewer treatment plant	1,261,523	-
Non-departmental	848,158	-
Depreciation and amortization	982,102	6,825
Garage operations	-	863,156
Total operating expenses	<u>6,514,918</u>	<u>869,981</u>
Operating income	<u>909,617</u>	<u>(761)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest earned on investment	117,253	2,404
Interest on long-term debt	(118,973)	-
Other	100,000	-
Total nonoperating revenue (expenses)	<u>98,280</u>	<u>2,404</u>
Income before contributions, special item and transfers	<u>1,007,897</u>	<u>1,643</u>
Capital contributions	-	-
Gain (loss) on disposition	(12,220)	-
Transfers to / from other funds	-	-
Contributions, special item and transfers	<u>(12,220)</u>	<u>-</u>
Change in net position before internal service fund consolidation	<u>995,677</u>	<u>1,643</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	<u>5,027</u>	<u>-</u>
Change in net position	<u>1,000,704</u>	<u>1,643</u>
Total net position - beginning	<u>47,975,551</u>	<u>127,555</u>
Total net position - ending	<u><u>\$ 48,976,255</u></u>	<u><u>\$ 129,198</u></u>

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

City of Graham, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2019

Exhibit 8

	<u>Water and Sewer Fund</u>	<u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 6,665,946	\$ 869,659
Cash paid for goods and services	(4,145,628)	(736,619)
Cash paid to or on behalf of employees for services	(1,405,777)	(123,534)
Customer deposits received	46,539	-
Customer deposits returned	(46,773)	-
Other operating revenue received	886,421	-
Net cash provided (used) by operating activities	<u>2,000,728</u>	<u>9,506</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(618,969)	(8,190)
Payments received on notes receivable	327,403	-
Principal paid on bonds and notes payable	(531,800)	-
Interest paid on bonds and notes payable	(124,335)	-
Other non-operating revenue	114,678	-
Operating transfer from General Fund	-	-
Net cash provided (used) by capital and related financing activities	<u>(833,023)</u>	<u>(8,190)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments and assessments	<u>48,891</u>	<u>2,404</u>
Net cash provided (used) by investing activities	<u>48,891</u>	<u>2,404</u>
Net increase (decrease) in cash and cash equivalents	1,216,596	3,720
Balances-beginning of the year	10,077,807	197,329
Balances-end of the year	<u>\$ 11,294,403</u>	<u>\$ 201,049</u>

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

City of Graham, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2019

Exhibit 8

	<u>Water and Sewer Fund</u>	<u>Internal Service Fund</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	\$ 909,617	\$ (761)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	982,102	6,825
Changes in assets and liabilities:		
Decrease in accounts receivable	124,963	439
Increase (decrease) in allowance for doubtful accounts	2,869	-
(Increase) decrease in prepaid expenses	-	(18,968)
(Increase) decrease in deferred outflows of resources - pensions	(139,695)	(13,969)
(Increase) in deferred outflows of resources - OPEB	(6,972)	(892)
Increase (decrease) in accounts payable	(122,240)	12,798
Increase (decrease) in customer deposits	(234)	-
Increase in accrued salaries	9,867	664
Increase (decrease) in accrued vacation pay	20,055	1,941
Increase (decrease) in pension liability	167,160	16,716
Increase (decrease) in OPEB liability	(36,355)	(3,203)
Increase (decrease) in deferred inflows of resources - pensions	2,031	7,713
Increase (decrease) in deferred inflows of resources - OPEB	87,560	203
Total adjustments	1,091,111	10,267
Net cash provided by operating activities	\$ 2,000,728	\$ 9,506

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

City of Graham, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The City of Graham is a municipal corporation, which is governed by a five-member council, including the elected mayor. The City is located in the central part of Alamance County. As required by generally accepted accounting principles these financial statements present the primary government (i.e. City) and any component units. Component units are defined as legally separate organizations for which the elected officials of the City are financially accountable. The City of Graham has no component units as defined above.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

Notes to the Financial Statements

The City reports the following major governmental funds:

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

The City reports the following non-major governmental funds:

Graham Memorial Park Fund. This fund is used to account for cemetery funds that are restricted for use for a particular purpose.

Jim Minor Road Park Capital Project. This fund is used to account for phase 1 of the construction of the new park.

Graham Regional Park Playground Capital Project. This fund is used to account for the construction of the new playground.

The City reports the following major enterprise fund:

Water and Sewer Fund. This fund is used to account for the City's water and sewer operations. One Water and Sewer Capital Reserve Fund and one Capital Project Fund has been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparison for the Water and Sewer Capital Reserve Fund and the Capital Project Fund has been included in the supplemental information.

The City reports the following fund type:

Internal Service Fund. – The garage fund is used to account for the accumulation and allocation of cost associated with the City's garage.

C. Measurement Focus and Basis of Accounting

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

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

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

Notes to the Financial Statements

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

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

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

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

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Capital Project Funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. The City's Garage Fund, an internal service fund, operates under a financial plan that was adopted by the governing board at the time

Notes to the Financial Statements

the City's budget ordinance was approved, as is required by the General Statutes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. 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. The Graham Memorial Park Fund prepares a budget when incurring expenditures.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

2. Cash and Cash Equivalents

The City 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 Assets

The letter of credit funds are restricted due to the possibility these funds could be paid back to developers. The unexpended bond proceeds of Water and Sewer Fund bonds issued by the City are classified as restricted assets for the enterprise fund because their use is completely restricted to fund water related projects as designated by the board. Funds have also been restricted by the City Council for capital improvements. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected.

City of Graham Restricted Cash

General Fund	Letter of Credit	\$	35,720
	Unexpended restricted revenue		336,930
Total Governmental Activities			<u>372,650</u>
Water and Sewer Fund	Customer deposits		107,429
	Unexpended capital reserve revenue		577,059
	Unexpended capital projects revenue		53,648
			<u>738,136</u>
	Total Restricted Cash	\$	<u>1,110,786</u>

Notes to the Financial Statements

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 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 6. These taxes are based on the assessed values as of January 1, 2018.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

The inventories of the City's enterprise fund consist of expendable materials and supplies held for subsequent use. The cost of these inventories is expensed when purchased.

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 are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of one year. Minimum capitalization cost are as follows: Buildings and improvements, \$20,000; infrastructure, \$100,000; equipment, \$5,000. 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. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	50
Buildings	50
Improvements	25
Vehicles	10
Furniture and equipment	10
Computer software	5
Computer equipment	3
Substations, lines and related equipment	50

Notes to the Financial Statements

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. The separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has several items that meet this criterion, pension and Other Post Employment Benefits (OPEB) deferrals for the 2019 fiscal year, and a deferred charge on refunding for a Water and Sewer loan. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has several items that meet the criterion for this category- prepaid taxes, unearned revenue, OPEB and pension deferrals.

9. Long-Term Obligations

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

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.

10. Compensated Absences

The vacation policy of the City provides for paid vacation to full-time classified employees according to their length of service. The calendar year is the vacation year and all vacation days shall be taken within the year earned, unless specific approval is obtained from the City Manager. Employees at June 30 are entitled to full vacation pay for the year, except that they forfeit accrued vacation pay if they fail to give prior notice of intention to resign. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

Notes to the Financial Statements

11. Net Position/Fund Balances

Net Position

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

Fund Balances

In the governmental fund financial statements, fund balance is composed of four 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.

Perpetual maintenance – Cemetery resources that are required to be retained in perpetuity for maintenance of the City of Graham Cemetery.

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

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

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

Assigned for General Government Improvements – portion of fund balance that has been budgeted by the Council for the Capital Project's Funds.

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed.

Notes to the Financial Statements

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

The City of Graham has adopted a minimum fund balance policy for the general fund which instructs management to conduct business of the City in such a manner that available fund balance is at least equal to or greater than 30% of budgeted expenditures.

12. Defined Benefit Cost-Sharing Plans

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

13. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agents in the City's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits.

Notes to the Financial Statements

The State Treasurer does not confirm this information with the City, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2019, the City's deposits had a carrying amount of \$19,193,253 and a bank balance of \$20,420,282. Of the bank balance, \$1,500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2019, the City's petty cash fund totaled \$2,789.

2. Investments

At June 30, 2019, the City of Graham had \$4,299,710 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAm by Standard and Poor's. The City has no policy regarding credit risk.

3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2019, are net of the following allowances for doubtful accounts:

Funds	2019
General Fund: taxes receivable	\$ 35,166
Water and Sewer fund: accounts receivable	257,303
Total	<u>\$ 292,469</u>

Notes to the Financial Statements

4. Capital Assets

Primary Government

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

Governmental activities:	Beginning			Ending
Capital assets not being depreciated:	Balances	Increases	Decreases	Balances
Land	\$ 3,118,468	\$ -	\$ 335,557	\$ 2,782,911
Art Collection	62,100	-	-	62,100
Construction in progress	1,241,934	267,994	-	1,509,928
Total capital assets not being depreciated	4,422,502	267,994	335,557	4,354,939
Capital assets being depreciated:				
Buildings	3,434,958	-	-	3,434,958
Other improvements	5,373,731	91,460	-	5,465,191
Vehicles and motorized equipment	6,618,367	526,383	70,317	7,074,433
Infrastructure	7,636,313	65,446	-	7,701,759
Equipment and furniture	4,234,357	227,409	155,053	4,306,713
Total capital assets being depreciated	27,297,726	910,698	225,370	27,983,054
Less accumulated depreciation for:				
Buildings	1,613,986	54,679	-	1,668,665
Other improvements	2,484,778	171,030	-	2,655,808
Vehicles and motorized equipment	4,655,840	223,326	57,209	4,821,957
Infrastructure	1,025,431	137,496	-	1,162,927
Equipment and furniture	2,942,818	190,388	137,280	2,995,926
Total accumulated depreciation	12,722,853	776,919	194,489	13,305,283
Total capital assets being depreciated, net	14,574,873			14,677,771
Governmental activity capital assets, net	\$ 18,997,375			\$ 19,032,710

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

By Function	
Buildings	\$ 53,415
Improvements	169,385
Infrastructure	137,496
By Department	
General Government	15,731
Public Safety	175,495
Transportation	80,383
Environmental Protection	94,939
Cultural and Recreation	37,184
Depreciation on capital assets held in the City's internal service fund and charged to functions based on usage	
Garage	6,825
Graham Memorial Park	6,066
Total depreciation expense	<u>\$ 776,919</u>

Notes to the Financial Statements

Business-type activities:	Beginning			Ending
Water and Sewer Fund	Balances	Increases	Decreases	Balances
Capital assets not being depreciated:				
Land	\$ 1,281,547	\$ -	\$ -	\$ 1,281,547
Construction in progress	591,570	50,782	-	642,352
Total capital assets not being depreciated	1,873,117	50,782	-	1,923,899
Capital assets being depreciated:				
Buildings	17,696,444	-	-	17,696,444
Lines	23,463,499	-	-	23,463,499
Other improvements	16,026,121	242,359	-	16,268,480
Equipment and furniture	2,392,881	325,830	19,710	2,699,001
Total capital assets being depreciated	59,578,945	568,189	19,710	60,127,424
Less accumulated depreciation for:				
Buildings	7,247,710	235,201	-	7,482,911
Lines	7,705,106	355,431	-	8,060,537
Other improvements	4,179,850	272,213	-	4,452,063
Equipment and furniture	1,376,434	119,258	7,490	1,488,202
Total accumulated depreciation	20,509,100	982,103	7,490	21,483,713
Total capital assets being depreciated, net	39,069,845			38,643,711
Business-type activities capital assets, net	\$ 40,942,962			\$ 40,567,610

Construction commitments

The government has active construction projects as of June 30, 2019. At year-end, the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Graham Regional Park Playground	\$ 538,069	\$ 311,931
Jim Minor Road Park Capital Project	971,859	28,141
Boyd Creek Pump Station	642,352	2,503,648
Total	\$ 2,152,280	\$ 2,843,720

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The City of Graham is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local 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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's

Notes to the Financial Statements

CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Graham employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Graham's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Graham were \$535,383 for the year ended June 30, 2019.

