

**Town of Granite Quarry
Granite Quarry, North Carolina
For the year ended
June 30, 2019**

**Independent Auditor's Reports
Basic Financial Statements
And
Information Accompanying the
Basic Financial Statements**

Board of Governance

Mayor	William Feather
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Mayor Pro-tem	Jim Lefevers
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Alderman	John Linker
Alderman	Jim Costantino
Alderman	Kim Cress

Administration

Interim Town Manager	Larry Smith
Town Clerk	Tanya Word
Finance Officer	Shelly Shockley

Town of Granite Quarry

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June 30, 2019

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EDDIE CARRICK, CPA, PC

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To Honorable Mayor
and Board of Aldermen
Town of Granite Quarry, North Carolina

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Granite Quarry, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Granite Quarry, North Carolina, as of June 30, 2019, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12, the Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress and Schedule of Employer Contributions on page 39, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions, on page 40, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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.

Other Information

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

The individual fund financial statements, budgetary schedules, and other schedules are the responsibility of management and 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. In our opinion, based on our audit, the individual fund financial statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Eddie Carrick CPA, PC



Lexington, North Carolina
October 5, 2019



Management's Discussion and Analysis

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

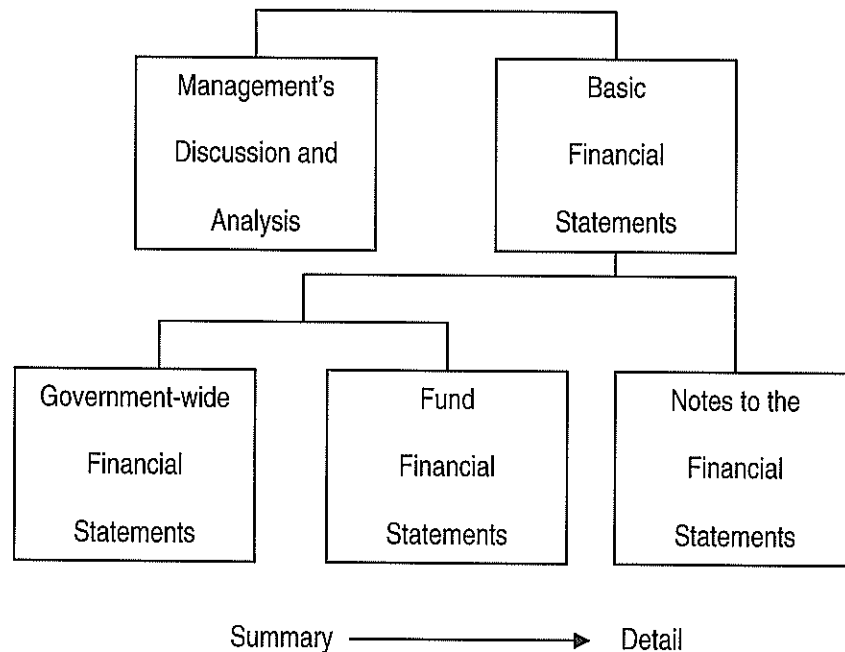
Financial highlights

- The assets and deferred outflows of resources of the Town of Granite Quarry exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$4,950,752 (*net position*).
- The government's total net position increased by \$234,517 primarily due to increases in revenues.
- As of the close of the current fiscal year, the Town of Granite Quarry's governmental funds reported combined ending fund balances of \$2,187,777, with a net increase of \$143,696 in fund balance. Approximately 19% of this total amount, or \$398,571, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,789,204 or 71 percent of total general fund expenditures for the fiscal year.
- The Town of Granite Quarry's total debt increased by \$158,620 during the current fiscal year. The key factors in this increase was principal payments of \$50,000, an increase in compensated absences of \$28,144, an increase in net pension liability (LGERS) of \$155,360, and increase in pension obligation (LEO) of \$25,116.

Overview of the Financial Statements

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

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

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

The next statements (Exhibit 3 through 5) 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 two parts to the Fund Financial Statements: 1) the governmental fund statements; and 2) the budgetary comparison 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 and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements include one category: governmental activities. The governmental activities include most of the Town's basic services such as safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Granite Quarry, 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 General Statutes or the Town's budget ordinance. All of the funds of the Town of Granite Quarry are included in one category: governmental funds.

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

Management Discussion and Analysis
Town of Granite Quarry

The Town of Granite Quarry adopts an annual budget for the 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 the 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 in 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 differences or variance between the final budget and actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Notes to the Financial Statements – The notes provide additional information that is essential to the full understanding of data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 19 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain supplemental information detailing the information provided in the basic financial statements and is presented to allow the reader to gain an in-depth understanding of the financial information presented.

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 changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities

Town of Granite Quarry's Net Position (Figure 2)

	<i>Governmental Activities</i>		<i>Total</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Current and other assets	\$ 2,457,174	\$ 2,185,544	\$ 2,457,174	\$ 2,185,544
Noncurrent assets	3,063,429	2,980,193	3,063,429	2,980,193
Deferred outflow of resources	273,240	109,529	273,240	109,529
Total assets and deferred outflow of resources	5,793,843	5,275,266	5,793,843	5,275,266
Long-term liabilities	200,000	250,000	200,000	250,000
Other Liabilities	623,598	284,712	623,598	284,712
Deferred inflow of resources	19,495	24,319	19,495	24,319
Total liabilities	843,093	559,031	843,093	559,031
Net position:				
Net investment in capital assets	2,635,463	2,377,234	2,635,463	2,377,234
Restricted for:				
Stabilization by State Statute	346,194	319,024	346,194	319,024
Streets	52,377	10,289	52,377	10,289
Unrestricted	1,916,716	2,009,688	1,916,716	2,009,688
Total net position	\$ 4,950,752	\$ 4,716,235	\$ 4,950,752	\$ 4,716,235

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 exceeded liabilities and deferred inflows of resources by \$4,950,752 as of June 30, 2019. The Town's net position increased by \$234,517 for the fiscal year ended June 30, 2019. However, the largest portion, \$2,635,463, or 54%, reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in capital assets is reported net of the outstanding debt, the resources needed to repay that debt must be provided by other sources, since capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position \$398,571, or 8%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,916,716 or 38% is unrestricted.

