

**Town of Grifton,  
North Carolina**

**FINANCIAL REPORT**

**June 30, 2019**



**CRI** CARR  
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**June 30, 2019**

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## **INDEPENDENT AUDITORS' REPORT**

To the Honorable Mayor and  
Board of Commissioners  
Town of Grifton, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Grifton, North Carolina (the "Town"), 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.

### **Auditors' Responsibility**

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2019, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 – 14, the Local Government Employees' Retirement System's Schedules of Proportionate Share of Net Pension Liability (Asset) and Contributions, on pages 55 and 56, respectively, and the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, on pages 57 and 58, respectively be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

The combining and individual fund financial schedules, 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 procedures performed as described above, the combining and individual fund financial schedules, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2019 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town's internal control over financial reporting and compliance.

*Cary, Riggs & Ingram, L.L.C.*

Goldsboro, North Carolina  
December 5, 2019

## Town of Grifton, North Carolina Management's Discussion and Analysis

As management of the Town of Grifton, North Carolina (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town 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 exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$4,953,551 (net position).
- The government's total net position decreased by \$57,178, due to a combination of factors; such as increases in public safety and transportation expenses.
- As of the close of the current fiscal year, the Town's governmental fund (General Fund) reported an ending fund balance of \$808,557, an increase of \$2,608 in comparison with the prior year. Approximately 75% percent of this total amount, or \$609,465, is available for spending at the government's discretion (unassigned fund balance). For additional information regarding classification of the Town's fund balance, please see Note II, E.

### ***Overview of the Financial Statements***

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of three components (see figure 1). They are as follows:

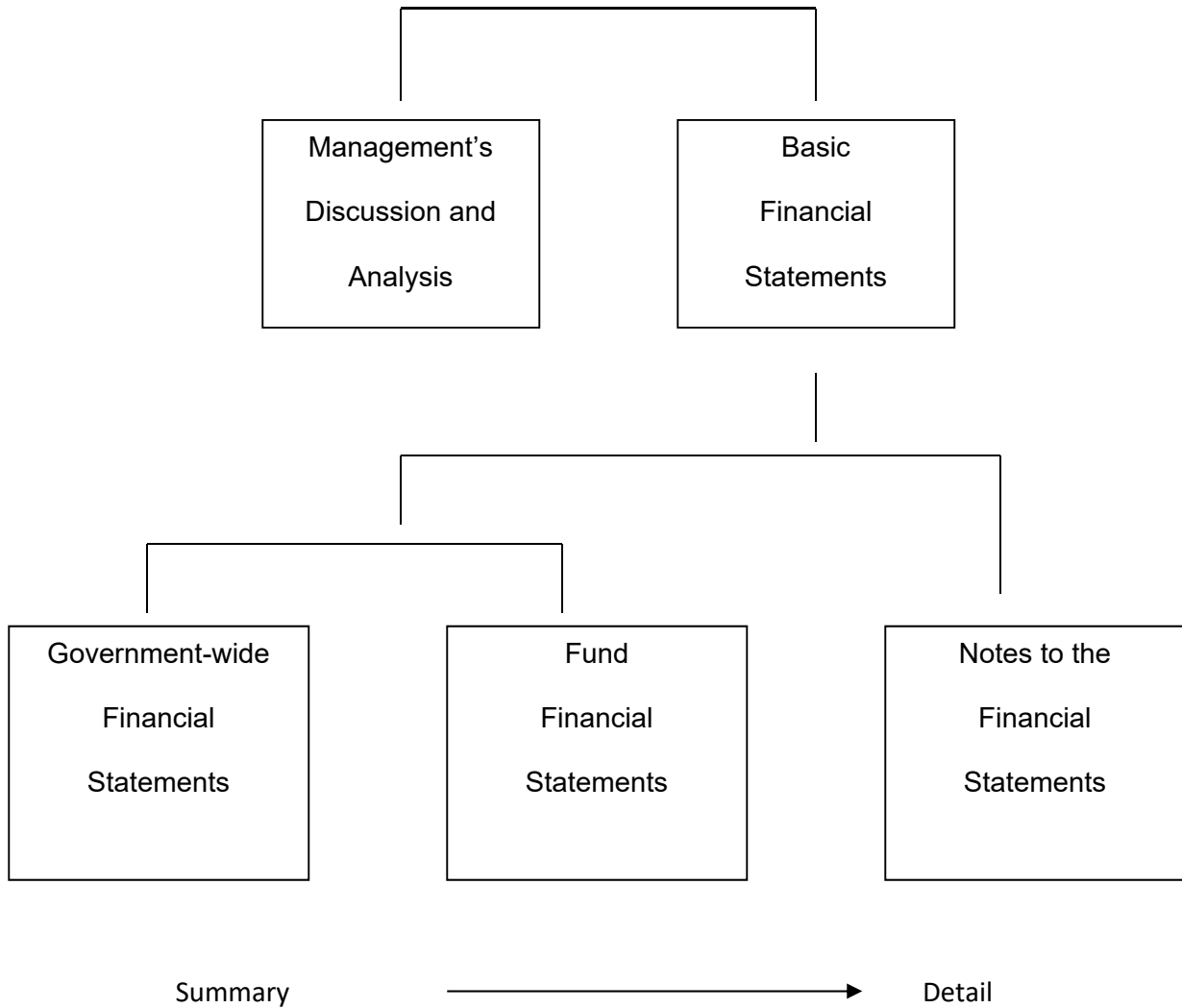
- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

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.



# Town of Grifton, North Carolina Management's Discussion and Analysis

Required Components of Annual Financial Report  
Figure 1



## Basic Financial Statements

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

The next statements (Exhibits 3 through 8) are Fund Financial Statements. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the fund financial

## Town of Grifton, North Carolina Management's Discussion and Analysis

statements: 1) the governmental fund statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

**Government-wide financial statements.** The government-wide financial statements consist of two statements. They are the Statement of Net Position and the Statement of Activities. They are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenue and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Town that are primarily supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, buildings and grounds, economic/physical development, environmental protection, and culture and recreation. The business-type activities of the Town include water, sewer and storm-water operations.

The government-wide financial statements can be found on pages 16 - 17 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

## Town of Grifton, North Carolina Management's Discussion and Analysis

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

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

**Proprietary Funds.** The Town's proprietary type funds provide the same type of information found in the government-wide financial statements, but in more detail. The Town uses enterprise funds to account for its water and sewer activity and storm-water activity. To account for the difference between the budgetary basis of accounting and the accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary schedule.

The fund financial statements can be found on pages 18 - 24 of this report.

**Notes to the financial statements.** The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 25 - 53 of this report.

## Town of Grifton, North Carolina Management's Discussion and Analysis

**Required Supplemental Information and Supplemental Information.** In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary and other information concerning the Town's operations and property taxes.

The other information can be found on pages 54 - 85 of this report.

**Interdependence with Other Entities:** The Town depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

### **Government-Wide Financial Analysis**

Table 1  
Town of Grifton, North Carolina  
Condensed Statement of Net Position  
As of June 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current assets	\$ 941,941	\$ 943,580	\$ 719,300	\$ 619,051	\$ 1,661,241	\$ 1,562,631
Non-current assets	1,945,687	2,084,783	3,496,614	3,527,995	5,442,301	5,612,778
Deferred outflows of resources	162,198	95,740	48,786	24,248	210,984	119,988
Total assets and deferred outflows of resources	<u>3,049,826</u>	<u>3,124,103</u>	<u>4,264,700</u>	<u>4,171,294</u>	<u>7,314,526</u>	<u>7,295,397</u>
Other liabilities	334,086	299,737	195,647	145,101	529,733	444,838
Long-term liabilities	1,210,982	1,290,272	575,848	540,105	1,786,830	1,830,377
Deferred inflows of resources	44,114	8,679	298	774	44,412	9,453
Total liabilities and deferred inflows of resources	<u>1,589,182</u>	<u>1,598,688</u>	<u>771,793</u>	<u>685,980</u>	<u>2,360,975</u>	<u>2,284,668</u>
Net investment in capital assets	680,434	724,984	2,903,614	2,985,995	3,584,048	3,710,979
Restricted net position	250,269	235,562	-	-	250,269	235,562
Unrestricted net position	529,941	564,869	589,293	499,319	1,119,234	1,064,188
Total net position	<u>\$ 1,460,644</u>	<u>\$ 1,525,415</u>	<u>\$ 3,492,907</u>	<u>\$ 3,485,314</u>	<u>\$ 4,953,551</u>	<u>\$ 5,010,729</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town exceeded liabilities and deferred inflows of resources by \$4,953,551 as of June 30, 2019. The Town's net position decreased by \$57,178 for the fiscal year ended June 30, 2019. However, the largest portion of net position (72%) reflects the Town's investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

## Town of Grifton, North Carolina Management's Discussion and Analysis

Although the Town's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,119,234 is unrestricted.

Table 2  
Town of Grifton, North Carolina  
Condensed Statement of Revenue, Expenses, and Changes in Net Position  
For the Fiscal Year Ended June 30,

	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
<b>Revenues:</b>				
<b>Program revenues:</b>				
Charges for services	\$ 152,251	\$ 146,697	\$ 1,055,866	\$ 1,013,742
Operating grants and contributions	145,742	152,586	192,879	98,791
Capital grants and contributions	-	9,011	-	-
<b>General revenues:</b>				
Property taxes	576,701	551,927	-	-
Other taxes	727,875	687,982	-	-
Other	43,518	39,120	250	229
<b>Total revenues</b>	<b>1,646,087</b>	<b>1,587,323</b>	<b>1,248,995</b>	<b>1,112,762</b>
<b>Expenses:</b>				
General government	596,309	603,629	-	-
Public safety	596,268	524,965	-	-
Transportation	254,090	238,997	-	-
Economic & community development	22,232	21,366	-	-
Environmental protection	111,466	107,442	-	-
Cultural and recreational	91,179	85,973	-	-
Interest on long-term debt	48,314	51,585	-	-
Water and sewer and stormwater	-	-	1,232,402	1,154,213
<b>Total expenses</b>	<b>1,719,858</b>	<b>1,633,957</b>	<b>1,232,402</b>	<b>1,154,213</b>
Increase (decrease) in net position before transfers	(73,771)	(46,634)	16,593	(41,451)
Transfers	9,000	9,000	(9,000)	(9,000)
Increase (decrease) in net position	(64,771)	(37,634)	7,593	(50,451)
Net position, July 1	1,525,415	1,563,049	3,485,314	3,535,765
Net position, June 30	<b>\$ 1,460,644</b>	<b>\$ 1,525,415</b>	<b>\$ 3,492,907</b>	<b>\$ 3,485,314</b>

Several aspects of the Town's financial operations influenced its government-wide net position components:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 95.69%, annually, with a collection rate excluding motor vehicles of 94.89%, which is slightly below the statewide average

## Town of Grifton, North Carolina Management's Discussion and Analysis

### Governmental activities:

Revenues for general governmental functions (General Fund, Special Revenue Funds, and Capital Project Funds) amounted to \$1,647,061. Revenues from various sources and increases and decreases in relation to the prior year are shown in the following table:

Table 3  
Town of Grifton, North Carolina  
Summary of Revenue by Source  
For the Fiscal Year Ended June 30, 2019

Revenue by source:	% of Total	Amount	Increase (Decrease) From 2018
Ad valorem taxes	35.16%	\$ 579,174	\$ 16,159
Other taxes and licenses	36.98%	609,074	38,905
Unrestricted intergovernmental	8.11%	133,598	2,445
Restricted intergovernmental	8.85%	145,742	(15,855)
Sales and services	8.36%	137,675	4,318
Investment earnings	0.02%	332	17
Miscellaneous	2.52%	41,466	1,859
Total revenues	<u>100.00%</u>	<u>\$ 1,647,061</u>	<u>\$ 47,848</u>

Assessed valuation of all taxable property in the Town is approximately \$90,277,349.

Expenditures for general governmental functions / purposes (General Fund, Special Revenue Funds, and Capital Project Funds) amounted to \$1,657,352. Increases and decreases in relation to the prior year are shown in the following table:

Table 4  
Town of Grifton, North Carolina  
Summary of Expenses by Function / Purpose  
For the Fiscal Year Ended June 30, 2019

Expenses by function/purpose:	% of Total	Amount	Increase (Decrease) From 2018
General government	33.44%	\$ 554,279	\$ (40,907)
Public safety	35.65%	590,882	103,719
Transportation	9.78%	162,017	(14,243)
Environmental protection	6.73%	111,466	4,024
Economic & community development	1.34%	22,232	18,802
Cultural and recreational	4.44%	73,617	(1,671)
Debt service	8.62%	142,859	(10,661)
Total expenses	<u>100.00%</u>	<u>\$ 1,657,352</u>	<u>\$ 59,064</u>

Fund balance in the General Fund at June 30, 2019 was \$808,557 and continues to remain at a level that compliments the Town's finance position, maintains credit worthiness, and provides a resource for unforeseen emergencies.