Refunds of Contributions – City employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

Notes to the Financial Statements

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

At June 30, 2019, the City reported a liability of \$2,514,920 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the City's proportion was 0.10601%, which was a decrease of 0.0039% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$682,862. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 387,992	\$ 13,019
Changes of assumptions	667,363	-
Net difference between projected and actual earnings on pension plan investments	345,223	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	126,217
City contributions subsequent to the measurement date	535,383	-
Total	<u>\$ 1,935,961</u>	<u>\$ 139,236</u>

\$535,383 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ 624,986
2021	399,770
2022	54,396
2023	182,191
2024	-
Thereafter	-
	<u>\$ 1,261,343</u>

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

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

Notes to the Financial Statements

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital 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, 2019 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Notes to the Financial Statements

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
City's proportionate share of the pension liability (asset)	\$ 6,041,055	\$ 2,514,920	\$ (431,574)

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

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description.*

The City of Graham administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>35</u>
Total	<u>37</u>

2. *Summary of Significant Accounting Policies:*

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

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

Notes to the Financial Statements

3. Actuarial Assumptions:

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

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Investment rate of return	3.64 percent, net of pension plan investment expense, including inflation

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2018.

Mortality rates are based on the RP-2014 Mortality tables projected to the valuation data using MP-2015.

3. Contributions.

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$26,769 as benefits came due for the reporting period.

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

At June 30, 2019, the City reported a total pension liability of \$1,050,974. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the City recognized pension expense of \$95,225.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 38,171	\$ 2,635
Change in assumptions	49,820	58,612
Benefit payment and plan administrative expenses made subsequent to the measurement date	14,016	-
Total	<u>\$ 102,007</u>	<u>\$ 61,247</u>

\$14,016 paid as benefits came due and \$0 of administrative expenses subsequent to the measurement date have been reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of

Notes to the Financial Statements

resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$	5,083
2021		5,083
2022		5,083
2023		5,083
2024		7,107
Thereafter		(695)
	<u>\$</u>	<u>26,744</u>

Sensitivity of the City's total pension liability to changes in the discount rate. The following represents the City's total pension liability calculated using the discount rate of 3.64 percent, as well as the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	<u>1% Decrease (2.64%)</u>	<u>Discount Rate (3.64%)</u>	<u>1% Increase (4.64%)</u>
Total pension liability	\$ 1,160,196	\$ 1,050,974	\$ 951,856

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

	<u>2019</u>
Beginning balance	\$ 986,337
Service Cost	59,277
Interest on the total pension liability	30,865
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	44,821
Changes of assumptions or other inputs	(51,132)
Benefit payments	(19,194)
Other changes	-
Ending balance of the total pension liability	<u>\$ 1,050,974</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 U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

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

Notes to the Financial Statements

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

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

	LGERS	LEOSSA	Total
Pension Expense	682,862	95,225	778,087
Pension Liability	2,514,920	1,050,974	3,565,894
Proportionate share of the net pension liability	0.10601%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	387,992	38,171	426,163
Changes of assumptions	667,363	49,820	717,183
Net difference between projected and actual earnings			
on plan investments	345,223	-	345,223
Changes in proportion and differences between contributions			
and proportionate share of contributions	-	-	-
Benefit payments and administrative costs paid subsequent			
to the measurement date	535,383	14,016	549,399
Deferred Inflows of Resources			
Differences between expected and actual experience	13,019	2,635	15,654
Changes of assumptions	-	58,612	58,612
Net difference between projected and actual earnings on			
plan investments	-	-	-
Changes in proportion and differences between contributions			
and proportionate share of contributions	126,217	-	126,217

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan.

The City made contributions of \$90,874 for the reporting year. No amounts were forfeited.

Notes to the Financial Statements

d. Supplemental Retirement Income Plan for Non-Law Enforcement Officers

Plan Description. The City contributes to the Supplemental Retirement Income Plan, (Plan) a defined contribution pension plan administered by a local financial institution. The Plan provides retirement benefits to non-law enforcement officers employed by the City.

Funding Policy. The City contributes an amount equal to five percent of each employee's salary, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan. Contributions for the June 30, 2019 were \$408,726, which consisted of \$192,676 from the City and \$216,050 from the employees.

e. Firefighter's and Rescue Squad Workers' Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the City of Graham, to the Firefighter's and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire and rescue squad workers who have elected to become members of the fund. Article 86 of G.S. Chapter 58 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 Firefighter's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Firefighter's and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

Contributions. Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The City of Graham funds the plan members required contribution of \$10 per month to the Fund. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2019, the State contributed \$17,952,000 to the plan. The City of Graham's proportionate share of the State's contribution is \$8,459.

Refunds of Contributions – Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

Notes to the Financial Statements

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

At June 30, 2019, the City reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the City through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the City and supported by the State was \$23,012. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the City is not projected to make any future contributions to the plan, its proportionate share at June 30, 2018 and at June 30, 2017 was 0%.

For the year ended June 30, 2019, the City recognized pension expense of \$6,544 and revenue of \$6,544 for support provided by the State. At June 30, 2019 the City reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

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

Inflation	3.0 percent
Salary increases	Not applicable
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan in Section a. of this note.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Notes to the Financial Statements

f. Other Post-employment Benefits

Healthcare Benefits

Plan Description. Under the terms of a City resolution, the City administers a single-employers defined benefit Healthcare Benefits Plan (the HCB Plan). The City Board has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided. As of June 30, 2003 the plan provides post-employment health care benefits to retirees of the City, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least fifteen years of creditable service with the City. Prior to June 30, 2003, employees qualified for similar level benefits after at least ten years of creditable service with the City. Health care and prescription drug coverage are provided by the City's health plan. The City pays the full cost of coverage for these benefits. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2018, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	39	4
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	<u>77</u>	<u>19</u>
Total	<u>116</u>	<u>23</u>

Total OPEB Liability

The City's total OPEB liability of \$12,001,297 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Real wage growth	1.00 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	
General Employees	3.50 - 7.75 percent
Firefighters	3.50 - 7.75 percent
Law Enforcement Officers	3.50 - 7.35 percent
Discount rate	3.89 percent
Healthcare cost trend rates	
Pre-Medicare - 7.5 percent for 2017 decreasing to an ultimate rate of 5.00 percent by 2023	
Medicare - 5.5 percent for 2017 decreasing to an ultimate rate of 5.00 percent by 2020	

Notes to the Financial Statements

The discount rate is based on the June average of the Bond Buyer 20-year General Obligation Bond Index published weekly by The Bond Buyer.

Changes in the Total OPEB Liability

Balance at July 1, 2018	\$	12,180,536
Changes for the year		
Service Cost		378,993
Interest		429,020
Changes of benefit terms		-
Differences between expected and actual experience		7,864
Changes in assumptions or other inputs		(733,993)
Benefit payments		(261,123)
Net Changes		(179,239)
Balance at June 30, 2019	\$	<u>12,001,297</u>

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

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

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

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	<u>(2.89%)</u>	<u>(3.89%)</u>	<u>(4.89%)</u>
Total OPEB Liability	\$ 14,435,798	\$ 12,001,297	\$ 10,116,900

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

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 9,876,243	\$ 12,001,297	\$ 14,818,140

Notes to the Financial Statements

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$213,067. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 26,935	\$ -
Changes of assumptions	-	1,564,684
Benefit payments and administrative costs made subsequent to the measurement date	270,826	-
	<u>\$ 297,761</u>	<u>\$ 1,564,684</u>

\$270,826 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expenses as follows:

Year ended June 30:	
2020	\$ 296,946
2021	296,946
2022	296,946
2023	296,946
2024	262,662
Thereafter	87,303

2. Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 535,383
Benefit payments made and administrative expenses for LEOSSA made subsequent to measurement date	14,016
Benefit payments made and administrative expenses for OPEB made subsequent to measurement date	270,826
Differences between expected and actual experience	453,097
Changes of assumptions	717,182
Net difference between projected and actual	345,223
Changes in proportion and differences between employer contributions and proportionate share of contributions	-
Charge on refunding	4,817
Total	<u>\$ 2,340,544</u>

Notes to the Financial Statements

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ 7,118	\$ 7,118
Taxes receivable, less penalties (General Fund)	-	191,676
Unearned revenue	336,930	336,930
Changes in assumptions	1,623,296	-
Differences between expected and actual experience	15,654	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	126,217	-
Total	<u>\$ 2,109,215</u>	<u>\$ 535,724</u>

3. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in a self-funded risk-financing pool administered by the North Carolina League of Municipalities. Through this pool, the City has property and liability coverage. General liability, law enforcement liability and public officials liability coverage is limited to \$1,000,000 per occurrence; public employee scheduled bond is limited to \$100,000; public employee blanket bond is limited to \$50,000, automobile liability coverage is limited to \$1,000,000, and watercraft are limited to \$1,000,000 per occurrence. Real and personal property coverage is limited to \$71,587,702 and boiler and machinery coverage is limited to \$5,000,000.

The City 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 City has not been designated as being in a flood zone and thus carries no commercial flood insurance.

In accordance with G.S. 159-29, The City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$50,000 each. The City Manager and the remaining employees that have access to funds are bonded under a blanket bond for \$25,000.

4. Claims, Judgments, and Contingent Liabilities

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

5. Long-Term Obligations

a. Installment Purchase

In April, 2006, the City entered into a direct placement contract to finance the Cherry Lane Pump Station. The property is pledged as collateral for the debt while the debt is outstanding. The contract requires principal payments of \$106,667 semi-annually beginning in the fiscal year 2006 with an interest rate of 3.69 percent. The original amount of the loan was \$3,200,000, with an outstanding balance of \$426,667.

Notes to the Financial Statements

In June, 2010, the City entered into a Water Pollution Control Revolving loan agreement for Sewer improvements. The contract requires principal payments of \$19,795 annually on the indebtedness beginning May 1, 2011. The interest rate as established under this program is zero percent. The original amount of the loan was \$395,896, with an outstanding balance of \$217,742.

