

**TOWN OF GRANITE FALLS
NORTH CAROLINA**

ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 2019

TOWN OF GRANITE FALLS, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2019

Mayor

Barry Hayes

Town Council

Dr. Caryl B. Burns, Mayor Pro Tem

Larry Knight

Jim Mackie

Mike Mackie

Martin D. Townsend

Tracy Townsend

Town Manager

Jerry Church

Prepared by the Town of Granite Falls Finance Department

Finance Director

Marsha Harbison

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MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Granite Falls ABC Board. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Granite Falls ABC Board is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Granite Falls ABC Board were not audited in accordance with *Government Auditing Standards*.

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 on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Granite Falls, North Carolina, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Granite Falls' basic financial statements. The combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax 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, budget and actual schedules, supplemental ad valorem tax schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management, were derived from, and relate 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 and the other auditors. In our opinion, based on our audit, the

procedures performed as described above, and the report of the other auditors, the combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material 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 23, 2019 on our consideration of the Town of Granite Falls' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Granite Falls' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Granite Falls' internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 23, 2019

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Management's Discussion and Analysis

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

Financial Highlights

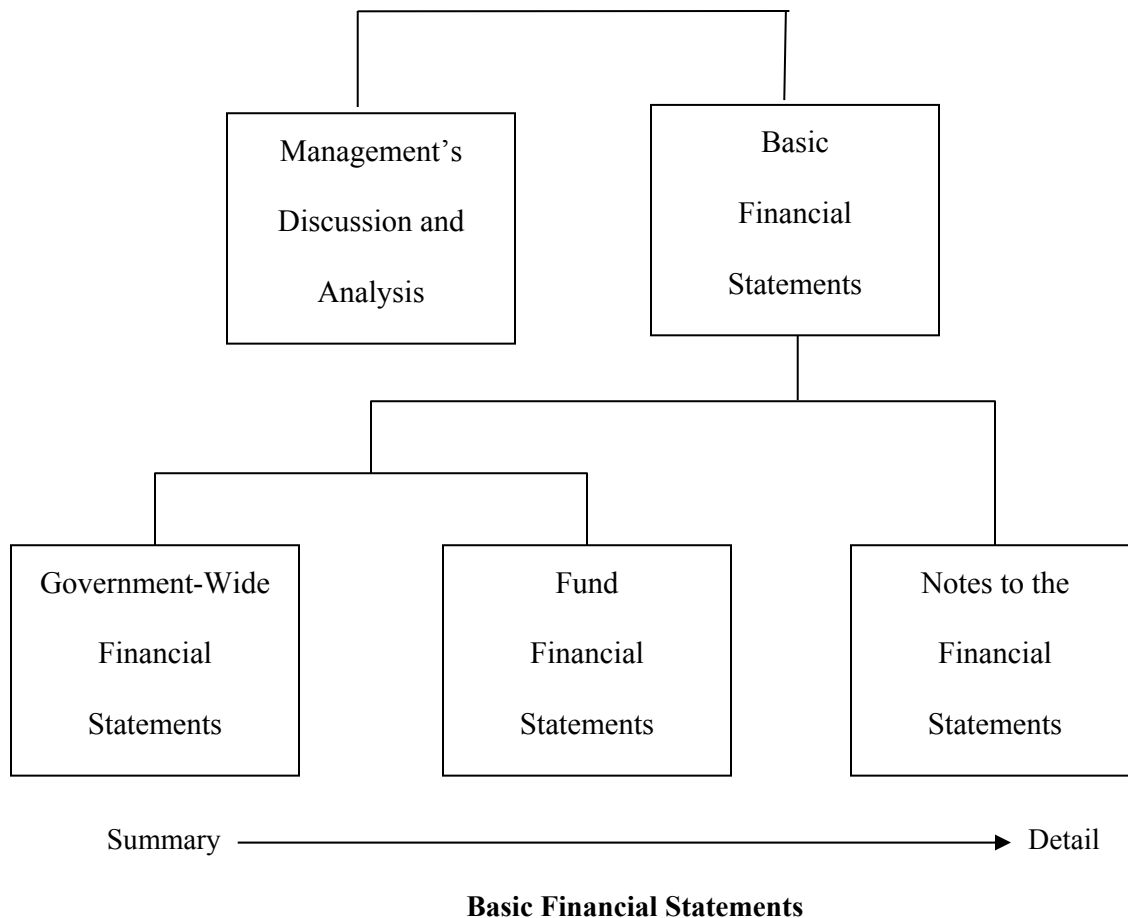
- The assets and deferred outflows of resources of the Town of Granite Falls exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$29,693,037 (*net position*).
- The government's total net position increased by \$362,036.
- At the close of the current fiscal year, the Town of Granite Falls' governmental funds reported combined ending fund balances of \$3,180,114, a decrease of \$200,085 in comparison with the prior year. Approximately 18% of this total amount, or \$576,953, is restricted or non-spendable.
- At the end of the current fiscal year, available fund balance for the General Fund was \$2,750,093, or 66%, of total General Fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include most of the Town's basic services such as public health and safety, economic and physical development, streets and public works, and general administration. Property taxes and federal and State grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the electric and the water and sewer services offered by the Town of Granite Falls. The final category is the component unit. Although legally separate from the Town, the ABC Board is important because the Town is financially accountable for the Board by appointing its members and because the Board is required to distribute its profits to the Town.

The government-wide financial statements are on Exhibits A and B of this report. Information on the financial statements of the component unit is included in Note 1.A.

Fund Financial Statements

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

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

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

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow Exhibit I of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Granite Falls' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 62-66 of this report.

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

**Government-Wide Financial Analysis
Town of Granite Falls' Net Position**

Figure 2

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Assets:						
Current and other assets	\$ 3,385,595	\$ 3,558,575	\$ 8,023,917	\$ 7,865,698	\$ 11,409,512	\$ 11,424,273
Capital assets, net	<u>5,866,045</u>	<u>5,513,147</u>	<u>17,353,159</u>	<u>17,332,812</u>	<u>23,219,204</u>	<u>22,845,959</u>
Total assets	<u>9,251,640</u>	<u>9,071,722</u>	<u>25,377,076</u>	<u>25,198,510</u>	<u>34,628,716</u>	<u>34,270,232</u>
Deferred outflows of resources	<u>510,194</u>	<u>353,632</u>	<u>287,562</u>	<u>186,664</u>	<u>797,756</u>	<u>540,296</u>
Liabilities:						
Current liabilities	149,181	112,334	1,065,756	1,048,871	1,214,937	1,161,205
Other liabilities	<u>1,250,280</u>	<u>1,164,057</u>	<u>3,198,385</u>	<u>3,116,911</u>	<u>4,448,665</u>	<u>4,280,968</u>
Total liabilities	<u>1,399,461</u>	<u>1,276,391</u>	<u>4,264,141</u>	<u>4,165,782</u>	<u>5,663,602</u>	<u>5,442,173</u>
Deferred inflows of resources	<u>68,037</u>	<u>18,892</u>	<u>1,796</u>	<u>18,462</u>	<u>69,833</u>	<u>37,354</u>
Net Position:						
Net investment in capital assets	5,799,379	5,413,147	14,636,167	14,573,353	20,435,546	19,986,500
Restricted	576,953	540,958	-	-	576,953	540,958
Unrestricted	<u>1,918,004</u>	<u>2,175,966</u>	<u>6,762,534</u>	<u>6,627,577</u>	<u>8,680,538</u>	<u>8,803,543</u>
Total net position	<u>\$ 8,294,336</u>	<u>\$ 8,130,071</u>	<u>\$ 21,398,701</u>	<u>\$ 21,200,930</u>	<u>\$ 29,693,037</u>	<u>\$ 29,331,001</u>

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town of Granite Falls exceeded liabilities and deferred inflows of resources by \$29,693,037 as of June 30, 2019. The Town's net position increased by \$362,036 for the fiscal year ended June 30, 2019. The largest portion of net position (69%) reflects the Town's net investment in capital assets (e.g. land, buildings, and equipment). The Town of Granite Falls uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Granite Falls' investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Granite Falls' net position (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$8,680,538 is unrestricted.

Several particular aspects of the Town's financial operations positively influenced total net position:

- Continued diligence in the collection of ad valorem property taxes
- Expansion of the sales tax collections and the property tax base by the opening of the following new businesses during fiscal 2019: L J Patterson Properties, LLC, Motorcars & More, Sedgewick Homes, LLC, Sheds Direct, Caldwell Memorial Hospital UNC Ambulatory Surgery Center DBA Prime Surgical Suites, Foothills Automotive, Plantation Park Properties, Acam Investments, LLC.
- Utilization of the NC Debt Setoff program. Since its inception, the Town has received approximately \$175,081 in bad debt collections through this program.
- Continued aggressiveness in seeking grants to assist in funding capital projects, rate studies, and programs
- Increased fees for services when necessary to better cover costs of providing services
- Fiscal responsibility by continuing to control spending.

Town of Granite Falls' Changes in Net Position

Figure 3

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues:						
Program revenues:						
Charges for services	\$ 321,920	\$ 280,843	\$ 9,191,267	\$ 8,934,573	\$ 9,513,187	\$ 9,215,416
Operating grants and contributions	51,171	44,189	300,039	35,650	351,210	79,839
Capital grants and contributions	276,332	201,635	-	-	276,332	201,635
General revenues:						
Property taxes	1,946,994	1,895,818	-	-	1,946,994	1,895,818
Other taxes and licenses	1,098,611	1,019,264	9,480	15,363	1,108,091	1,034,627
Unrestricted intergovernmental revenues	490,922	463,945	-	-	490,922	463,945
Investment earnings, unrestricted	46,767	10,744	81,068	16,193	127,835	26,937
Total revenues	<u>4,232,717</u>	<u>3,916,438</u>	<u>9,581,854</u>	<u>9,001,779</u>	<u>13,814,571</u>	<u>12,918,217</u>
Expenses:						
General government	201,902	176,264	-	-	201,902	176,264
Public safety	1,889,624	1,813,750	-	-	1,889,624	1,813,750
Streets and public works	1,262,171	608,607	-	-	1,262,171	608,607
Economic and physical development	-	47,442	-	-	-	47,442
Sanitation	186,179	181,145	-	-	186,179	181,145
Cultural and recreation	579,131	508,164	-	-	579,131	508,164
Interest on long-term debt	9,404	12,498	-	-	9,404	12,498
Electric	-	-	6,586,880	6,930,461	6,586,880	6,930,461
Water and sewer	-	-	2,737,244	2,161,133	2,737,244	2,161,133
Transfers	(59,959)	-	59,959	-	-	-
Total expenses	<u>4,068,452</u>	<u>3,347,870</u>	<u>9,384,083</u>	<u>9,091,594</u>	<u>13,452,535</u>	<u>12,439,464</u>
Change in net position	<u>164,265</u>	<u>568,568</u>	<u>197,771</u>	<u>(89,815)</u>	<u>362,036</u>	<u>478,753</u>
Net Position:						
Beginning of year - July 1	8,130,071	7,569,556	21,200,930	21,294,413	29,331,001	28,863,969
Restatement	-	(8,053)	-	(3,668)	-	(11,721)
Beginning of year - restated	<u>8,130,071</u>	<u>7,561,503</u>	<u>21,200,930</u>	<u>21,290,745</u>	<u>29,331,001</u>	<u>28,852,248</u>
End of year - June 30	<u>\$ 8,294,336</u>	<u>\$ 8,130,071</u>	<u>\$21,398,701</u>	<u>\$21,200,930</u>	<u>\$29,693,037</u>	<u>\$29,331,001</u>

Governmental Activities. Governmental activities' net position increased by \$164,265. Key elements of this increase are as follows:

- Purchased two Ford Interceptor vehicles, two Viking Multiband Radios, three car radios, and a camera recording system for the Interrogation Room at the Police Department.
- Purchased a Rescue One boat, a Ford F150, a Ford F-550 4wd and a battery station for the Fire Department.
- Purchased a Ford F150 4wd, a chipper truck and two lift gates for the Street Department.
- Purchased a John Deere Ztrak mower, a playground system, a chlorinator controller, and a new roof for the gym at the Recreation Center.
- A Grant from the State 2018 Appropriations Act provided \$50,000 in funding for new ADA playground equipment and ADA sidewalk at the Recreation Center.
- A Grant from the NC DNCR Division of Parks and Recreation Connect NC Bond provided \$80,000 in funding for new outdoor ADA restrooms and new indoor ADA restrooms as well as ADA van accessible parking at the Recreation Center.
- The Granite Falls Town Council amended the 2018-2019 budget to include the following items:
 - a. \$222,500 to complete prior year capital projects from Fund Balance.
 - b. \$106,669 from Powell Bill Fund Balance, \$300,000 from General Fund Balance and \$159,500 from increased revenues to provide additional funds for street paving and maintenance projects and capital projects.
 - c. \$2,100 for State Drug Tax in the Police Department.
 - d. \$17,279 for ABC Distributions to the local schools
- Department heads continued to control spending.
- Town departments implemented increased fees for services where necessary to better cover costs of providing these services.