**Business-type activities:** The Town's enterprise operations consist of water, sewer, and stormwater utilities. Net position for these activities at June 30, 2019 was \$3,492,907 compared to \$3,485,314 the preceding year. Operating loss after depreciation totaled \$(158,244) for the year

## Town of Grifton, North Carolina Management's Discussion and Analysis

ended June 30, 2019, compared with an operating loss after depreciation of \$(121,908) for the year ended June 30, 2018.

The Town's water system average daily use is approximately 200,000 gallons daily with a capacity of approximately 0.83 million gallons daily.

Ayden, Winterville, and Grifton jointly own and operate the wastewater treatment plant called the Contentnea Metropolitan Sewerage Plant, located in Grifton. The plant has made \$33.251 million in improvements over the last several years to address phosphorus removal mandates. The improvements were financed for 20 years through the NC Clean Water Fund program. Plant capacity is 3.5 million gallons daily with an average flow of 1.87 million gallons daily.

### *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, unassigned 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, unassigned fund balance of the General Fund was \$609,465, while total fund balance reached \$808,557. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 37.29% percent of total General Fund expenditures, while total fund balance represents 49.47% percent of the same amount. For additional information regarding Fund Balance, please see Note II, E.

### **General Fund Budgetary Highlights**

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

During the fiscal year, the Town amended its original budget on several occasions. Several of the largest amendments related to lower expected costs within the Public Safety, Transportation, and Cultural and Recreational and higher expected costs within General Government.

Actual overall revenues for the General Fund were higher than the budgeted amounts. Actual ad valorem taxes were lower than budgeted amounts, while intergovernmental revenues were higher

## Town of Grifton, North Carolina Management's Discussion and Analysis

than budgeted amounts. Other general fund actual revenues approximated budgeted amounts. In addition, the Town's overall expenditures within the General Fund were lower than budgeted amounts.

**Proprietary funds.** The Town's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. Unrestricted net position of the proprietary fund at the end of the fiscal year amounted to \$589,293, whereas net position including the net investment in capital assets amounted to \$3,492,907. The proprietary fund's net position increased by \$7,593.

### **Capital Asset and Debt Administration**

**Capital assets.** The Town's net investment in capital assets for its governmental and business-type activities as of June 30, 2019, totaled \$5,442,301 (net of accumulated depreciation). These assets include land, buildings, infrastructure, machinery, and equipment.

The significant capital asset additions during the year were:

- Public safety vehicles
- Public safety camera system
- Public utility vehicle
- Public utility bypass pump

Additional information on the Town's capital assets can be found on pages 36 – 37 of this report.

Table 5  
Town of Grifton, North Carolina  
Condensed Statement of Capital Assets (net of depreciation)  
For the Fiscal Year Ended June 30,

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Construction in progress	\$ -	\$ -	\$ 7,085	\$ -	\$ 7,085	\$ -
Land	365,783	365,783	-	-	365,783	365,783
Buildings and improvements	577,422	628,814	-	-	577,422	628,814
Equipment	76,244	76,667	44,793	19,902	121,037	96,569
Vehicles	113,540	121,442	76,860	16,652	190,400	138,094
Infrastructure	812,698	892,077	3,367,876	3,491,440	4,180,574	4,383,517
<b>Total</b>	<b>\$ 1,945,687</b>	<b>\$ 2,084,783</b>	<b>\$ 3,496,614</b>	<b>\$ 3,527,994</b>	<b>\$ 5,442,301</b>	<b>\$ 5,612,777</b>

**Long-term Debt.** As of June 30, 2019, the Town had total debt outstanding of \$1,858,253, excluding compensated absences and pension liabilities. The Town's outstanding loans consist of the general obligation bonds for roads and streets, utility fund improvements, and vehicle and equipment loans.



## Town of Grifton, North Carolina Management's Discussion and Analysis

Table 6  
Town of Grifton, North Carolina  
Condensed Statement of Long Term Debt  
For the Fiscal Year Ended June 30,

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Compensated absences	\$ 24,475	\$ 25,018	\$ 6,598	\$ 6,105	\$ 31,073	\$ 31,123
Net pension liability - LGERS	187,930	103,428	57,608	27,347	245,538	130,775
Net pension liability - LEOSSA	34,717	69,697	-	-	34,717	69,697
General obligation bonds	1,232,000	1,309,000	534,000	542,000	1,766,000	1,851,000
Installment purchases	33,253	50,798	59,000	-	92,253	50,798
<b>Total</b>	<b>\$ 1,512,375</b>	<b>\$ 1,557,941</b>	<b>\$ 657,206</b>	<b>\$ 575,452</b>	<b>\$ 2,169,581</b>	<b>\$ 2,133,393</b>

Additional information on the Town's long-term debt can be found on page 49 of this report.

### Economic Factors and Next Year's Budgets and Rates

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

- The Town of Grifton unemployment rate of 5.2% is above the State average of 4.4%.
- The Town's occupancy rate is 91.5% for the year, which is higher than the state average of 86.5%.
- The Town of Grifton's median household income approximately \$32,000 compared with approximately \$48,000 for the State.

### Budget Highlights for the Fiscal Year Ending June 30, 2020

**Governmental Activities:** Property taxes will remain at \$.63 cents, while sales tax revenue is expected to decrease slightly.

Budgeted expenditures are expected to remain consistent with fiscal year 2019.

**Business – type Activities:** The sewer rates in the Town are expected to remain stable as the rates NRWASA and CMSD are unchanged. General operating expenses are expected to remain consistent with fiscal year 2019. Storm water rates are expected to remain unchanged.



## Town of Grifton, North Carolina Management's Discussion and Analysis

### 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 Mark Warren, Interim Town Manager, Town of Grifton, PO Box 579, Grifton, North Carolina 28530.



**Town of Grifton, North Carolina  
Board of Commissioners and Key Staff**

Board of Commissioners

Billy Ray Jackson, Mayor

William K. Barnes, Jr.

Angela T. Gay

Johnny Craft

Claude Kennedy

Raymond Oakes

Administrative and Financial Staff

Mark Warren, Interim Town Manager

Angel Hudson, Town Clerk and Utility Billing Supervisor

Pam Ingle, Assistant Town Clerk and Tax Collector

**Town of Grifton, North Carolina**  
**Statement of Net Position**  
**June 30, 2019**  
**Exhibit 1**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 690,045	\$ 421,477	\$ 1,111,522
Receivables (net)			
Accounts	228,949	116,149	345,098
Restricted cash and cash equivalents	22,947	181,674	204,621
<b>Total current assets</b>	<b>941,941</b>	<b>719,300</b>	<b>1,661,241</b>
Non-current assets:			
Capital assets			
Land and construction in progress	365,783	7,085	372,868
Other capital assets, net of depreciation	1,579,904	3,489,529	5,069,433
<b>Total capital assets</b>	<b>1,945,687</b>	<b>3,496,614</b>	<b>5,442,301</b>
<b>Total assets</b>	<b>2,887,628</b>	<b>4,215,914</b>	<b>7,103,542</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	162,198	48,786	210,984
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	32,693	7,794	40,487
Customer deposits	-	106,495	106,495
Pension liability	222,647	57,608	280,255
Long-term liabilities:			
Due within one year	78,746	23,750	102,496
Due in more than one year	1,210,982	575,848	1,786,830
<b>Total liabilities</b>	<b>1,545,068</b>	<b>771,495</b>	<b>2,316,563</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	44,114	298	44,412
<b>NET POSITION</b>			
Net investment in capital assets	680,434	2,903,614	3,584,048
Restricted for:			
Stabilization by state statute	179,435	-	179,435
Economic development	19,657	-	19,657
Construction and maintenance	11,781	-	11,781
Trust funds	39,396	-	39,396
Unrestricted	529,941	589,293	1,119,234
<b>Total net position</b>	<b>\$ 1,460,644</b>	<b>\$ 3,492,907</b>	<b>\$ 4,953,551</b>

*The accompanying notes are an integral part of these financial statements.*

**Town of Grifton, North Carolina**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2019**  
**Exhibit 2**

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						
	Expenses	Program Revenues			Primary Government		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Primary Government</b>							
Governmental Activities							
General government	\$ 596,309	\$ -	\$ -	\$ -	\$ (596,309)	\$ -	\$ (596,309)
Public safety	596,268	6,595	58,577	-	(531,096)	-	(531,096)
Transportation	254,090	9,085	74,815	-	(170,190)	-	(170,190)
Environmental protection	111,466	113,376	1,874	-	3,784	-	3,784
Economic & community development	22,232	19,850	-	-	(2,382)	-	(2,382)
Cultural and recreational	91,179	3,345	10,475	-	(77,359)	-	(77,359)
Interest on long-term debt	48,314	-	-	-	(48,314)	-	(48,314)
Total governmental activities	<u>1,719,858</u>	<u>152,251</u>	<u>145,742</u>	<u>-</u>	<u>(1,421,865)</u>	<u>-</u>	<u>(1,421,865)</u>
Business-type Activities							
Water and sewer	1,138,717	991,071	152,574	-	-	4,928	4,928
Storm Water	93,685	64,795	40,305	-	-	11,415	11,415
	<u>\$ 2,952,260</u>	<u>\$ 1,208,117</u>	<u>\$ 338,620</u>	<u>\$ -</u>	<u>(1,421,865)</u>	<u>16,343</u>	<u>(1,405,522)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					576,701	-	576,701
Local option sales tax					594,277	-	594,277
Grants and contributions not restricted to specific purposes					133,598	-	133,598
Investment earnings, unrestricted					332	250	582
Miscellaneous, unrestricted					41,466	-	41,466
Gain (loss) on disposal of assets					1,720	-	1,720
Total general revenues excluding transfers					<u>1,348,094</u>	<u>250</u>	<u>1,348,344</u>
Transfers					9,000	(9,000)	-
Change in net position					<u>(64,771)</u>	<u>7,593</u>	<u>(57,178)</u>
Net position, beginning					1,525,415	3,485,314	5,010,729
Net position, ending					<u>\$ 1,460,644</u>	<u>\$ 3,492,907</u>	<u>\$ 4,953,551</u>

*The accompanying notes are an integral part of these financial statements.*

**Town of Grifton, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2019**  
**Exhibit 3**

	Major	Non-Major	
	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 638,868	\$ 51,177	\$ 690,045
Receivables (net)			
Property taxes	37,630	-	37,630
Accounts	185,701	-	185,701
Other	5,618	-	5,618
Restricted cash and cash equivalents	22,947	-	22,947
<b>Total assets</b>	<b>\$ 890,764</b>	<b>\$ 51,177</b>	<b>\$ 941,941</b>
<b>LIABILITIES AND EQUITY</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 32,693	\$ -	\$ 32,693
<b>Total liabilities</b>	<b>32,693</b>	<b>-</b>	<b>32,693</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes receivable	37,630	-	37,630
Other receivables	11,884	-	11,884
<b>Total deferred inflows of resources</b>	<b>49,514</b>	<b>-</b>	<b>49,514</b>
<b>FUND BALANCES</b>			
Restricted for:			
Stabilization by state statute	179,435	-	179,435
Economic development	19,657	-	19,657
Construction and maintenance	-	11,781	11,781
Trust funds	-	39,396	39,396
Unassigned	609,465	-	609,465
<b>Total fund equity</b>	<b>808,557</b>	<b>51,177</b>	<b>859,734</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 890,764</b>	<b>\$ 51,177</b>	

**Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position**

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.	\$ 1,945,687
Net pension liability - LGERS	(187,930)
Net pension liability - LEO	(34,717)
Deferred outflows of resources related to pensions are not reported in the funds	162,198
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	49,514
Deferred inflows of resources related to pensions are not reported in the funds	(44,114)
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.	
Compensated absences	(24,475)
General obligation bonds	(1,232,000)
Installment purchases	(33,253)
<b>Net position of governmental activities</b>	<b>\$ 1,460,644</b>