In November, 2010, the City entered into a Water Pollution Control Revolving loan agreement for Water improvements. The contract requires principal payments of \$3,672 annually on the indebtedness beginning May 1, 2012. The interest rate as established under this program is zero percent. The original amount of the loan was \$73,430, with an outstanding balance of \$44,058.

On May 19, 2014, the City entered into a direct placement contract to finance the water treatment plant improvements and Project Swordfish Capital Project. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires principal payments in varying amounts beginning in the fiscal year 2015 with an interest rate of 2.60 percent. The original amount of the loan was \$5,925,000, with an outstanding balance of \$3,802,000.

b. General Obligation Indebtedness

There were no bonds payable at June 30, 2019.

Annual debt service payments of the installment purchases as of June 30, 2019, including \$588,820 of interest, are as follows:

Fiscal Year	General Obligation Bonds		Other Long-Term Indebtedness		Total Debt Due	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ -	\$ -	\$ 539,799	\$ 108,689	\$ 539,799	\$ 108,689
2021	-	-	547,799	92,835	547,799	92,835
2022	-	-	342,466	78,741	342,466	78,741
2023	-	-	349,466	70,356	349,466	70,356
2024	-	-	359,466	61,750	359,466	61,750
2025-2029	-	-	1,932,330	171,353	1,932,330	171,353
2030-	-	-	419,141	5,096	419,141	5,096
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,490,467</u>	<u>\$ 588,820</u>	<u>\$ 4,490,467</u>	<u>\$ 588,820</u>

Notes to the Financial Statements

c. Changes in Long-Term Liabilities

Compensated absences and the other postemployment benefits for governmental activities have typically been liquidated in the General Fund.

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Current Portion of Balance
Governmental activities:					
Compensated absences	\$ 702,968	\$ 268,848	\$ 286,783	\$ 685,033	\$ 286,783
Total OPEB liability	9,201,743	-	142,884	9,058,859	-
Net pension liability (LGERS)	1,321,543	668,640	-	1,990,183	-
Total pension liability (LEO)	986,337	64,637	-	1,050,974	-
Governmental activity long-term liabilities	<u>\$ 12,212,591</u>	<u>\$ 1,002,125</u>	<u>\$ 429,667</u>	<u>\$ 12,785,049</u>	<u>\$ 286,783</u>
Business-type activities:					
Direct placement Installment purchase	\$ 5,022,266	\$ -	531,799	\$ 4,490,467	\$ 539,799
General obligation bonds	-	-	-	-	-
Net pension liability (LGERS)	357,578	167,160	-	524,738	-
Total OPEB liability	2,978,793	-	36,355	2,942,438	-
Compensated absences	151,528	48,004	27,950	171,582	27,950
Business-type activity Long-term liabilities	<u>\$ 8,510,165</u>	<u>\$ 215,164</u>	<u>\$ 596,104</u>	<u>\$ 8,129,225</u>	<u>\$ 567,749</u>

At June 30, 2019, the City of Graham had a legal debt margin of \$92,414,305.

C. Interfund Balances and Activity

There are no amounts due to or from the City's different funds as of June 30, 2019.

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

From the Water and Sewer Fund to the Capital Reserve Fund	\$ 577,059
From the Water and Sewer Fund to the Capital Project	46,000
	<u>\$ 623,059</u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as matching funds for various grant programs.

During the 2019 fiscal year, the City made a transfer from the Water and Sewer Fund of \$577,059 to the Capital Reserve Fund as required by General Statute.

During the year a transfer was also made from the Water and Sewer Fund to the Boyd Creek Pump Station Capital Project Fund as per the project ordinance.

Notes to the Financial Statements

D. On-Behalf Payments for Fringe Benefits and Salaries

The City has recognized as a revenue and an expenditure on-behalf payments for fringe benefits and salaries of \$17,100, for the salary supplement and stipend benefits paid to eligible firemen by the local board of trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2019. Under State law the local board of trustees for the Fund receives an amount each year which the board may use at its own discretion for eligible firemen or their departments.

E. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 19,032,710	\$ 40,567,608
less: long-term debt	-	(4,490,465)
add: unexpended debt proceeds	-	53,648
Net investment in capital assets	<u>\$ 19,032,710</u>	<u>\$ 36,130,791</u>

F. 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	\$ 11,045,267
Less: Stabilization by State Statute	(2,179,102)
Appropriated Fund Balance in 2020 Budget	(1,281,000)
Working Capital / Fund Balance Policy	(3,926,790)
Remaining Fund Balance	<u>\$ 3,658,375</u>

The City of Graham has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the City in such a manner that available fund balance is at least equal to or greater than 30% of budgeted expenditures.

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end and amounted to \$175,278 for the Water and Sewer Capital Project.

III. Jointly Governed Organization

The City, in conjunction with twelve counties and sixty other municipalities, established the Piedmont Triad Regional Council (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member, and one alternate if they so desire, to the Council's governing board. The City paid membership fees of \$6,055 and \$6,002 respectively, to the Council during the fiscal years ended June 30, 2019 and June 30, 2018.

Notes to the Financial Statements

IV. Joint Ventures

The City, in conjunction with the Cities of Burlington and Mebane, participates in the Alamance Municipal ABC Board. Each participating government appoints board members. The ABC Board is a joint venture established to facilitate control over alcoholic beverages within the Cities. The ABC Board has been in existence for over 40 years and is self-sustaining. The City has an ongoing financial responsibility for the ABC Board because it and the Cities of Burlington and Mebane are legally obligated under the intergovernmental agreement that created the ABC Board to honor any deficiencies in the event that proceeds from other default remedies are insufficient. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2019. Complete financial statements for the ABC Board can be obtained from the administrative offices at 603 W. Harden Street, Graham, North Carolina, 27253.

The City and the members of the City's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums which insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways. The City obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the City's fire department by the board of trustees. During the fiscal year ended June 30, 2019, the City reported revenues and expenditures for the payments of \$17,100 made through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2019. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

V. Related Organization

The five-member board of the City of Graham Housing Authority is appointed by the City Council of the City of Graham. The City is accountable for the Housing Authority because it appoints the governing board; however, the City is not financially accountable for the Housing Authority. The City of Graham is also disclosed as a related organization in the notes to the financial statements for the Graham Housing Authority. Complete financial statements for the Housing Authority can be obtained from the Authority's offices at 109 East Hill Street, Graham, North Carolina 27253.

VI. Joint Operation

The City of Graham and the City of Mebane are co-owners and operators of a water supply reservoir and water treatment plant per an Intergovernmental Watershed Agreement. Since June 22, 1973, the ownership of the assets and improvements of the joint undertaking remained at 66.7% interest for the City of Graham and 33.3% interest for the City of Mebane. Due to relative growths of the populations in units of government, the parties agreed as of February 3, 2014 to adjust the capacity, treatment and operational costs, improvements, upgrades, and repairs to be borne equally by the units. At this time,

Notes to the Financial Statements

the City of Mebane also agreed to pay to the City of Graham an equalizing sum of \$2,548,070 for their capital interest. The amount is to be paid in twenty annual installments of \$127,403 with the first payment due July 31, 2014. No interest is included in the agreement. The balance of the receivable as of June 30, 2019 was \$1,911,055.

VII. Interlocal Cooperation Agreement

The City of Graham and the City of Mebane entered into an interlocal cooperation agreement for the allocation of Twenty One and Forty Three One Hundredths percent (21.43%) of capacity usage of the City of Graham's wastewater treatment plant. The cost of agreed upon improvements or upgrades to the wastewater treatment plant and the Cherry Lane pump station will be shared by the City of Graham and the City of Mebane based on percentage of capacity usage, as noted above. The duration for the continuation of the agreement is 99 years. The City of Mebane has agreed to pay the City of Graham \$2,682,464 for this capacity usage. The amount is to be paid in twenty annual installments of \$200,000 (payments 1-5), \$150,000 (payments 6-10), \$100,000 (payments 11-15), and \$86,493 (payments 16-20) with the first payment due July 10, 2017. No interest is included in the agreement. The balance of the payable as of June 30, 2019 was \$2,282,464.

VIII. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The City has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant 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 moneys.

IX. Significant Effects of Subsequent Events

Subsequent Events

In accordance with ASC 855, the City evaluated subsequent events through October 30, 2019, the date the financial statements were available to be issued. Except as noted above, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

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City of Graham, North Carolina
Schedule of Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Six Fiscal Years *

Local Government Employees' Retirement System

	2019	2018	2017	2016	2015
Graham's proportion of the net pension liability (asset) (%)	0.11%	0.11%	0.11%	0.11%	-0.11%
Graham's proportion of the net pension liability (asset) (\$)	\$ 2,514,920	\$ 1,679,121	\$ 2,289,787	\$ 496,232	\$ (641,762)
Graham's covered-employee payroll	\$ 6,336,890	\$ 6,087,820	\$ 5,910,245	\$ 5,842,839	\$ 5,419,403
Graham's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	39.69%	27.58%	38.74%	8.49%	-11.84%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%
	2014				
Graham's proportion of the net pension liability (asset) (%)	0.10%				
Graham's proportion of the net pension liability (asset) (\$)	\$ 1,252,394				
Graham's covered-employee payroll	\$ 5,052,789				
Graham's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	24.79%				
Plan fiduciary net position as a percentage of the total pension liability**	94.35%				

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

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

City of Graham, North Carolina
Schedule of Contributions
Required Supplementary Information
Last Six Fiscal Years

Local Government Employees' Retirement System

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 462,401	\$ 452,142	\$ 394,126	\$ 395,212	\$ 399,955
Contributions in relation to the contractually required contribution	452,142	452,142	394,126	395,212	399,955
Contribution deficiency (excess)	\$ 10,259	\$ -	\$ -	\$ -	\$ -
Graham's covered-employee payroll	6,712,152	6,336,890	6,087,820	5,910,245	5,842,839
Contributions as a percentage of covered-employee payroll	6.74%	7.14%	6.47%	6.69%	6.85%

	2014
Contractually required contribution	\$ 386,609
Contributions in relation to the contractually required contribution	386,609
Contribution deficiency (excess)	\$ -
Graham's covered-employee payroll	5,419,403
Contributions as a percentage of covered-employee payroll	7.13%

City of Graham, North Carolina
Schedule of Proportionate Share of Net Pension Liability
Required Supplementary Information
Last Fiscal Year *

Firefighters' and Rescue Squad Workers' Pension

	2019	2018	2017	2016	2015
Graham's proportionate share of the net pension liability (%)	0.00%	0.00%	0.00%	0.00%	0.00%
Graham's proportionate share of the net pension liability (\$)	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with City of Graham	23,012	21,716	14,435	26,974	21,417
Total	<u>\$ 23,012</u>	<u>\$ 21,716</u>	<u>\$ 14,435</u>	<u>\$ 26,974</u>	<u>\$ 21,417</u>
Graham's covered-employee payroll	\$ 548,192	\$ 549,785	\$ 499,649	\$ 495,512	\$ 480,564
Graham's proportionate share of the net pension liability as a percentage of its covered-employee payroll	4.20%	3.95%	2.89%	5.44%	4.46%
Plan fiduciary net position as a percentage of the total pension liability	89.69%	89.35%	84.94%	91.40%	93.42%

* The amounts presented are for the prior fiscal year.