Business-Type Activities. Business-type activities increased the Town of Granite Falls' net position by \$197,771. Key elements of this increase are as follows:

- Purchased a Ford F-550 Jetter truck, two Chevrolet Silverados, and a Caterpillar backhoe.
- Purchased a laser turbidimeter, a refrigerated sampler, a Metrotech locator, an Aquatest leak detector, a 460v pump with lifting bail, a Sulzer pump, a heat pump at the Public Works building and three submersible pumps for the Water & Sewer Department.
- Installed a grinder pump station and a new sewer line for the new outdoor bathrooms at the Recreation Center.
- The Water Sewer Department budget was amended by \$7,432 for maintenance projects from SEMA reimbursement for prior year storm damage.
- The Town Council approved an across-the-board increase of 3.4% in the water and sewer rates to offset rising chemical costs and address aging system infrastructure issues.
- The Town Council approved a 1.0% decrease in retail electric rates. This makes the 4th consecutive year that electric rates have decreased or remained neutral.
- The Electric Department purchased a 2019 Altec bucket truck and a 350kw generator for the Wastewater Plant.
- Purchased a 750 KVA 3 phase padmount transformer, two 15 KVA 1 phase polemount transformers, two 500 KVA 3 phase padmount transformers and three 100 KVA padmount transformers.
- Purchased seven Kohler generators.
- The Electric Department budget was amended by \$100,000 to complete prior year capital projects, by \$14,476 for maintenance projects from SEMA reimbursement for prior year storm damage and by \$62,600 for increased electricity sales and purchases.

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town of Granite Falls. At the end of the current fiscal year, available fund balance of the General Fund was \$2,750,093, while total fund balance reached \$3,180,114. The Town currently has an available fund balance of 66% of General Fund expenditures while total fund balance represents 76% of the same amount.

At June 30, 2019, the governmental funds of the Town of Granite Falls reported a fund balance of \$3,180,114, a 6% decrease over last year.

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

Total amendments to the General Fund budget increased revenues by \$808,048. Amendments were necessary to complete prior year capital projects, for State Drug Tax, to allocate grants from the NC DNCR Connect NC Bond and from the NC 2018 Appropriations Act. Amendments were also made for ABC distributions to local schools, for paving and street maintenance projects and for the SEMA reimbursement for prior year storm damage that was not received until the 2019 fiscal year.

Proprietary Funds. The Town of Granite Falls' 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 totaled \$2,616,508 and for the Electric Fund totaled \$4,146,026 for the year ended June 30, 2019. The decrease in net position for the Water and Sewer Fund was \$325,700 while the increase in net position for the Electric Fund was \$523,471.

Total amendments to the Water and Sewer Fund budget increased revenues by \$7,432 for the SEMA reimbursement received in 2019 for prior year storm damage. Total amendments to the Electric Fund budget increased revenues by \$177,076 to complete prior year capital projects, for the SEMA reimbursement received in FY 2019 for prior year storm damage and for an increase in electricity purchased and sold by the Town.

Capital Asset and Debt Administration

Capital Assets. The Town of Granite Falls' capital assets for its governmental and business-type activities as of June 30, 2019 totals \$23,219,204 (net of accumulated depreciation). These assets include buildings, land, improvements, and machinery and equipment.

Major capital asset transactions during the year include:

- Purchased two Ford Interceptor vehicles, two Viking Multiband Radios, three car radios and a camera recording system for the Interrogation Room at the Police Department.
- Purchased a Rescue One boat, a Ford F150, a Ford F-550 4wd and a battery station for the Fire Department.
- Purchased a Ford F150 4wd, a chipper truck and two lift gates for the Street Department.
- The Recreation Department purchased a John Deere Ztrak mower, a playground system, a chlorinator controller and a new roof for the gym for the Recreation Center.
- A Grant from the State 2018 Appropriations Act provided funding for new ADA playground equipment and ADA sidewalk at the Recreation Center.
- A Grant from the NC DNCR Division of Parks and Recreation Connect NC Bond provided funding for new outdoor ADA restrooms and new indoor ADA restrooms as well as ADA van accessible parking at the Recreation Center.
- The Water & Sewer Department purchased a Ford F-550 Jetter truck, two Chevrolet Silverados, and a Caterpillar backhoe.
- Purchased a laser turbidimeter, a refrigerated sampler, a Metrotech locator, an Aquatest leak detector, a 460v pump with lifting bail, a Sulzer pump, a heat pump at the Public Works building and three submersible pumps for the Water & Sewer Department.
- Installed a grinder pump station and a new sewer line for the new outdoor bathrooms at the Recreation Center.
- The Electric Department purchased a 2019 Altec bucket truck and a 350kw generator for the Wastewater Plant.
- Purchased a 750 KVA 3 phase padmount transformer, two 15 KVA 1 phase polemount transformers, two 500 KVA 3 phase padmount transformers and three 100 KVA padmount transformers.
- Purchased seven Kohler transfer generators.

Debt Administration

- The 2019 General Fund budget included \$88,300 for debt service on the administrative offices and the New Farm Road property.
- The 2019 Water & Sewer Fund budget included \$205,500 for debt service on the three Clean Water State Revolving Fund (CWSRF) loans.
- The Electric Fund currently has no debt.

Town of Granite Falls' Capital Assets

Figure 4

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 1,582,263	\$ 1,582,263	\$ 213,140	\$ 213,140	\$ 1,795,403	\$ 1,795,403
Construction in progress	-	-	43,997	-	43,997	-
Buildings	2,329,892	2,168,504	-	-	2,329,892	2,168,504
Land improvements	195,500	195,500	-	-	195,500	195,500
Infrastructure	1,373,081	1,308,298	-	-	1,373,081	1,308,298
Plant and distribution systems	-	-	31,377,823	31,374,743	31,377,823	31,374,743
Equipment and vehicles	<u>3,654,010</u>	<u>3,206,972</u>	<u>3,953,332</u>	<u>3,108,817</u>	<u>7,607,342</u>	<u>6,315,789</u>
Total	9,134,746	8,461,537	35,588,292	34,696,700	44,723,038	43,158,237
Accumulated depreciation	<u>(3,268,701)</u>	<u>(2,948,390)</u>	<u>(18,235,133)</u>	<u>(17,363,888)</u>	<u>(21,503,834)</u>	<u>(20,312,278)</u>
Capital assets, net	<u>\$ 5,866,045</u>	<u>\$ 5,513,147</u>	<u>\$17,353,159</u>	<u>\$17,332,812</u>	<u>\$23,219,204</u>	<u>\$22,845,959</u>

Additional information on the Town's capital assets can be found in Note 2 of the Basic Financial Statements.

Long-Term Debt. As of June 30, 2019, the Town of Granite Falls had total notes payable outstanding of \$2,879,672. Of total notes payable outstanding, \$66,666 are secured by assets of the Town.

Town of Granite Falls' Outstanding Debt

Figure 5

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Notes payable	<u>\$162,680</u>	<u>\$241,235</u>	<u>\$ 2,716,992</u>	<u>\$ 2,759,459</u>	<u>\$ 2,879,672</u>	<u>\$ 3,000,694</u>

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Granite Falls is approximately \$34,023,000.

Additional information regarding the Town of Granite Falls' long-term debt can be found in Notes 1 and 2 of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

The following are economic indicators affecting the Town:

- Caldwell County experienced some of the highest unemployment rates in North Carolina during the years 2008 through 2014. The highest rate was in February 2010 at 17.1%, compared to 4.6% in July 2019, and 15.0% in July 2009.
- In late 2008, the United States, especially North Carolina and the Unifour region, experienced one of the sharpest downturns in the economy since the Great Depression. Caldwell County and Granite Falls were hit extremely hard due to the area's large manufacturing job base. The Caldwell County economic conditions have greatly improved and the County was designated a Tier II County by the NC Department of Commerce for 2018. The NC Department of Commerce also designated Caldwell County as a 21st Century Community in July 2008.
- Granite Falls, as well as most of the State of North Carolina, faced a severe drought from late 2006 until the summer of 2009 when normal rainfall began. From December 2011 through June 2015, the Town was in Stage 0 Normal Conditions. The Town was under Stage 1 Voluntary Water Restrictions from July 2015 through November 2015. The Town has been in stage 0 Normal Conditions since November 2015. Granite Falls participates with other water users in complying with the Low Inflow Protocol (LIP) that is part of Duke Energy Company's FERC relicensing requirements.
- The Town Council approved the 2019-2020 property tax rate to remain at \$.4485 per \$100 valuation. Granite Falls' tax levy for 2019 ad valorem taxes is \$1,772,262, which represents an increase of \$33,425 or 1.92% from the 2018 tax levy of \$1,738,837.
- For Fiscal 2019-2020, the Town Council approved a \$3 monthly residential solid waste fee to offset the increasing cost of waste collection and the purchase of waste collection equipment.
- In 2009, the Town, in cooperation with Caldwell County, purchased 66 acres from Edward Wayne Whisenant off New Farm Road. The property was officially purchased in the name of Caldwell EDC Properties, LLC. Caldwell County and Granite Falls negotiated three-year interest-only payments with Parkway Bank with anticipation the property would be sold for economic development within that time period. As part of the intergovernmental agreement, Caldwell County agreed to pay the monthly interest payments, and Granite Falls will make one annual reimbursement in July. If the property was not sold within three years, the loan would have reverted to interest and principal payments. On May 2, 2011, the Town Council approved an amended Interlocal Agreement between Caldwell County, Caldwell County EDC, LLC, and the Town of Granite Falls, which converted the loan to a 10-year fixed interest rate loan under which the Town would pay both principal and interest, with the first payment due date of July 15, 2011. This parcel was annexed into the Town limits on December 1, 2009.
- The Town participated in the NC Department of Commerce Small Town Main Street program through June 2018. The program uses the "Four Point Approach" to downtown revitalization that includes organization, promotions, design, and economic restructuring. A Facade Grant program was identified as a need by local participants in the program. While the Town no longer participates in this program, the Council approved continuing the Facade Grant program and approved \$6,000 in the fiscal year 2019-2020 budget to continue the Facade Grant program.
- The Town partnered with downtown merchants to begin the Granite Falls Merchants Association in early 2008. The Merchants Association held their first annual "Festival On Main" in September 2009. This event was so successful, the merchants voted to make this an annual event and the eleventh annual festival was held in September 2019.
- The Granite Falls History and Transportation Museum continues to be open on weekends and is staffed by volunteers. The museum is opened other times by appointment. The museum, located at 107 Falls Avenue, was renovated with a \$335,000 grant from DOT enhancement funds, along

with the Town's local contribution of \$92,538. The Town pays the ongoing operating costs of the museum.

- The Town developed a comprehensive Capital Improvement Plan (CIP) in fiscal 2012. Town staff continue to schedule and complete CIP projects each year. The fiscal 2020 capital outlay budget of \$2,098,500 represents an increase of \$187,158 over the fiscal 2019 capital outlay budget as amended.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities. General Fund revenues budgeted for the fiscal year 2020 are \$4,654,000 which is basically flat with 2019 actual revenues. The tax rate for fiscal 2020 remains at \$.4485 per \$100 valuation. The Town General Fund personnel budget increased by 5.2 due to the implementation of Phase V of the MAPS Group Position and Classification Study and for increases in the cost of employee benefits. The Town has appropriated \$197,000 in unrestricted fund balance to pay for Capital Improvement Plan (CIP) projects. Major capital projects include a new phone system and security measures for the Administrative Office, new patrol cars and building maintenance for the Police Department, new SCBA air packs for the Fire Department, more street resurfacing and equipment for the Street Department, and renovating the Civic Building and a meeting room in the main Recreation building. In 2020, the Town plans to update the ADA Assessment & Transition Plan, the Land Use Plan and the Stormwater Plan in Administration. The Town continues to take a conservative approach to budgeting.

Business-Type Activities. Granite Falls' electric department received the prestigious Reliable Public Power Provider (RP3) Diamond designation from American Public Power for the three-year period 2018-2021. The Town has received the RP3 designation on five separate occasions. In 2015, the Town of Granite Falls was one of only 240 of 2,000 Public Power systems to receive this honor in the United States. The Town received three Public Power Awards of Excellence. These awards are for the Value of Public Power, Continuous Improvement, and Wholesale Power Cost.