*The accompanying notes are an integral part of these financial statements.*

**Town of Grifton, North Carolina**  
**Statement of Revenues, Expenditures, and**  
**Change in Fund Balance**  
**Governmental Funds**  
**June 30, 2019**  
**Exhibit 4**

	Major	Non-Major	
	General	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Ad valorem taxes	\$ 579,174	\$ -	\$ 579,174
Local option sales taxes	594,277	-	594,277
Unrestricted intergovernmental	133,598	-	133,598
Restricted intergovernmental	144,762	980	145,742
Permits and fees	14,797	-	14,797
Sales and services	118,675	19,000	137,675
Investment earnings	308	24	332
Miscellaneous	41,466	-	41,466
<b>Total revenues</b>	<b>1,627,057</b>	<b>20,004</b>	<b>1,647,061</b>
<b>EXPENDITURES</b>			
General government	554,279	-	554,279
Public safety	590,882	-	590,882
Transportation	162,017	-	162,017
Environmental protection	111,466	-	111,466
Economic & community development	5,157	17,075	22,232
Cultural and recreational	67,929	5,688	73,617
Debt service	-	-	-
Principal	94,545	-	94,545
Interest	48,314	-	48,314
<b>Total expenditures</b>	<b>1,634,589</b>	<b>22,763</b>	<b>1,657,352</b>
Net change in fund balance	(7,532)	(2,759)	(10,291)
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of fixed assets	1,720	-	1,720
Transfers from (to) other funds	8,420	580	9,000
<b>Total other financing sources (uses)</b>	<b>10,140</b>	<b>580</b>	<b>10,720</b>
Revenues and other financing sources over (under) expenditures and other financing uses	2,608	(2,179)	429
<b>FUND BALANCES, beginning of year</b>	<b>805,949</b>	<b>53,356</b>	<b>859,305</b>
<b>FUND BALANCES, end of year</b>	<b>\$ 808,557</b>	<b>\$ 51,177</b>	<b>\$ 859,734</b>

*The accompanying notes are an integral part of these financial statements.*

**Town of Grifton, North Carolina**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**And Changes in Fund Balance of the Governmental Funds**  
**to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2019**  
**Exhibit 4**

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

Net change in fund balances - total governmental funds	\$	429
<p>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 depreciation exceeded capital outlays in the current period</p>		
Capital outlay expenditures which were capitalized	56,390	
Depreciation expense for governmental assets	(195,486)	(139,096)
<hr/>		
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds</p>		
Change in unavailable revenue for tax revenues		(2,474)
Change in unavailable revenue for recycling fees		(220)
<hr/>		
<p>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</p>		
Principal payments on long-term debt	94,545	94,545
<hr/>		
<p>Contributions to the LGERS pension plan in the current fiscal year are not included on the statement of activities</p>		
		53,931
<hr/>		
<p>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</p>		
Compensated absences		543
Pension expense		(72,429)
<hr/>		
<b>Total changes in net position of governmental activities</b>	<b>\$</b>	<b>(64,771)</b>

*The accompanying notes are an integral part of these financial statements.*



**Town of Grifton, North Carolina**  
**General Fund Statement of Revenues, Expenditures, and**  
**Change in Fund Balance –Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**  
**Exhibit 5**

<b>REVENUES</b>	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Ad valorem taxes	\$ 615,281	\$ 615,281	\$ 579,174	\$ (36,107)
Local option sales taxes	578,570	578,570	594,277	15,707
Unrestricted intergovernmental	132,150	132,150	133,598	1,448
Restricted intergovernmental	90,981	138,918	144,762	5,844
Permits and fees	15,623	15,623	14,797	(826)
Sales and services	115,900	115,900	118,675	2,775
Investment earnings	300	300	308	8
Miscellaneous	56,540	61,540	41,466	(20,074)
<b>Total revenues</b>	<b>1,605,345</b>	<b>1,658,282</b>	<b>1,627,057</b>	<b>(31,225)</b>
<b>EXPENDITURES</b>				
General government	539,908	579,445	554,279	25,166
Public safety	604,736	606,536	590,882	15,654
Transportation and public works	160,635	175,135	162,017	13,118
Environmental protection	116,500	115,000	111,466	3,534
Cultural and recreational	74,131	75,731	67,929	7,802
Community development	10,600	7,600	5,157	2,443
Debt service				
Principal	91,388	91,388	94,545	(3,157)
Interest	51,585	51,585	48,314	3,271
<b>Total expenditures</b>	<b>1,649,483</b>	<b>1,702,420</b>	<b>1,634,589</b>	<b>67,831</b>
Revenues over (under) expenditures	(44,138)	(44,138)	(7,532)	36,606
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to other funds	9,000	9,000	8,420	(580)
Sale of fixed assets	3,000	3,000	1,720	(1,280)
<b>Total other financing sources (uses)</b>	<b>12,000</b>	<b>12,000</b>	<b>10,140</b>	<b>(1,860)</b>
Revenues and other financing sources over (under) expenditures and other financing uses	(32,138)	(32,138)	2,608	34,746
Appropriated fund balance	32,138	32,138	-	(32,138)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>2,608</u>	<u>\$ 2,608</u>
FUND BALANCES, beginning of year			<b>786,304</b>	
FUND BALANCES, end of year			<b>788,912</b>	
A legally budgeted Capital Improvement Fund is consolidated into the General Fund for reporting purposes:				
FUND BALANCE, beginning of year			<b>19,645</b>	
FUND BALANCE, end of year, Exhibit 4			<u>\$ 808,557</u>	

*The accompanying notes are an integral part of these financial statements.*

**Town of Grifton, North Carolina**  
**Statement of Fund Net Position**  
**Proprietary Funds**  
**June 30, 2019**  
**Exhibit 6**

	Major Enterprise Funds		
	Water & Sewer Fund	Stormwater Utility Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 359,371	\$ 62,106	\$ 421,477
Restricted cash and cash equivalents	181,674	-	181,674
Accounts receivable (net)	109,249	7,469	116,718
<b>Total current assets</b>	<b>650,294</b>	<b>69,575</b>	<b>719,869</b>
Non-current assets			
Capital assets:			
Construction in progress	7,085	-	7,085
Other capital assets, net of depreciation	3,489,529	-	3,489,529
<b>Total non-current assets</b>	<b>3,496,614</b>	<b>-</b>	<b>3,496,614</b>
<b>Total assets</b>	<b>4,146,908</b>	<b>69,575</b>	<b>4,216,483</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Contributions to pension plan in current fiscal year	40,740	8,046	48,786
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	7,085	1,278	8,363
Customer deposits	106,495	-	106,495
Installment purchases - current	14,750	-	14,750
General obligation bonds - current	9,000	-	9,000
<b>Total current liabilities</b>	<b>137,330</b>	<b>1,278</b>	<b>138,608</b>
Noncurrent liabilities:			
Compensated absences payable	6,198	400	6,598
Pension liability	48,107	9,501	57,608
Installment purchases - noncurrent	44,250	-	44,250
General obligation bonds - noncurrent	525,000	-	525,000
<b>Total noncurrent liabilities</b>	<b>623,555</b>	<b>9,901</b>	<b>633,456</b>
<b>Total liabilities</b>	<b>760,885</b>	<b>11,179</b>	<b>772,064</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	249	49	298
<b>NET POSITION</b>			
Net investment in capital assets	2,903,614	-	2,903,614
Unrestricted	522,900	66,393	589,293
<b>Total net position</b>	<b>\$ 3,426,514</b>	<b>\$ 66,393</b>	<b>\$ 3,492,907</b>

*The accompanying notes are an integral part of these financial statements.*

**Town of Grifton, North Carolina**  
**Statement of Revenues, Expenses, and Change in Fund Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2019**  
**Exhibit 7**

	Major Enterprise Funds		
	Water & Sewer Fund	Stormwater Utility Fund	Total
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 933,358	\$ 64,795	\$ 998,153
Other operating revenues	57,713	-	57,713
<b>Total operating revenues</b>	<b>991,071</b>	<b>64,795</b>	<b>1,055,866</b>
<b>OPERATING EXPENSES:</b>			
General operations	115,094	-	115,094
Water operations	330,482	-	330,482
Sewer operations	522,857	-	522,857
Stormwater operations	-	93,685	93,685
Depreciation	151,992	-	151,992
<b>Total operating expenses</b>	<b>1,120,425</b>	<b>93,685</b>	<b>1,214,110</b>
Operating income (loss)	(129,354)	(28,890)	(158,244)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Grant and donations	152,574	40,305	192,879
Investment earnings	232	18	250
Interest and fees	(18,292)	-	(18,292)
<b>Total nonoperating revenue (expenses)</b>	<b>134,514</b>	<b>40,323</b>	<b>174,837</b>
Income (loss) before transfers	5,160	11,433	16,593
Transfer to other fund	(9,000)	-	(9,000)
Change in net position	(3,840)	11,433	7,593
<b>NET POSITION, beginning of year</b>	<b>3,430,354</b>	<b>54,960</b>	<b>3,485,314</b>
<b>NET POSITION, end of year</b>	<b>\$ 3,426,514</b>	<b>\$ 66,393</b>	<b>\$ 3,492,907</b>

*The accompanying notes are an integral part of these financial statements.*

**Town of Grifton, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2019**  
**Exhibit 8**

	Major Enterprise Funds		
	Water & Sewer Fund	Stormwater Utility Fund	Total
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 935,578	\$ 64,415	\$ 999,993
Cash paid for goods and services	(768,116)	(51,400)	(819,516)
Cash paid to employees for services	(197,315)	(39,782)	(237,097)
Customer deposits received	4,770	-	4,770
Other operating revenues	57,713	-	57,713
Net cash provided (used) by operating activities	32,630	(26,767)	5,863
<b>Cash flows from noncapital financing activities:</b>			
Transfer to other funds	(9,000)	-	(9,000)
Federal and State grants	50,817	40,305	91,122
Net cash provided by noncapital financing activities	41,817	40,305	173,244
<b>Cash flows from capital and related financing activities</b>			
Capital contributions	101,757	-	101,757
Proceeds of long-term debt	82,500	-	82,500
Acquisition and construction of capital assets	(120,611)	-	(120,611)
Principal paid on debt	(31,500)	-	(31,500)
Interest paid on debt	(18,292)	-	(18,292)
Net cash provided by capital and related financing activities	13,854	-	13,854
<b>Cash flows from investing activities:</b>			
Interest on investments	232	18	250
Net increase in cash and cash equivalents	88,533	13,556	102,089
Cash and cash equivalents at beginning of year	452,512	48,550	501,062
Cash and cash equivalents at end of year	\$ 541,045	\$ 62,106	\$ 603,151
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (129,354)	\$ (28,890)	\$ (158,244)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	151,992	-	151,992
Changes in assets, deferred outflows of resources, and liabilities:			
(Increase) decrease in accounts receivable	2,220	(380)	1,840
(Increase) decrease in deferred outflows of resources for pension	(19,540)	(4,998)	(24,538)
Increase (decrease) in accounts payable and accrued expenses	(1,442)	1,207	(235)
Increase (decrease) in customer deposits	4,770	-	4,770
Increase (decrease) in pension liability	24,197	6,064	30,261
Increase (decrease) in deferred inflows of resources for pension	(428)	(48)	(476)
Increase (decrease) in compensated absences	215	278	493
Total adjustments	161,984	2,123	164,107
Net cash provided (used) by operating activities	\$ 32,630	\$ (26,767)	\$ 5,863

*The accompanying notes are an integral part of these financial statements.*

**NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town of Grifton, North Carolina (the “Town”) 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 Grifton, North Carolina is a municipal corporation, which is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements include all funds and account groups of the Town.

***B. Basis of Presentation***

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

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

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

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

## Town of Grifton, North Carolina Notes to Financial Statements

The Town reports the following major governmental funds:

**General Fund** - This fund is the Town's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants and various other taxes and licenses. The primary expenditures are for public safety, transportation and public works, and sanitation services. Additionally, the Town has a Capital Improvements Fund. Under GASB 54 guidance, the Capital Improvements Fund is consolidated into the General Fund.

The Town reports the following major enterprise funds:

**Water and Sewer Fund** - This fund is used to account for the water and sewer operations of the Town.

**Stormwater Utility Fund** – This fund is used to account for the stormwater operations of the Town.

The Town reports the following non-major funds:

**Special Revenue Funds** - The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The Town has one non-major Special Revenue Fund, which is the Depot Fund. The Town utilizes five non-major permanent funds to account for various resources, which are shown in the financial statements as the Library Trust Fund, the Cemetery Trust Fund, the Civic Center Trust Fund, the Police State Revenue Trust Fund and the Parks Trust Fund.