Management Discussion and Analysis
Town of Granite Quarry

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98%, which is above to the statewide average
- Increased unrestricted and restricted intergovernmental revenues
- Conservative spending by management in other areas.

Town of Granite Quarry's Changes in Net Position (Figure 3)

	<i>Governmental</i>		<i>Total</i>	
	<i>Activities</i>			
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Revenues				
Program revenues:				
Charges for services	\$ 142,111	\$ 141,115	\$ 142,111	\$ 141,115
Operating grants and contrib.	140,434	133,761	140,434	133,761
Capital grants and contrib.	277,527	93,461	277,527	93,461
General revenues:				
Property taxes	870,071	883,674	870,071	883,674
Investment earnings	20,509	3,206	20,509	3,206
Grants and contrib. unrestricted to specific programs	900,839	836,496	900,839	836,496
Gain on disposal of assets	-	-	-	-
Other	211,876	87,653	211,876	87,653
Total revenues	<u>2,563,367</u>	<u>2,179,366</u>	<u>2,563,367</u>	<u>2,179,366</u>
Expenses:				
General government	514,498	540,638	514,498	540,638
Public safety	1,158,934	1,040,317	1,158,934	1,040,317
Transportation	417,807	536,790	417,807	536,790
Environmental protection	167,148	176,241	167,148	176,241
Cultural and recreational	63,455	53,515	63,455	53,515
Interest on long-term debt	7,007	7,685	7,007	7,685
Total expenses	<u>2,328,849</u>	<u>2,355,187</u>	<u>2,328,849</u>	<u>2,355,187</u>
Increase (decrease) in net position	234,517	(175,820)	234,517	(175,820)
Net position, July 1	<u>4,716,235</u>	<u>4,892,055</u>	<u>4,716,235</u>	<u>4,892,055</u>
Net position, June 30	<u>\$ 4,950,752</u>	<u>\$ 4,716,235</u>	<u>\$ 4,950,752</u>	<u>\$ 4,716,235</u>

Management Discussion and Analysis
Town of Granite Quarry

Governmental Activities. Governmental activities increased the Town's net position by \$234,517, thereby accounting for 100% of the total increase in net position of the Town. The increase in net position was the result of a concerted effort to control costs and manage expenditures. Town management reduced non-essential programs to a minimum and implemented cost saving strategies across Town departments. Certain nonrecurring expenses were either postponed or renegotiated in an attempt to maintain a healthy net position. Management believes healthy investment in the Town will result in additional revenues, and in that vein added to the Town's net position by investing in capital assets. Increased efforts to maximize tax collections also contributed to the favorable net position. Tax revenue did not appreciably decline in the current year. Town management acknowledges that 2019 was a successful year and plans on improving upon these approaches as a long-term strategy to realize continued fiscal health.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town of Granite Quarry's fund balance available in the General Fund was \$1,789,204, while total fund balance reached \$2,187,777. The Town currently has an available fund balance of 71% of general fund expenditures, while total fund balance represents 86% of the same amount.

At June 30, 2019, the governmental funds of the Town reported a combined fund balance of \$2,187,777 with a net increase in fund balance of \$143,696. Included in this change in fund balance are increases in fund balance in the General Fund.

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

Revenues were more than anticipated, primarily from local option sales tax, grants, and debt payments received exceeding expectations. Expenditures were held in check to comply with its budgetary requirements.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental activities as of June 30, 2019, totals \$2,835,463 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year included the following additions and (disposals):

- Equipment \$191,891
- Donated Land \$188,212
- Vehicle \$42,323

Town of Granite Quarry's Capital Assets (net of depreciation) (Figure 4)

	<i>Governmental</i>			
	<i>Activities</i>		<i>Total</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Land	\$ 818,939	\$ 630,725	\$ 818,939	\$ 630,725
Buildings and systems	211,058	219,931	211,058	219,931
Machinery / equipment	309,032	197,511	309,032	197,511
Infrastructure	1,029,499	1,129,538	1,029,499	1,129,538
Vehicles / motorized equip.	466,935	449,529	466,935	449,529
	<u>\$ 2,835,463</u>	<u>\$ 2,627,234</u>	<u>\$ 2,835,463</u>	<u>\$ 2,627,234</u>

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

Long-term Debt. As of June 30, 2019 the Town of Granite Quarry had total debt outstanding of \$638,055. Of this, \$638,055 is debt backed by the full faith and credit of the Town.

Town of Granite Quarry's Outstanding Debt (Figure 5)

	<i>Governmental</i>			
	<i>Activities</i>		<i>Total</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Compensated absences	\$ 52,122	\$ 23,978	\$ 52,122	\$ 23,978
Net pension liability(LGERS)	318,368	163,008	318,368	163,008
Pension obligation (LEO)	67,565	42,449	67,565	42,449
Notes payable	200,000	250,000	200,000	250,000
	<u>\$ 638,055</u>	<u>\$ 479,435</u>	<u>\$ 638,055</u>	<u>\$ 479,435</u>

Town of Granite Quarry's Outstanding Debt

The Town of Granite Quarry's total debt increased by \$158,620 during the current fiscal year. The key factors in this increase was principal payments of \$50,000, an increase in compensated absences of \$28,144, an increase in net pension liability (LGERS) of \$155,360, and increase in pension obligation (LEO) of \$25,116.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of property located within that government's boundaries. The legal debt margin for the Town is \$16,914,338.

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

Economic Factors and Next Year's Budgets and Rates

The following key indicators reflect the growth and prosperity of the Town.

2019 is a revaluation year in Rowan County. The Town Board decided to maintain the current .4175 tax rate instead of the revenue neutral rate as part of its long-range planning for growth and operational / infrastructure needs. Development within the town is very strong compared to surrounding municipalities within the county.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities:

The first building in the Granite Industrial Park has been completed and has already actively garnered interest of multiple prospective industrial clients. The Town has been approved for a \$277,800 sewer extension grant through the NC Department of Commerce Industrial Development Fund that will ready the Park for that and Phase II of development. Nearby IOM Enterprises has also begun construction on the first of two 30,000 square foot additions for expansion of its industrial operations.

Commercial development of the State Employees Credit Union on N Salisbury Avenue has commenced and is expected to be completed within the FY19-20. A large addition to Christiana Lutheran Church has been approved and is underway. The Town was not able to prioritize the full renovation plan for town hall this fiscal year, but will be studying upgrade options within the FY19-20 budget year that can be accomplished to continue moving downtown revitalization efforts forward. Completion of an upgraded town hall electronic information sign called for in the Downtown Master Plan is underway, as is development of a plan design for the Town Square and its planters.