In July 2019, the Town reduced retail electric rates by 1.0%. The NC Municipal Power Agency #1 increased the Renewable Energy Portfolio Standards (REPS) charge that averages one-half percent of each customer's electric bill.

RENEWABLE ENERGY PORTFOLIO STANDARDS – SENATE BILL 3

2019 - 2020		
<u>Customer</u>	<u>Monthly Cost</u>	<u>Annual Cost</u>
Residential	0.72	8.64
Commercial	3.93	47.16
Industrial	40.51	486.12

The fiscal year 2020 Electric Fund budget does not include funds for Electric Fund debt service payments. The Electric Fund debt was paid in full during fiscal 2012.

In the fiscal year 2019, the Town will continue its commitment to green power and energy efficiency initiatives through rebate programs to customers for installing energy efficient water heaters and heat pumps. The Council recently approved three energy efficiency programs for Town customers. The fiscal year 2019 Electric Fund budget includes \$639,500 to address items from the Town's Capital Improvement Plan (CIP). The Town has appropriated \$323,800 from the Electric Fund Unrestricted Net Position to pay for the CIP projects.

The Town has historically operated in a deficit in the Water and Sewer Fund as water and sewer sales have been sluggish as a direct result of loss of local industry coupled with customer's usage being less due to conservation measures caused by previous drought conditions. The 2019-2020 budget includes a water rate increase on the 3,000-gallon minimum monthly charge from \$25.29 to \$26.10 or \$.81, and an increase on the monthly base sewer rate of \$.50 from \$15.68 to \$16.18. In addition to the base rate increases, the Town implemented small block usage rate increases. The increased cost to a household using the minimum 5,000 gallons of water and sewer per month will be \$2.03 or approximately .07 cents per day. Rate increases were also implemented for County customers on Town-owned lines, large commercial and industrial users, and wholesale customers. The Town rate structure and metering practices are in compliance with the State mandates of "the more a user consumes the more they pay" and separate meters required for irrigation systems.

The fiscal year 2020 Water and Sewer Fund budget includes \$201,000 for Water and Sewer Fund debt payments. The budget also includes \$1,002,000 in capital outlay, \$500,000 of which will be funded by a State Revolving Fund loan. The budget requires the use of the \$626,200 from the Water and Sewer Fund Unrestricted Net Position.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Manager, 30 Park Square, Granite Falls, North Carolina 28630, or call (828) 396-3131.

TOWN OF GRANITE FALLS, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Granite Falls ABC Board
Assets:				
Current assets:				
Cash and investments	\$ 2,886,787	\$ 5,390,384	\$ 8,277,171	\$ 213,660
Taxes receivable, net	53,043	-	53,043	-
Accounts receivable, net	389,182	1,535,169	1,924,351	-
Interest receivable	-	3,172	3,172	-
Due from component unit	41,870	-	41,870	-
Inventory	-	728,908	728,908	164,919
Prepaid items	-	-	-	2,117
Cash and investments, restricted	14,713	366,284	380,997	-
Total current assets	3,385,595	8,023,917	11,409,512	380,696
Non-current assets:				
Capital assets:				
Land and construction in progress	1,582,263	257,137	1,839,400	79,509
Other capital assets, net of depreciation	4,283,782	17,096,022	21,379,804	28,721
Total non-current assets	5,866,045	17,353,159	23,219,204	108,230
Total assets	9,251,640	25,377,076	34,628,716	488,926
Deferred Outflows of Resources:				
Pension deferrals	493,837	277,537	771,374	18,408
OPEB deferrals	16,357	10,025	26,382	-
Total deferred outflows of resources	510,194	287,562	797,756	18,408
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	149,181	699,472	848,653	97,123
Due to primary government	-	-	-	41,870
Liabilities payable from restricted assets:				
Customer deposits	-	366,284	366,284	-
Total current liabilities	149,181	1,065,756	1,214,937	138,993
Long-term liabilities:				
Due within one year	162,899	200,515	363,414	-
Net pension liability (LGERS)	565,984	346,894	912,878	19,928
Total pension liability (LEOSSA)	299,808	-	299,808	-
Total OPEB liability	102,228	62,657	164,885	-
Due in more than one year	119,361	2,588,319	2,707,680	-
Total long-term liabilities	1,250,280	3,198,385	4,448,665	19,928
Total liabilities	1,399,461	4,264,141	5,663,602	158,921
Deferred Inflows of Resources:				
Prepaid taxes	2,226	-	2,226	-
Pension deferrals	65,811	1,796	67,607	103
Total deferred inflows of resources	68,037	1,796	69,833	103
Net Position:				
Net investment in capital assets	5,799,379	14,636,167	20,435,546	108,230
Restricted for:				
Stabilization for state statute	560,021	-	560,021	-
Public safety	2,219	-	2,219	-
Cultural and recreation	14,713	-	14,713	-
Working capital	-	-	-	38,495
Unrestricted	1,918,004	6,762,534	8,680,538	201,585
Total net position	\$ 8,294,336	\$ 21,398,701	\$ 29,693,037	\$ 348,310

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

		Program Revenues		
			Operating	Capital
	Expenses	Charges for	Grants and	Grants and
		Services	Contributions	Contributions
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 201,902	\$ 101,899	\$ 48,731	\$ -
Public safety	1,889,624	103,166	2,440	-
Streets and public works	1,262,171	37,173	-	146,332
Sanitation	186,179	-	-	-
Cultural and recreation	579,131	79,682	-	130,000
Interest on long-term debt	9,404	-	-	-
Total governmental activities	<u>4,128,411</u>	<u>321,920</u>	<u>51,171</u>	<u>276,332</u>
Business-Type Activities:				
Water and Sewer	2,737,244	2,135,414	300,039	-
Electric	6,586,880	7,055,853	-	-
Total business-type activities	<u>9,324,124</u>	<u>9,191,267</u>	<u>300,039</u>	<u>-</u>
Total primary government	<u>\$ 13,452,535</u>	<u>\$ 9,513,187</u>	<u>\$ 351,210</u>	<u>\$ 276,332</u>
Component Unit:				
ABC Board	<u>\$ 1,297,305</u>	<u>\$ 1,294,608</u>	<u>\$ -</u>	<u>\$ -</u>

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Granite Falls ABC Board
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ (51,272)	\$ -	\$ (51,272)	\$ -
Public safety	(1,784,018)	-	(1,784,018)	-
Streets and public works	(1,078,666)	-	(1,078,666)	-
Sanitation	(186,179)	-	(186,179)	-
Cultural and recreation	(369,449)	-	(369,449)	-
Interest on long-term debt	(9,404)	-	(9,404)	-
Total governmental activities	(3,478,988)	-	(3,478,988)	-
Business-Type Activities:				
Water and sewer	-	(301,791)	(301,791)	-
Electric	-	468,973	468,973	-
Total business-type activities	-	167,182	167,182	-
Total primary government	(3,478,988)	167,182	(3,311,806)	-
Component Unit:				
ABC Board				(2,697)
General Revenues:				
Taxes:				
Ad valorem taxes	1,946,994	-	1,946,994	-
Local option sales tax	1,065,193	-	1,065,193	-
Other taxes and licenses	33,418	9,480	42,898	-
Unrestricted intergovernmental revenues	490,922	-	490,922	-
Investment earnings	46,767	81,068	127,835	240
Total general revenues, excluding transfers	3,583,294	90,548	3,673,842	240
Transfers	59,959	(59,959)	-	-
Total general revenues and transfers	3,643,253	30,589	3,673,842	240
Change in net position	164,265	197,771	362,036	(2,457)
Net Position:				
Beginning of year - July 1	8,130,071	21,200,930	29,331,001	350,767
End of year - June 30	\$ 8,294,336	\$ 21,398,701	\$ 29,693,037	\$ 348,310

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2019

	Major Fund General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Cash and investments	\$ 2,886,787	\$ -	\$ 2,886,787
Taxes receivable, net	53,043	-	53,043
Accounts receivable, net	259,182	130,000	389,182
Due from other funds	130,000	-	130,000
Due from component unit	41,870	-	41,870
Restricted cash	14,713	-	14,713
Total assets	<u>\$ 3,385,595</u>	<u>\$ 130,000</u>	<u>\$ 3,515,595</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable	\$ 149,181	\$ -	\$ 149,181
Due to other funds	-	130,000	130,000
Total liabilities	<u>149,181</u>	<u>130,000</u>	<u>279,181</u>
Deferred Inflows of Resources:			
Property taxes receivable	53,043	-	53,043
Prepaid taxes	2,226	-	2,226
Other receivables	1,031	-	1,031
Total deferred inflow of resources	<u>56,300</u>	<u>-</u>	<u>56,300</u>
Fund Balances:			
Restricted:			
Stabilization for state statute	430,021	130,000	560,021
Public safety	2,219	-	2,219
Cultural and recreation	14,713	-	14,713
Committed:			
Sidewalk construction	12,858	-	12,858
Assigned:			
Subsequent year's expenditures	197,000	-	197,000
Sesquicentennial celebration	26,275	-	26,275
Unassigned	2,497,028	(130,000)	2,367,028
Total fund balances	<u>3,180,114</u>	<u>-</u>	<u>3,180,114</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,385,595</u>	<u>\$ 130,000</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,866,045
Net pension liability - LGERS	(565,984)
Total pension liability - LEOSA	(299,808)
Total OPEB liability	(102,228)
Deferred outflows of resources related to pensions are not reported in the funds.	493,837
Deferred outflows of resources related to OPEB are not reported in the funds.	16,357
Long-term liabilities and compensated absences are not due and payable. in the current period and, therefore, not reported in the funds.	(282,260)
Deferred inflows in the governmental funds are used to offset accounts receivable not expected to be available within 60 days of year-end. These receivables are a component of net position in the Statement of Net Position.	54,074
Pension related deferrals	(65,811)
Net position of governmental activities	<u>\$ 8,294,336</u>

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

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

	Major Fund	Nonmajor	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
Revenues:			
Ad valorem taxes	\$ 1,954,532	\$ -	\$ 1,954,532
Other taxes and licenses	1,098,611	-	1,098,611
Unrestricted intergovernmental revenues	490,922	-	490,922
Restricted intergovernmental revenues	195,618	130,000	325,618
Sales and services	140,171	-	140,171
Investment earnings	46,767	-	46,767
Miscellaneous	185,929	-	185,929
Total revenues	<u>4,112,550</u>	<u>130,000</u>	<u>4,242,550</u>
Expenditures:			
Current:			
General government	173,334	-	173,334
Public safety - police	1,236,401	-	1,236,401
Public safety - fire	670,836	-	670,836
Street and public works	1,278,032	-	1,278,032
Sanitation	186,179	-	186,179
Cultural and recreation	562,536	247,358	809,894
Debt service:			
Principal	78,555	-	78,555
Interest	9,404	-	9,404
Total expenditures	<u>4,195,277</u>	<u>247,358</u>	<u>4,442,635</u>
Revenues over (under) expenditures	<u>(82,727)</u>	<u>(117,358)</u>	<u>(200,085)</u>
Other Financing Sources (Uses):			
Transfers in	-	117,358	117,358
Transfers out	(117,358)	-	(117,358)
Total other financing sources (uses)	<u>(117,358)</u>	<u>117,358</u>	<u>-</u>
Net change in fund balances	(200,085)	-	(200,085)
Fund Balances:			
Beginning of year - July 1	<u>3,380,199</u>	<u>-</u>	<u>3,380,199</u>
End of year - June 30	<u>\$ 3,180,114</u>	<u>\$ -</u>	<u>\$ 3,180,114</u>

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

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

Amounts reported for governmental activities in the Statement of Activities
(Exhibit D) are different due to the following items:

Net change in fund balances - total governmental funds	\$ (200,085)
Property tax revenues and assessments in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement.	(9,833)
Contribution of capital assets is reported as a revenue in the Statement of Activities and is not reported in the governmental funds.	59,959
Capital outlay is reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	587,408
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(294,469)
Pension expense - LGERS	(38,927)
Pension expense - LEOSSA	(26,386)
OPEB plan expense	16,183
Expenses related to compensated absences that do not require current financial resources, are not reported as expenditures in the governmental funds statement.	(8,140)
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	<u>78,555</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ 164,265</u>