### ***C. Measurement Focus and Basis of Accounting***

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

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and

## Town of Grifton, North Carolina Notes to Financial Statements

contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

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

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town because the tax is levied by the 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 by general revenues.

***D. Budgetary Data***

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Capital Reserve Fund, the Depot Fund, the Enterprise Funds, and all of the governmental permanent trust funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Sewer Rehab Fund.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds. The Budget officer is authorized to transfer appropriations within a fund in amounts not to exceed 10% of the appropriated monies for the Department whose allocation is reduced; however, any revisions that alter the total expenditures of any fund must be approved by the governing board. During the year, several amendments to the original budget were necessary, the effects of which were not material.

A budget calendar is included in the North Carolina General Statutes, which prescribes the last day on which certain steps of that budget procedure are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed.

- April 30 - Each department head will transmit to the budget officer the budget requests and the revenue estimates for their department for the budget year.
- June 1 - The budget and the budget message shall be submitted to the governing board. The public hearing on the budget shall be scheduled at this time.
- July 1 - The budget ordinance shall be adopted by the governing board.

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

***1. Deposits and Investments***

All deposits of the Town are made in Council-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 NCCMT – Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT – Term Portfolio is a bond fund, has no rating and is measured



**Town of Grifton, North Carolina**  
**Notes to Financial Statements**

at fair value. As of June 30, 2019, the Term Portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

The Town had no such investments at June 30, 2019.

**2. Cash and Cash Equivalents**

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Town Council considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

**3. Restricted Assets**

Money in the Capital Improvement Fund is classified as restricted assets because its use is restricted to the Capital Improvement Fund per NC G.S. Chapter 159. Article 3, Part 2. The restricted cash in the General Fund is required by the USDA loan agreement for the Town Hall renovations. In the Water and Sewer fund for the Sewer Rehab Project, restricted cash represents unexpended loan funds. Powell Bill funds are also classified as restricted cash because they can be expended only for purposes of maintaining, repairing, construction, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. The following table outlines the Town’s restricted cash at June 30, 2019.

Governmental activities		
General Fund - USDA	\$	3,290
Capital Improvement Fund		19,657
Total governmental activities		22,947
Business-type activities		
Customer deposits		106,495
Sewer Rehab Fund		75,179
Total business-type activities		181,674
Total restricted cash	\$	204,621

**4. Ad Valorem Taxes Receivable, Trade Receivables and Other Receivables**

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

**5. Allowance for Doubtful Accounts**

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

**6. Inventories**

Enterprise fund supplies are not inventoried at year-end because the amounts are considered immaterial.

**7. Capital Assets**

Purchase or constructed assets are recorded at original cost or estimated historical costs. Donated assets are listed at the market value at the time of donation. Minimum capitalization costs have been set at \$1,000 for all fixed asset additions. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Building and improvements	20-40 years
Water and Sewer system	20-40 years
Machinery and equipment	5-10 years
Automobiles and light trucks	5 years

**8. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, pension deferrals for 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 several items that meet the criterion for this category – property taxes receivable, other receivable for garbage services, and pension deferrals.

**9. Long-Term Obligations**

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

In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources.

### **10. Compensated Absences**

The vacation policy of the Town provides for the accumulation of up to twenty-three (23) days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensation time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

### **11. Net Position/Fund Balances**

#### *Net Position*

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) 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. The Town has no nonspendable fund balance at year end.

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

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

## Town of Grifton, North Carolina Notes to Financial Statements

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

Restricted for Trust funds – portion of fund balance that is held in trusts for specific purposes.

Restricted for Economic Development – portion of fund balance set aside by the Council for future economic development.

Restricted for Construction and Maintenance – portion of fund balance set aside by the Council for repairs and maintenance of the Town street and the Train Depot.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Grifton’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. The Town has not committed fund balance at year end.

Assigned Fund Balance – portion of fund balance the Town intends to use for specific purposes. The Town has no assigned fund balance at year end.

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 Grifton 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.

### **12. Defined Benefit Cost-Sharing Plans**

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

### **13. Adoption of New Financial Accounting Standards**

The following is a listing of GASB Statements recently issued and adopted by the Town:

GASB Statement No. 83, Certain Asset Retirement Obligations (“GASB 83”), requires that a government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. GASB 83 will be effective for the fiscal years beginning after June 15, 2018. Currently, this new standard has minimal effect on the Town’s financial statements.

GASB Statement No. 85, Omnibus 2017 (“GASB 85”), seeks to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). GASB 85 will be effective for the fiscal years beginning after June 15, 2017. Currently, this new standard has minimal effect on the Town’s financial statements.

GASB Statement No. 86, Certain Debt Extinguishment Issues (“GASB 86”), seeks to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. GASB 86 will be effective for the fiscal years beginning after June 15, 2017. Currently, this new standard has minimal effect on the Town’s financial statements.

GASB Statement No. 88, Certain Disclosures Related to Debt (“GASB 88”), seeks to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. GASB 88 will be effective for the fiscal years beginning after June 15, 2018. Currently, this new standard has minimal effect on the Town’s financial statements.

#### **14. Future Accounting Pronouncements**

The following is a listing of GASB Statements recently issued and being reviewed by the Town:

GASB Statement No. 84, *Fiduciary Activities* (“GASB 84”), seeks to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 will be effective for the fiscal years beginning after December 15, 2018. The Town is reviewing this standard to determine the effect on the Town’s financial statements.

GASB Statement No. 87, *Leases* (“GASB 87”), seeks to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. GASB 87 will be effective for the fiscal years beginning after December 15, 2019. The Town is reviewing this standard to determine the effect on the Town’s financial statements.

GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61* (“GASB 90”), seeks to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity

## Town of Grifton, North Carolina Notes to Financial Statements

interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The Town is reviewing this standard to determine the effect on the Town's financial statements.

GASB Statement No. 91, Conduit Debt Obligations ("GASB 91"), seeks to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The Town is reviewing this standard to determine the effect on the Town's financial statements.

### **NOTE II – DETAIL NOTES ON ALL FUNDS**

#### ***A. Assets***

##### ***1. Deposits***

All of the Town's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits over the federal depository insurance coverage are collateralized with securities held by the Town's agent in the Town's name. Under the Pooling Method, 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 agent in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling methods financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are property secured.



**Town of Grifton, North Carolina**  
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At June 30, 2019, the Town's deposits had a carrying amount of \$1,315,843 and a bank balance of \$1,309,782. Of the bank balance \$250,000 was covered by federal depository insurance, with the remainder covered by collateral held under the Pooling Method as detailed above. At June 30, 2019, the Town's petty cash totaled \$300.

**2. Accounts Receivable – Allowance for Doubtful Accounts**

The amounts presented in the Balance Sheet and the Statement of Net Position are net of the following allowances for doubtful accounts.

Funds	June 30, 2019
General Fund	
Allowance for uncollectible property	
Taxes receivable	\$ 10,946
	\$ 10,946

**3. Capital Assets**

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

Governmental Activities

	Beginning Balances June 30, 2018	Increases	Decreases	Ending Balances June 30, 2019
<b>Capital assets not being depreciated:</b>				
Land	\$ 365,783	\$ -	\$ -	\$ 365,783
Total capital assets not being depreciated	365,783	-	-	365,783
<b>Capital assets being depreciated:</b>				
Buildings	1,203,198	-	-	1,203,198
Improvements	243,846	-	-	243,846
Equipment	225,659	11,228	-	236,887
Vehicles	611,656	40,387	-	652,043
Infrastructure	6,120,089	4,775	-	6,124,864
Total capital assets being depreciated	8,404,448	56,390	-	8,460,838
<b>Less accumulated depreciation for:</b>				
Buildings	701,095	44,241	-	745,336
Improvements	117,135	7,151	-	124,286
Equipment	148,992	11,651	-	160,643
Vehicles	490,214	48,289	-	538,503
Infrastructure	5,228,012	84,154	-	5,312,166
Total accumulated depreciation	6,685,448	195,486	-	6,880,934
Total capital assets being depreciated, net	1,719,000			1,579,904
<b>Governmental activity capital assets, net</b>	\$ 2,084,783			\$ 1,945,687



**Town of Grifton, North Carolina**  
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Depreciation expense was charged to functions/programs of the primary government as follows:

General Government	\$	47,448
Public Safety		40,590
Transportation		90,490
Cultural and Recreational		16,958
<b>Total</b>	<b>\$</b>	<b>195,486</b>

Business-type Activities

	Beginning Balances June 30, 2018	Increases	Decreases	Ending Balances June 30, 2019
<b>Capital assets not being depreciated:</b>				
Construction in Progress	\$ -	\$ 7,085	\$ -	\$ 7,085
Total capital assets not being depreciated	-	7,085	-	7,085
<b>Capital assets being depreciated:</b>				
Plant and distribution systems	6,758,148	-	-	6,758,148
Equipment	88,972	31,027	-	119,999
Vehicles	73,795	82,500	-	156,295
Total capital assets being depreciated	6,920,915	113,527	-	7,034,442
<b>Less accumulated depreciation for:</b>				
Plant and distribution systems	3,266,708	123,564	-	3,390,272
Equipment	69,070	6,136	-	75,206
Vehicles	57,143	22,292	-	79,435
Total accumulated depreciation	3,392,921	151,992	-	3,544,913
 Total capital assets being depreciated, net	 3,527,994			 3,489,529
 <b>Business-type activities capital assets, net</b>	 \$ 3,527,994			 \$ 3,496,614

**B. Liabilities**

**1. Pension Plan Obligations**

*a. Local Governmental Employees' Retirement System*

*Plan Description.* The Town is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees'

## Town of Grifton, North Carolina Notes to Financial Statements

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 supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

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

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. 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 8.5% of compensation for law enforcement officers and 7.75% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$54,421 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

**Town of Grifton, North Carolina**  
**Notes to Financial Statements**

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 \$245,538 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Town's proportion was 0.01035%, which was a decrease of 0.00179% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$73,443. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>		<b>Deferred Inflows of Resources</b>	
Differences between expected and actual experience	\$	37,881	\$	1,271
Changes of assumptions		65,156		-
Net difference between projected and actual earnings on pension plan investments		33,705		-
Changes in proportion and differences between employer contributions and proportionate share of contributions		17,263		-
Town contributions subsequent to the measurement date		53,931		-
Total	\$	207,936	\$	1,271

\$53,931 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 liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Town of Grifton, North Carolina**  
**Notes to Financial Statements**

**Year ended June 30:**

2020	\$	70,530
2021		47,307
2022		12,113
2023		22,784
2024		-
	\$	152,734

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

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

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

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

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

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

## Town of Grifton, North Carolina Notes to Financial Statements

arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
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 liability to changes in the discount rate.* The following presents the Town's proportionate share of the net pension liability 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:

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 589,802	\$ 245,538	\$ (42,136)

**Town of Grifton, North Carolina**  
**Notes to Financial Statements**

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

*b. Law Enforcement Officers Special Separation Allowance*

*1. Plan Description.* The Town of Grifton 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. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2016, the Separation Allowance's membership consisted of:

**Law enforcement officers special separation allowance**

Inactive member currently receiving benefits	-
Active members	7
Total	7

A separate report was not issued for the plan.

*2. Summary of Significant Accounting Policies:*

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

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

**Town of Grifton, North Carolina**  
**Notes to Financial Statements**

*3. Actuarial Assumptions*

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

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

The discount rate used to measure the TPL is the S&P Municipal Bond 20 Year High Grade Rate Index. The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five period ending December 31, 2014.

**DEATHS AFTER RETIREMENT (HEALTHY):** RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 104% for males and 100% for females.

**DEATHS BEFORE RETIREMENT:** RP-2014 Employee base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015.

**DEATHS AFTER RETIREMENT (BENEFICIARY):** RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rate are adjusted by 123% for males and females.

**DEATHS AFTER RETIREMENT (DISABLED):** RP-2014 Disabled Retiree base rates projected to the valuation date using MP-2015, projected forward generationally form the valuation date using MP-2015. Rates are adjusted by 103% for males and 99% for females.

*4. Contributions.*

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund 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.