Residential development is also up. The 250-unit Village at Granite subdivision is well underway in Phase I development. The 32-lot Stoneglenn subdivision is in the engineered drawings approval stage. Several other minor subdivisions have been approved with \$150k-\$200k homes planned to be constructed thereon.

An estimated \$437,793 FEMA-reimbursed grant to repair storm damage to Granite Lake Park has been approved and is underway as well.

Management Discussion and Analysis
Town of Granite Quarry

Management believes that increased revenues and continued restrictions on spending will maintain the Town's financial position. As the Town considers future revenue sources, it has determined that a \$0.01 increase in the property tax rate will result in additional revenues of approximately \$20,902 at current values and collection rate. Though management believes current growth will generate enough revenue to support Town operations, a careful analysis of property tax revenue will be considered in future years' budgets.

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 Clerk, Town of Granite Quarry, P.O. Box 351, Granite Quarry, NC 28072.

Town of Granite Quarry, North Carolina
Statement of Net Position
June 30, 2019

	Governmental Activities	Total
ASSETS		
Current assets:		
Cash and cash equivalents - unrestricted	\$ 1,974,749	\$ 1,974,749
Receivables, net:		
Taxes	33,857	33,857
Accounts receivable - county	15,572	15,572
Sales and use taxes	71,871	71,871
Accounts	5,695	5,695
Grants	34,715	34,715
Accounts - Salisbury current portion	50,000	50,000
Due from other governments	218,339	218,339
Restricted cash and cash equivalents	52,377	52,377
Total current assets	<u>2,457,174</u>	<u>2,457,174</u>
Noncurrent assets:		
Accounts - Salisbury noncurrent portion	227,966	227,966
Capital Assets:		
Land, non-depreciable improvements	818,939	818,939
Other capital assets, net of depreciation	2,016,524	2,016,524
Total capital assets	<u>2,835,463</u>	<u>2,835,463</u>
Total noncurrent assets	<u>3,063,429</u>	<u>3,063,429</u>
Total assets	<u>5,520,603</u>	<u>5,520,603</u>
DEFERRED OUTFLOWS OF RESOURCES		
LGERS pension deferrals	250,227	250,227
LEO deferrals	23,013	23,013
Total deferred outflows of resources	<u>273,240</u>	<u>273,240</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	185,543	185,543
Current portion of long-term liabilities	50,000	50,000
Long-term liabilities:		
LGERS pension liability	318,368	318,368
LEO separation allowance	67,565	67,565
Compensated absences	52,122	52,122
Due in more than one year	150,000	150,000
Total liabilities	<u>823,598</u>	<u>823,598</u>
DEFERRED INFLOWS OF RESOURCES		
LGERS pension deferrals	11,872	11,872
LEO deferrals	7,623	7,623
Total deferred inflows of resources	<u>19,495</u>	<u>19,495</u>
NET POSITION		
Net investment in capital assets	2,635,463	2,635,463
Restricted for:		
Stabilization by State Statute	346,194	346,194
Streets	52,377	52,377
Unrestricted	1,916,716	1,916,716
Total net position	<u>\$ 4,950,752</u>	<u>\$ 4,950,752</u>

Notes to financial statements are an integral part of this statement

Town of Granite Quarry, North Carolina
Statement of Activities
For the Year Ended June 30, 2019

EXHIBIT 2

Net (Expense) Revenue and Changes in
Net Position

Function / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Primary government:						
Governmental Activities:						
General government	\$ 515,106	\$ -	\$ -	\$ -	\$ (515,106)	\$ (515,106)
Public Safety	1,154,396	-	140,434	17,088	(996,874)	(996,874)
Transportation	419,578	-	-	260,439	(159,139)	(159,139)
Environmental protection	167,148	142,111	-	-	(25,037)	(25,037)
Culture and recreation	63,455	-	-	-	(63,455)	(63,455)
Interest on long-term debt	9,166	-	-	-	(9,166)	(9,166)
Total governmental activities (see Note 1)	<u>\$ 2,328,849</u>	<u>\$ 142,111</u>	<u>\$ 140,434</u>	<u>\$ 277,527</u>	(1,768,777)	(1,768,777)
General revenues:						
Taxes:						
Property taxes levied for general purposes					870,071	870,071
Grants and contributions not restricted to specific programs					900,839	900,839
Unrestricted investment earnings					20,509	20,509
Gain on disposal of assets					-	-
Miscellaneous					211,876	211,876
Total general revenues and transfers					<u>2,003,295</u>	<u>2,003,295</u>
Change in net position					234,517	234,517
Net position-beginning					4,716,235	4,716,235
Net position-ending					<u>\$ 4,950,752</u>	<u>\$ 4,950,752</u>

Notes to financial statements are an integral part of this statement

Town of Granite Quarry, North Carolina
Balance Sheet
Governmental Funds
June 30, 2019

	Major Fund General	Total Governmental Fund
Assets		
Cash and cash equivalents - unrestricted	\$ 1,974,749	\$ 1,974,749
Cash and cash equivalents - restricted	52,377	52,377
Receivables, net:		
Taxes Ad Valorem	33,857	33,857
Accounts receivable - county	15,572	15,572
Sales and use taxes	71,871	71,871
Accounts	5,695	5,695
Grants	34,715	34,715
Due from other governments	218,339	218,339
Total assets	<u>\$ 2,407,174</u>	<u>\$ 2,407,174</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and accrued liabilities	\$ 185,543	\$ 185,543
Total liabilities	<u>185,543</u>	<u>185,543</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	33,857	33,857
Total deferred inflows of resources	<u>33,857</u>	<u>33,857</u>
Fund balance:		
Restricted:		
Stabilization by State Statute	346,194	346,194
Streets	52,377	52,377
Assigned for subsequent year's expenditures	-	-
Unassigned	1,789,204	1,789,204
Total fund balance	<u>2,187,777</u>	<u>2,187,777</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 2,407,174</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Gross capital assets at historical cost	\$ 5,394,836
Accumulated depreciation	(2,559,373)
Long-term accounts receivable - Salisbury	277,966
Deferred outflows of resources related to LGERS pensions are not reported in the funds	250,227
Deferred outflows of resources related to LEO are not reported in the funds	23,013
Liabilities for earned revenues considered deferred inflows of resources in fund statements	33,857
Deferred inflows of resources related to LGERS pensions are not reported in the funds	(11,872)
Deferred inflows of resources related to LEO are not reported in the funds	(7,623)
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.	
LGERS pension liability	(318,368)
LEO separation allowance	(67,565)
Long-term debt	(200,000)
Accrued vacation	(52,122)
Net position of governmental activities	<u>\$ 4,950,752</u>