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

GENERAL FUND

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

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Over/Under
Revenues:				
Ad valorem taxes	\$ 1,865,000	\$ 1,886,754	\$ 1,954,532	\$ 67,778
Other taxes and licenses	1,020,100	1,046,100	1,098,611	52,511
Unrestricted intergovernmental revenues	363,400	420,400	490,922	70,522
Restricted intergovernmental revenues	149,400	194,146	195,618	1,472
Sales and services	122,900	122,900	140,171	17,271
Investment earnings	8,000	8,000	46,767	38,767
Miscellaneous	138,550	158,550	185,929	27,379
Total revenues	<u>3,667,350</u>	<u>3,836,850</u>	<u>4,112,550</u>	<u>275,700</u>
Expenditures:				
Current:				
General government	317,550	298,250	173,334	124,916
Public safety - police	1,251,450	1,326,950	1,236,401	90,549
Public safety - fire	720,350	720,350	670,836	49,514
Street and public works	684,650	1,396,219	1,278,032	118,187
Sanitation	190,000	190,000	186,179	3,821
Cultural and recreational	685,400	601,042	562,536	38,506
Debt service:				
Principal retirement	84,400	78,672	78,555	117
Interest and fees	3,900	9,628	9,404	224
Total expenditures	<u>3,937,700</u>	<u>4,621,111</u>	<u>4,195,277</u>	<u>425,834</u>
Revenues over (under) expenditures	<u>(270,350)</u>	<u>(784,261)</u>	<u>(82,727)</u>	<u>701,534</u>
Other Financing Sources (Uses):				
Operating transfers out	-	(117,358)	(117,358)	-
Fund balance appropriated	<u>270,350</u>	<u>901,619</u>	<u>-</u>	<u>(901,619)</u>
Total other financing sources (uses)	<u>270,350</u>	<u>784,261</u>	<u>(117,358)</u>	<u>(901,619)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(200,085)</u>	<u>\$ (200,085)</u>
Fund Balance:				
Beginning of year - July 1			<u>3,380,199</u>	
End of year - June 30			<u>\$ 3,180,114</u>	

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

	Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
Assets:			
Current assets:			
Cash and investments	\$ 3,371,903	2,018,481	\$ 5,390,384
Accounts receivable, net	939,695	595,474	1,535,169
Interest receivable	3,172	-	3,172
Inventory	549,328	179,580	728,908
Cash and investments, restricted	270,584	95,700	366,284
Total current assets	5,134,682	2,889,235	8,023,917
Non-current assets:			
Capital assets:			
Land and construction in progress	47,400	209,737	257,137
Other capital assets, net of depreciation	3,490,074	13,605,948	17,096,022
Total capital assets	3,537,474	13,815,685	17,353,159
Total assets	8,672,156	16,704,920	25,377,076
Deferred Outflows of Resources:			
OPEB deferrals	6,068	3,957	10,025
Pension deferrals	167,983	109,554	277,537
Total deferred outflows of resources	174,051	113,511	287,562
Liabilities:			
Current liabilities:			
Accounts payable	617,666	81,806	699,472
Current portion of long-term obligations	17,583	182,932	200,515
Liabilities payable from restricted assets:			
Customer deposits	270,584	95,700	366,284
Total current liabilities	905,833	360,438	1,266,271
Non-current liabilities:			
Net pension liability	209,963	136,931	346,894
Total OPEB liability	37,924	24,733	62,657
Non-current portion of long-term obligations	7,900	2,580,419	2,588,319
Total non-current liabilities	255,787	2,742,083	2,997,870
Total liabilities	1,161,620	3,102,521	4,264,141
Deferred Inflows of Resources:			
Pension deferrals	1,087	709	1,796
Net Position:			
Net investment in capital assets	3,537,474	11,098,693	14,636,167
Unrestricted	4,146,026	2,616,508	6,762,534
Total net position	\$ 7,683,500	\$ 13,715,201	\$ 21,398,701

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

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

	Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
Operating Revenues:			
Charges for services	\$ 6,894,885	\$ 2,102,515	\$ 8,997,400
Other operating revenue	160,968	32,899	193,867
Total operating revenues	<u>7,055,853</u>	<u>2,135,414</u>	<u>9,191,267</u>
Operating Expenses:			
Electrical operations	1,854,434	-	1,854,434
Electrical purchases	4,478,685	-	4,478,685
Water and sewer operations	-	2,003,971	2,003,971
Depreciation	253,761	681,182	934,943
Total operating expenses	<u>6,586,880</u>	<u>2,685,153</u>	<u>9,272,033</u>
Operating income (loss)	<u>468,973</u>	<u>(549,739)</u>	<u>(80,766)</u>
Non-Operating Revenues (Expenses):			
Investment earnings	47,725	33,343	81,068
Grant revenue	14,477	285,562	300,039
Other non-operating income	-	9,480	9,480
Interest and fees paid	-	(52,091)	(52,091)
Total non-operating revenues (expenses)	<u>62,202</u>	<u>276,294</u>	<u>338,496</u>
Income (loss) before contributions & transfers	531,175	(273,445)	257,730
Non-cash transfer of assets	<u>(7,704)</u>	<u>(52,255)</u>	<u>(59,959)</u>
Change in net position	523,471	(325,700)	197,771
Net Position:			
Beginning of year - July 1	<u>7,160,029</u>	<u>14,040,901</u>	<u>21,200,930</u>
End of year - June 30	<u>\$ 7,683,500</u>	<u>\$ 13,715,201</u>	<u>\$ 21,398,701</u>

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

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

	Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
Cash Flows from Operating Activities:			
Cash received from customers	\$ 6,861,442	\$ 2,106,255	\$ 8,967,697
Cash paid for goods and services	(5,757,877)	(1,226,896)	(6,984,773)
Cash paid to employees for services	(613,801)	(744,995)	(1,358,796)
Other operating revenues	160,968	32,899	193,867
Net cash provided (used) by operating activities	650,732	167,263	817,995
Cash Flows from Capital and Related Financing Activities:			
Acquisition of capital assets and construction	(530,279)	(484,970)	(1,015,249)
Proceeds from notes payable	-	107,003	107,003
Principal paid on debt	-	(149,470)	(149,470)
Other non-operating revenues	-	9,480	9,480
Interest and fees paid on bonds and notes	-	(52,091)	(52,091)
Net cash provided (used) by capital and related financing activities	(530,279)	(570,048)	(1,100,327)
Cash Flows From Non-Capital Financing Activities:			
Miscellaneous non-operating revenue	14,477	63,198	77,675
Net cash provided (used) for non-capital financing activities	14,477	63,198	77,675
Cash Flows from Investing Activities:			
Interest on investments	44,553	33,343	77,896
Net increase (decrease) in cash and cash equivalents	179,483	(306,244)	(126,761)
Cash and Cash Equivalents:			
Beginning of year - July 1	3,463,004	2,420,425	5,883,429
End of year - June 30	\$ 3,642,487	\$ 2,114,181	\$ 5,756,668
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 468,973	\$ (549,739)	\$ (80,766)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	253,761	681,182	934,943
(Increase) decrease in:			
Accounts receivable	(33,443)	15,456	(17,987)
Inventory	(38,820)	(2,637)	(41,457)
Deferred outflows of resources for pensions	(59,599)	(38,869)	(98,468)
Deferred outflows of resources for OPEB	(1,471)	(959)	(2,430)
Increase (decrease) in:			
Net pension liability	77,036	50,241	127,277
Deferred inflows of resources for pensions	(2,996)	(1,954)	(4,950)
Other post-employment benefits	(4,531)	(2,955)	(7,486)
Accounts payable	(19,975)	22,677	2,702
Customer deposits	10,363	3,820	14,183
Accrued vacation pay	1,434	2,716	4,150
Net cash provided (used) by operating activities	\$ 650,732	\$ 167,263	\$ 817,995
Non-Cash Transactions:			
Transfer of capital assets to other funds	\$ (7,704)	\$ (52,255)	\$ (59,959)

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Granite Falls (the "Town") and its discretely presented component unit conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town is a municipal corporation, which is governed by an elected Mayor and a six-member Council. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

Town of Granite Falls ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by state statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at the Town of Granite Falls ABC Board, P.O. Box 260, Granite Falls, North Carolina 28630.

B. Basis of Presentation

Government-Wide Statements. The Statement of Net Position and the Statement of Activities display information about the primary government and its component unit. 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 activities* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed, in whole or in part, by fees charged to external parties.

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

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

The Town reports the following major governmental fund:

General Fund

The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and state-shared revenues. The primary expenditures are for public safety, streets and public works, economic and physical development, cultural and recreation, sanitation, parks and recreation, and general governmental services.

The Town reports the following nonmajor governmental funds:

Connect NC Bond Fund. This capital project fund accounts for the revenues and expenditures of the Connect NC Bond grant received from the NC Dept of Natural and Cultural Resources (DNCR) and the Division of Parks and Recreation to develop ADA compliant van-accessible parking, outdoor restrooms building, and added two indoor restrooms at the Shuford Recreation Center.

State Appropriation Act of 2018 Fund. This capital project fund accounts for the revenues and expenditures of the non-recurring special appropriation grant from the NC Sessions Law 2018-5, Appropriation Act 2018 to provide ADA compliant sidewalk and playground at the Shuford Recreation Center.

The Town reports the following major enterprise funds:

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

Water and Sewer Fund. This fund is used to account for the Town's water and sewer operations. The CWSRF Water and Sewer Infrastructure Project, the Asset Inventory and Assessment Capital Project, the DWSRP Loan Project, and the GFMS Sewer Line Extension Project have been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparison for the CWSRF Water and Sewer Infrastructure Project, the Asset Inventory and Assessment Capital Project, the DWSRP Loan Project, and the GFMS Sewer Line Extension Project have been included in the supplemental information.

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the 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. Long-term debt issued and acquisitions under capital leases are reported as other financing sources. General capital asset acquisitions are reported as expenditures in governmental funds.

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The Town considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem property 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 utilities franchise tax, collected and held by the state at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town because the tax is levied by Caldwell County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues.

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the enterprise funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for special revenue and capital project funds. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. The Town Manager is authorized to transfer appropriations between functional areas within a fund up to \$5,000; however, any revisions that alter the total expenditures of any fund or exceed \$5,000 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.

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

E. Estimates

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

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

Deposits and Investments

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

State law [G.S. 159-30(c)(8)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The Town's investments are reported at fair value. Non-participating interest-earning contracts are accounted for at cost. The NCCMT Government Portfolio, an SEC registered (2a-7) government money market fund, and the NCCMT Term Portfolio are measured at fair value.

Cash and Cash Equivalents

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

Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the purpose for which the deposit was collected. Donations for the Veterans Memorial are restricted to the purpose of making additions to, or general upkeep of, the existing memorial.

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The Town's restricted cash at June 30, 2019 is as follows:

Governmental Activities:

General Fund:

Cultural and recreation - Veterans Memorial	\$ 14,713
Total governmental activities	<u>14,713</u>

Business-Type Activities:

Electric Fund:

Customer deposits	270,584
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Water and Sewer Fund:

Customer deposits	<u>95,700</u>
Total business-type activities	<u>366,284</u>

Total restricted cash	<u><u>\$ 380,997</u></u>
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Ad Valorem Taxes Receivable

In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018.

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.

Inventory and Prepaid Items

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The inventories of the Town's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than 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.

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Capital Assets

Capital assets are defined by the Town as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed assets are reported at cost or estimated historical cost. Also, the Town has elected not to capitalize those interest costs that are incurred during the construction period of capital assets. 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.

In conjunction with implementing GASB Statement 34, "The New Reporting Model", the Town began capitalizing public domain ("infrastructure") capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems as of July 1, 2003. Infrastructure assets exceeding the Town's capitalization threshold of \$1,000 will be reported as capital assets in the Statement of Net Position. General governmental infrastructure assets acquired prior to July 1, 2003 were not retroactively reported; therefore, the infrastructure capital assets in the Statement of Net Position only include assets purchased after July 1, 2003.

Capital assets are depreciated on a straight-line basis over the following useful lives to the cost of the assets:

Asset	Estimated Useful Lives
General governmental infrastructure - road network	45 years
General governmental infrastructure - bridges	50 years
Buildings	40 years
Other improvements	10 - 40 years
Equipment and vehicles	3 - 10 years
Plant and distribution systems	40 years

Deferred Outflows/Inflows of Resources

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has four items that meet the criterion for this category - prepaid taxes, property taxes receivable, other receivables, and pension deferrals.

Long-Term Obligations

In the government-wide financial statements and in the 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.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as another financing source.

Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days (240 hours) earned vacation leave with such leave being fully vested when earned. For the Town'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 Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town'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 Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net Position/Fund Balances

Net Position

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

Fund Balances

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The governmental fund types classify fund balances as follows:

Non-Spendable Fund Balance

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

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 non-spendable. Outstanding encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

Restricted for Public Safety – portion of fund balance that is restricted by revenue source for public safety expenditures. This amount represents the balance of unspent unauthorized substance tax funds.

Restricted for Cultural and Recreation – portion of fund balance that is restricted by revenue source for additions to the Veterans Memorial. This amount represents the balance of unexpended Veterans Memorial donated funds.

Committed Fund Balance

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

Committed for Sidewalk Construction – the portion of fund balance that the Town intends to use for the maintenance and work on sidewalks in the Town limits.

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Assigned Fund Balance

Assigned fund balance is the portion of fund balance that the Town intends to use for specific purposes. The Town's governing body has the authority to assign fund balance. The Budget Officer, as granted in the officially adopted budget ordinance, has been granted limited authority to assign fund balance.

Assigned for Subsequent Year's Expenditures – the portion of fund balance that is appropriated in the next year's budget that is not already classified as restricted or committed.

Assigned for Sesquicentennial Celebration – the portion of fund balance that the Town intends to use for the Town's sesquicentennial celebration.

Unassigned Fund Balance

Unassigned fund balance represents the portion of fund balance that has not been assigned to another fund or is restricted, committed, or assigned to specific purposes within the General Fund.

The Town has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, state funds, local non-Town funds, and Town funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

The Town has not officially adopted a fund balance policy.

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	\$ 3,180,114
Less:	
Stabilization by state statute	<u>430,021</u>
Total available fund balance	<u><u>\$ 2,750,093</u></u>

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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 Town's employer contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERs. Investments are reported at fair value.

2. Detail Notes On All Funds

A. Assets

Deposits

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

At June 30, 2019, the Town's deposits had a carrying amount of \$8,522,379 and a bank balance of \$8,612,241. Of the bank balance, \$500,000 was covered by federal depository insurance and \$8,112,241 was covered by collateral held under the Pooling Method. The Town's cash on hand totaled \$900 at June 30, 2019.

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Investments

As of June 30, 2019, the Town's investment balances were as follows:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2019</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust - Term Portfolio*	Fair Value Level 1	<u>\$ 134,889</u>	0.11 years	Unrated

*Because the NC Capital Management Trust Term Portfolio has a weighted average maturity of less than 90 days, it was presented as an investment with a maturity of less than 6 months.

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

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

Interest Rate Risk. The Town has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's internal investment policy limits at least half of the Town's investment portfolio to maturities of no more than 12 months. Also, the Town's internal management policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than two years.

Credit Risk. The Town has no formal policy regarding credit risk, but has internal management procedures that limit the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated.

The Town's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high-grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Receivables - Allowances for Doubtful Accounts

The receivables shown in Exhibit A at June 30, 2019 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Due from Component Unit</u>	<u>Interest Receivable</u>	<u>Total</u>
Governmental Activities:						
General	\$ 175,581	\$ 168,171	\$ 213,601	\$ 41,870	\$ -	\$ 599,223
Allowance for doubtful accounts	-	(115,128)	-	-	-	(115,128)
Total governmental activities	<u>\$ 175,581</u>	<u>\$ 53,043</u>	<u>\$ 213,601</u>	<u>\$ 41,870</u>	<u>\$ -</u>	<u>\$ 484,095</u>
Business-Type Activities:						
Water and Sewer Fund	\$ 595,474	\$ -	\$ -	\$ -	\$ -	\$ 595,474
Electric Fund	939,695	-	-	-	3,172	942,867
Total business-type activities	<u>\$1,535,169</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,172</u>	<u>\$1,538,341</u>

Due from other governments consisted of the following:

Local option sales tax	\$ 184,561
Motor vehicle taxes	16,085
Sales tax refund	12,955
Due from other governments	<u>\$ 213,601</u>

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Capital Assets

A summary of changes in the Town's governmental capital assets follows:

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2019</u>
By Asset Type:					
Non-Depreciable Assets:					
Construction in progress	\$ -	\$ 242,357	\$ (242,357)	\$ -	\$ -
Land	<u>1,582,263</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,582,263</u>
Total non-depreciable assets	<u>1,582,263</u>	<u>242,357</u>	<u>(242,357)</u>	<u>-</u>	<u>1,582,263</u>
Depreciable Assets:					
Buildings	2,168,504	161,388	-	-	2,329,892
Land improvements	195,500	-	-	-	195,500
Infrastructure	1,308,298	64,783	-	-	1,373,081
Equipment and vehicles	<u>3,206,972</u>	<u>361,237</u>	<u>(14,476)</u>	<u>100,277</u>	<u>3,654,010</u>
Total depreciable capital assets	<u>6,879,274</u>	<u>587,408</u>	<u>(14,476)</u>	<u>100,277</u>	<u>7,552,483</u>
Less Accumulated Depreciation:					
Buildings	(757,290)	(68,987)	-	-	(826,277)
Land improvements	(4,692)	-	-	-	(4,692)
Infrastructure	(292,967)	(36,898)	-	-	(329,865)
Equipment and vehicles	<u>(1,893,441)</u>	<u>(188,584)</u>	<u>14,476</u>	<u>(40,318)</u>	<u>(2,107,867)</u>
Total accumulated depreciation	<u>(2,948,390)</u>	<u>\$ (294,469)</u>	<u>\$ 14,476</u>	<u>\$ (40,318)</u>	<u>(3,268,701)</u>
Total depreciable capital assets, net	<u>3,930,884</u>				<u>4,283,782</u>
Capital assets, net	<u>\$ 5,513,147</u>				<u>\$ 5,866,045</u>

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

Governmental Activities:	
General government	\$ 44,139
Public safety	114,340
Public works	52,235
Cultural and recreational	<u>83,755</u>
Total	<u>\$ 294,469</u>

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Proprietary Capital Assets

The capital assets of the proprietary funds of the Town at June 30, 2019 are as follows:

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2019</u>
Water and Sewer Fund:					
Non-Depreciable Assets:					
Land	\$ 165,740	\$ -	\$ -	\$ -	\$ 165,740
Construction in progress	-	43,997	-	-	43,997
Total non-depreciable assets	<u>165,740</u>	<u>43,997</u>	<u>-</u>	<u>-</u>	<u>209,737</u>
Depreciable Assets:					
Plant and distribution systems	25,822,080	3,080	-	-	25,825,160
Furniture, equipment, vehicles	<u>1,898,800</u>	<u>437,893</u>	<u>(9,935)</u>	<u>(35,509)</u>	<u>2,291,249</u>
Total depreciable capital assets	<u>27,720,880</u>	<u>440,973</u>	<u>(9,935)</u>	<u>(35,509)</u>	<u>28,116,409</u>
Less Accumulated Depreciation:					
Plant and distribution systems	(12,905,045)	(557,102)	-	-	(13,462,147)
Furniture, equipment, vehicles	<u>(917,423)</u>	<u>(124,080)</u>	<u>9,935</u>	<u>(16,746)</u>	<u>(1,048,314)</u>
Accumulated depreciation	<u>(13,822,468)</u>	<u>\$ (681,182)</u>	<u>\$ 9,935</u>	<u>\$ (16,746)</u>	<u>(14,510,461)</u>
Depreciable capital assets, net	<u>13,898,412</u>				<u>13,605,948</u>
Capital assets, net	<u>14,064,152</u>				<u>13,815,685</u>
Electric Fund:					
Non-Depreciable Assets:					
Land	<u>47,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>47,400</u>
Depreciable Assets:					
Plant and distribution systems	5,552,663	-	-	-	5,552,663
Furniture, equipment, and vehicles	<u>1,210,017</u>	<u>530,279</u>	<u>(13,445)</u>	<u>(64,768)</u>	<u>1,662,083</u>
Total depreciable capital assets	<u>6,762,680</u>	<u>530,279</u>	<u>(13,445)</u>	<u>(64,768)</u>	<u>7,214,746</u>
Less Accumulated Depreciation:					
Plant and distribution systems	(2,833,659)	(176,919)	-	-	(3,010,578)
Furniture, equipment, vehicles	<u>(707,761)</u>	<u>(76,842)</u>	<u>13,445</u>	<u>57,064</u>	<u>(714,094)</u>
Accumulated depreciation	<u>(3,541,420)</u>	<u>\$ (253,761)</u>	<u>\$ 13,445</u>	<u>\$ 57,064</u>	<u>(3,724,672)</u>
Depreciable capital assets, net	<u>3,221,260</u>				<u>3,490,074</u>
Capital assets, net	<u>3,268,660</u>				<u>3,537,474</u>
Proprietary capital assets, net	<u>\$ 17,332,812</u>				<u>\$ 17,353,159</u>

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Net Investment in Capital Assets

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

	<u>Governmental Activities</u>	<u>Water and Sewer Fund</u>	<u>Electric Fund</u>
Capital assets	\$ 5,866,045	\$ 13,815,685	\$ 3,537,474
Less: long-term debt	(162,680)	(2,716,992)	-
Add: debt for assets not owned by the Town	96,014	-	-
Net investment in capital assets	<u>\$ 5,799,379</u>	<u>\$ 11,098,693</u>	<u>\$ 3,537,474</u>

B. Liabilities

Payables

Payables at Exhibit A at June 30, 2019 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Utility Deposits</u>	<u>Total</u>
Governmental Activities:				
General Fund	<u>\$ 83,251</u>	<u>\$ 65,930</u>	<u>\$ -</u>	<u>\$ 149,181</u>
Business-Type Activities:				
Water and Sewer Fund	\$ 59,612	\$ 22,194	\$ 95,700	\$ 177,506
Electric Fund	<u>600,690</u>	<u>16,976</u>	<u>270,584</u>	<u>888,250</u>
Total business-type activities	<u>\$ 660,302</u>	<u>\$ 39,170</u>	<u>\$ 366,284</u>	<u>\$ 1,065,756</u>

Pension Plan Obligations

Local Governmental Employees' Retirement System

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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 of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Granite Falls employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$201,177 for the year ended June 30, 2019.

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

At June 30, 2019, the Town reported a liability of \$912,878 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 Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018 the Town's proportion was 0.03848%, which was an increase of 0.00065% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$263,963. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 140,835	\$ 4,726
Changes of assumptions	242,242	-
Net difference between projected and actual earnings on pension plan investments	125,311	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	20,796	-
Town contributions subsequent to the measurement date	201,177	-
Total	<u>\$ 730,361</u>	<u>\$ 4,726</u>

\$201,177 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Total
2020	\$ 252,616
2021	166,401
2022	32,339
2023	73,102
2024	-
Thereafter	-
Total	<u>\$ 524,458</u>

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

The plan currently uses mortality rates based on the *RP-2014 Total Data Set for Healthy Annuitants Mortality Table* 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, 2018 are summarized in the following table:

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	<u>\$ 2,192,810</u>	<u>\$ 912,878</u>	<u>\$ (156,655)</u>

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

Law Enforcement Officers' Special Separation Allowance

Plan Description. The Town administers a public employee retirement system (the "Separation Allowance"), a single-employer, defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

Retirees receiving benefits	-
Terminated program members entitled to, but not yet receiving, benefits	-
Active program members	<u>14</u>
Total	<u><u>14</u></u>

A separate report was not issued for the plan.

Summary of Significant Accounting Policies

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

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

Actuarial Assumptions

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

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

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

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

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

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

Contributions. The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this Plan is established and may be amended by the North Carolina General Assembly. The Town paid \$-0- as benefits came due for the reporting period.

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

At June 30, 2019, the Town reported a total pension liability of \$299,808. The total pension liability was measured at 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 Town recognized pension expense of \$26,211.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,001	\$ 46,371
Changes of assumptions and other inputs	17,012	16,510
Total	<u>\$ 41,013</u>	<u>\$ 62,881</u>

\$0 reported as deferred outflows of resources related to pensions resulting from administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Total
2020	\$ (2,643)
2021	(2,643)
2022	(2,643)
2023	(2,643)
2024	(2,153)
Thereafter	<u>(9,143)</u>
Total	<u>\$ (21,868)</u>

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Town's proportionate share of the total pension liability	\$ 329,121	\$ 299,808	\$ 273,175

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

	2019
Beginning balance	\$ 338,615
Service cost	18,154
Interest on the total pension liability	10,700
Differences between expected and actual experience in the measurement of the total pension liability	(53,936)
Changes of assumption or other inputs	(13,725)
Ending balance of the total pension liability	\$ 299,808

Changes of assumptions. Changes of assumptions and other inputs reflect a change in the Municipal Bond Index Rate from 3.16 percent at December 31, 2017 to 3.64 percent at December 31, 2018.