City of Graham
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	2019	2018	2017
Beginning balance	\$ 986,337	\$ 849,793	\$ 806,147
Service Cost	59,277	50,189	54,233
Interest on the total pension liability	30,865	32,553	28,550
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	44,821	(3,725)	-
Changes of assumptions or other inputs	(51,132)	70,408	(26,256)
Benefit payments	(19,194)	(12,881)	(12,881)
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 1,050,974</u>	<u>\$ 986,337</u>	<u>\$ 849,793</u>

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

City of Graham
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	2019	2018	2017
Total pension liability	\$ 1,050,974	\$ 986,337	\$ 849,793
Covered payroll	1,995,372	1,918,587	2,067,710
Total pension liability as a percentage of covered payroll	52.67%	51.41%	41.10%

Notes to the schedules:

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

City of Graham, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2019

Total OPEB Liability	2019	2018
Service Cost	\$ 378,993	\$ 435,666
Interest	429,020	385,062
Changes of benefit terms	-	-
Differences between expected and actual experience	7,864	28,616
Changes of assumptions	(733,993)	(1,327,657)
Benefit payments	(261,123)	(265,857)
Net change in total OPEB liability	(179,239)	(744,170)
Total OPEB liability - beginning	12,180,536	12,924,706
Total OPEB liability - ending	<u>\$ 12,001,297</u>	<u>\$ 12,180,536</u>
 Covered Payroll	 \$ 4,540,717	 \$ 4,540,717
Total OPEB Liability as a percentage of covered payroll	264.30%	268.25%

Notes to Schedule

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

<u>Fiscal year</u>	<u>Rate</u>
2019	3.89%
2018	3.56%

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City of Graham, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For The Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2018

Statement 1
1 of 12

	2019			2018
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Ad valorem taxes				
Current taxes	\$ 4,650,000	\$ 4,831,280	\$ 181,280	\$ 4,694,924
Prior year taxes	45,000	77,004	32,004	62,082
Vehicle taxes	485,600	575,213	89,613	542,880
Tax cost and interest	23,000	27,081	4,081	18,914
Total	5,203,600	5,510,578	306,978	5,318,800
Other taxes and licenses				
Privilege license	100	805	705	1,155
Total	100	805	705	1,155
Unrestricted intergovernmental				
Payment in lieu of taxes	26,500	35,847	9,347	33,228
Local option sales tax	3,350,000	3,868,517	518,517	3,659,541
Telecommunications sales tax	-	176,371	176,371	191,226
Piped natural gas sales tax	-	61,891	61,891	65,655
Utilities sales tax	950,000	650,691	(299,309)	617,920
Video franchise fee	-	90,146	90,146	95,737
Beer and wine tax	62,000	64,644	2,644	64,163
ABC profit distribution	71,000	118,474	47,474	114,864
Solid waste disposal tax	9,000	11,115	2,115	9,842
Storm water fee	124,000	127,794	3,794	126,272
Total	4,592,500	5,205,490	612,990	4,978,448
Restricted intergovernmental				
Powell Bill allocation	395,000	393,558	(1,442)	396,173
School Resource Officer	110,000	111,303	1,303	111,303
Federal drug monies	60,100	55,298	(4,802)	12,663
State drug monies	15,100	11,974	(3,126)	-
Miscellaneous Community grants	1,000	76,070	75,070	50,000
ABC revenue for law enforcement	-	30,731	30,731	30,099
On-behalf of payments - Fire	-	25,559	25,559	25,379
Total	581,200	704,493	123,293	625,617
Permits and fees				
Development fees	1,000	4,475	3,475	6,150
Building permits and inspection fees	125,000	335,862	210,862	325,314
Total	126,000	340,337	214,337	331,464

City of Graham, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For The Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2018

Statement 1
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	2019			2018
	Budget	Actual	Variance Positive (Negative)	Actual
Sales and services				
Refuse collection fees	\$ 310,000	\$ 332,025	\$ 22,025	\$ 316,700
Cemetery fees	42,000	48,180	6,180	44,230
Recreation Department fees	119,000	152,324	33,324	140,295
Recreation-Graham Mebane Lake	111,000	93,858	(17,142)	86,705
Rent on city properties	28,000	30,076	2,076	56,101
Total	610,000	656,463	46,463	644,031
Investment earnings				
Interest on investments	40,000	105,713	65,713	67,507
Federal drug monies - interest	-	2,520	2,520	1,635
State drug monies - interest	-	21	21	10
Total	40,000	108,254	68,254	69,152
Miscellaneous				
Other	50,000	67,176	17,176	38,274
ABC revenue	-	34,526	34,526	32,785
Recycling/surplus proceeds	20,100	279,233	259,133	36,300
NCCP	305,000	292,543	(12,457)	194,856
Police Donations / Contributions	49,000	59,225	10,225	94,279
Recreation donations	15,000	29,967	14,967	11,996
Court costs and fines	15,000	20,345	5,345	13,760
Sports Hall of Fame	1,000	845	(155)	-
Alarms	2,000	3,850	1,850	4,300
Insurance proceeds	1,000	18,119	17,119	-
Total	458,100	805,829	347,729	426,550
Total revenues	11,611,500	13,332,249	1,720,749	12,395,217
Expenditures:				
General government				
Governing Body				
Salaries	31,700	30,760	940	30,760
Professional services	2,000	650	1,350	350
Travel	5,000	2,108	2,892	2,260
Supplies and materials	500	2,886	(2,386)	1,768
FICA	2,500	2,442	58	2,353
Miscellaneous	4,000	3,521	479	14,748
Total	45,700	42,367	3,333	52,239

City of Graham, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For The Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2018

Statement 1
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	2019			2018
	Budget	Actual	Variance Positive (Negative)	Actual
Administration				
Salaries	\$ 482,500	\$ 497,138	\$ (14,638)	\$ 410,675
Professional services	77,000	106,778	(29,778)	84,889
FICA	26,900	32,329	(5,429)	29,044
Group insurance	245,500	243,771	1,729	198,692
Retirement	27,200	31,049	(3,849)	25,828
Longevity pay	9,700	9,463	237	8,394
Telephone and postage	4,500	6,170	(1,670)	5,591
Vehicle tax administration fee	-	19,423	(19,423)	18,055
Travel	4,500	2,217	2,283	1,479
Maintenance and repairs-vehicles	500	599	(99)	503
Vehicle and equipment fuel	100	35	65	-
Advertising	500	530	(30)	248
Dues and subscriptions	12,000	11,278	722	11,102
Insurance and bonds	200,000	205,293	(5,293)	171,846
Miscellaneous	28,500	37,291	(8,791)	38,481
Animal Shelter	103,400	103,369	31	98,565
Small equipment purchases	500	-	500	-
Capital outlay - improvements	100	-	100	-
Contracted services	50,000	63,103	(13,103)	50,786
NCCP	170,000	29,449	140,551	132,993
Supplemental retirement	17,600	14,424	3,176	12,947
Supplies	2,500	1,787	713	1,597
Facade grant	15,000	15,000	-	15,000
Economic development	20,000	20,000	-	58,601
Total	1,498,500	1,450,496	48,004	1,375,316

City of Graham, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For The Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2018

Statement 1
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	2019			2018
	Budget	Actual	Variance Positive (Negative)	Actual
Information Technologies				
Salaries	\$ 119,000	\$ 118,828	\$ 172	\$ 112,407
FICA	9,100	8,711	389	7,813
Group insurance	15,000	13,825	1,175	12,753
Unemployment expense	500	-	500	-
Retirement	9,200	9,359	(159)	8,519
Longevity pay	2,000	1,939	61	1,112
Telephone and postage	2,000	1,305	695	1,688
Travel	1,500	956	544	1,174
Maintenance and repairs - equipment	2,000	2,382	(382)	1,682
Supplies	1,000	851	149	924
Contracted services	36,000	33,560	2,440	37,528
Dues and subscriptions	300	150	150	300
Miscellaneous	2,000	4,608	(2,608)	1,525
Capital outlay - equipment	61,500	55,230	6,270	-
Software maintenance	26,800	24,886	1,914	35,264
Small equipment purchase	46,500	43,960	2,540	43,025
Supplemental retirement	5,900	4,606	1,294	4,356
Total	340,300	325,156	15,144	270,070
Finance				
Salaries	220,000	228,853	(8,853)	188,924
FICA	17,000	17,901	(901)	13,635
Group insurance	22,500	21,896	604	19,129
Unemployment expense	800	-	800	-
Retirement	16,000	18,381	(2,381)	14,703
Longevity pay	10,600	10,353	247	10,089
Bank charges	22,000	12,354	9,646	15,478
Telephone and postage	10,000	6,825	3,175	5,794
Travel	2,000	1,492	508	388
Advertising	2,000	1,135	865	1,073
Supplies	7,500	4,979	2,521	4,679
Contracted services	7,000	3,499	3,501	2,524
Dues and subscriptions	100	355	(255)	100
Miscellaneous	1,100	9,231	(8,131)	315
Audit	36,500	35,750	750	36,000
Software maintenance	25,000	9,266	15,734	20,052
Maintenance & repairs-equipment	500	-	500	-
Small equipment purchase	500	661	(161)	-
Supplemental retirement	10,000	7,210	2,790	6,793
Total	411,100	390,141	20,959	339,676

City of Graham, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For The Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2018

Statement 1
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	2019		Variance	2018
	Budget	Actual	Positive (Negative)	Actual
Public buildings				
Salaries	\$ 12,000	\$ 4,807	\$ 7,193	\$ 5,758
FICA	900	368	532	440
Telephone and postage	100	-	100	-
Utilities	55,000	43,662	11,338	49,669
Maintenance and repairs	41,000	53,987	(12,987)	31,825
Vehicle and equipment fuel	1,000	336	664	104
Supplies and materials	12,000	15,002	(3,002)	10,623
Uniforms	500	555	(55)	-
Small equipment purchase	500	3,272	(2,772)	34,085
Capital outlay-other improvements	25,000	19,131	5,869	81,802
Total	148,000	141,120	6,880	214,306
City garage and warehouse				
Salaries	46,500	47,135	(635)	44,737
FICA	3,600	3,584	16	3,394
Group insurance	7,500	6,918	582	6,376
Unemployment expense	-	-	-	-
Retirement	3,600	3,866	(266)	3,554
Longevity pay	2,800	2,747	53	2,620
Telephone and postage	700	507	193	476
Utilities	5,800	4,808	992	5,524
Maintenance and repairs-building	6,000	2,000	4,000	2,937
Maintenance and repairs-equipment	5,000	18,109	(13,109)	2,835
Supplies	1,200	173	1,027	197
Miscellaneous	4,200	3,194	1,006	2,268
Small equipment purchases	1,000	-	1,000	-
Supplemental retirement	2,400	2,357	43	2,237
Capital outlay - equipment	20,000	-	20,000	-
Total	110,300	95,398	14,902	77,155
Total general government	2,553,900	2,444,678	109,222	2,328,762
Public safety				
Police department				
Salaries	2,250,000	2,281,030	(31,030)	2,138,642
Professional services	80,000	82,339	(2,339)	127,540
FICA	173,000	171,363	1,637	158,504
Group insurance	303,000	269,398	33,602	244,920
Unemployment expense	10,500	-	10,500	4,816
Retirement	183,000	187,768	(4,768)	171,420