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

	<u>Major Fund General</u>	<u>Total Governmental Fund</u>
Revenues:		
Ad valorem taxes	\$ 872,401	\$ 872,401
Other taxes and licenses	3,560	3,560
Unrestricted intergovernmental revenues	900,839	900,839
Restricted intergovernmental revenues	549,961	549,961
Sales and services	142,111	142,111
Investment earnings	13,502	13,502
Other general revenues	208,316	208,316
Total revenues	<u>2,690,690</u>	<u>2,690,690</u>
Expenditures:		
Current:		
General government	627,216	627,216
Public Safety	1,232,492	1,232,492
Transportation	420,567	420,567
Environmental protection	167,148	167,148
Culture and recreation	40,404	40,404
Debt service:		
Principal retirement	50,000	50,000
Interest and other charges	9,166	9,166
Total expenditures	<u>2,546,993</u>	<u>2,546,993</u>
Revenues over expenditures	<u>143,696</u>	<u>143,696</u>
OTHER FINANCING SOURCES (USES)		
Proceeds from long-term debt	-	-
Fund balance appropriated	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Net change in fund balance	143,696	143,696
Fund balance - beginning of year	<u>2,044,080</u>	<u>2,044,080</u>
Fund balance - end of year	<u>\$ 2,187,777</u>	<u>\$ 2,187,777</u>

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

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

Net changes in fund balances - total governmental funds		\$ 143,696
Governmental funds report capital outlays as expenditures.		
However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period		
Capital outlay	\$ 422,426	
Depreciation	<u>(214,197)</u>	208,229
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue for tax revenues		(2,330)
Change in accounts receivable - Salisbury:		
Payments received	(132,000)	
Interest added	<u>7,007</u>	(124,993)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Payment on long-term debt		50,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Changes in compensated absences		(28,144)
Change in pension expense:		
Changes in net pension assets	-	
Changes in deferred outflows	149,803	
Changes in net pension liability	(155,360)	
Changes in deferred inflows	<u>10,175</u>	4,618
Change in LEO separation allowance expense:		
Changes in net pension assets	-	
Changes in deferred outflows	13,908	
Changes in net pension liability	(5,351)	
Changes in deferred inflows	<u>(25,116)</u>	(16,559)
Total changes in net position of governmental activities		<u>\$ 234,517</u>

Town of Granite Quarry, North Carolina

General Fund

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

	Original	Final	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 886,559	\$ 886,559	\$ 872,401	\$ (14,158)
Other taxes and licenses	2,350	2,350	3,560	1,210
Unrestricted intergovernmental	809,859	819,859	900,839	80,980
Restricted intergovernmental	134,757	291,979	549,961	257,982
Sales and services	165,744	165,744	142,111	(23,633)
Investment earnings	2,145	2,145	13,502	11,357
Other general revenues	177,154	360,419	208,316	(152,103)
Total revenues	<u>2,178,568</u>	<u>2,529,055</u>	<u>2,690,690</u>	<u>161,635</u>
Expenditures:				
Current:				
General government	523,747	648,801	627,216	21,585
Public Safety	1,056,528	1,253,773	1,232,492	21,281
Transportation	400,118	517,978	420,567	97,411
Environmental protection	178,000	178,000	167,148	10,852
Culture and recreation	39,000	54,284	40,404	13,880
Debt service:				
Principal retirement	50,000	50,000	50,000	-
Interest and other charges	8,400	8,400	9,166	(766)
Total expenditures	<u>2,255,793</u>	<u>2,711,236</u>	<u>2,546,993</u>	<u>164,243</u>
Revenues over (under) expenditures	<u>(77,225)</u>	<u>(182,181)</u>	<u>143,696</u>	<u>325,877</u>
Other financing sources (uses):				
Proceeds from long-term debt	-	-	-	-
Appropriated Fund Balance	77,225	182,181	-	(182,181)
Total other financing sources (uses)	<u>77,225</u>	<u>182,181</u>	<u>-</u>	<u>(182,181)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>143,696</u>	<u>\$ 143,696</u>
Fund balance, beginning of year			<u>2,044,080</u>	
Fund balance, end of year			<u>\$ 2,187,777</u>	

Notes to financial statements are an integral part of this statement

Town of Granite Quarry, North Carolina

***NOTES TO FINANCIAL STATEMENTS
As of or for the Year Ended June 30, 2019***

Description of the Unit

The Town of Granite Quarry is located in Rowan County, which is in the Piedmont area of North Carolina. The Town has a population of approximately 3,058.

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Granite Quarry conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies.

A. Reporting entity

The Town of Granite Quarry is a municipal corporation governed by an elected mayor and a four member Board of Aldermen. As required by generally accepted accounting principles, these financial statements present the Town, a single entity with no other legally separate entities for which the Town is financially accountable.

B. Basis of presentation

Government-wide Statements: The statement of net position and the statement of activities display the information about the primary government. These statements include the activities of the overall government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues 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 and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational and capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's fund. A separate statement for each fund category – governmental – is presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. The Town of Granite Quarry, North Carolina, only has one fund, the general fund, and is presented as a major fund.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

B. Basis of presentation (continued)

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. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

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 basis of accounting.

Government-wide Financial Statements: The government-wide is reported using the economic resources measurement focus. The government-wide financial statement is reported using the accrual basis of accounting. Revenues are recorded when earned and expenses 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, includes property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

C. Measurement Focus and Basis of Accounting (continued)

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Granite Quarry because the tax is levied by Rowan 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 is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

D. Budgetary data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$1,000. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. Non-participating interest earning investment contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value. The Town does not have a formal investment or credit risk policy.