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 263,963	\$ 26,211	\$ 290,174
Pension liability	912,878	299,808	1,212,686
Proportionate share of the net pension liability	0.03848%	NA	NA

Deferred Outflows of Resources:

Differences between expected and actual experience	\$ 140,835	\$ 24,001	\$ 164,836
Changes of assumptions	242,242	17,012	259,254
Net difference between projected and actual earnings on pension plan investments	125,311	-	125,311
Changes in proportion and differences between contributions and proportionate share of contributions	20,796	-	20,796
Benefit payments and administration costs paid subsequent to the measurement date	<u>201,177</u>	<u>-</u>	<u>201,177</u>
Total deferred outflow of resources	<u><u>\$ 730,361</u></u>	<u><u>\$ 41,013</u></u>	<u><u>\$ 771,374</u></u>

Deferred Inflows of Resources:

Differences between expected and actual experience	\$ 4,726	\$ 46,371	\$ 51,097
Changes of assumptions	<u>-</u>	<u>16,510</u>	<u>16,510</u>
Total deferred inflow of resources	<u><u>\$ 4,726</u></u>	<u><u>\$ 62,881</u></u>	<u><u>\$ 67,607</u></u>

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers and employees not engaged in law enforcement. 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 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. That report may be obtained by

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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 Town to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the plan.

The Town made contributions of \$28,280 for the reporting year. No amounts have been forfeited.

Other Post-Employment Benefits

Healthcare Benefits

Plan Description. The Town administered a post-employment Healthcare Benefits Plan (HCB Plan), a single-employer, defined benefit plan, to employees retiring with at least 25 years of service credit with the Town and eligible to retire under the North Carolina Local Governmental Employees' Retirement System. The period of coverage was not defined under the Plan. As of July 1, 2003, retirees could elect to receive up to \$200 per month reimbursement for health and dental insurance and are allowed to remain in the Town's group health plan. The retirees may also purchase coverage for their dependents at the Town's group rates. The Town Council may amend the benefit provisions. A separate report was not issued for the Plan. The Plan was discontinued effective May 26, 2011. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Membership of the HCB Plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	10
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>1</u>
Total	<u><u>11</u></u>

Funding Policy. The Town pays up to \$200 per month reimbursement to qualified retirees under a plan that may be amended by the Town Council. The Town's retirees must purchase their coverage and their dependent coverage. The Town has chosen to fund the plan on a pay-as-you-go basis. This plan was discontinued effective May 26, 2011.

Total OPEB Liability

The Town's total OPEB liability of \$164,885 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017.

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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%
Firefighters	3.50%-7.75%
Municipal Bond Index Rate:	
Prior measurement date	3.56 percent
Measurement date	3.89 percent
Healthcare cost trend rates	N/A

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2018	\$ 184,588
Changes for the year:	
Service cost	461
Interest	6,166
Differences between expected and actual experience	(1,287)
Changes of assumptions or other inputs	(2,028)
Benefit payments	(23,015)
Net changes	(19,703)
Balance at June 30, 2019	\$ 164,885

Changes in assumptions and other inputs reflect a change in the Municipal Bond Index Rate from 3.56% to 3.89%.

The discount rate used to measure the total OPEB liability was based on the June average of the Bond Buyer General Obligation 20-Year Municipal Bond Index published weekly by The Bond Buyer.

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g., initial per capita costs, healthcare cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the Town, as well as what the Town'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:

	1% Decrease (2.89%)	Discount Rate (3.89%)	1% Increase (4.89%)
Total OPEB liability	\$ <u>171,153</u>	\$ <u>164,885</u>	\$ <u>158,978</u>

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

	1% Decrease	Current	1% Increase
Total OPEB liability	\$ <u>164,885</u>	\$ <u>164,885</u>	\$ <u>164,885</u>

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

For the year ended June 30, 2019, the Town recognized OPEB expense of \$3,311. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Benefit payments and plan administrative expense made subsequent to the measurement date	<u>\$ 26,382</u>	<u>\$ -</u>

\$26,382 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 Employment Benefits

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Deferred Outflows and Inflows of Resources

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

	<u>Amount</u>
Contributions to pension plan in the current fiscal year - LGERS	\$ 201,177
Differences between expected and actual experience - LGERS	140,835
Changes of assumptions - LGERS	242,242
Net difference between projected and actual earnings on pension plan investment -LGERS	125,311
Changes in proportion and differences between Town contributions and proportionate share of contributions - LGERS	20,796
Differences between expected and actual experience - LEOSSA	24,001
Changes of assumptions - LEOSSA	17,012
Benefit payments and administrative expenses for OPEB made subsequent to measurement date	26,382
Total	<u><u>\$ 797,756</u></u>

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

	<u>Amount</u>
Taxes receivable (General Fund)	\$ 53,043
Prepaid taxes (General Fund)	2,226
Other receivables (General Fund)	1,031
Differences between expected and actual experience - LGERS	4,726
Differences between expected and actual experience - LEOSSA	46,371
Changes of assumptions - LEOSSA	16,510
Total	<u><u>\$ 123,907</u></u>

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in the self-funded risk financing pool for workers compensation that is administered by the North Carolina League of Municipalities (NCLM). Specific information on the limit of any reinsurance, excess and stock loss workers compensation policies purchased by NCLM can be obtained by contacting the Risk Management Services Department of the NCLM. All NCLM risk pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

During the year, the Town had employee health insurance coverage through NCLM MedCost Benefit Services and OptiMed Health Plan.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town carries flood insurance through a commercial company for \$275,000 on the building and \$52,500 on the contents per occurrence at the wastewater treatment plant.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Finance Officer is bonded for \$50,000, and the Tax Collector is bonded for \$35,000. The remaining employees that have access to funds are bonded under a blanket bond.

Long-Term Obligations

Notes Payable

Notes payable at June 30, 2019 are comprised of the following individual agreements:

Governmental Activities:

\$500,000 note payable through January 2021, including interest at 4.01% per year; collateralized by a building (issued in January 2006)	\$ 66,666
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\$1,280,000 for Caldwell EDC Properties, LLC for purchase of Whisenant property for economic development; financed for 10 years at 4.00% interest, due in annual installments through July 2020; 1/3 is payable by the Town and 2/3 is payable by Caldwell County through an interlocal agreement	<u>96,014</u>
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Total governmental activities long-term debt	<u><u>\$ 162,680</u></u>
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TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Annual debt service requirements to maturity for the Town's governmental activities notes payable direct placements are as follows:

Governmental Funds:

Year Ending June 30	Principal	Interest	Total
2020	\$ 80,389	\$ 6,233	\$ 86,622
2021	82,291	2,994	85,285
Total governmental funds	<u>\$ 162,680</u>	<u>\$ 9,227</u>	<u>\$ 171,907</u>

The Town's outstanding note from direct placements related to governmental activities of \$66,666 is secured by a deed of trust on the municipal building located on Park Square. Upon the failure to pay or make timely payments, the outstanding principal is due immediately. Upon default, the lender can enforce its security interest in the mortgaged property, including initiating foreclosure proceedings.

The Town's outstanding note from direct placements related to governmental activities of \$96,014 is secured by a deed of trust on the land located on New Farm Road. Upon the failure to pay or make timely payments, the outstanding principal is due immediately. Upon default, the lender can enforce its security interest in the mortgaged property, including initiating foreclosure proceedings.

Business-Type Activities:

\$579,500 note payable in annual installments of \$30,500, through May 2037, including interest at 1.83% per year; this loan was approved for \$610,000 in November of 2015 and will increase based upon drawdowns during project finalization in fiscal year 2018 as CWSRF project is complete. \$ 549,000

\$1,458,346 note payable in annual installments of \$95,000, through May 2037, including interest at 1.83% per year; this loan was approved for \$1,910,000 in November of 2015 and will increase based upon drawdowns during project finalization in fiscal year 2018 as CWSRF project is complete. 1,710,000

\$508,880 note payable in annual principal installments of \$25,444 through May of 2037 including interest at 1.83% per year; this loan was approved for \$538,357 in November of 2015 and was decreased based upon drawdowns during project finalization in fiscal year 2018. The initial payment in fiscal year 2018 was based on the original approved amount of the loan. 457,992

Total business-type activities long-term debt \$ 2,716,992

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Annual debt service requirements to maturity for the Town's business-type activities notes payable direct borrowings are as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 150,944	\$ 49,721	\$ 200,665
2021	150,944	46,959	197,903
2022	150,944	44,196	195,140
2023	150,944	41,434	192,378
2024	150,944	38,672	189,616
2025-2029	754,720	151,925	906,645
2030-2034	754,720	82,868	837,588
2035-2038	452,832	16,574	469,406
Total proprietary funds	<u>\$ 2,716,992</u>	<u>\$ 472,349</u>	<u>\$ 3,189,341</u>

The Town's outstanding note from direct borrowings related to business-type activities of \$549,000 is not secured by a pledge of faith and credit of the State of North Carolina or of the Town, but is payable solely from the revenues of the project or benefited systems, or other available funds. The note contains provisions that an event of default would result in (1) any other monies due to the Town from the state may be withheld by the state and applied to the payment of the outstanding note.

The Town's outstanding note from direct borrowings related to business-type activities of \$1,710,000 is not secured by a pledge of faith and credit of the State of North Carolina or of the Town, but is payable solely from the revenues of the project or benefited systems, or other available funds. The note contains provisions that an event of default would result in (1) any other monies due to the Town from the state may be withheld by the state and applied to the payment of the outstanding note.

The Town's outstanding note from direct borrowings related to business-type activities of \$457,992 is not secured by a pledge of faith and credit of the State of North Carolina or of the Town, but is payable solely from the revenues of the project or benefited systems, or other available funds. The note contains provisions that an event of default would result in (1) any other monies due to the Town from the state may be withheld by the state and applied to the payment of the outstanding note.

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

A summary of changes in long-term obligations follows:

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2019</u>	<u>Current Portion</u>
Governmental Activities:					
Accrued vacation pay	\$ 111,440	\$ 85,033	\$ 76,893	\$ 119,580	\$ 82,510
Notes from direct placements	241,235	-	78,555	162,680	80,389
Net pension liability (LGERS)	358,322	207,662	-	565,984	-
Total pension liability (LEOSSA)	338,615	-	38,807	299,808	-
Total OPEB Liability	114,445	-	12,217	102,228	-
Total governmental activities	<u>\$ 1,164,057</u>	<u>\$ 292,695</u>	<u>\$ 206,472</u>	<u>\$ 1,250,280</u>	<u>\$ 162,899</u>
Business-Type Activities:					
Water and Sewer Fund:					
Notes from direct borrowings	\$ 2,759,459	\$ 107,003	\$ 149,470	\$ 2,716,992	\$ 150,944
Accrued vacation pay	43,643	32,830	30,114	46,359	31,988
Net pension liability (LGERS)	86,690	50,241	-	136,931	-
Total OPEB Liability	27,688	-	2,955	24,733	-
Total Water and Sewer Fund	<u>\$ 2,917,480</u>	<u>\$ 190,074</u>	<u>\$ 182,539</u>	<u>\$ 2,925,015</u>	<u>\$ 182,932</u>
Electric Fund:					
Accrued vacation pay	\$ 24,049	\$ 18,028	\$ 16,594	\$ 25,483	\$ 17,583
Net pension liability (LGERS)	132,927	77,036	-	209,963	-
Total OPEB Liability	42,455	-	4,531	37,924	-
Total Electric Fund	<u>\$ 199,431</u>	<u>\$ 95,064</u>	<u>\$ 21,125</u>	<u>\$ 273,370</u>	<u>\$ 17,583</u>
Total Business-Type Activities:					
Notes from direct borrowings	\$ 2,759,459	\$ 107,003	\$ 149,470	\$ 2,716,992	\$ 150,944
Accrued vacation pay	67,692	50,858	46,708	71,842	49,571
Net pension liability (LGERS)	219,617	127,277	-	346,894	-
Total OPEB liability	70,143	-	7,486	62,657	-
Total business-type activities	<u>\$ 3,116,911</u>	<u>\$ 285,138</u>	<u>\$ 203,664</u>	<u>\$ 3,198,385</u>	<u>\$ 200,515</u>

Compensated absences and other post-employment benefits typically have been liquidated in the General Fund. Compensated absences are accounted for on a last-in, first-out (LIFO) basis, assuming that employees are taking leave time as it is earned.

At June 30, 2019, the Town had a legal debt margin of approximately \$34,023,000.