City of Graham, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For The Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2018

Statement 1
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	2019			2018
	Budget	Actual	Variance Positive (Negative)	Actual
Longevity pay	\$ 71,000	\$ 59,181	\$ 11,819	\$ 60,053
Training	20,000	24,291	(4,291)	25,481
Telephone and postage	41,000	49,148	(8,148)	52,435
Utilities	28,000	23,214	4,786	23,483
Travel	15,000	11,628	3,372	14,046
Vehicle and equipment fuel	70,000	78,480	(8,480)	69,537
Maintenance and repairs - building	42,000	32,010	9,990	11,494
Maintenance and repairs - equipment	15,000	13,148	1,852	6,014
Maintenance and repairs - vehicles	68,000	100,168	(32,168)	112,365
Radio maintenance	34,700	2,452	32,248	11,870
Supplies and materials	76,100	26,222	49,878	15,665
Crime prevention	4,000	3,166	834	3,779
K-9 expense	8,000	8,130	(130)	9,059
Uniforms	27,000	37,400	(10,400)	28,233
Contracted services	76,000	52,985	23,015	76,136
Dues and subscriptions	2,500	2,706	(206)	1,346
Small equipment purchase	55,000	67,513	(12,513)	10,413
Miscellaneous	23,100	18,763	4,337	7,055
Capital outlay - equipment	115,500	177,894	(62,394)	541,705
Software maintenance and changes	35,000	18,179	16,821	22,833
Supplemental retirement	108,000	101,082	6,919	97,522
Total	3,934,400	3,899,658	34,742	4,046,366
Fire department				
Salaries	545,000	548,192	(3,192)	549,785
Professional fees	57,200	57,103	97	-
FICA	42,000	44,936	(2,936)	42,697
Group insurance	74,000	61,681	12,319	55,233
Unemployment expense	2,400	-	2,400	-
Retirement	43,000	39,742	3,258	37,593
Longevity pay	24,000	20,294	3,706	22,693
Training	3,000	762	2,238	1,663
Telephone and postage	7,500	8,241	(741)	7,598
Travel	2,000	1,091	909	1,696
Maintenance and repairs - equipment	10,000	7,944	2,056	4,800
Maintenance and repairs - vehicles	45,000	20,179	24,821	23,837
Radio maintenance	15,000	819	14,181	1,627
Firemen's fees	16,000	19,852	(3,852)	10,760
Firemen's pension fund	20,000	24,136	(4,136)	20,740
Vehicle and equipment fuel	10,000	7,744	2,256	6,911
Supplies and materials	4,500	10,585	(6,085)	2,158

City of Graham, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For The Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2018

Statement 1
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	2019			2018
	Budget	Actual	Variance Positive (Negative)	Actual
Hazmat equipment	\$ 1,500	\$ 176	\$ 1,324	\$ 1,283
Uniforms	160,000	149,058	10,942	15,466
Insurance - Firemen's Fraternal Fund	2,500	2,174	326	2,080
Dues and subscriptions	2,200	1,992	208	2,050
Miscellaneous fire prevention	1,000	1,429	(429)	206
Health and safety	2,500	2,297	203	478
Miscellaneous	1,000	2,648	(1,648)	1,413
Small equipment purchase	15,000	1,709	13,291	4,303
Capital outlay - equipment	-	20,040	(20,040)	177,639
Supplemental retirement	24,500	20,851	3,649	19,645
Police reserves	3,100	2,622	478	2,891
On-behalf payments	-	25,559	(25,559)	25,379
Total	1,133,900	1,103,856	30,044	1,042,624
Inspection - planning/zoning				
Salaries	327,000	315,488	11,512	294,372
Professional services	75,000	87,890	(12,890)	9,114
FICA	25,000	23,689	1,311	22,594
Group insurance	45,000	41,486	3,514	37,710
Unemployment expense	1,500	-	1,500	-
Retirement	23,700	24,475	(775)	22,487
Longevity pay	7,200	7,092	108	7,935
Telephone and postage	7,000	5,995	1,005	7,171
Travel	13,500	9,276	4,224	5,908
Maintenance and repairs - vehicles	2,500	2,836	(336)	3,299
Advertising	2,000	1,787	213	890
Vehicle and equipment fuel	2,000	1,970	30	1,727
Dues and subscriptions	2,000	1,194	806	1,203
Small equipment purchases	3,000	961	2,039	-
Capital outlay - equipment	35,000	33,781	1,219	-
Supplies and materials	4,500	2,195	2,305	1,159
Uniforms	1,500	1,620	(120)	1,397
Miscellaneous	2,500	900	1,600	1,602
Software maintenance and changes	7,000	2,800	4,200	2,800
Supplemental retirement	15,300	22,291	(6,991)	10,540
Total	602,200	587,726	14,474	431,908
Total public safety	5,670,500	5,591,240	79,260	5,520,898

City of Graham, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For The Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2018

Statement 1
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	2019			2018
	Budget	Actual	Variance Positive (Negative)	Actual
Transportation				
Traffic engineering				
Utilities	\$ 3,500	\$ 2,500	\$ 1,000	\$ 2,383
Supplies and materials	1,000	-	1,000	-
Small equipment purchases	1,000	-	1,000	-
Contracted services	24,000	24,000	-	24,000
Total	29,500	26,500	3,000	26,383
Street				
Salaries	355,000	331,180	23,820	376,321
Professional services	30,000	15,314	14,686	14,057
Storm water	30,000	35,272	(5,272)	42,019
FICA	27,500	24,955	2,545	30,120
Group insurance	60,000	59,396	604	53,530
Unemployment expense	1,800	-	1,800	-
Retirement	28,000	26,288	1,712	29,349
Longevity pay	12,000	8,023	3,977	13,814
Telephone and postage	7,000	4,162	2,838	4,645
Utilities	3,000	2,506	494	2,699
Travel	4,500	-	4,500	1,227
Maintenance and repairs - buildings	3,500	1,515	1,985	800
Maintenance and repairs - equipment	4,000	988	3,012	10,425
Maintenance and repairs - vehicles	75,000	75,319	(319)	50,607
Radio maintenance	1,000	117	883	500
Vehicle and equipment fuel	35,000	23,879	11,121	24,449
Supplies and materials	18,000	15,122	2,878	18,148
Traffic control	6,000	2,667	3,333	14,271
Uniforms	6,500	6,218	282	6,596
Road repair materials	15,000	20,986	(5,986)	10,794
Sidewalk repairs	100,000	50,890	49,110	32,260
Snow and ice removal	18,000	12,273	5,727	23,578
Storm sewers	20,000	26,182	(6,182)	4,055
Street resurfacing	455,000	429,541	25,459	505,116
Right of ways	12,000	-	12,000	2,629
Dues and subscriptions	1,800	1,833	(33)	2,009
Miscellaneous	3,500	3,068	432	4,709
Contracted services	2,000	500	1,500	9,402
Small equipment purchases	10,000	5,442	4,558	27,100
Capital outlay - other improvements	20,000	-	20,000	129,871

City of Graham, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For The Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2018

Statement 1
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	2019			2018
	Budget	Actual	Variance Positive (Negative)	Actual
Capital outlay - equipment	\$ 15,000	\$ 13,975	\$ 1,025	\$ 155,048
Supplemental retirement	19,500	14,350	5,150	15,482
Street improvements	20,000	22,020	(2,020)	4,389
Total	1,419,600	1,233,981	185,619	1,620,019
Street lighting				
Utilities	125,000	89,561	35,439	104,508
Contracted services	1,000	1,943	(943)	479
Total	126,000	91,504	34,496	104,987
Total transportation	1,575,100	1,351,985	223,115	1,751,389
Environmental protection				
Sanitation				
Salaries	227,000	234,856	(7,856)	171,894
FICA	18,500	18,440	60	13,470
Group insurance	45,000	35,551	9,449	25,877
Unemployment expense	1,400	-	1,400	-
Retirement	17,700	19,014	(1,314)	13,419
Longevity pay	10,500	10,482	18	6,891
Telephone and postage	4,500	4,206	294	3,207
Maintenance and repairs - equipment	1,000	-	1,000	-
Maintenance and repairs - vehicles	100,000	93,926	6,074	69,103
Vehicle and equipment fuel	50,000	40,004	9,996	38,503
Supplies and materials	1,000	723	277	862
Tipping fees	170,000	168,446	1,554	159,559
Travel	200	-	200	-
Radio maintenance	500	-	500	-
Uniforms	4,000	2,943	1,057	2,565
Contracted services	85,000	74,002	10,998	70,730
Small equipment purchases	1,000	3,829	(2,829)	-
Capital outlay equipment	275,000	260,917	14,083	175,989
Miscellaneous	2,000	4,435	(2,435)	1,629
Rollout refuse	31,000	28,589	2,411	17,247
Supplemental retirement	10,000	10,047	(47)	5,592
Total environmental protection	1,055,300	1,010,410	44,890	776,537

City of Graham, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For The Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2018

Statement 1
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	2019			2018
	Budget	Actual	Variance Positive (Negative)	Actual
Culture and recreation				
Recreation				
Salaries	\$ 400,000	\$ 377,268	\$ 22,732	\$ 366,697
Professional services	65,000	32,125	32,875	816
FICA	48,500	29,196	19,304	28,394
Group insurance	37,000	33,425	3,575	31,932
Unemployment expense	1,400	-	1,400	-
Retirement	22,000	21,388	612	20,019
Longevity pay	8,400	7,724	676	7,339
Telephone and postage	19,800	14,241	5,559	13,040
Utilities	43,000	29,866	13,134	42,928
Travel	5,000	3,724	1,276	4,302
Maintenance and repairs - buildings	12,000	37,968	(25,968)	27,922
Maintenance and repairs - equipment	5,000	14,162	(9,162)	3,027
Maintenance and repairs - vehicles	4,200	6,574	(2,374)	7,597
Contracted personnel	22,000	19,448	2,552	17,171
Vehicle and equipment fuel	4,000	1,931	2,069	1,399
Supplies and materials	8,000	8,798	(798)	11,022
City sidewalk expenditures	-	-	-	69
Uniforms	1,500	736	764	291
Uniforms/Equipment from donations	4,000	3,991	9	3,376
Contracted services	28,000	25,427	2,573	25,136
Dues and subscriptions	7,400	6,580	820	6,311
Miscellaneous	10,400	11,540	(1,140)	9,544
Athletics programs	20,000	14,738	5,262	13,854
Hall of fame	10,000	9,411	589	237
Other programs	63,500	63,789	(289)	57,767
Concessions	8,500	4,455	4,045	6,397
Small equipment purchases	13,500	18,164	(4,664)	12,666
Capital outlay - other improvements	36,500	20,000	16,500	-
Advertising	6,000	6,005	(5)	6,473
Supplemental retirement	13,500	13,116	384	15,615
Capital outlay - equipment	-	7,155	(7,155)	-
Total	928,100	842,945	85,155	741,341