2. Cash and Cash Equivalents

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Restricted Assets

Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4

Town of Granite Quarry Restricted Cash

Governmental Activities		
General Fund	Streets	\$ 52,377
Total Restricted Cash		<u>\$ 52,377</u>

4. Ad Valorem Taxes Receivable

In accordance with State law (G.S. 105-347 and G.S. 159-13(a)), the Town levies ad valorem taxes on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2018. As allowed by State law, the Town has established a schedule of discounts that apply to taxes, which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Prepaid Items

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

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life of more than two years. Minimum capitalization costs are for purchases or construction in excess of \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Infrastructure	30 years
Buildings	40
Improvements	20
Vehicles	10-20
Furniture and equipment	5-10
Computer equipment	5

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meet this criterion, contributions made to the pension plan in the 2019 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category – property taxes receivable, and deferrals of pension expense that result from the implementation of GASB Statement 68.

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position.

9. Compensated Absences

The compensated absences policy of the Town provides for the accumulation of up to 40 hours earned accrued compensated leave. For the Town's government-wide fund, an expense and a liability for compensated absences and the salary-related payments is recorded. Since the accrued compensated leave time may be carried over into the following year, the liability has been designed as a current and a noncurrent liability in the government-wide financial statements.

10. Net position / Fund Balances

Net position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. Net position / Fund Balances (continued)

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 - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

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

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town's governing body (highest level of decision-making authority). The 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.

Assigned fund balance – portion of fund balance that the Town of Granite Quarry intends to use for specific purposes.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$1,000.

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

The Town of Granite Quarry 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, 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.

11. Pensions

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

II. Stewardship, Compliance, and Accountability:

A. Material Violations of Finance-Related Legal and Contractual Provisions:

1. *Noncompliance with North Carolina General Statutes:* None
2. *Contractual Violations:* None

B. Deficit Fund Balance or Retained Earnings of Individual Funds: None

C. Excess of Expenditures over Appropriations: None

III. Detail Notes on All Funds and Account Groups:

A. Assets:

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in 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 the Town's name. The amount of the pledged collateral is based on an approval 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 to undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no 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 designation official depositories and verifying that deposits are properly secured.

At June 30, 2019, the Town's deposits had a carrying amount of \$2,026,976 and a bank balance of \$2,119,232 which \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2019, the Town's petty cash fund totaled \$150.

2. Accounts Receivable - SRU

In 2016, the Town entered into an agreement with the City of Salisbury to extend a water line to a recently annexed area in Granite Quarry. The City of Salisbury owns and maintains all the water and sewer lines in the Town. The Town of Granite Quarry advanced \$452,959 to the City of Salisbury to do the project currently. The \$452,959 will be repaid by the City of Salisbury to the Town \$50,000 per year starting June 2017 and annually thereafter until the advancement is repaid. During 2019, the City of Salisbury paid the Town \$124,993 thus leaving a receivable of \$277,966. At no time will the Town have any ownership interest in the water line.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Due from Other Governments

There are currently no outstanding amounts due from other governments other than normal state and county distributions.

4. Capital assets

Primary Government

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

	Beginning Balances	Increases	(Decreases)	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 630,725	\$ 188,212	\$ -	\$ 818,937
Capital assets being depreciated:				
Buildings	574,362	-		574,362
Equipment	674,123	191,891	-	866,014
Vehicles and motorized equipment	1,350,945	42,323	-	1,393,268
Infrastructure	1,742,256	-	-	1,742,256
Total capital assets being depreciated:	4,341,686	234,214	-	4,575,900
Less, accumulated depreciation for:				
Buildings	354,431	8,870	-	363,301
Equipment	517,940	39,042	-	556,982
Vehicles and motorized equipment	860,088	66,246	-	926,334
Infrastructure	612,718	100,039	-	712,757
Total accumulated depreciation	2,345,177	214,197	-	2,559,374
Total capital assets being depreciated, net	1,996,509			2,016,526
Governmental activity capital assets, net	<u>\$ 2,627,234</u>			<u>\$ 2,835,463</u>

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

General government	\$ 74,556
Public safety	86,934
Transportation	29,656
Cultural and recreational	23,051
	<u>\$214,197</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

B. Liabilities:

1. Pension Plan Obligations:

a. Local Governmental Employees' Retirement System

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

a. Local Governmental Employees' Retirement System (continued)

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town 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 7.95% of compensation for law enforcement officers and 8.25% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$58,619 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.

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 \$318,368 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, 2019, the Town's proportion was 0.01342% (measured as of June 30, 2018), which was an increase of 0.00275% from its proportion as of June 30, 2018 (measured as of June 30, 2017).

For the year ended June 30, 2019, the Town recognized pension expense of \$85,830. 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	\$ 49,117	\$ 1,648
Changes of assumptions	84,483	-
Net difference between projected and actual earnings on pension plan investments	43,702	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	14,234	10,224
Town contributions subsequent to the measurement date	58,691	-
Total	\$ 250,227	\$ 11,872

NOTES TO THE FINANCIAL STATEMENTS (Continued)

a. Local Governmental Employees' Retirement System (continued)

\$58,691 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$	82,332
2021		55,223
2022		13,892
2023		28,217
2024		-
Thereafter		-
	\$	<u>179,664</u>

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

Inflation	3.0 percent
Salary increases	3.50 percent
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

The plan actuary 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 as of December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

a. Local Governmental Employees' Retirement System (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

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

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

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, 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 percent) or one percentage point higher (8.00 percent) 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)	\$ 764,748	\$ 318,368	\$ (54,634)

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b. Law Enforcement Officers Special Allowance

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

All full-time County law enforcement officers are covered by the Separation Allowance.

At December 31, 2018, the Separation Allowance's membership consisted of:

Retirees receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	9
Total	<hr/> 9

2. Summary of Significant Accounting Policies. Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits 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.