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

C. Interfund Balances and Activity

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

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Connect NC Bond Fund	\$ 80,000	Cash overdraft
General Fund	State Appropriation Act of 2018	50,000	Cash overdraft
Total		<u>\$ 130,000</u>	

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

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Connect NC Bond Fund	\$ 86,388	To cover expenses not reimbursed by grant funds and close out project.
General Fund	State Appropriation Act of 2018	30,970	To cover expenses not reimbursed by grant funds and close out project.
Water & Sewer Fund	DWSRP Loan Project	30,217	To cover current year expenses in the project
CWSRF Water & Sewer Infrastructure Project	Water & Sewer Fund	715,231	To close project

3. Jointly Governed Organization

The Town, in conjunction with four counties and 23 other municipalities, established the Western Piedmont Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council's governing board. The Town paid \$5,487 for membership fees to the Council during the year ended June 30, 2019.

4. Summary Disclosures of Significant Contingencies

Federal and State-Assisted Programs

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

TOWN OF GRANITE FALLS, NORTH CAROLINA**OTHER POST-EMPLOYMENT BENEFITS****REQUIRED SUPPLEMENTARY INFORMATION****SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS****LAST TWO FISCAL YEARS**

Other Post-Employment Benefits		
	2019	2018
Service cost	\$ 461	\$ 503
Interest	6,166	5,863
Differences between expected and actual experience	(1,287)	(284)
Changes of assumptions or other inputs	(2,028)	(4,231)
Benefit payments	<u>(23,015)</u>	<u>(24,000)</u>
Net change in total OPEB liability	(19,703)	(22,149)
Total OPEB liability - beginning	<u>184,588</u>	<u>206,737</u>
Total OPEB liability - ending	<u><u>\$ 164,885</u></u>	<u><u>\$ 184,588</u></u>
Covered payroll	N/A*	N/A*
Total OPEB liability as a percentage of covered payroll	N/A*	N/A*

*Covered payroll is not provided since there are fewer than 10 participants in the Plan.

Notes to the Required Schedules:

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

Fiscal Year	Rate
2019	3.89%
2018	3.56%

This schedule is intended to show information for ten years.

Additional years' information will be displayed as it becomes available.

TOWN OF GRANITE FALLS, NORTH CAROLINA
**TOWN OF GRANITE FALLS' PROPORTIONATE SHARE
 OF NET PENSION LIABILITY (ASSET)
 REQUIRED SUPPLEMENTARY INFORMATION
 LAST SIX FISCAL YEARS***

Local Government Employees' Retirement System						
	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.03848%	0.03783%	0.03538%	0.03119%	0.03193%	0.03320%
Town's proportion of the net pension liability (asset) (\$)	\$ 912,878	\$ 577,939	\$ 750,883	\$ 139,980	\$ (188,306)	\$ 400,187
Town's covered payroll	\$2,445,992	\$2,327,239	\$2,143,926	\$1,984,104	\$1,936,360	\$2,017,612
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	37.32%	24.83%	35.02%	7.06%	(9.72%)	19.83%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

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

TOWN OF GRANITE FALLS, NORTH CAROLINA**TOWN OF GRANITE FALLS' CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST SIX FISCAL YEARS**

Local Government Employees' Retirement System						
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 201,177	\$ 186,499	\$ 171,786	\$ 144,423	\$ 139,313	\$ 134,326
Contributions in relation to the contractually required contribution	<u>201,177</u>	<u>186,499</u>	<u>171,786</u>	<u>144,423</u>	<u>139,313</u>	<u>134,326</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town of Granite Falls' covered payroll	\$2,543,823	\$2,445,992	\$2,327,239	\$2,143,926	\$1,984,104	\$1,936,360
Contributions as a percentage of covered payroll	7.91%	7.62%	7.38%	6.74%	7.02%	6.94%

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICER'S SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE FISCAL YEARS

Law Enforcement Officers' Special Separation Allowance			
	2019	2018	2017
Beginning balance	\$ 338,615	\$ 255,532	\$ 239,094
Service cost	18,154	16,432	15,732
Interest on the total pension liability	10,700	9,864	8,536
Differences between expected and actual experience in the measurement of the total pension liability	(53,936)	33,231	-
Changes of assumption or other inputs	(13,725)	23,556	(7,830)
Ending balance of the total pension liability	<u>\$ 299,808</u>	<u>\$ 338,615</u>	<u>\$ 255,532</u>

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

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAW ENFORCEMENT OFFICER'S SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE FISCAL YEARS**

Law Enforcement Officers' Special Separation Allowance

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 299,808	\$ 338,615	\$ 255,532
Covered payroll	565,328	555,244	521,510
Total pension liability as a percentage of covered payroll	53.03%	60.98%	49.00%

Notes to the Schedules:

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

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2019

WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 1,875,754	\$ 1,932,861	\$ 57,107	\$ 1,892,282
Penalties and interest	11,000	21,671	10,671	12,740
Total	1,886,754	1,954,532	67,778	1,905,022
Other Taxes and Licenses:				
Privilege licenses	100	95	(5)	95
Cable TV franchise tax	35,000	33,323	(1,677)	34,966
Local option sales tax	1,011,000	1,065,193	54,193	984,203
Total	1,046,100	1,098,611	52,511	1,019,264
Unrestricted Intergovernmental Revenues:				
Franchise tax	252,000	277,074	25,074	270,913
Beer and wine tax	20,000	20,062	62	20,149
Gross receipts tax on vehicle rentals	35,000	51,680	16,680	50,398
ABC Board profit distribution	113,400	142,106	28,706	122,485
Total	420,400	490,922	70,522	463,945
Restricted Intergovernmental Revenues:				
Special State revenue - police drug tax	900	2,440	1,540	1,547
Powell Bill allocation	148,500	146,332	(2,168)	148,584
Miscellaneous grants	44,746	46,846	2,100	10,941
Total	194,146	195,618	1,472	161,072
Sales and Services:				
Receipt for services	1,800	1,871	71	1,871
Cellular One lease	22,000	25,002	3,002	19,008
Court costs and jail fees	900	1,068	168	919
Tipping fees	8,200	8,617	417	8,157
Cemetery plots	15,000	23,931	8,931	13,029
Recreation	75,000	79,682	4,682	77,496
Total	122,900	140,171	17,271	120,480
Investment Earnings	8,000	46,767	38,767	10,744

TOWN OF GRANITE FALLS, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2019

WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
Miscellaneous:				
South Caldwell fire district tax	100,000	99,098	(902)	97,777
Donations - police and fire	-	-	-	119
Donations - Centennial celebration	2,000	1,885	(115)	1,901
Other	56,550	84,946	28,396	61,665
Total	158,550	185,929	27,379	161,462
Total revenues	3,836,850	4,112,550	275,700	3,841,989
Expenditures:				
General Government:				
Governing body	24,350	15,600	8,750	17,772
Administration:				
Salaries and employee benefits	338,100	327,166	10,934	312,012
Operating expenses	322,200	225,230	96,970	240,917
Capital outlay	13,100	4,838	8,262	10,914
Cost redistribution	(399,500)	(399,500)	-	(395,500)
Total	298,250	173,334	124,916	186,115
Public Safety - Police:				
Salaries and employee benefits	952,350	892,075	60,275	875,501
Operating expenses	256,600	237,322	19,278	189,803
Capital outlay	118,000	107,004	10,996	86,601
Total	1,326,950	1,236,401	90,549	1,151,905
Public Safety - Fire:				
Salaries and employee benefits	490,850	464,811	26,039	446,907
Operating expenses	151,900	123,194	28,706	132,120
Capital outlay	77,600	82,831	(5,231)	36,558
Total	720,350	670,836	49,514	615,585
Street and Public Works:				
Salaries and employee benefits	284,850	245,740	39,110	228,668
Operating expenses	198,100	180,981	17,119	206,969
Powell Bill expenditures	829,269	777,765	51,504	125,150
Capital outlay	84,000	73,546	10,454	45,220
Total	1,396,219	1,278,032	118,187	606,007

TOWN OF GRANITE FALLS, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2019

WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
Sanitation	190,000	186,179	3,821	181,145
Cultural and Recreational:				
Salaries and employee benefits	244,900	236,860	8,040	217,663
Operating expenses	262,500	232,658	29,842	239,376
Capital outlay	93,642	93,018	624	80,688
Total	601,042	562,536	38,506	537,727
Debt Service:				
Principal retirement	78,672	78,555	117	76,793
Interest and fees	9,628	9,404	224	12,499
Total	88,300	87,959	341	89,292
Total expenditures	4,621,111	4,195,277	425,834	3,367,776
Revenues over (under) expenditures	(784,261)	(82,727)	701,534	474,213
Other Financing Sources (Uses):				
Transfers out	(117,358)	(117,358)	-	(145,327)
Fund balance appropriated	901,619	-	(901,619)	-
Total other financing sources (uses)	784,261	(117,358)	(901,619)	(145,327)
Net change in fund balance	\$ -	(200,085)	\$ (200,085)	328,886
Fund Balance:				
Beginning of year - July 1		3,380,199		3,051,313
End of year - June 30		\$ 3,180,114		\$ 3,380,199

TOWN OF GRANITE FALLS, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2019

	Nonmajor Capital Project Funds		Total Nonmajor Governmental Funds
	Connect NC Bond	State Appropriation Act of 2018	
Assets:			
Accounts receivable, net	\$ 80,000	\$ 50,000	\$ 130,000
Liabilities and Fund Balances:			
Liabilities:			
Due to other funds	\$ 80,000	\$ 50,000	\$ 130,000
Fund Balances:			
Restricted:			
Stabilization for state statute	80,000	50,000	130,000
Unassigned	(80,000)	(50,000)	(130,000)
Total fund balances	-	-	-
Total liabilities and fund balances	\$ 80,000	\$ 50,000	\$ 130,000

TOWN OF GRANITE FALLS, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS

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

	Nonmajor Capital Project Funds		Total Nonmajor Governmental Funds
	Connect NC Bond	State Appropriation Act of 2018	
Revenues:			
Restricted intergovernmental	\$ 80,000	\$ 50,000	\$ 130,000
Expenditures:			
Cultural and recreation	166,388	80,970	247,358
Revenues over (under) expenditures	(86,388)	(30,970)	(117,358)
Other Financing Sources (Uses):			
Transfers in	86,388	30,970	117,358
Net change in fund balances	-	-	-
Fund Balances:			
Beginning of year - July 1	-	-	-
End of year - June 30	\$ -	\$ -	\$ -

TOWN OF GRANITE FALLS, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUND - CONNECT NC BOND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

		Actual		
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental	\$ <u>80,000</u>	\$ <u>-</u>	\$ <u>80,000</u>	\$ <u>80,000</u>
Expenditures:				
Construction	<u>167,000</u>	<u>-</u>	<u>166,388</u>	<u>166,388</u>
Revenues over (under) expenditures	(87,000)	-	(86,388)	(86,388)
Other Financing Sources (Uses):				
Transfers in	<u>87,000</u>	<u>-</u>	<u>86,388</u>	<u>86,388</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

TOWN OF GRANITE FALLS, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUND - STATE APPROPRIATION ACT OF 2018

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental revenues:				
State funds	\$ 50,000	\$ -	\$ 50,000	\$ 50,000
Expenditures:				
Construction	100,000	-	80,970	80,970
Revenues over (under) expenditures	(50,000)	-	(30,970)	(30,970)
Other Financing Sources (Uses):				
Transfers in	50,000	-	30,970	30,970
Net change in fund balance	\$ -	\$ -	\$ -	\$ -

TOWN OF GRANITE FALLS, NORTH CAROLINA

ELECTRIC FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2019

WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			2018
	Budget	Actual	Variance Over/Under	Total
Revenues:				
Operating revenues:				
Charges for services	\$ 6,673,200	\$ 6,894,885	\$ 221,685	\$ 6,672,258
Other operating revenue	142,400	160,968	18,568	161,865
Total operating revenues	6,815,600	7,055,853	240,253	6,834,123
Non-operating revenues:				
Grant revenue	14,476	14,477	1	-
Investment earnings	7,000	47,725	40,725	10,345
Total non-operating revenues	21,476	62,202	40,726	10,345
Total revenues	6,837,076	7,118,055	280,979	6,844,468
Expenditures:				
Operating expenses:				
Electrical operations	2,092,925	1,886,249	206,676	1,893,139
Electrical purchases	4,478,775	4,478,685	90	4,743,775
Total operating expenses	6,571,700	6,364,934	206,766	6,636,914
Capital outlay	871,376	530,279	341,097	234,581
Total expenditures	7,443,076	6,895,213	547,863	6,871,495
Revenues over (under) expenditures	(606,000)	222,842	828,842	(27,027)
Other Financing Sources (Uses):				
Appropriated fund balance	606,000	-	(606,000)	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	222,842	\$ 222,842	(27,027)
Reconciliation from Budgetary Basis (Modified Accrual) To Full Accrual:				
Non-cash transfer of assets		(7,704)		(1,494)
Change in inventory		38,820		(58,732)
Change in deferred outflows of resources - OPEB		1,471		4,597
Change in compensated absences		1,434		(2,379)
Capital outlay		530,279		234,581
Change in OPEB liability		4,531		(425)
Pension benefit (expense)		(14,441)		(4,474)
Depreciation		(253,761)		(230,640)
Change in net position		\$ 523,471		\$ (85,993)