## Town of Grifton, North Carolina Notes to Financial Statements

### *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 pension liability of \$34,717. The total pension liability was measured as of December 31, 2018 based on 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 \$3,395.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 40,691
Changes of assumptions	3,048	2,450
Benefit payments and administrative expenses subsequent to the measurement date	-	-
<b>Total</b>	<b>\$ 3,048</b>	<b>\$ 43,141</b>

For the year ended June 30, 2019, the Town did not incur any amounts related to pensions resulting from benefit payments made and administrative expenses subsequent to the measurement date that would be reported as deferred outflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<b>Year ended June 30:</b>	
2020	\$ (7,466)
2021	(7,466)
2022	(7,372)
2023	(7,048)
2024	(7,020)
Thereafter	(3,721)
	<b>\$ (40,093)</b>



**Town of Grifton, North Carolina**  
**Notes to Financial Statements**

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

		2019
Beginning balance	\$	69,697
Service Cost		8,659
Interest on the total pension liability		2,202
Changes in benefit terms		-
Difference between expected and actual experience in the measurement of the total pension liability		(43,563)
Changes in assumptions or other inputs		(2,278)
Benefit payments		-
Other changes		-
Ending balance of the total pension liability	\$	34,717

*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%) or 1-percentage point higher (4.64%) than the current rate:

	<u>1% Decrease (2.64%)</u>		<u>Discount Rate (3.64%)</u>		<u>1% Increase (4.64%)</u>
Total pension liability	\$	39,662	\$	34,717	\$ 30,487

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.

## Town of Grifton, North Carolina Notes to Financial Statements

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

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

	LGERS	LEOSSA	Total
Pension expense	\$ 74,283	\$ 3,395	\$ 77,678
Pension liability	245,538	34,717	280,255
Proportionate share of the net pension liability	0.01035%	N/A	

#### Deferred Outflows of Resources

Differences between expected and actual experience	\$ 37,881	\$ -	\$ 37,881
Changes of assumptions	65,156	3,048	68,204
Net difference between projected and actual earnings on plan investments	33,705	-	33,705
Changes in proportion and differences between contributions and proportionate share of contributions	17,263	-	17,263
Benefit payments and administrative costs paid subsequent to the measurement date	53,931	-	53,931
<b>Total deferred outflows of resources</b>	<b>\$ 207,936</b>	<b>\$ 3,048</b>	<b>\$ 210,984</b>

#### Deferred Inflows of Resources

Differences between expected and actual experience	\$ 1,271	\$ 40,691	\$ 41,962
Changes of assumptions	-	2,450	2,450
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-
<b>Total deferred inflows of resources</b>	<b>\$ 1,271</b>	<b>\$ 43,141</b>	<b>\$ 44,412</b>

## Town of Grifton, North Carolina Notes to Financial Statements

### *c. Supplemental Retirement Income Plan for Law Enforcement Officers*

*Plan Description.* The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail 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. Contributions for the year ended June 30, 2019 were \$26,967, which consisted of \$17,677 from the Town and \$9,290 from the law enforcement officers. No amounts were forfeited.

### *d. Deferred Compensation Plan*

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Town has implemented Government Auditing Standards Board Statement No. 32 relating to the reporting of this information.

## **2. Other Employment Benefit**

The Town has also 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 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.

**Town of Grifton, North Carolina**  
**Notes to Financial Statements**

**3. Deferred Outflows and Inflows of Resources**

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

Source	Statement of Net Position
Pension related deferrals	\$ 207,936
Benefit payments made and administrative expenses for LEOSSA	3,048
<b>Total</b>	<b>\$ 210,984</b>

The Town has several deferred inflows of resources. Deferred inflows of resources are comprised of the following:

Source	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ -	\$ 37,630
Other receivables	-	11,884
Pension related deferrals	44,412	-
<b>Total</b>	<b>\$ 44,412</b>	<b>\$ 49,514</b>

**4. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has worker's compensation coverage up to \$1,000,000 through a commercial company.

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

The Town carries flood insurance through the National Flood Insurance Plan (NFIP). Because the Town is in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the Town is eligible to purchase coverage of \$500,000 per structure through the NFIP. The Town has purchased coverage on two structures under this plan.

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 Town Manager and Tax Collector are each individually bonded for \$10,000 each and the Finance Director is individually bonded for \$50,000.

**Town of Grifton, North Carolina**  
**Notes to Financial Statements**

**5. Claims, Judgments and Contingent Liabilities**

At June 30, 2019, the Town was not a defendant to any lawsuits.

**6. Long-Term Obligations**

*a. Installment Purchases*

In January 2016, the Town entered into an installment agreement to a police car for the General Fund and a truck for the Water and Sewer Fund totaling \$46,795. The agreement requires annual payments of \$16,166, including interest computed at 1.81% per annum, through 2019.

In December 2002, the Town entered into an installment agreement to finance town hall renovations totaling \$57,200. The agreement requires annual payments of \$3,284, including interest computed at 4.625% per annum through 2032.

In November 2018, the Town entered into an installment agreement to finance the purchase of Vac Con Sewer Truck totaling \$82,500. The agreement requires annual payments of \$14,750, at no interest through 2023.

Annual debt service payments of all installment purchases as of June 30, 2019, including interest of \$0 on the water and sewer obligations and \$12,722 on the obligations of governmental activities are as follows:

Year Ending June 30,	Governmental Activities		Business-Type	
	Principal	Interest	Principal	Interest
2020	\$ 1,746	\$ 1,539	\$ 14,750	\$ -
2021	1,826	1,458	14,750	-
2022	1,910	1,374	14,750	-
2023	1,999	1,285	14,750	-
2024	2,091	1,193	-	-
2025-2029	12,000	4,420	-	-
2030-2033	11,681	1,453	-	-
	<u>\$ 33,253</u>	<u>\$ 12,722</u>	<u>\$ 59,000</u>	<u>\$ -</u>

*b. General Obligation Indebtedness*

The Town's general obligation bonds serviced by the governmental funds were issued for repaving and resurfacing of Town streets. Those general obligation bonds issued to finance the sewer rehabilitation are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

**Town of Grifton, North Carolina**  
**Notes to Financial Statements**

Bonds payable at June 30, 2019 are comprised of the following individual issues:

Serviced by the General Fund:

\$1,540,000, 2014 Southern Bank and Trust Company – General Infrastructure series bonds due in annual installments of \$77,000 plus interest from September 23, 2015 through September 23, 2034; interest is at 3.55%

Serviced by the Water and Sewer Fund:

\$573,000, 2013 USDA – Water and Sewer series bonds due in annual installments of up to \$25,000 plus interest from June 1, 2015 through June 1, 2053; interest is at 3.375%

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ended June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 77,000	\$ 43,736	\$ 9,000	\$ 18,023
2021	77,000	41,003	9,000	17,719
2022	77,000	38,269	9,000	17,415
2023	77,000	35,536	10,000	17,111
2024	77,000	32,802	10,000	16,774
2025-2029	385,000	123,008	55,000	78,604
2030-2034	385,000	54,670	64,000	68,749
2035-2039	77,000	2,734	76,000	57,139
2040-2044	-	-	90,000	43,403
2045-2049	-	-	106,000	27,203
2050-2054	-	-	96,000	8,201
<b>Totals</b>	<b>\$ 1,232,000</b>	<b>\$ 371,758</b>	<b>\$ 534,000</b>	<b>\$ 370,341</b>

At June 30, 2019, the Town of Grifton had a legal debt margin of \$5,956,935.

**Town of Grifton, North Carolina**  
**Notes to Financial Statements**

*c. Changes in Long-Term Liabilities*

	Balances			Balances		Current
	July 01, 2018	Increases	Decreases	June 30, 2019	Portion of Balance	
<b>Governmental activities:</b>						
Compensated absences	\$ 25,018	\$ -	\$ 543	\$ 24,475	\$ -	
Net pension liability - LGERS	103,428	84,502	-	187,930	-	
Net pension liability - LEOSSA	69,697	-	34,980	34,717	-	
General obligation bonds	1,309,000	-	77,000	1,232,000	77,000	
Installment purchases	50,798	-	17,545	33,253	1,746	
<b>Governmental activity long-term liabilities</b>	<b>\$ 1,557,941</b>	<b>\$ 84,502</b>	<b>\$ 130,068</b>	<b>\$ 1,512,375</b>	<b>\$ 78,746</b>	
<b>Business-type activities:</b>						
<b>Water &amp; Sewer Fund:</b>						
Net pension liability - LGERS	\$ 23,910	\$ 24,197	\$ -	\$ 48,107	\$ -	
General obligation bonds	542,000	-	8,000	534,000	9,000	
Installment purchases	-	82,500	23,500	59,000	14,750	
Compensated absences	5,983	215	-	6,198	-	
<b>Total Water &amp; Sewer Fund</b>	<b>571,893</b>	<b>106,912</b>	<b>31,500</b>	<b>647,305</b>	<b>23,750</b>	
<b>Stormwater Utility Fund:</b>						
Net pension liability - LGERS	3,437	6,064	-	9,501	-	
Compensated absences	122	278	-	400	-	
<b>Total Stormwater Fund</b>	<b>3,559</b>	<b>6,342</b>	<b>-</b>	<b>9,901</b>	<b>-</b>	
<b>Business-type activity long-term liabilities</b>	<b>\$ 575,452</b>	<b>\$ 113,254</b>	<b>\$ 31,500</b>	<b>\$ 657,206</b>	<b>\$ 23,750</b>	

**C. Interfund Balances and Activity**

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

Transfer to:	
General Fund	\$ 9,000
Police State Revenue Trust Fund	580
Total transfers to other funds	<u>\$ 9,580</u>

Transfer from:	
General Fund	\$ 580
Water and Sewer Fund	9,000
Total transfers from other funds	<u>\$ 9,580</u>

Transfers to the General Fund from the Water and Sewer Fund relate to debt service.

**Town of Grifton, North Carolina**  
**Notes to Financial Statements**

**D. Net Investment in Capital Assets**

	Governmental Activities	Business-type Activities
Capital assets	\$ 1,945,687	\$ 3,496,614
Less: long-term debt	(1,265,253)	(593,000)
<b>Net Investment in capital assets</b>	<b>\$ 680,434</b>	<b>\$ 2,903,614</b>

**E. Fund Balance**

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

<b>Total Fund Balance - General Fund</b>	<b>\$ 808,557</b>
Less:	
Stabilization by state statute	179,435
Economic development	19,657
Remaining Fund Balance	<b>\$ 609,465</b>

**NOTE III – JOINT VENTURES**

The Town, in conjunction with the Town of Ayden and the Town of Winterville, participates in the Contentnea Metropolitan Sewer District. Each Town appoints two members to the seven-member board with one at-large member. The District is a joint venture established to provide sewage treatment services to the local governments. The participating governments are bound by purchase of service contracts with the District, and the District has the responsibility to determine and levy sewer use charges on the municipalities to apportion all operation and maintenance costs associated with treatment operations. This District has a bonded indebtedness of \$14,711,000 and the three towns are assessed with their pro-rata share of the operating expenses and debt service requirements. Grifton's assessed share of operation expenses for the year ended June 30, 2019 was \$230,880, or 18.36% of total operation expenses of the District.

**NOTE IV – USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.



**NOTE V – SUMMARY OF DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

***Federal and State Assisted Programs***

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

**NOTE VI – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 5, 2019, the date on which the financial statements were available to be issued.



**Town of Grifton, North Carolina  
Required Supplementary Financial Data**

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This section contains additional information required by generally accepted accounting principles.