3. Actuarial Assumptions. The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

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

3. Contributions. The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund 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. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$ 0 as benefits came due for the reporting period

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b. Law Enforcement Officers Special Allowance (continued)

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 \$67,565. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$16,559.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16,550	\$ -
Changes of assumptions	6,463	7,623
County benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 23,013</u>	<u>\$ 7,623</u>

\$ 0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ 1,475
2021	1,475
2022	1,475
2023	1,475
2024	1,475
Thereafter	628

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b. Law Enforcement Officers Special Allowance (continued)

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 percent, 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 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 73,211	\$ 67,565	\$ 62,297

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

	2019
Beginning balance	\$ 42,449
Service Cost	8,985
Interest on the total pension liability	4,681
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	18,276
Changes of assumptions or other inputs	(6,826)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 67,565</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 85,830	\$ 16,559	\$ 102,389
Pension Liability	318,368	67,565	385,933
Proportionate share of the net pension liability	0.01342%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	49,117	16,550	65,667
Changes of assumptions	84,483	6,463	90,946
Net difference between projected and actual earnings on plan investments	43,702	-	43,702
Changes in proportion and differences between contributions and proportionate share of contributions	14,234	-	14,234
Benefit payments and administrative costs paid subsequent to the measurement date	58,691	-	58,691
Deferred of Inflows of Resources			
Differences between expected and actual experience	1,648	-	1,648
Changes of assumptions	-	7,623	7,623
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	10,224	-	10,224

c. Supplemental Retirement Income Plan for Law Enforcement Officers and Other Employees

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 others employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail 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 five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan.

The Town also contributes each month an amount equal to five percent of each other employee's salary, and all amounts contributed are vested immediately. Also, the other employees may make voluntary contributions to the plan. The Town made contributions of \$37,956 for the reporting year. No amounts were forfeited.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

d. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit 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 payrolls 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.

2. Deferred Outflows and Inflows of Resources

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

Source	Amount
Differences between expected and actual experience	\$ 65,667
Changes in assumptions	90,946
Net difference between projected and actual earnings on pension plan investments	43,702
Changes in proportion and differences between employer contributions and proportionate share of contributions	14,234
Town contribution subsequent to the measurement date	58,691
Total	<u>\$ 273,240</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes Receivable, less penalties (General Fund)	\$ -	\$ 33,857
Changes in assumptions	7,623	-
Differences between expected and actual experience	1,648	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,224	-
Total	<u>\$ 19,495</u>	<u>\$ 33,857</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$2 million per occurrence, property coverage up to the total insurance values of the property policy, worker's compensation coverage up to the statutory limits, and employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The 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 no flood insurance for the year because the Town of Granite Quarry is not considered to be in a flood area, therefore the cost of this type insurance would outweigh the benefit.

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. The Town does not have a bond on the tax collector in that they have outsourced tax collection to Rowan County. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

4. Long-term Obligations:

a. Installment Purchase

In June 2016, the Town entered into an installment purchase contract with F&M Bank to finance a waterline extension for the amount of \$350,000. The financing contract requires 83 monthly consecutive interest payments beginning June 30, 2016, with interest calculated on the unpaid principal balances using an interest rate of 2.740% per annum: 6 annual consecutive principal and interest payments of \$50,000 each beginning June 30, 2016 and one principal and interest payment of \$50,114 on May 30, 2023.

The future minimum payments of the installment contract as of June 30, 2019, based on the \$350,000 balance as of that date and scheduled annual payments of principal and interest which include \$13,788 of interest, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 50,000	\$ 5,571	\$ 55,571
2021	50,000	4,167	54,167
2022	50,000	2,778	52,778
2022	50,000	1,272	51,272
	<u>\$ 200,000</u>	<u>\$ 13,788</u>	<u>\$ 213,788</u>

At June 30, 2019, the Town had a legal debt margin of \$16,914,338.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b. Changes in Long-term Liabilities

	Balance			Balance	Current Portion
	June 30, 2018	Increases	Decreases	June 30, 2019	of Balance
Governmental activities:					
Compensated Absences	\$ 23,978	\$ 28,144	\$ -	\$ 52,122	\$ -
Net pension liability (LGRS)	163,008	155,360	-	318,368	-
Pension obligation (LEO)	42,449	25,116	-	67,565	-
Notes payable	250,000	-	50,000	200,000	50,000
Governmental activities long-term liabilities	<u>\$ 479,435</u>	<u>\$ 208,620</u>	<u>\$ 50,000</u>	<u>\$ 638,055</u>	<u>\$ 50,000</u>

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

C. On-Behalf of Payments for Fringe Benefits and Salaries

The Town has recognized as revenue and an expenditure, on-behalf payments for fringe benefits and salaries of \$17,088 for the salary supplement and stipend benefits paid to eligible firemen by the local board of trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2019. Under State law the local board of trustees for the Fund receives an amount each year, which the board may use at its own discretion for eligible firemen or their departments.

D. Net Investment in Capital Assets

	Governmental
Capital Assets	\$ 2,835,463
less: long-term debt	200,000
add: unexpended debt proceeds	-
Net investment in capital assets	<u>\$ 2,635,463</u>

E. Fund Balance

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

Total fund balance - General Fund	\$ 2,187,777
Less:	
Stabilization by State Statute	346,194
Streets - Powell Bill	52,377
Assigned for subsequent year's expenditures	-
Remaining Fund Balance	<u>\$ 1,789,204</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

E. Fund Balance (continued)

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

<i>Encumbrances</i>	<i>General Fund</i>	<i>Non-Major Funds</i>
	\$0	

IV. Joint Ventures

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees.

The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums which insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways. The Town obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the Town's fire department by the board of trustees. During the fiscal year ended June 30, 2019, the Town did not report any revenues and expenditures for these payments because no benefit payments were made through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2019. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at Post Office Box 188, Farmville, NC 27828.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from 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 moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

VI. Significant Effects of Subsequent Events

Subsequent events occurring after the statement of financial position date have been evaluated through October 5, 2019, which is the date the financial statements were available to be issued. There were no subsequent events that came to our attention after the audit that would have a significant effect on the Town.

Town of Granite Quarry, North Carolina
Town of Granite Quarry's 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	\$ 58,691	\$ 56,111	\$ 48,179	\$ 43,377	\$ 46,100	\$ 45,103
Contributions in relation to the contractually required contribution	\$ 58,691	\$ 56,111	\$ 48,179	\$ 43,377	\$ 46,100	\$ 45,103
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Granite Quarry's covered-employee payroll	\$ 721,274	\$ 710,377	\$ 628,369	\$ 622,579	\$ 637,289	\$ 629,140
Contributions as a percentage of covered-employee payroll	8.14%	7.90%	7.67%	6.97%	7.23%	7.14%

Proportionate Share of Net Pension Liability (Asset)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Granite Quarry's proportion of the net pension liability (asset) (%)	0.01342%	0.01067%	0.00991%	0.01341%	0.01360%	0.01310%
Granite Quarry's proportion of the net pension liability (asset) (\$)	\$ 318,368	\$ 163,008	\$ 210,323	\$ 60,183	\$ (80,205)	\$ 153,949
Granite Quarry's covered-employee payroll	\$ 710,377	\$ 628,369	\$ 622,579	\$ 637,289	\$ 629,140	\$ 639,224
Granite Quarry's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	44.82%	25.94%	33.78%	9.44%	(12.75%)	24.08%
Plan fiduciary net position as a percentage of the total pension liability**	92.00%	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.