City of Graham, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For The Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2018

Statement 1
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	2019			2018
	Budget	Actual	Variance Positive (Negative)	Actual
Graham-Mebane Lake				
Salaries	\$ 87,500	\$ 83,943	\$ 3,557	\$ 76,173
FICA	8,100	6,488	1,612	5,845
Group insurance	7,500	6,907	593	6,376
Unemployment expense	700	-	700	-
Retirement expense	3,200	3,304	(104)	2,850
Longevity pay	1,100	1,015	85	387
Telephone and postage	3,300	2,829	471	3,589
Utilities	4,000	3,001	999	3,464
Travel	1,000	399	601	385
Maintenance and repairs - buildings	8,000	125	7,875	5,037
Maintenance and repairs - equipment	1,500	406	1,094	303
Maintenance and repairs - vehicles	1,500	701	799	1,619
Vehicle and equipment fuel	1,500	701	799	908
Other programs	1,000	566	434	263
Supplies and materials	9,800	10,474	(674)	9,477
Uniforms	800	28	772	739
Contracted services	1,000	1,157	(157)	7,880
Dues and subscriptions	100	-	100	32
Miscellaneous expense	1,000	13,315	(12,315)	529
Small equipment purchases	13,300	7,535	5,765	4,061
Capital outlay - equipment	15,000	7,500	7,500	7,925
Supplemental retirement	2,100	2,072	28	1,962
Total	173,000	152,466	20,534	139,804
Property Maintenance				
Salaries	460,000	450,401	9,599	392,097
FICA	35,400	34,029	1,371	29,709
Group insurance	90,000	74,818	15,182	62,493
Unemployment expense	2,600	-	2,600	-
Retirement	31,200	32,484	(1,284)	27,950
Longevity pay	13,800	12,613	1,187	11,452
Telephone and postage	7,250	5,498	1,752	5,869
Utilities	39,000	24,533	14,467	17,448
Travel	2,000	513	1,487	1,467
Contract labor	10,000	-	10,000	5,461
Equipment rentals	4,000	623	3,377	2,106
Maintenance and repairs - buildings	27,000	21,514	5,486	17,850
Maintenance and repairs - equipment	66,000	69,515	(3,515)	40,368
Maintenance and repairs - grounds	45,750	38,880	6,870	32,331
Maintenance and repairs - vehicles	30,000	34,380	(4,380)	27,733

City of Graham, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For The Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2018

Statement 1
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	2019			2018
	Budget	Actual	Variance Positive (Negative)	Actual
Maintenance and repairs - lighting and fencing	\$ 8,500	\$ 7,152	\$ 1,348	\$ 7,678
Vehicle and equipment fuel	33,000	25,306	7,694	24,548
Supplies and materials	14,600	11,044	3,556	20,869
Uniforms	8,600	7,133	1,467	7,681
Dues and subscriptions	3,800	3,792	8	1,240
Miscellaneous	4,500	5,936	(1,436)	9,328
Small equipment purchases	9,000	11,737	(2,737)	4,305
Capital outlay - other improvements	45,000	52,329	(7,329)	50,514
Capital outlay - equipment	107,500	104,626	2,874	58,186
Supplemental retirement	19,900	17,583	2,317	15,603
Business beautification grant	15,000	15,000	-	13,257
Total	1,133,400	1,061,439	71,961	887,544
Total culture and recreation	2,234,500	2,056,850	177,650	1,768,689
Total expenditures	13,089,300	12,455,163	634,137	12,146,274
Revenues over (under) expenditures	(1,477,800)	877,086	2,354,886	248,943
Other financing sources (uses)				
Transfers:				
Governmental Capital Projects	-	-	-	(339,485)
Water & Sewer Fund	-	-	-	940,388
Appropriated fund balance	1,477,800	-	(1,477,800)	-
Total	1,477,800	-	(1,477,800)	600,903
Net Change in Fund Balances	\$ -	877,086	\$ 877,086	849,846
Fund balances, beginning as previously reported		10,168,181		9,371,807
Prior period adjustment		-		(53,472)
		10,168,181		9,318,335
Fund balances, ending		\$ 11,045,267		\$ 10,168,181

**City of Graham, North Carolina
Combining Balance Sheets
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2019**

Statement 2

	Graham Memorial Park	Graham Regional Park Playground	Jim Minor Road Park	Total Nonmajor Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 2,479,369	\$ (188,069)	\$ 28,141	\$ 2,319,441
Accrued interest receivable	22,106	-	-	22,106
Accounts receivable, net	-	-	-	-
Due from other governments	3,002	188,069	-	191,071
	<hr/>			
Total assets	\$ 2,504,477	\$ -	\$ 28,141	\$ 2,532,618
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LIABILITIES AND FUND BALANCES

Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -
Fund balances:				
Reserved for subsequent years' expenditures	2,504,477	-	28,141	2,532,618
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Total liabilities and fund balances	\$ 2,504,477	\$ -	\$ 28,141	\$ 2,532,618
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City of Graham, North Carolina
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2019

Statement 3

	Graham Memorial Park	Graham Regional Park Playground	Jim Minor Road Park	Total Nonmajor Governmental Funds
<u>REVENUES</u>				
Restricted intergovernmental revenues:				
Investment earnings	\$ 41,253	\$ -	\$ -	\$ 41,253
Lot sales	37,200	-	-	37,200
Restricted intergovernmental	-	188,069	-	188,069
Total revenues	78,453	188,069	-	266,522
Expenditures				
Capital outlay	64,483	-	-	64,483
Construction costs	-	246,571	5,371	251,942
Professional services	-	16,051	-	16,051
Total expenditures	64,483	262,622	5,371	332,476
Other financing sources:				
Transfer (to) from General Fund	-	-	-	-
Revenues over expenditures and other financing sources	13,970	(74,553)	(5,371)	(65,954)
Fund balance - beginning of year	2,490,507	74,553	33,512	2,598,572
Fund balance - end of year	\$ 2,504,477	\$ -	\$ 28,141	\$ 2,532,618

City of Graham, North Carolina
Special Revenue Fund - Graham Memorial Park Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2018

Statement 4

	2019			2018
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Sale of cemetery lots	\$ -	\$ 37,200	\$ 37,200	\$ 37,800
Investment earnings	65,000	41,253	(23,747)	30,717
Total revenues	65,000	78,453	13,453	68,517
Expenditures				
Small equipment purchases	-	-	-	-
Capital outlay improvements	-	-	-	-
Capital outlay equipment	65,000	64,483	517	-
Total expenditures	65,000	64,483	517	-
Revenues over expenditures	-	13,970	13,970	68,517
Other financing sources (uses)				
Appropriated fund balance	-	-	-	-
	-	-	-	-
Revenues and other sources over (under) expenditures	<u>\$ -</u>	13,970	<u>\$ 13,970</u>	68,517
Fund balance, beginning		2,490,507		2,421,990
Fund balance, ending		<u>\$ 2,504,477</u>		<u>\$ 2,490,507</u>

City of Graham, North Carolina
Capital Project Fund - Graham Regional Park Playground
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2019

Statement 5

		Actual			
	Project Authori- zation	Prior Year	Current Year	Total To Date	Variance Positive (Negative)
Expenditures					
Professional Services	\$ 42,500	\$ -	\$ 16,051	\$ 16,051	\$ 26,449
Construction	775,000	275,447	246,571	522,018	252,982
Contingencies	32,500	-	-	-	32,500
Total	850,000	275,447	262,622	538,069	311,931
Other financing sources:					
Operating transfer from					
General Fund	350,000	350,000	-	350,000	-
Grant proceeds	500,000	-	188,069	188,069	(311,931)
	850,000	350,000	188,069	538,069	(311,931)
Revenues and other sources over (under) expenditures	\$ -	\$ 74,553	(74,553)	\$ -	\$ -
Fund balance, beginning			74,553		
Fund balance, ending			\$ -		

City of Graham, North Carolina
Capital Project Fund - Jim Minor Road Park
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

Statement 6

	Project Authori- zation	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total To Date	
Expenditures:					
Construction	\$ 915,000	\$ 866,619	\$ 5,371	\$ 871,990	\$ 43,010
Professional Services	85,000	99,869	-	99,869	(14,869)
Total expenditures	1,000,000	966,488	5,371	971,859	28,141
Other financing sources:					
Operating transfer from General fund	1,000,000	1,000,000	-	1,000,000	-
Revenues and other sources over (under) expenditures	\$ -	\$ 33,512	(5,371)	\$ 28,141	\$ 28,141
Fund balance, beginning			33,512		
Fund balance, ending			\$ 28,141		

**City of Graham, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
For The Fiscal Year Ended June 30, 2019**

**Statement 7
Page 1 of 6**

With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2018

	2019			2018
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Charges for services				
Sewer surcharges	\$ 58,000	\$ 60,256	\$ 2,256	\$ 61,489
Water charges	2,788,000	2,910,308	122,308	2,852,424
Sewer charges	2,697,500	2,858,098	160,598	2,746,289
Mebane revenue	800,000	709,452	(90,548)	815,045
Total	6,343,500	6,538,114	194,614	6,475,247
Other operating revenues				
Sewer acreage & connection fees	-	313,773	313,773	278,025
Water acreage & connection fees	-	263,286	263,286	278,250
Plumbing permits and inspections	25,000	40,679	15,679	46,135
Water and sewer taps	5,000	11,325	6,325	10,650
Water and sewer assessments	100	10,283	10,183	1,000
Miscellaneous	7,500	14,683	7,183	13,207
Cut-offs	100,000	111,344	11,344	111,301
Total	137,600	765,373	627,773	738,568
Total operating revenues	6,481,100	7,303,487	822,387	7,213,815
Non-operating revenues				
Investment earnings	35,000	117,253	82,253	81,579
Sale / lease of property	27,000	27,925	925	-
NCCP	75,000	88,244	13,244	81,064
Swordfish Alamance County	100,000	100,000	-	100,000
Total non-operating revenues	237,000	333,422	96,422	262,643
Total revenues	6,718,100	7,636,909	918,809	7,476,458
Expenditures:				
Water billing and metering				
Salaries	223,000	159,937	63,063	163,135
Professional services	500	-	500	31
FICA	15,200	12,139	3,061	11,367
Group insurance	32,400	27,663	4,737	25,506
Unemployment expense	500	-	500	-
Retirement	16,000	12,626	3,374	11,498
Longevity pay	3,700	3,560	140	2,016
Bank charges	45,000	59,490	(14,490)	40,792
Telephone and postage	35,000	32,533	2,467	30,487
Travel	1,000	1,125	(125)	-

City of Graham, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
For The Fiscal Year Ended June 30, 2019