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- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability – Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Payroll – Law Enforcement Officers' Special Separation Allowance

**Town of Grifton, North Carolina**  
**Required Supplementary Information**  
**Schedule of Proportionate Share of Net Pension (Asset) Liability for**  
**Local Government Employees' Retirement System**  
**Last Six Fiscal Years\***  
**Schedule 1**

	<b>Local Government Employees' Retirement System</b>					
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Town of Grifton's proportion of the net pension liability (asset) (%)	0.01035%	0.00856%	0.00852%	0.00877%	0.00888%	0.00920%
Town of Grifton's proportion of the net pension liability (asset) (\$)	\$ 245,538	\$ 130,775	\$ 180,823	\$ 39,359	\$ (52,369)	\$ 110,895
Town of Grifton's covered-employee payroll	\$ 662,820	\$ 638,798	\$ 607,684	\$ 587,797	\$ 593,649	\$ 523,429
Town of Grifton's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	37.04%	20.47%	29.76%	6.70%	( 8.82%)	21.19%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

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

**Town of Grifton, North Carolina  
Required Supplementary Information  
Schedule of Contributions to Local Government  
Employees' Retirement System  
Last Six Fiscal Years  
Schedule 2**

**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	\$ 53,931	\$ 44,546	\$ 38,446	\$ 39,037	\$ 36,842	\$ 39,190
Contributions in relation to the contractually required contribution	53,931	44,546	38,446	39,037	36,842	39,190
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town of Grifton's covered-employee payroll	\$ 665,351	\$ 662,820	\$ 638,798	\$ 607,684	\$ 587,797	\$ 593,649
Contributions as a percentage of covered-employee payroll	8.11%	6.72%	6.02%	6.42%	6.27%	6.60%

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

**Town of Grifton, North Carolina**  
**Required Supplementary Information**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officers' Special Separation Allowance**  
**Schedule 3**

**Law Enforcement Officers' Special Separation Allowance**

	2019	2018	2017
Beginning balance	\$ 69,697	\$ 65,877	\$ 66,916
Service Cost	8,659	7,034	5,451
Interest on the total pension liability	2,202	2,457	2,253
Changes in benefit terms of the total pension liability	-	-	-
Differences between expected and actual experience	(43,563)	(6,249)	-
Changes in assumptions or other inputs	(2,278)	5,016	(1,136)
Benefit payments	-	(4,438)	(7,607)
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 34,717</u>	<u>\$ 69,697</u>	<u>\$ 65,877</u>

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

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

**Town of Grifton, North Carolina**  
**Required Supplementary Information**  
**Schedule of Total Pension Liability as a Percentage of Covered Payroll**  
**Law Enforcement Officers' Special Separation Allowance**  
**Schedule 4**

	2019	2018	2017
Total pension liability	\$ 34,717	\$ 69,697	\$ 65,877
Covered payroll	266,303	276,223	253,596
Total pension liability as a percentage of covered payroll	13.04%	25.23%	25.98%

Notes to the schedules:

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

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

This section contains additional information for the individual funds of the Town.

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- General Fund –
  - Combining Balance Sheet
  - Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
- Statements of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual for:
  - Capital Improvement Fund
- Non-major Governmental Funds –
  - Combining Balance Sheet
  - Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
  - Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual for:
    - Depot Fund
- Permanent Funds –
  - Combining Balance Sheet
  - Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
  - Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual for:
    - Library Trust Fund
    - Cemetery Trust Fund
    - Civic Center Trust Fund
    - Police State Revenue Trust Fund
    - Parks Trust Fund
- Proprietary Fund –
  - Combining Statement of Net Position
  - Water and Sewer Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP)
  - Sewer Rehab Water and Sewer Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
  - Stormwater Utility Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP)

**Town of Grifton, North Carolina**  
**General Fund**  
**Combining Balance Sheet**  
**June 30, 2019**  
**(With Comparative Totals for the Fiscal Year Ended June 30, 2018)**  
**Statement 1**

	General Fund	Capital Improvement Fund	Totals	
			2019	2018
<b>ASSETS</b>				
Cash and cash equivalents	\$ 638,868	\$ -	\$ 638,868	\$ 652,520
Restricted cash and cash equivalents	3,290	19,657	22,947	22,935
Receivables:				
Taxes	37,630	-	37,630	40,104
Accounts	185,701	-	185,701	169,047
Other	5,618	-	5,618	5,618
<b>Total assets</b>	<b>\$ 871,107</b>	<b>\$ 19,657</b>	<b>\$ 890,764</b>	<b>\$ 890,224</b>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities:				
Accounts payable and accrued expenses	\$ 32,693	\$ -	\$ 32,693	\$ 32,067
<b>Total liabilities</b>	<b>32,693</b>	<b>-</b>	<b>32,693</b>	<b>32,067</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property taxes receivable	37,630	-	37,630	40,104
Other receivables	11,884	-	11,884	12,104
<b>Total deferred inflows of resources</b>	<b>49,514</b>	<b>-</b>	<b>49,514</b>	<b>52,208</b>
<b>FUND BALANCES</b>				
Restricted for:				
Stabilization by state statute	179,435	-	179,435	162,561
Economic development	-	19,657	19,657	19,645
Unassigned	609,465	-	609,465	623,743
<b>Total fund balance</b>	<b>788,900</b>	<b>19,657</b>	<b>808,557</b>	<b>805,949</b>
Total liabilities, deferred inflows of resources and fund balances	\$ 871,107	\$ 19,657	\$ 890,764	\$ 890,224



**Town of Grifton, North Carolina**  
**General Fund Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**  
**(With Comparative Totals for the Fiscal Year Ended June 30, 2018)**

**Statement 2**

**Page 1 of 4**

	2019		Variance Positive (Negative)	2018
	Budget	Actual		Actual
<b>Revenues:</b>				
Ad valorem taxes:				
Taxes	\$ 609,281	\$ <b>571,384</b>	\$ (37,897)	\$ 556,868
Penalties and interest	6,000	<b>7,790</b>	1,790	6,147
<b>Total</b>	<b>615,281</b>	<b>579,174</b>	<b>(36,107)</b>	<b>563,015</b>
Local option sales taxes:				
Local option sales taxes	566,570	<b>585,427</b>	18,857	546,311
Sales tax refunds	12,000	<b>8,850</b>	(3,150)	10,518
<b>Total</b>	<b>578,570</b>	<b>594,277</b>	<b>15,707</b>	<b>556,829</b>
Unrestricted intergovernmental:				
Franchise taxes	113,500	<b>112,349</b>	(1,151)	111,617
Beer and wine taxes	14,000	<b>11,597</b>	(2,403)	11,465
Payment in lieu of tax	500	<b>2,652</b>	2,152	-
Other reimbursements	4,150	<b>7,000</b>	2,850	8,071
<b>Total</b>	<b>132,150</b>	<b>133,598</b>	<b>1,448</b>	<b>131,153</b>
Restricted intergovernmental:				
Powell Bill Funds	75,850	<b>74,815</b>	(1,035)	75,158
Federal and state grants	12,130	<b>17,135</b>	5,005	67,428
Solid waste disposal tax	-	<b>1,874</b>	1,874	-
School Resource Officer grant	40,938	<b>40,938</b>	-	-
Other grants	10,000	<b>10,000</b>	-	10,000
<b>Total</b>	<b>138,918</b>	<b>144,762</b>	<b>5,844</b>	<b>152,586</b>
Permits and fees:				
Auto tags	8,700	<b>9,085</b>	385	9,090
Officer fees	500	<b>1,517</b>	1,017	780
Planning fees	800	<b>850</b>	50	1,015
Park rentals	5,623	<b>3,345</b>	(2,278)	2,455
<b>Total</b>	<b>15,623</b>	<b>14,797</b>	<b>(826)</b>	<b>13,340</b>
Sales and services:				
E-911 fees	3,750	<b>5,078</b>	1,328	4,296
Garbage fees	110,500	<b>111,797</b>	1,297	108,744
Grave digging	1,400	<b>1,800</b>	400	1,300
Other	250	-	(250)	1,067
<b>Total</b>	<b>115,900</b>	<b>118,675</b>	<b>2,775</b>	<b>115,407</b>
Investment earnings	300	<b>296</b>	(4)	281
Miscellaneous	61,540	<b>41,466</b>	(20,074)	39,607
<b>Total revenues</b>	<b>1,658,282</b>	<b>1,627,045</b>	<b>(31,237)</b>	<b>1,572,218</b>

**Town of Grifton, North Carolina**  
**General Fund Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**  
**(With Comparative Totals for the Fiscal Year Ended June 30, 2018)**  
**Statement 2**  
**Page 2 of 4**

	2019		Variance Positive (Negative)	2018
	Budget	Actual		Actual
<b>Expenditures</b>				
<b>General Government:</b>				
Governing body				
Salaries and employee benefits		<b>13,564</b>		12,595
Other operating expenditures		<b>913</b>		1,519
Total	14,600	<b>14,477</b>	123	14,113
Administration:				
Salaries and employee benefits		<b>188,857</b>		169,774
Other operating expenditures		<b>112,707</b>		131,522
Insurance and bonding		<b>68,106</b>		66,679
Total	388,425	<b>369,670</b>	18,755	367,975
Tax listings:				
Contracted services	5,950	<b>5,798</b>	152	5,411
Buildings and grounds:				
Salaries and benefits		<b>78,752</b>		132,106
Other operating expenditures		<b>81,082</b>		40,745
Capital outlay		<b>4,500</b>		16,890
Total	170,470	<b>164,335</b>	6,135	189,741
<b>Total general government</b>	579,445	<b>554,279</b>	25,166	577,240
<b>Public Safety:</b>				
Police:				
Salaries and benefits		<b>420,710</b>		360,681
Other operating expenditures		<b>55,396</b>		60,482
Capital outlay		<b>48,776</b>		-
Total	540,471	<b>524,882</b>	15,589	421,163
Fire:				
Operating expenditures	66,065	<b>66,000</b>	65	66,000
<b>Total public safety</b>	606,536	<b>590,882</b>	15,654	487,163

**Town of Grifton, North Carolina**  
**General Fund Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**  
**(With Comparative Totals for the Fiscal Year Ended June 30, 2018)**

**Statement 2**

**Page 3 of 4**

	2019		Variance Positive (Negative)	2018
	Budget	Actual		Actual
<b>Transportation and Public Works:</b>				
Street maintenance:				
Other operating expenditures		<b>71,972</b>		67,020
Total	79,535	<b>71,972</b>	7,563	67,020
Workshop:				
Other operating expenditures		<b>90,045</b>		80,514
Capital outlay		-		28,726
Total	95,600	<b>90,045</b>	5,555	109,240
<b>Total transportation and public works</b>	<b>175,135</b>	<b>162,017</b>	<b>13,118</b>	<b>176,260</b>
<b>Environmental Protection:</b>				
Sanitation:				
Contracted services	115,000	<b>111,466</b>	3,534	107,442
<b>Cultural and recreational:</b>				
Arts and crafts		<b>18,865</b>		19,052
Recreation		<b>11,434</b>		10,567
Library:				
Salaries and benefits		<b>25,715</b>		25,745
Other operating expenses		<b>11,915</b>		12,429
Total	41,450	<b>37,630</b>	3,820	38,174
Total cultural and recreational	75,731	<b>67,929</b>	7,802	67,793
<b>Community development:</b>				
Other operating expenditures	7,600	<b>5,157</b>	2,443	3,430
<b>Debt service:</b>				
Principal		<b>94,545</b>		101,935
Interest and fees		<b>48,314</b>		51,585
Total debt service	142,973	<b>142,859</b>	114	153,520
Total expenditures	1,702,420	<b>1,634,589</b>	67,831	1,572,848

**Town of Grifton, North Carolina**  
**General Fund Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**  
**(With Comparative Totals for the Fiscal Year Ended June 30, 2018)**  
**Statement 2**  
**Page 4 of 4**

	2019		Variance Positive (Negative)	2018
	Budget	Actual		Actual
Revenues over (under) expenditures	(44,138)	<b>(7,544)</b>	36,594	(630)
<b>Other financing sources (uses)</b>				
Operating transfers from (to) other funds				
Transfers from (to) other funds	9,000	<b>8,420</b>	(580)	9,000
Sale of fixed assets	3,000	<b>1,720</b>	(1,280)	2,390
<b>Total other financing sources (uses)</b>	<b>12,000</b>	<b>10,140</b>	<b>(1,860)</b>	11,390
Revenues and other financing sources over (under) expenditures and other financing uses	(32,138)	<b>2,596</b>	34,734	10,760
Fund balance appropriated	32,138	-	(32,138)	-
Net change in fund balance	<u>\$ -</u>	<b>2,596</b>	<u>\$ 2,596</u>	10,760
Fund balance, beginning of year		<b>786,304</b>		775,544
Fund balance, end of year		<b>\$ 788,900</b>		\$ 786,304