Town of Granite Quarry, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Last Two Fiscal Years

Schedule of Changes in Total Pension Liability

	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 42,449	\$ 13,677
Service Cost Interest on total pension liability	13,666	11,231
Changes of benefit terms	-	1,483
Differences between expected and actual experience in the measurement of the total pension liability	18,276	-
Changes of assumptions or other inputs	(6,826)	9,225
Benefit payments	-	-
Other changes	-	6,833
Ending balance of the total pension liability	<u>\$ 67,565</u>	<u>\$ 42,449</u>

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

Schedule of Total Pension Liability as a Percentage of Covered Payroll

	<u>2019</u>	<u>2018</u>
Total pension liability	\$ 67,565	\$ 42,449
Covered payroll	384,905	333,857
Total pension liability as a percentage of covered payroll	17.55%	12.71%

Notes to the schedules:

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

Town of Granite Quarry, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2018 Actual</u>
REVENUES:				
Ad valorem taxes				
Current year collections		\$ 868,324		\$ 884,010
Penalties and interest		4,078		4,407
	<u>\$ 886,559</u>	<u>872,401</u>	<u>\$ (14,158)</u>	<u>888,417</u>
Other taxes, licenses and fees				
Privilege licenses		3,560		1,200
	<u>2,350</u>	<u>3,560</u>	<u>1,210</u>	<u>1,200</u>
Unrestricted intergovernmental				
Local option sales tax		730,589		673,909
Telecommunications sales tax		11,965		12,847
Solid waste disposal tax		2,164		2,102
Utility franchise tax		98,532		98,299
Piped natural gas		8,832		8,905
Video franchise fee tax		25,921		27,068
Beer and wine tax		13,364		13,366
ABC profit distribution		9,471		9,170
	<u>819,859</u>	<u>900,839</u>	<u>80,980</u>	<u>845,666</u>
Restricted intergovernmental				
Powell Bill allocation		83,390		84,458
Grants		177,049		-
City of Salisbury - lease/debt payment		132,000		50,000
Faith police reimbursement		140,434		133,761
On-behalf of payments - Fire and Rescue		17,088		9,003
	<u>291,979</u>	<u>549,961</u>	<u>257,982</u>	<u>277,222</u>
Sales and services				
Curbside recycling		142,111		141,115
	<u>165,744</u>	<u>142,111</u>	<u>(23,633)</u>	<u>141,115</u>
Other general revenues				
Investment earnings		13,502		3,207
Rental income		4,735		4,265
Donations		194		10,350
Donations - Land		184,280		-
Sale of assets		2,524		21,270
Other		16,583		41,398
	<u>362,564</u>	<u>221,818</u>	<u>(140,746)</u>	<u>223,421</u>
Total revenues	<u>\$ 2,529,055</u>	<u>\$ 2,690,690</u>	<u>\$ 161,635</u>	<u>\$ 2,234,110</u>

Town of Granite Quarry, North Carolina
General Fund (Continued)
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2018 Actual</u>
EXPENDITURES:				
General Government				
Governing body				
Salary - Mayor/Aldermen		\$ 12,160		\$ 11,672
Mayor and board expenses		4,204		4,118
Election expense		-		2,081
	<u>\$ 18,011</u>	<u>16,364</u>	<u>\$ 1,647</u>	<u>17,871</u>
Administration				
Salaries and wages		228,131		206,597
Social security		16,811		17,254
Group insurance		27,568		34,498
Employee retirement		22,392		25,042
Unemployment expense		3,540		-
Contracted services		34,268		57,268
Christmas lights		9,082		-
Professional services		11,431		10,116
Visionary project		-		8,122
Telephone		3,378		3,149
Utilities		3,611		4,639
Printing		4,273		3,151
Membership dues		12,768		12,124
Advertising		2,027		1,527
Tax collection fee		15,560		15,921
Office expense		8,750		12,894
Planning supplies		187		295
Maintenance and repairs		2,197		1,500
Training and schools		5,979		2,440
Insurance and bonding		4,775		7,299
Banquet expense		1,365		1,209
Community Appearance Commission		4,547		3,311
Miscellaneous		-		-
Projects		-		12,551
Capital outlay		188,212		12,014
	<u>630,790</u>	<u>610,852</u>	<u>19,938</u>	<u>452,922</u>
 Total general government	 <u>\$ 648,801</u>	 <u>\$ 627,216</u>	 <u>\$ 21,585</u>	 <u>\$ 470,793</u>

Town of Granite Quarry, North Carolina
General Fund (Continued)
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2018 Actual</u>
EXPENDITURES:				
Public Safety				
Police department				
Salaries		\$ 331,910		\$ 329,301
Part-time officers		24,671		17,750
Social security		28,670		26,860
Group insurance		63,492		70,928
Employee retirement		27,207		28,632
Supplemental retirement		16,436		20,184
Motor fuel		17,425		15,897
Contracted services		23,225		21,532
Printing		751		2,467
Telephone		6,174		7,277
Utilities		1,284		1,804
L.E. office supplies		762		899
Miscellaneous supplies and equipment		18,460		29,248
Maintenance and repairs - equipment		1,989		1,265
Maintenance and repairs - autos		4,812		5,484
Training and schools		874		2,676
Uniforms		2,715		3,138
Insurance		25,338		20,599
Miscellaneous		-		-
Dues and subscriptions		1,571		650
Capital outlay		42,323		41,328
Total police department	\$ 656,994	640,090	\$ 16,904	647,920
Public Safety - continued				
Fire department				
On-behalf of benefits		17,088		9,003
Salaries		104,160		100,788
Part-time wages		162,265		80,467
Social security		20,874		14,039
Group insurance		25,691		23,352
Employee retirement		16,358		15,437
Motor fuel		4,585		3,316
Contracted services		15,892		10,372
Printing		396		1,249
Telephone		3,570		1,667
Utilities		4,786		6,727
Dues and subscriptions		2,037		1,237
Office expense		407		67