TOWN OF GRANITE FALLS, NORTH CAROLINA

WATER AND SEWER FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2019

WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			2018
	Budget	Actual	Variance Over/Under	Total
Revenues:				
Operating revenues:				
Charges for services	\$ 2,060,000	\$ 2,102,515	\$ 42,515	\$ 2,023,084
Other operating revenue	22,000	32,899	10,899	77,366
Total operating revenues	2,082,000	2,135,414	53,414	2,100,450
Non-operating revenues:				
Grant revenue	7,432	7,432	-	-
Investment earnings	5,000	33,343	28,343	5,848
Other non-operating revenue	10,000	9,480	(520)	17,110
Total non-operating revenues	22,432	50,255	27,823	22,958
Total revenues	2,104,432	2,185,669	81,237	2,123,408
Expenditures:				
Operating expenses	1,719,883	1,551,705	168,178	1,472,368
Repairs and maintenance	207,000	211,465	(4,465)	21,120
Capital outlay	699,632	440,973	258,659	626,943
Debt service - principal	152,500	149,470	3,030	152,418
Debt service - interest and fees	53,000	52,091	909	59,317
Total expenditures	2,832,015	2,405,704	426,311	2,332,166
Revenues over (under) expenditures	(727,583)	(220,035)	507,548	(208,758)
Other Financing Sources (Uses):				
Appropriated fund balance	757,800	-	(757,800)	-
Intrafund transfers out	(30,217)	(30,217)	-	(15,566)
Intrafund transfers in	-	715,231	715,231	-
Total other financing sources (uses)	727,583	685,014	(42,569)	(15,566)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	464,979	\$ 464,979	(224,324)
Reconciliation from Budgetary Basis (Modified Accrual) To Full Accrual:				
Non-cash transfer of assets		(52,255)		-
Change in inventory		2,637		10,727
Capital outlay		440,973		626,943
Depreciation		(681,182)		(573,361)
Change in compensated absences		2,716		3,975
Change in deferred outflows of resources - OPEB		959		2,998
Pension benefit (expense)		(9,418)		(2,920)
Grant from Water & Sewer Capital Project		264,350		35,650
Water capital project intrafund transfers		(685,014)		15,566
Capital project revenues		13,780		-
Capital project expenses not capitalized		(240,650)		(51,216)
Change in OPEB liability		2,955		(278)
Principal repayments on long-term debt		149,470		152,418
Change in net position		\$ (325,700)		\$ (3,822)

TOWN OF GRANITE FALLS, NORTH CAROLINA

ENTERPRISE FUND CAPITAL PROJECT - CWSRF WATER & SEWER INFRASTRUCTURE PROJECT
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental revenues:				
Sales tax reimbursement	\$ 50,000	\$ 49,693	\$ -	\$ 49,693
Expenditures:				
Laurel Street and Central Avenue				
Pump Station Replacement expenditures:				
Construction pump stations	738,800	746,579	-	746,579
Engineering	81,000	30,200	-	30,200
Closing fee	12,200	-	-	-
Legal fees	2,000	-	-	-
Contingency	36,940	-	-	-
Total pump station expenditures	870,940	776,779	-	776,779
Wastewater Treatment Plant				
Improvement expenditures:				
Construction WWTP Improvements Phase 1	1,640,500	1,701,978	-	1,701,978
Engineering	261,000	124,557	-	124,557
Closing fee	38,000	-	-	-
Legal fees	2,000	-	-	-
Contingency	82,025	1,425	-	1,425
Total plant improvement expenditures	2,023,525	1,827,960	-	1,827,960
Water Treatment Plant Waste				
Sludge Storage Tank expenditures:				
Construction Sludge Tank	423,197	425,759	-	425,759
Engineering	92,000	44,406	-	44,406
Closing fee	10,947	10,767	-	10,767
Legal fees	2,000	540	-	540
Contingency	21,160	-	-	-
Total sludge storage tank expenditures	549,304	481,472	-	481,472
Total expenditures	3,443,769	3,086,211	-	3,086,211
Revenues over (under) expenditures	(3,393,769)	(3,036,518)	-	(3,036,518)
Other Financing Sources (Uses):				
Transfer from Water and Sewer Fund	1,060,643	732,869	-	732,869
Transfer to Water and Sewer Fund	(715,231)	-	(715,231)	(715,231)
CWSRF Project No. CS370372-01	610,000	579,500	30,500	610,000
CWSRF Project No. CS370372-02	1,900,000	1,858,354	41,646	1,900,000
CWSRF Project No. CS370372-03	538,357	474,023	34,857	508,880
Total other financing sources (uses)	3,393,769	3,644,746	(608,228)	3,036,518
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 608,228	\$ (608,228)	\$ -

TOWN OF GRANITE FALLS, NORTH CAROLINA

ENTERPRISE FUND CAPITAL PROJECT FUND -
 ASSET INVENTORY AND ASSESSMENT PROJECT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

	Actual			
	Project Authorization	Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental revenues:				
NC Department of Environmental Quality	\$ 300,000	\$ 35,650	\$ 264,350	\$ 300,000
Expenditures:				
Administrative costs	24,500	20,316	2,700	23,016
Engineering costs	290,500	42,050	237,950	280,000
Total expenditures	315,000	62,366	240,650	303,016
Revenues over (under) expenditures	(15,000)	(26,716)	23,700	(3,016)
Other Financing Sources (Uses):				
Transfers in	15,000	26,716	-	26,716
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ -	\$ 23,700	\$ 23,700

TOWN OF GRANITE FALLS, NORTH CAROLINA

ENTERPRISE FUND CAPITAL PROJECT FUND - STATE RESERVE LOAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Expenditures:				
Contingency	\$ 10,000	\$ -	\$ -	\$ -
Construction - water line	384,600	-	-	-
Legal fees	2,000	-	-	-
Engineering costs	<u>103,400</u>	<u>-</u>	<u>30,217</u>	<u>30,217</u>
Total expenditures	<u>500,000</u>	<u>-</u>	<u>30,217</u>	<u>30,217</u>
Revenues over (under) expenditures	<u>(500,000)</u>	<u>-</u>	<u>(30,217)</u>	<u>(30,217)</u>
Other Financing Sources (Uses):				
Debt issued	500,000	-	-	-
Transfers in	<u>-</u>	<u>-</u>	<u>30,217</u>	<u>30,217</u>
Total other financing sources (uses)	<u>500,000</u>	<u>-</u>	<u>30,217</u>	<u>30,217</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF GRANITE FALLS, NORTH CAROLINA**ENTERPRISE FUND CAPITAL PROJECT - GFMS SEWER LINE EXTENSION****SCHEDULE OF REVENUES AND EXPENDITURES****BUDGET AND ACTUAL (NON-GAAP)****FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019**

	Actual		
	Project	Prior	Current
	Authorization	Years	Year
			Total
			to Date
Revenues:			
Restricted intergovernmental revenues:			
Local funds - Caldwell County Schools	\$ 141,470	\$ -	\$ 13,780
			\$ 13,780
Expenditures:			
Sewer line construction	117,170	-	480
Engineering	24,300	-	13,300
Total expenditures	141,470	-	13,780
			13,780
Revenues over (under) expenditures	\$ -	\$ -	\$ -
			\$ -

TOWN OF GRANITE FALLS, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2019

Fiscal Year	Uncollected Balance July 1, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 1,916,561	\$ 1,872,555	\$ 44,006
2017-2018	50,480	-	26,257	24,223
2016-2017	28,478	-	7,735	20,743
2015-2016	20,314	-	6,341	13,973
2014-2015	16,194	-	5,199	10,995
2013-2014	18,914	-	4,510	14,404
2012-2013	19,306	-	3,523	15,783
2010-2011	11,059	-	2,448	8,611
2009-2010	9,155	-	2,282	6,873
2009-2010	10,156	-	1,596	8,560
2008-2009	7,784	-	7,784	-
Total	\$ 191,840	\$ 1,916,561	\$ 1,940,230	168,171
Less: Allowance for uncollectible accounts				<u>(115,128)</u>
Ad valorem taxes receivable, net				<u>\$ 53,043</u>
Reconciliation of Collections and Credits with Revenue:				
Ad valorem taxes:				
General Fund				\$ 1,954,532
Reconciling items:				
Interest collected				(21,671)
Taxes written off				7,784
Miscellaneous adjustments				<u>(415)</u>
Total collections and credits				<u>\$ 1,940,230</u>

TOWN OF GRANITE FALLS, NORTH CAROLINA

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

	Property Valuation	Rate	Total Levy	Total Levy	
				Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 427,634,787	\$ 0.45	\$ 1,917,942	\$ 1,738,837	\$ 179,105
Discoveries:					
Current year levy	<u>28,923</u>	0.45	<u>130</u>	<u>130</u>	<u>-</u>
Abatements:					
Current year levy	<u>(336,883)</u>		<u>(1,511)</u>	<u>(1,031)</u>	<u>(480)</u>
Total property valuation	<u>\$ 427,326,826</u>				
Net Levy			1,916,561	1,737,936	178,625
Uncollected taxes at June 30, 2019			<u>(44,006)</u>	<u>(44,006)</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 1,872,555</u>	<u>\$ 1,693,930</u>	<u>\$ 178,625</u>
Current Levy Collection Percentage			<u>97.70%</u>	<u>97.47%</u>	<u>100.00%</u>

MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

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

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Granite Falls, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 23, 2019. Our report includes a reference to other auditors who audited the financial statements of the Town of Granite Falls ABC Board, as described in our report on the Town of Granite Falls' financial statements. The financial statements of the Town of Granite Falls ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Granite Falls' 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 Town of Granite Falls' internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Granite Falls' internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 Town of Granite Falls' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and; accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P. A.
Hickory, North Carolina
October 23, 2019

MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

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Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; In Accordance With Uniform Guidance And The State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Granite Falls' 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; applicable sections of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Granite Falls' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the Town of Granite Falls complied, in all material respects, with the 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 Town of Granite Falls 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 Town of Granite Falls' 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 our 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 Town of Granite Falls' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P. A.
Hickory, North Carolina
October 23, 2019

TOWN OF GRANITE FALLS, NORTH CAROLINA

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

1. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

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

Non-compliance material to financial statements noted? No

State Awards

Internal control over major state programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? No

Identification of major State programs:

Program Name

Powell Bill

TOWN OF GRANITE FALLS, NORTH CAROLINA
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

1. Financial Statements Findings

None reported.

2. State Award Findings and Questioned Costs

None reported.

TOWN OF GRANITE FALLS, NORTH CAROLINA

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

Finding 2018-001

Status: Corrected

TOWN OF GRANITE FALLS, 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 or Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Pass-Through to Subrecipients
State Grants:						
N.C. Department of Environmental Quality Division of Water Infrastructure:						
State Reserve Loan - Waterline to Laurel St.		H-SRP-D-18-0162	\$ -	\$ 30,217	\$ -	\$ -
Water Asset Inventory & Assessment Grant		H-AIA-D-16-0033	-	111,803	-	-
Wastewater Asset Inventory & Assessment Grant		E-AIA-W-17-0045	-	125,831	-	-
Total N.C. Department of Environmental Quality			-	267,851	-	-
N.C. Department of Natural and Cultural Resources						
Connect NC Bond (Accessibility Enhancement)		2017 CNC 05	-	80,000	86,389	-
Session Law 2018-5, Appropriation Act 2018			-	50,000	30,969	-
Total N.C. Department of Natural and Cultural Resources			-	130,000	117,358	-
N.C. Department of Transportation Division of Emergency Management: Direct Program:						
Powell Bill allocation		38570	-	427,569	-	-
Total N.C. Department of Transportation			-	427,569	-	-
Total State Awards			-	825,420	117,358	-
Total Federal and State Awards			\$ -	\$ 825,420	\$ 117,358	\$ -

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

Basis of Presentation

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

Summary of Significant Accounting Policies

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

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