**Town of Grifton, North Carolina**  
**Capital Improvement Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance – Budget and Actual**  
**From Inception and for the Fiscal Year Ended June 30, 2019**  
**Statement 3**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues:</b>					
Federal grants	\$ 4,013	\$ 9,011	\$ -	\$ 9,011	\$ 4,998
Investment earnings	-	20,092	12	20,104	20,104
<b>Total revenues</b>	<b>4,013</b>	<b>29,103</b>	<b>12</b>	<b>29,115</b>	<b>25,102</b>
<b>Expenditures:</b>					
General government					
Operating expenditures	-	48,264	-	48,264	(48,264)
Transportation					
Operating expenditures	-	9,000	-	9,000	(9,000)
Recreation					
Operating expenditures	4,013	36,274	-	36,274	(32,261)
<b>Total expenditures</b>	<b>4,013</b>	<b>93,538</b>	<b>-</b>	<b>93,538</b>	<b>(89,525)</b>
Revenues over (under) expenditures	-	(64,435)	12	(64,423)	(64,423)
<b>Other financing sources (uses)</b>					
Operating transfer to other funds					
Sewer Rehab Fund	-	(120,164)	-	(120,164)	(120,164)
Operating transfer from other funds					
General Fund	-	204,244	-	204,244	204,244
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>84,080</b>	<b>-</b>	<b>84,080</b>	<b>84,080</b>
Net change in fund balance	<u>\$ -</u>	<u>\$ 19,645</u>	<u>12</u>	<u>\$ 19,657</u>	<u>\$ 19,657</u>
Fund balance, beginning of year			<b>19,645</b>		
Fund balance, end of year			<b>\$ 19,657</b>		

**Town of Grifton, North Carolina**  
**Non-Major Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2019**  
**(With Comparative Totals for June 30, 2018)**  
**Statement 4**

			Totals	
	Depot Fund	Permanent Funds	2019	2018
<b>ASSETS</b>				
Cash and investments	\$ 11,781	\$ 39,396	\$ 51,177	\$ 53,356
Total assets	\$ 11,781	\$ 39,396	\$ 51,177	\$ 53,356
 <b>LIABILITIES AND FUND BALANCE</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Fund balance:				
Restricted for maintenance	11,781	-	11,781	9,850
Restricted for trust funds	-	39,396	39,396	43,506
Total fund balance	11,781	39,396	51,177	53,356
Total liabilities and fund balance	\$ 11,781	\$ 39,396	\$ 51,177	\$ 53,356

**Town of Grifton, North Carolina**  
**Non-Major Governmental Funds**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance**  
**For the Fiscal Year Ended June 30, 2019**  
**(With Comparative Totals for the Fiscal Year Ended June 30, 2018)**  
**Statement 5**

	Depot Fund	Permanent Funds	Totals	
			2019	2018
<b>Revenues:</b>				
Grants	\$ -	\$ 980	\$ 980	\$ -
Rental fees	19,000	-	19,000	17,950
Investment earnings	6	18	24	23
Total revenues	19,006	998	20,004	17,973
<b>Expenditures:</b>				
General government	17,075	-	17,075	17,946
Cultural and recreational	-	5,688	5,688	3,481
Total expenditures	17,075	5,688	22,763	21,427
Revenues over (under) expenditures	1,931	(4,690)	(2,759)	(3,454)
<b>Other financing sources (uses)</b>				
Operating transfers from (to) other funds	-	580	580	-
Revenues and other financing sources over (under) expenditures and other financing uses	1,931	(4,110)	(2,179)	(3,454)
Fund balance, beginning of year	9,850	43,506	53,356	56,810
Fund balance, end of year	\$ 11,781	\$ 39,396	\$ 51,177	\$ 53,356

**Town of Grifton, North Carolina**  
**Depot Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**  
**(With Comparative Totals for the Fiscal Year Ended June 30, 2018**  
**Statement 6**

	2019		Variance Positive (Negative)	2018
	Budget	Actual		Actual
<b>Revenues:</b>				
Rental fees	\$ 18,500	\$ 19,000	\$ 500	\$ 17,950
Investment earnings	-	6	6	6
Total revenues	18,500	19,006	506	17,956
<b>Expenditures:</b>				
Economic Development				
Operating expenditures	18,500	17,075	1,425	17,946
Revenues over (under) expenditures	<u>\$ -</u>	<u>1,931</u>	<u>\$ 1,931</u>	10
Fund balance, beginning of year		9,850		9,840
Fund balance, end of year		\$ 11,781		\$ 9,850



**Town of Grifton, North Carolina**  
**Permanent Funds**  
**Combining Balance Sheet**  
**June 30, 2019**  
**(With Comparative Totals for the Year Ended June 30, 2018)**  
**Statement 7**

	Library Trust Fund	Cemetery Trust Fund	Civic Center Trust Fund	Police State Revenue Trust Fund	Parks Trust Fund	Totals	
						2019	2018
<b>ASSETS</b>							
Cash and investments	\$ 14,119	\$ 22,864	\$ 1,353	\$ 585	\$ 475	\$ 39,396	\$ 43,506
Total assets	\$ 14,119	\$ 22,864	\$ 1,353	\$ 585	\$ 475	\$ 39,396	\$ 43,506
<b>FUND BALANCE</b>							
Liabilities							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balance:							
Restricted for trust operations	14,119	22,864	1,353	585	475	39,396	43,506
Total fund balance	14,119	22,864	1,353	585	475	39,396	43,506
Total liabilities and fund balance	\$ 14,119	\$ 22,864	\$ 1,353	\$ 585	\$ 475	\$ 39,396	\$ 43,506

**Town of Grifton, North Carolina**  
**Permanent Funds**  
**Combining Statements of Revenues, Expenditures, and**  
**Changes in Fund Balance**  
**For the Fiscal Year Ended June 30, 2019**  
**(With Comparative Totals for the Fiscal Year Ended June 30, 2018)**  
**Statement 8**

	Library Trust Fund	Cemetery Trust Fund	Civic Center Trust Fund	Police State Rev Trust Fund	Parks Trust Fund	Totals	
						2019	2018
<b>Revenues:</b>							
Grants	\$ -	\$ -	\$ -	\$ 505	\$ 475	\$ 980	\$ -
Investment earnings	6	11	1	-	-	18	17
<b>Total revenues</b>	<b>6</b>	<b>11</b>	<b>1</b>	<b>505</b>	<b>475</b>	<b>998</b>	<b>17</b>
<b>Expenditures:</b>							
Cultural and recreational Operating Expenditures	-	1,800	3,388	500	-	5,688	3,481
Revenues over (under) expenditures	6	(1,789)	(3,387)	5	475	(4,690)	(3,464)
<b>Other financing sources (uses)</b>							
Operating transfers from (to) other funds	-	-	-	580	-	580	-
Revenues and other financing sources over (under) expenditures and other financing uses	6	(1,789)	(3,387)	585	475	(4,110)	(3,464)
Fund balance, beginning of year	14,113	24,653	4,740	-	-	43,506	46,970
<b>Fund balance, end of year</b>	<b>\$ 14,119</b>	<b>\$ 22,864</b>	<b>\$ 1,353</b>	<b>\$ 585</b>	<b>\$ 475</b>	<b>\$ 39,396</b>	<b>\$ 43,506</b>

**Town of Grifton, North Carolina**  
**Library Trust Fund Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**  
**(With Comparative Totals for the Fiscal Year Ended June 30, 2018)**  
**Statement 9**

	2019		Variance Positive (Negative)	2018
	Budget	Actual		Actual
<b>Revenues:</b>				
Investment earnings	\$ -	\$ 6	\$ 6	\$ 7
Total revenues	-	6	6	7
<b>Expenditures:</b>				
Cultural and recreational Operating expenditures	-	-	-	3,481
Revenues over (under) expenditures	<u>\$ -</u>	<u>6</u>	<u>\$ 6</u>	(3,474)
Fund balance, beginning of year		<b>14,113</b>		17,587
Fund balance, end of year		<b>\$ 14,119</b>		\$ 14,113

**Town of Grifton, North Carolina**  
**Cemetery Trust Fund Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**  
**(With Comparative Totals for the Fiscal Year Ended June 30, 2018)**  
**Statement 10**

	2019		Variance Positive (Negative)	2018	
	Budget	Actual		Actual	
<b>Revenues:</b>					
Investment earnings	\$ -	\$ 11	\$ 11	\$ 9	
<b>Expenditures:</b>					
Operating expenditures	2,000	<b>1,800</b>	200		-
Revenues over (under) expenditures	(2,000)	<b>(1,789)</b>	200		9
Appropriated fund balance	2,000	-	(2,000)		-
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u><b>(1,789)</b></u>	<u>\$ (1,989)</u>		9
Fund balance, beginning of year		<b>24,653</b>			24,644
Fund balance, end of year		<b>\$ 22,864</b>		\$ 24,653	

**Town of Grifton, North Carolina**  
**Civic Center Trust Fund Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**  
**(With Comparative Totals for the Fiscal Year Ended June 30, 2018)**  
**Statement 11**

	2019		Variance Positive (Negative)	2018
	Budget	Actual		Actual
<b>Revenues:</b>				
Investment earnings	\$ -	\$ 1	\$ 1	\$ 1
<b>Expenditures:</b>				
Cultural and recreational Contribution	4,700	<b>3,388</b>	1,312	-
Revenues over (under) expenditures	(4,700)	<b>(3,387)</b>	1,313	1
Appropriated fund balance	4,700	-	(4,700)	-
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u><b>(3,387)</b></u>	<u>\$ (3,387)</u>	1
Fund balance, beginning of year		<b>4,740</b>		4,739
Fund balance, end of year		<b>\$ 1,353</b>		\$ 4,740

**Town of Grifton, North Carolina**  
**Police State Revenue Trust Fund Statement of Revenues,**  
**Expenditures, and Changes in Fund Balance – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**  
**(With Comparative Totals for the Fiscal Year Ended June 30, 2018)**  
**Statement 12**

	2019		Variance Positive (Negative)	2018
	Budget	Actual		Actual
<b>Revenues:</b>				
Grants	\$ -	\$ 505	\$ 505	\$ -
<b>Expenditures:</b>				
Supplies	580	500	80	-
Revenues over (under) expenditures	(580)	5	585	-
<b>Other financing sources (uses)</b>				
Operating transfers from (to) other funds	580	580	-	-
Revenues and other financing sources over (under) expenditures and other financing uses	-	585	585	-
Appropriated fund balance	-	-	-	-
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>585</u>	<u>\$ 585</u>	-
Fund balance, beginning of year		-		-
Fund balance, end of year		<u>\$ 585</u>		<u>\$ -</u>

**Town of Grifton, North Carolina**  
**Grifton Parks Trust Fund Statement of Revenues,**  
**Expenditures, and Changes in Fund Balance – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**  
**(With Comparative Totals for the Fiscal Year Ended June 30, 2018)**  
**Statement 13**

	2019		Variance Positive (Negative)	2018
	Budget	Actual		Actual
<b>Revenues:</b>				
Grants	\$ -	\$ 475	\$ 475	\$ -
<b>Expenditures:</b>				
	-	-	-	-
Revenues over (under) expenditures	-	475	475	-
Appropriated fund balance	-	-	-	-
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>475</u>	<u>\$ 475</u>	-
Fund balance, beginning of year		-		-
Fund balance, end of year		<u>\$ 475</u>		<u>\$ -</u>

**Town of Grifton, North Carolina**  
**Proprietary Funds**  
**Combining Statement of Net Position**  
**June 30, 2019**  
**(With Comparative Totals for the Year Ended June 30, 2018)**  
**Statement 14**

	Water and Sewer Fund	Stormwater Utility Fund	Sewer Rehab Project Fund	Sewer System Project Fund	Totals		
					2019	2018	
<b>ASSETS</b>							
Current assets							
Cash and investments	\$ 359,371	\$ 62,106	\$ -	\$ -	\$ 421,477	\$ 425,883	
Restricted cash	106,495	-	75,179	-	181,674	75,179	
Accounts receivable (net)	109,249	7,469	-	-	116,718	117,989	
Total current assets	575,115	69,575	75,179	-	719,869	619,051	
Non-current assets							
Capital assets:							
Construction in progress	7,085	-	-	-	7,085	-	
Other capital assets, net of depreciation	1,726,714	-	1,762,815	-	3,489,529	3,527,995	
Total non-current assets	1,733,799	-	1,762,815	-	3,496,614	3,527,995	
Total assets	2,308,914	69,575	1,837,994	-	4,216,483	4,147,046	
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Pension deferrals	40,740	8,046	-	-	48,786	24,248	
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable and accrued liabilities	-	1,278	-	7,085	8,363	8,029	
Customer deposits	106,495	-	-	-	106,495	101,725	
Installment purchases - current	14,750	-	-	-	14,750	-	
General obligation bonds - current	9,000	-	-	-	9,000	8,000	
Total current liabilities	130,245	1,278	-	7,085	138,608	117,754	
Noncurrent liabilities:							
Compensated absences payable	6,198	400	-	-	6,598	6,105	
Pension liability	48,107	9,501	-	-	57,608	27,347	
Installment purchases	44,250	-	-	-	44,250	-	
General obligation bonds	525,000	-	-	-	525,000	534,000	
Total noncurrent liabilities	623,555	9,901	-	-	633,456	567,452	
Total liabilities	753,800	11,179	-	7,085	772,064	685,206	
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Pension deferrals	249	49	-	-	298	774	
<b>FUND POSITION</b>							
Net investment in capital assets	1,140,799	-	1,762,815	-	2,903,614	2,985,995	
Unrestricted	454,806	66,393	75,179	(7,085)	589,293	499,319	
Total net position	\$ 1,595,605	\$ 66,393	\$ 1,837,994	\$ (7,085)	\$ 3,492,907	\$ 3,485,314	