Town of Granite Quarry, North Carolina
General Fund (Continued)
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2018 Actual</u>
EXPENDITURES:				
Public Safety - continued				
Fire department	-			
Maintenance and repairs - trucks		\$ 7,527		\$ 5,881
Maintenance and repairs - equipment		2,410		3,165
Miscellaneous supplies and equipment		23,262		23,604
Training and schools		715		1,380
Uniforms		2,826		1,609
Insurance		18,620		13,641
Miscellaneous		-		-
Debt service - Principal		-		146,960
Debt service - Interest		2,159		3,600
Capital outlay - equipment		158,933		-
	<u>\$ 596,779</u>	<u>594,560</u>	<u>\$ 2,219</u>	<u>467,559</u>
Total public safety	<u>1,253,773</u>	<u>1,234,651</u>	<u>19,122</u>	<u>1,115,479</u>
Transportation				
Streets and highways				-
Salaries and wages		131,099		93,716
Social security		10,219		7,234
Group insurance		23,960		15,944
Employee retirement		13,248		12,631
Motor fuel		6,168		5,415
Communications		772		229
Utilities		2,619		3,873
Contracted services		21,510		32,094
Printing		6		454
Miscellaneous supplies and equipment		6,514		22,944
Maintenance and repairs - building		18,211		12,078
Maintenance and repairs - equipment		10,481		5,244
Maintenance and repairs - trucks		2,852		1,270
Training and schools		25		177
Uniforms		1,366		1,405
Insurance		10,141		8,779
Tools and light equipment		2,403		-
Sewer and water taps		-		48,057
Miscellaneous		-		19
Hurricane damage		34,715		-
Refund Carolina Thread Trail		50,000		-
Capital outlay		32,957		64,602
Powell Bill:				
Expenses		41,303		234,739
Capital outlay		-		-
Total transportation	<u>\$ 517,978</u>	<u>\$ 420,567</u>	<u>\$ 97,411</u>	<u>\$ 570,904</u>

Town of Granite Quarry, North Carolina
General Fund (Continued)
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2018 Actual</u>
Environmental protection				
Utilities		\$ 30,105		\$ 41,080
Contract trash hauling		103,947		110,082
Recycling program		33,096		25,080
Total environmental protection	<u>\$ 178,000</u>	<u>167,148</u>	<u>\$ 10,852</u>	<u>176,241</u>
EXPENDITURES:				
Culture and Recreation				
Maintenance and repairs		19,728		11,905
Supplies and equipment		5,651		5,113
Contract services		2,742		3,076
Utilities		12,283		10,251
Miscellaneous		-		118
Capital outlay		-		-
Total cultural and recreational	<u>54,284</u>	<u>40,404</u>	<u>13,880</u>	<u>30,463</u>
Debt service:				
Water line extension:				
Principal retirement		50,000		50,000
Interest		7,007		7,685
Total debt service	<u>58,400</u>	<u>57,007</u>	<u>1,393</u>	<u>57,685</u>
Total expenditures	<u>2,711,236</u>	<u>2,546,993</u>	<u>164,243</u>	<u>2,421,566</u>
Revenues over expenditures	<u>(182,181)</u>	<u>143,696</u>	<u>325,877</u>	<u>(187,456)</u>
OTHER FINANCING SOURCES				
Operating transfers	-	-	-	-
Proceeds from long-term debt	-	-	-	-
Appropriated Fund Balance	<u>182,181</u>	<u>-</u>	<u>(182,181)</u>	<u>-</u>
	<u>182,181</u>	<u>-</u>	<u>(182,181)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>143,696</u>	<u>\$ 143,696</u>	<u>(187,456)</u>
Fund balances - beginning of year		<u>2,044,080</u>		<u>2,231,537</u>
Fund balances - end of year		<u>\$ 2,187,777</u>		<u>\$ 2,044,080</u>

Town of Granite Quarry, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2019

<u>Fiscal Year</u>	<u>Uncollected Balance</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance</u>
	<u>June 30, 2018</u>			<u>June 30, 2019</u>
2018-2019		\$ 882,717	\$ 872,690	\$ 10,027
2017-2018	\$ 11,544		5,040	6,504
2016-2017	6,775		2,009	4,766
2015-2016	5,930		2,254	3,676
2014-2015	3,406		378	3,028
2013-2014	2,214		332	1,882
2012-2013	1,461		315	1,146
2011-2012	1,187		(17)	1,204
2010-2011	684		74	610
2009-2010	1,085		71	1,014
2008-2009	1,901		1,901	-
	<u>\$ 36,187</u>	<u>\$ 882,717</u>	<u>\$ 885,047</u>	
Ad valorem taxes receivable-net				<u>\$ 33,857</u>
Reconciliation with revenues:				
Taxes-Ad Valorem-General				\$ 868,324
Adjustments & credits				<u>16,723</u>
Total collections and credits				<u>\$ 885,047</u>

Town of Granite Quarry, North Carolina
Analysis of Current Tax Levy
Town-Wide Levy
For the Year Ended June 30, 2019

	Total Levy				
	Total Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current years rate	\$ 211,429,222	0.4175	\$ 882,717	\$ 771,333	\$ 111,384
Property taxed at prior years rate	-		-	-	-
Penalties	-		-	-	-
Total	<u>211,429,222</u>		<u>882,717</u>	<u>771,333</u>	<u>111,384</u>
Discoveries:					
Current year rates	-	0.4175	-	-	-
Prior year taxes	-		-	-	-
Penalties	-		-	-	-
Total	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
Abatements	<u>-</u>	0.4175	<u>-</u>	<u>-</u>	<u>-</u>
Total property valuation	<u><u>\$ 211,429,222</u></u>				
Net levy			882,717	771,333	111,384
Uncollected taxes at June 30, 2018			<u>(10,027)</u>	<u>(10,027)</u>	<u>-</u>
Current year's taxes collected			<u><u>\$ 872,690</u></u>	<u><u>\$ 761,306</u></u>	<u><u>\$ 111,384</u></u>
Percent current year collected			<u><u>98.86%</u></u>	<u><u>98.70%</u></u>	<u><u>100.00%</u></u>