Statement 7
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With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2018

	2019			2018
	Budget	Actual	Variance Positive (Negative)	Actual
Maintenance and repairs - vehicles	\$ 2,000	\$ 1,625	\$ 375	\$ 2,322
Maintenance and repairs-equipment	1,000	-	1,000	-
Vehicle and equipment fuel	2,500	2,216	284	1,793
Supplies and materials	5,000	1,691	3,309	1,533
Uniforms	600	334	266	440
Contract services	20,000	15,390	4,610	19,788
Sewer treatment	-	-	-	427,991
Dues and subscriptions	9,000	9,785	(785)	8,296
Small equipment	2,000	975	1,025	-
Miscellaneous	1,000	485	515	1,398
Software maintenance and charges	26,000	38,671	(12,671)	19,120
Bad debt expense	-	1,104	(1,104)	5,233
Supplemental retirement	10,000	7,970	2,030	7,559
Total	451,400	389,319	62,081	780,305
Water distribution				
Salaries	361,000	328,692	32,308	324,511
FICA	27,600	24,757	2,843	24,802
Group insurance	75,000	65,734	9,266	64,148
Unemployment expense	2,200	-	2,200	-
Retirement	27,500	25,832	1,668	24,917
Longevity pay	9,700	5,553	4,147	7,524
Telephone and postage	6,500	4,405	2,095	4,900
Utilities	10,500	10,547	(47)	11,417
Travel	6,000	(240)	6,240	7,581
Maintenance and repairs - equipment	30,000	19,961	10,039	28,981
Maintenance and repairs - vehicles	15,000	18,966	(3,966)	5,875
Vehicle and equipment fuel	17,000	14,245	2,755	12,576
Supplies and materials	145,000	109,770	35,230	157,034
Uniforms	7,000	6,075	925	6,101
Contracted services	300,000	338,294	(38,294)	210,640
Dues and subscriptions	6,500	3,531	2,969	3,675
Miscellaneous	4,000	8,536	(4,536)	4,589
Meters, valves, hydrants	434,400	351,702	82,698	41,209
Small tools and equipment	10,000	7,619	2,381	-
Supplemental retirement	17,000	10,487	6,513	10,403
Total	1,511,900	1,354,466	157,434	950,883

City of Graham, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
For The Fiscal Year Ended June 30, 2019

Statement 7
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With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2018

	2019			2018
	Budget	Actual	Variance Positive (Negative)	Actual
Sewer mains				
Salaries	\$ 51,800	\$ 31,741	\$ 20,059	\$ 71,028
FICA	4,000	2,348	1,652	5,519
Group insurance	7,500	122	7,378	12,720
Professional services	5,000	20,000	(15,000)	40
Retirement	4,100	2,377	1,723	5,320
Longevity pay	2,500	1,043	1,457	3,714
Telephone and postage	6,000	4,997	1,003	5,150
Utilities	22,000	20,723	1,277	19,278
Travel	1,500	580	920	132
Maintenance and repairs - buildings	7,000	-	7,000	340
Maintenance and repairs - equipment	40,000	8,389	31,611	36,546
Maintenance and repairs - vehicles	6,000	2,483	3,517	2,591
Vehicle and equipment fuel	3,000	2,524	476	3,709
Supplies and materials	1,500	1,865	(365)	973
Uniforms	1,500	1,795	(295)	1,646
Contracted services	8,500	4,725	3,775	2,655
Miscellaneous	2,500	-	2,500	194
Small equipment purchase	2,500	16,428	(13,928)	-
Supplemental retirement	4,300	593	3,707	2,527
Total	181,200	122,733	58,467	174,082
Water Treatment Plant				
Salaries	451,000	458,508	(7,508)	434,000
Professional services	50,000	12,828	37,172	9,931
FICA	35,000	35,217	(217)	34,642
Group insurance	67,000	62,463	4,537	57,073
Unemployment expense	1,900	-	1,900	-
Retirement	35,000	36,622	(1,622)	33,822
Longevity pay	14,500	14,033	467	16,703
Telephone and postage	6,500	7,185	(685)	7,220
Utilities	210,000	200,003	9,997	198,034
Travel	4,500	4,964	(464)	1,656
Maintenance and repairs - buildings and grounds	45,000	17,848	27,152	79,138
Maintenance and repairs - equipment	45,000	25,688	19,312	35,663
Maintenance and repairs - vehicles	4,000	1,404	2,596	1,251

City of Graham, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
For The Fiscal Year Ended June 30, 2019

Statement 7
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With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2018

	2019			2018
	Budget	Actual	Variance Positive (Negative)	Actual
Vehicle and equipment fuel	\$ 3,000	\$ 1,691	\$ 1,309	\$ 1,631
Supplies and materials	500,000	505,507	(5,507)	484,463
Uniforms	3,000	1,946	1,054	1,663
Lab expense	45,000	29,914	15,086	32,360
Contract services	75,000	59,322	15,678	53,741
Dues and subscriptions	8,500	8,474	26	9,711
Small equipment	20,000	7,834	12,166	13,409
Miscellaneous	3,000	410	2,590	1,030
Supplemental retirement	22,500	21,751	749	19,658
Total	1,649,400	1,513,612	135,788	1,526,799
Waste Water Treatment Plant				
Salaries	483,000	462,601	20,399	385,084
Professional services	85,000	79,500	5,500	47,595
FICA	37,000	35,212	1,788	29,292
Group insurance	82,000	72,827	9,173	56,019
Unemployment expense	2,300	-	2,300	-
Retirement	37,500	36,221	1,279	29,639
Longevity pay	16,800	15,581	1,219	9,865
Telephone and postage	6,000	6,687	(687)	5,498
Utilities	155,000	142,714	12,286	149,400
Travel	4,000	2,581	1,419	2,999
Maintenance and repairs - buildings	85,000	47,272	37,728	14,410
Maintenance and repairs - equipment	75,000	18,995	56,005	39,722
Maintenance and repairs - vehicles	4,000	28,430	(24,430)	8,330
Vehicle and equipment fuel	12,000	10,539	1,461	5,031
Supplies and materials	175,000	150,533	24,467	158,123
Uniforms	4,300	2,060	2,240	1,552
Lab expense	50,000	50,707	(707)	50,576
Contracted services	32,000	31,548	452	23,693
Sewer treatment	405,000	425,253	(20,253)	-
Dues and subscriptions	20,000	13,369	6,631	14,043
Miscellaneous	4,000	767	3,233	874
Bad debt expense	-	1,765	(1,765)	4,256
Small equipment purchase	10,000	11,382	(1,382)	10,255
Supplemental retirement	24,000	18,949	5,051	17,046
Total	1,808,900	1,665,493	143,407	1,063,302

**City of Graham, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
For The Fiscal Year Ended June 30, 2019**

**Statement 7
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With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2018

	2019			2018
	Budget	Actual	Variance Positive (Negative)	Actual
Non-departmental				
Professional services	\$ 160,000	\$ 175,696	\$ (15,696)	\$ 146,980
Group Insurance	71,400	66,869	4,531	49,618
Water - Burlington	5,000	-	5,000	-
Contracted Services	28,500	36,791	(8,291)	23,518
Insurance and bonds	100,000	88,469	11,531	73,071
Small equipment purchase	25,000	20,231	4,769	20,000
Miscellaneous	8,000	5,352	2,648	6,896
Total	397,900	393,408	4,492	320,083
Debt service				
Interest	117,000	124,335	(7,335)	139,786
Debt principal	540,400	531,800	8,600	524,800
Total	657,400	656,135	1,265	664,586
Capital outlay - equipment & improvements				
Water billing and metering equipment	-	-	-	43,216
Water distribution improvements	10,000	-	10,000	246,074
Water distribution equipment	220,000	202,941	17,059	79,368
Sewer mains	65,000	53,556	11,444	67,770
Equipment	-	-	-	-
Water Treatment Plant improvements	120,000	64,899	55,101	16,400
Water Treatment Plant equipment	76,000	35,591	40,409	5,446
Waste Water Plant improvements	150,000	177,459	(27,459)	190,624
Waste Water Treatment Plant	97,000	33,742	63,258	55,564
Total	738,000	568,188	169,812	704,462
Total expenditures	7,396,100	6,663,354	732,746	6,184,502
Revenues over (under) expenditures	(678,000)	973,555	1,651,555	1,291,956

City of Graham, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
For The Fiscal Year Ended June 30, 2019

Statement 7
Page 6 of 6

With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2018

	2019			2018
	Budget	Actual	Variance Positive (Negative)	Actual
Other financing sources (uses)				
Fund balance appropriated	\$ 350,000	\$ -	\$ (350,000)	\$ -
Mebane WTP Capital Contribution	127,000	127,403	403	127,403
Mebane WWTP Payment	200,000	200,000	-	200,000
Transfer	-	(623,059)	(623,059)	(940,388)
Sale of surplus property	1,000	-	(1,000)	1,614
Total	678,000	(295,656)	(973,656)	(611,371)
Revenues and other sources (uses)				
over expenditures	<u>\$ -</u>	677,899	<u>\$ 677,899</u>	680,585
Reconciling items:				
Payment of debt principal		531,800		524,800
Principal payments received		(327,403)		(327,403)
Capital outlay		568,188		704,462
(Increase) decrease in accrued vacation pay		(20,055)		9,406
Increase (decrease) in deferred outflows of resources				
-OPEB		6,972		53,528
(Increase) decrease in deferred inflows of resources				
-OPEB		(87,560)		(234,727)
(Increase) decrease in accrued OPEB liability		36,355		154,174
(Increase) decrease in interest expense accrual		5,362		6,305
(Increase) decrease in net pension liability		(167,160)		128,240
(Increase) decrease in deferred inflows of resources				
-pensions		(2,031)		5,360
Increase (decrease) in deferred outflows of resources		139,695		(144,936)
- pensions				
Water and sewer assessments		4,878		(1,202)
Loss on disposal of assets		(12,220)		-
Capital contributions		-		-
Depreciation and amortization		(982,102)		(969,222)
Transfer to Water and Sewer Capital Reserve Fund		577,059		
Transfer to Water and Sewer Capital Projects Fund		46,000		-
Total reconciling items		317,778		(91,215)
Change in Net Position		<u>\$ 995,677</u>		<u>\$ 589,370</u>

City of Graham, North Carolina
Capital Reserve Fund - System Development Fees
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2018

Statement 8

	2019			2018
	Budget	Actual	Variance Positive (Negative)	Actual
Expenditures				
Capital outlay improvements	\$ -	\$ -	\$ -	\$ -
Capital outlay equipment	-	-	-	-
Total Expenditures	-	-	-	-
Revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Transfer to Water and Sewer Fund	-	-	-	-
Transfer from Water and Sewer Fund	-	577,059	577,059	-
Revenues and other sources over (under) expenditures	<u>\$ -</u>	577,059	<u>\$ 577,059</u>	
Fund balance, beginning		-		-
Fund balance, ending		<u>\$ 577,059</u>		<u>\$ -</u>