**Town of Grifton, North Carolina**  
**Water and Sewer Fund**  
**Statement of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2019**  
**(With Comparative Totals for the Fiscal Year Ended June 30, 2018)**  
**Statement 15**  
**Page 1 of 2**

	2019		Variance	2018
	Budget	Actual	Positive (Negative)	Actual
<b>REVENUES:</b>				
Charges for services				
Water charges	\$ 432,800	\$ <b>480,476</b>	\$ 47,676	\$ 452,343
Sewer charges	443,515	<b>450,282</b>	6,767	437,095
Connection fees	1,000	<b>2,600</b>	1,600	1,293
Total charges for service	877,315	<b>933,358</b>	56,043	890,731
Other operating revenues	51,200	<b>57,713</b>	6,513	58,943
Total operating revenues	928,515	<b>991,071</b>	62,556	949,675
Nonoperating revenues				
Federal grants	12,200	<b>50,817</b>	38,617	-
Grants and donations	100,000	<b>101,757</b>	1,757	98,791
Investment earnings	150	<b>232</b>	82	211
Total nonoperating revenues	112,350	<b>152,806</b>	40,456	99,002
Total revenues	1,040,865	<b>1,143,877</b>	103,012	1,048,677
<b>EXPENDITURES:</b>				
General operations				
Salaries and benefits		<b>82,510</b>		58,662
Operating expenses		<b>28,140</b>		36,494
Total	125,784	<b>110,650</b>	15,134	95,155
Water operations				
Salaries and benefits		<b>61,529</b>		59,609
Operating expenses		<b>268,953</b>		271,971
Total	334,150	<b>330,482</b>	3,668	331,581
Sewer operations				
Salaries and benefits		<b>53,276</b>		46,820
Operating expenses		<b>80,758</b>		49,587
CMSD charges		<b>388,823</b>		437,686
Total	542,513	<b>522,857</b>	19,656	534,093

**Town of Grifton, North Carolina**  
**Water and Sewer Fund**  
**Statement of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2019**  
**(With Comparative Totals for the Fiscal Year Ended June 30, 2018)**  
**Statement 15**  
**Page 2 of 2**

	2019		Variance Positive (Negative)	2018
	Budget	Actual		Actual
Debt service				
Note principal		<b>31,500</b>		8,000
Interest and fees		<b>18,292</b>		18,563
Total	50,818	<b>49,792</b>	1,026	26,563
Capital outlay	113,600	<b>113,527</b>	73	-
Total expenditures	1,166,865	<b>1,127,308</b>	39,557	987,392
Revenues over (under) expenditures	(126,000)	<b>16,569</b>	142,569	61,285
Other financing sources (uses)				
Proceeds from the issuance of debt	82,500	<b>82,500</b>	-	-
Transfer from (to) other Fund	(9,000)	<b>(9,000)</b>	-	(9,000)
Appropriated fund balance	52,500	-	(52,500)	-
Total other financing uses	126,000	<b>73,500</b>	(52,500)	(9,000)
Revenues and other financing sources over (under) expenditures	\$ -	\$ <b>90,069</b>	\$ 90,069	\$ 52,285
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Excess of revenues and other financing sources, over (under) expenditures and other financing uses		\$ <b>90,069</b>		\$ 52,285
Reconciling items:				
Capital outlay		<b>113,527</b>		-
Proceeds from the issuance of debt		<b>(82,500)</b>		-
Increase in deferred outflows of resources - pensions		<b>19,540</b>		(11,808)
Increase in net pension liability		<b>(24,197)</b>		12,953
Decrease in deferred inflows of resources - pensions		<b>428</b>		616
(Increase) decrease in accrued vacation payable		<b>(215)</b>		5,890
Payment of debt principal		<b>31,500</b>		8,000
Depreciation		<b>(151,992)</b>		(140,835)
Total		<b>(93,909)</b>		(125,184)
Change in net position		\$ <b>(3,840)</b>		\$ (72,899)

**Town of Grifton, North Carolina**  
**Sewer Rehab Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance – Budget and Actual**  
**From Inception and for the Fiscal Year Ended June 30, 2019**  
**Statement 16**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues:</b>					
Restricted intergovernmental:					
Federal grants	\$ 764,883	\$ 764,883	\$ -	\$ 764,883	\$ -
State grants	500,000	500,000	-	500,000	-
Investment earnings	-	110	-	110	110
<b>Total revenues</b>	<b>1,264,883</b>	<b>1,264,993</b>	<b>-</b>	<b>1,264,993</b>	<b>110</b>
<b>Expenditures:</b>					
Administration	1,725	1,775	-	1,775	(50)
Construction	1,489,961	1,489,961	-	1,489,961	-
Engineering	163,951	148,451	-	148,451	15,500
Project Inspection	74,972	74,972	-	74,972	-
Environmental Report	7,500	7,500	-	7,500	-
Legal	18,771	18,771	-	18,771	-
Debt Service					
Interest	81,000	21,384	-	21,384	59,616
Contingencies	3	-	-	-	3
<b>Total expenditures</b>	<b>1,837,883</b>	<b>1,762,814</b>	<b>-</b>	<b>1,762,814</b>	<b>75,069</b>
Revenues over (under) expenditures	(573,000)	(497,821)	-	(497,821)	75,179
Other financing sources (uses)					
Principal payments	(573,000)	(573,000)	-	(573,000)	-
Proceeds from debt issuance	1,146,000	1,146,000	-	1,146,000	-
<b>Other financing sources</b>	<b>573,000</b>	<b>573,000</b>	<b>-</b>	<b>573,000</b>	<b>-</b>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$</u>	<u>\$ 75,179</u>	<u>-</u>	<u>\$ 75,179</u>	<u>\$ 75,179</u>
Net position, beginning of year			<b>75,179</b>		
Net position, end of year			<b>\$ 75,179</b>		

**Town of Grifton, North Carolina**  
**Stormwater Utility Fund**  
**Statement of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2019**  
**(With Comparative Totals for the Fiscal Year Ended June 30, 2018)**  
**Statement 17**

	2019		Variance Positive (Negative)	2018
	Budget	Actual		Actual
<b>Revenues:</b>				
Charges for services				
Stormwater charges - Residents	\$ 34,000	\$ <b>36,362</b>	\$ 2,362	\$ 34,618
Stormwater charges - Non Residents	30,000	<b>28,433</b>	(1,567)	29,450
Total charges for service	64,000	<b>64,795</b>	795	64,068
Nonoperating revenues				
Federal grants	39,500	<b>40,305</b>	805	-
Investment earnings	-	<b>18</b>	18	18
Total nonoperating revenues	39,500	<b>40,323</b>	823	18
Total revenues	103,500	<b>105,118</b>	1,618	64,086
<b>Expenditures:</b>				
Salaries and benefits	41,600	<b>39,782</b>	1,818	23,494
Operating expenses	6,900	<b>3,480</b>	3,420	3,695
Contracted services	35,000	<b>34,664</b>	336	9,995
Maintenance and repair	20,000	<b>14,463</b>	5,537	4,658
Total expenditures	103,500	<b>92,389</b>	11,111	41,842
Revenues over (under) expenditures	\$ -	\$ <b>12,729</b>	\$ <b>12,729</b>	\$ 22,244
Excess of revenues over (under) expenditures		\$ <b>12,729</b>		\$ 22,244
Reconciling items:				
Increase (decrease) in deferred outflows of resources - pensions		4,998		(2,155)
Increase in accrued vacation payable		(278)		(122)
(Increase) decrease in net pension liability		(6,064)		2,374
(Increase) decrease in deferred inflows of resources - pensions		48		105
Total		(1,296)		202
Change in net position		\$ <b>11,433</b>		\$ 22,446

**Town of Grifton, North Carolina**  
**Sewer System Project Fund**  
**Statement of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2019**  
**(With Comparative Totals for the Fiscal Year Ended June 30, 2018)**  
**Statement 18**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues:</b>					
Restricted intergovernmental:					
Federal grants	\$ 441,000	\$ -	\$ -	\$ -	\$ (441,000)
Total revenues	441,000	-	-	-	(441,000)
<b>Expenditures:</b>					
Administration	29,000	-	-	-	29,000
Construction	1,344,400	-	2,100	2,100	1,342,300
Engineering	192,000	-	4,985	4,985	187,015
Debt Service					
Interest	17,600	-	-	-	17,600
Contingencies	134,000	-	-	-	134,000
Total expenditures	1,717,000	-	7,085	7,085	1,709,915
Revenues over (under) expenditures	(1,276,000)	-	(7,085)	(7,085)	1,268,915
Other financing sources (uses)					
Proceeds from debt issuance	1,276,000	-	-	-	1,276,000
Other financing sources	1,276,000	-	-	-	1,276,000
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ -	(7,085)	\$ (7,085)	\$ (7,085)
Net position, beginning of year				-	
Net position, end of year			\$ (7,085)		

This section contains additional information on the Town.

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- Schedule of Cash and Cash Equivalents Balances
- Schedules of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

**Town of Grifton, North Carolina**  
**Schedule of Cash and Cash Equivalents Balances**  
**June 30, 2019**  
**Schedule 5**

Cash and cash equivalents:	
On hand	\$ 300
In time deposits	
Now, SuperNOW and money market	1,315,843
<hr/>	
Total cash and cash equivalents	\$ 1,316,143
<hr/>	
Distribution by funds:	
General Fund	\$ 661,815
Special Revenue Fund	11,781
Enterprise Fund	603,151
Permanent Fund	39,396
<hr/>	
Total cash and cash equivalents	\$ 1,316,143
<hr/>	

**Town of Grifton, North Carolina**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2019**  
**Schedule 6**

<u>Fiscal Year</u>	Uncollected		Collections And Credits	Uncollected
	Balance June 30, 2018	Additions		Balance June 30, 2019
2018-2019	\$ -	\$ 568,747	\$ 544,245	\$ 24,502
2017-2018	27,189	-	19,080	8,109
2016-2017	9,267	-	4,247	5,020
2015-2016	3,648	-	1,724	1,924
2014-2015	2,841	-	736	2,105
2013-2014	2,288	-	320	1,968
2012-2013	1,872	-	444	1,428
2011-2012	1,592	-	360	1,232
2010-2011	798	-	6	792
2009-2010	1,508	-	12	1,496
2008-2009	1,378	-	1,378	-
	<u>\$ 52,381</u>	<u>\$ 568,747</u>	<u>\$ 572,552</u>	<u>\$ 48,576</u>
Less allowance for uncollectible ad valorem taxes receivable				10,946
Ad valorem taxes receivable - net				<u>\$ 37,630</u>
Reconcilement with revenues				
Taxes - ad valorem - General Fund				\$ 579,174
Recoveries of amounts written off for prior years				1,168
Less penalties and interest				(7,790)
Total collections and credits				<u>\$ 572,552</u>



**Town of Grifton, North Carolina**  
**Analysis of Current Tax Levy**  
**For the Fiscal Year Ended June 30, 2019**  
**Schedule 7**

	Total Property Valuation	Tax Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 90,277,349	0.63	\$ 568,660	\$ 479,135	\$ 89,525
Penalties			87	87	-
Total	90,277,349		568,747	479,222	89,525
Discoveries					
Current year taxes	-		-	-	-
Total property valuation	<u>\$ 90,277,349</u>				
Net levy			568,747	479,222	89,525
Uncollected taxes at June 30, 2019			24,502	24,502	-
Current year's taxes collected			\$ 544,245	\$ 454,720	\$ 89,525
Current levy collection percentage			95.69%	94.89%	100.00%



## COMPLIANCE SECTION



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

To The Honorable Mayor and  
Board of Commissioners  
Town of Grifton, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of the Town of Grifton, North Carolina (the "Town"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the Town's basic financial statements, and have issued our report thereon dated December 5, 2019.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Cam, Riggs & Ingram, L.L.C.*

Goldsboro, North Carolina

December 5, 2019