CITY OF GRAHAM, NORTH CAROLINA
Boyd Creek Pump Station Capital Project
Schedule of Revenues and Expenditures - Budget and Actual (Non GAAP)
From Inception and For the Fiscal Year Ended June 30, 2019

Statement 9

	Project	Actual			Variance
	Authori- zation	Prior Year	Current Year	Total To Date	Positive (Negative)
Expenditures					
Professional services	\$ 220,000	\$ 206,646	\$ 42,715	\$ 249,361	\$ (29,361)
Construction	430,000	384,925	8,066	392,991	37,009
Lift station construction	2,450,000	-	-	-	2,450,000
Loan fees	46,000	-	-	-	46,000
Total	3,146,000	591,571	50,781	642,352	2,503,648
Other financing sources:					
Operating transfer from					
Water and Sewer Fund	696,000	650,000	46,000	696,000	-
Grant proceeds	612,500	-	-	-	(612,500)
Loan proceeds	1,837,500	-	-	-	(1,837,500)
	3,146,000	650,000	46,000	696,000	(2,450,000)
Net change in fund balance	\$ -	\$ 58,429	\$ (4,781)	\$ 53,648	\$ 53,648

**City of Graham, North Carolina
Internal Service Fund - Garage Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
For The Fiscal Year Ended June 30, 2019**

**Statement 10
Page 1 of 2**

With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2018

	2019			2018
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Operating revenues				
Charges for services				
Alamance County - maintenance	\$ 204,600	\$ 180,079	\$ (24,521)	\$ 168,472
City of Graham	568,000	640,150	72,150	563,297
Graham Housing Authority	12,500	13,145	645	11,976
ACTA vehicles	81,700	15,557	(66,143)	60,631
Green Level	23,400	16,988	(6,412)	13,334
ABC vehicles	2,400	3,302	902	2,597
Sale of surplus property	100	-	(100)	-
Miscellaneous income	100	-	(100)	-
Total	892,800	869,221	(23,579)	820,307
Total operating revenues	892,800	869,221	(23,579)	820,307
Non-operating revenues				
Investment earnings	600	2,404	1,804	1,176
Total non-operating revenues	600	2,404	1,804	1,176
Total revenues	893,400	871,625	(21,775)	821,483
Expenditures:				
Operations				
Salaries	119,700	126,782	(7,082)	113,638
FICA	9,100	9,850	(750)	8,832
Group insurance	16,200	13,825	2,375	12,753
Dental insurance	1,000	84	916	135
Unemployment expense	600	-	600	-
Retirement	8,100	8,452	(352)	7,695
Longevity pay	3,400	3,273	127	3,128
Telephone and postage	3,600	3,911	(311)	3,528
Utilities	3,500	3,013	487	3,070
Travel	500	-	500	-
Maintenance and repairs - equipment	3,500	2,899	601	859
Maintenance and repairs - vehicles	3,500	491	3,009	375
Vehicle and equipment fuel	2,000	842	1,158	1,160
Supplies and materials	3,500	1,616	1,884	1,819

City of Graham, North Carolina
Internal Service Fund - Garage Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
For The Fiscal Year Ended June 30, 2019

Statement 10
Page 2 of 2

With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2018

	2019			2018
	Budget	Actual	Variance Positive (Negative)	Actual
Uniforms	\$ 3,800	\$ 3,675	\$ 125	\$ 3,743
Dues and subscriptions	6,200	5,612	588	2,925
Miscellaneous	3,500	3,238	262	680
Purchases for inventory	690,000	661,797	28,203	634,103
Supplemental retirement	5,200	5,287	(87)	4,962
Capital outlay - small tools	6,500	-	6,500	2,115
Total	893,400	854,647	38,753	805,520
Capital outlay	10,000	8,190	1,810	-
Total expenditures	903,400	862,837	40,563	805,520
Revenues over (under) expenditures	(10,000)	8,788	18,788	15,963
Other financing sources (uses)				
Fund balance appropriated	10,000	-	10,000	-
Revenues and other sources (uses) over expenditures	<u>\$ -</u>	8,788	<u>\$ 8,788</u>	15,963
Reconciling items:				
Capital outlay		8,190		-
Depreciation		(6,825)		(6,240)
Loss on disposal of assets		-		-
Increase in deferred outflows of resources - pensions		13,969		(13,803)
(Increase) decrease in net pension liability		(16,716)		12,213
(Increase) decrease in deferred inflows of resources - pensions		(203)		510
Increase (decrease) in deferred outflows of resources -OPEB		891		4,409
(Increase) decrease in deferred inflows of resources -OPEB		(7,714)		(19,336)
(Increase) decrease in OPEB Liability		3,203		12,700
(Increase) decrease in accrued vacation pay		(1,940)		1,708
Total reconciling items		(7,145)		(7,839)
Change in Net Position		<u>\$ 1,643</u>		<u>\$ 8,124</u>

City of Graham, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2019

Statement 11

Fiscal Year	Uncollected Balance June 30, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2018-2019	\$	\$ 5,496,569	\$ 5,413,329	\$ 83,240
2017-2018	59,994	-	30,933	29,061
2016-2017	30,845	-	10,195	20,650
2015-2016	21,215	-	5,684	15,531
2014-2015	15,189	-	3,435	11,754
2013-2014	17,597	-	2,771	14,826
2012-2013	18,254	-	2,569	15,685
2011-2012	15,517	-	1,947	13,570
2010-2011	12,048	-	1,364	10,684
2009-2010	12,512	-	671	11,841
2008-2009	21,895	-	21,895	-
	<u>\$ 225,066</u>	<u>\$ 5,496,569</u>	<u>\$ 5,494,793</u>	226,842

Less: Allowance for uncollectible accounts (General Fund)

35,166

Ad valorem taxes receivable - net

\$ 191,676

Reconciliation with revenues:

Ad valorem taxes - General Fund

\$ 5,510,578

Reconciling items:

Tax cost and interest

(32,125)

Amounts written off for tax year 2008-2009
per statute of limitations

21,895

Refunds and other adjustments - net

(5,555)

Subtotal

(15,785)

Total collections and credits

\$ 5,494,793

City of Graham, North Carolina
Analysis of Current Tax Levy
City-Wide Levy
For The Fiscal Year Ended June 30, 2019

Statement 12

	City-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 1,219,441,368	\$ 0.455	\$ 5,548,458	\$ 4,969,809	\$ 578,649
Penalties	-		-	-	-
Total	1,219,441,368		5,548,458	4,969,809	578,649
Discoveries	6,701,895		30,494	30,494	-
			5,578,952	5,000,303	578,649
Abatements	(18,106,119)		(82,383)	(82,383)	-
Total property valuation	<u>\$ 1,208,037,144</u>				
Net levy			5,496,569	4,917,920	578,649
Uncollected taxes at June 30, 2019			(83,240)	(75,756)	(7,484)
Current year's taxes collected			<u>\$ 5,413,329</u>	<u>\$ 4,842,164</u>	<u>\$ 571,165</u>
Current levy collection percentage			<u>98.49%</u>	<u>98.46%</u>	<u>98.71%</u>
<u>Secondary Market Disclosures:</u>					
Assessed Valuation:			Total		
Assessment Ratio ¹			100%		
Real Property			\$ 931,254,361	\$ 931,254,361	\$ -
Personal Property			245,589,063	118,413,499	127,175,564
Public Service Companies ²			31,193,720	31,193,720	-
Total Assessed Valuation			1,208,037,144	1,080,861,580	127,175,564
Tax Rate per \$100			0.455	0.455	0.455
Levy (includes discoveries, releases and abatements)			<u>\$ 5,496,569</u>	<u>\$ 4,917,920</u>	<u>\$ 578,649</u>

¹ Percentage of appraised value has been established by statute.

² Valuation of railroads, telephone companies and other utilities as determined by the North Carolina Property Tax Commission.

**City of Graham, North Carolina
Ten Largest Taxpayers
For The Fiscal Year Ended June 30, 2019**

Taxpayer	Type of Business		Percentage of Total Assessed Valuation
LIDL US Operations LLC	Manufacturing	\$ 80,856,879	6.69%
ECO Watercourse, LLC	Rental	19,353,027	1.60%
Indulor America LP	Manufacturing	13,706,060	1.13%
Luxfer Inc.	Manufacturing	12,545,930	1.04%
Duke Energy	Utilities	12,353,621	1.02%
Peak of Graham LLC	Healthcare	10,590,606	0.88%
Pines Apartments of Graham LLC	Rental	9,409,857	0.78%
Sterigenics U.S. LLC	Sterilization Technologies	7,452,907	0.62%
Piedmont Natural Gas	Utilities	6,152,723	0.51%
Premier Properties of Reidsville	Rental	6,011,213	0.50%
		<u>\$ 178,432,823</u>	<u>14.77%</u>



**STOUT
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United State of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Graham, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the City of Graham's basic financial statements and have issued our report thereon dated October 30, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Graham's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Graham's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

STOUT STUART MCGOWEN & KINGS LLP

October 30, 2019



**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT
ON INTERNAL CONTROL OVER COMPLIANCE; IN ACCORDANCE WITH
OMB UNIFORM GUIDANCE; AND THE STATE SINGLE AUDIT
IMPLEMENTATION ACT**

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

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

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Graham's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 US *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the City of Graham's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

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

Report on Internal Control Over Compliance

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

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

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

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

STOUT STUART MC GOWEN & KING LLP

October 30, 2019

CITY OF GRAHAM, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant Deficiency(s) identified that are not
considered to be material weaknesses _____ Yes X None Reported

Noncompliance material to financial statements noted _____ Yes X No

State Awards

Internal control over major State programs:

Material weakness(es) identified? _____ Yes X No

Significant Deficiency(s) identified that are not
considered to be material weaknesses _____ Yes X None Reported

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

Any audit findings disclosed that are required to be
reported in accordance with State Single Audit
Implementation Act _____ Yes X No

Identification of major State Programs:

Program Name

Powell Bill

CITY OF GRAHAM, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

Section II. Financial Statement Findings

None reported.

Section III. State Award Findings and Questioned Costs

None reported.

CITY OF GRAHAM, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2019

None Reported

CITY OF GRAHAM, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For The Year Ended June 30, 2019

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct and Pass-through) Expenditures	State Expenditures
Federal Grants:				
<u>U.S. Department of Transportation</u>				
<u>National Highway Traffic Safety Administration</u>				
Passed through N.C. Department of Transportation				
State and Community Highway Safety	20.600		45,111	
National Priority Safety Programs	20.616		17,017	
State Grants:				
<u>NC Division of Environmental Assistance and Customer Service</u>				
Community Waste Reduction and Recycling Grant	N/A	UNKNOWN	-	13,838
				-
<u>N.C. Department of Transportation</u>				
Powell Bill	N/A	UNKNOWN	-	393,558
<u>N.C. Department of Education</u>				
Passed through Alamance-Burlington School System				
School Resource Officer	N/A	UNKNOWN	-	111,303
Total assistance - State programs			-	518,699
Total assistance			\$ 62,128	\$ 518,699

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

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

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

City of Graham has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.