

TOWN OF GARLAND, NORTH CAROLINA
FINANCIAL STATEMENTS
June 30, 2020

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TOWN COUNCIL MEMBERS

Winifred Murphy, Mayor

Austin Brown, Mayor Pro-Tem

Eddie Bronson, Jr., Commissioner

Carolyn Robinson Melvin, Commissioner

Barbara A. Peterson, Commissioner

TOWN CLERK

Pamela Cashwell

TOWN OF GARLAND, NORTH CAROLINA
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Financial Section



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Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Council
Town of Garland, 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 Garland, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall 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, based on our audit, 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 of Garland, North Carolina as of June 30, 2020, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 3 through 10 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 37 and 38, 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.

Supplementary and Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2020 on our consideration of Town of Garland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 of Garland's internal control over financial reporting and compliance.

Thompson, Price, Scott, Adams & Co., PA

Elizabethtown, North Carolina

November 23, 2020

Town of Garland
Management's Discussion and Analysis

As management of the Town of Garland (the "Town"), we offer readers of the Town of Garland's financial statements this narrative overview and analysis of the financial activities of the Town of Garland for the fiscal year ended June 30, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

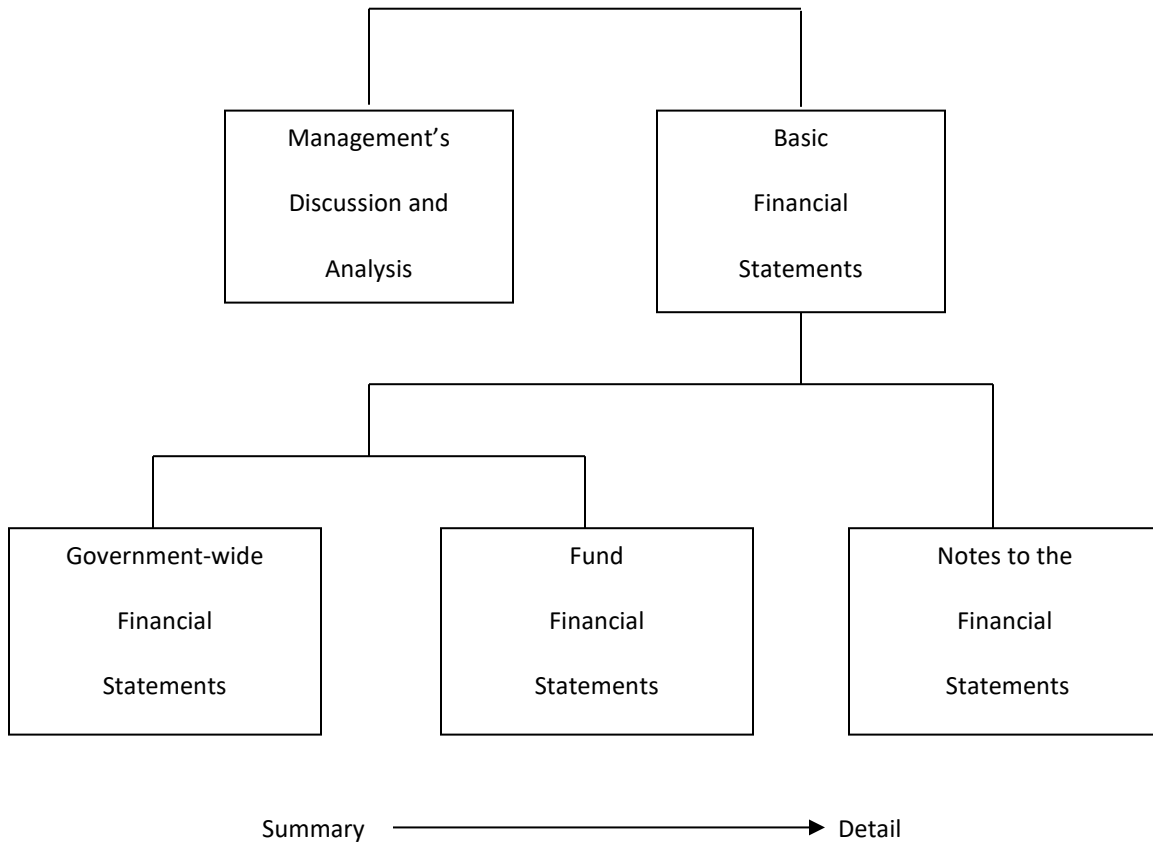
- The assets and deferred outflows of resources of the Town of Garland exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$4,030,454 (*net position*).
- The government's total net position increased by \$559,029, primarily due to increases in both the governmental activities and business type activity net position.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$929,195, an increase of \$115,355. Approximately 10 percent of this total amount, or \$93,278 is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$776,609, or 150 percent of the total general fund expenditures for the fiscal year.
- The Town of Garland's total outstanding loan balances decreased by \$28,798 during the current fiscal year. The key factor in this change was a new installment agreement that exceeded the principal payments for outstanding loans.

Overview of the Financial Statements

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

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

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

Government-wide Financial Analysis

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

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

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, sanitation and general administration. Property taxes finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Garland.

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

Fund Financial Statements

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

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

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 21-36 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Garland’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 37 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

Town of Garland’s Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Assets						
Current and other assets	\$ 968,590	\$ 846,766	\$ 853,545	\$ 513,665	\$ 1,822,135	\$ 1,360,431
Capital assets	138,661	160,332	2,661,925	2,271,406	2,800,586	2,431,738
Deferred outflows of resources	19,302	22,513	12,702	7,504	32,004	30,017
Total assets and deferred outflows of resources	\$ 1,126,553	\$ 1,029,611	\$ 3,528,172	\$ 2,792,575	\$ 4,654,725	\$ 3,822,186
Liabilities						
Current and other liabilities:	\$ 13,215	\$ 14,107	\$ 328,889	\$ 45,728	\$ 342,104	\$ 59,835
Long-term liabilities:						
Due within one year	17,385	20,916	13,507	13,244	30,892	34,160
Due in more than one year	52,268	56,134	197,359	198,022	249,627	254,156
Deferred inflows of resources	994	1,957	654	653	1,648	2,610
Total liabilities & deferred inflows of resources	83,862	93,114	540,409	257,647	624,271	350,761
Net Position						
Net investment in capital assets	104,234	109,825	2,471,141	2,067,902	2,575,375	2,177,727
Restricted for						
Stabilization by State						
Statute	73,930	104,183	-	-	73,930	104,183
Transportation	19,348	16,890	-	-	19,348	16,890
Unrestricted	845,179	705,599	516,622	467,026	1,361,801	1,172,625
Total net position	\$ 1,042,691	\$ 936,497	\$ 2,987,763	\$ 2,534,928	\$ 4,030,454	\$ 3,471,425

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Garland exceeded liabilities and deferred inflows by \$4,030,454 as of June 30, 2020. The Town's net position increased by \$559,029 for the fiscal year ended June 30, 2020. However, the largest portion \$2,575,375 (64%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Garland uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in capital assets is reported net of the outstanding 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, \$93,278 (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,361,801 (34%) is unrestricted.

Several particular aspects of the Town's financial operations positively influenced the total unrestricted governmental net position, including the following:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 91.37%, which is below the statewide average of 97.22%.
- Grant revenue and State shared revenue increased.

Town of Garland's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenues						
Charges for Services	\$ 132,845	\$ 137,695	\$ 307,738	\$ 299,998	\$ 440,583	\$ 437,693
Grants and Entitlements	63,561	59,560	422,411	79,159	485,972	138,719
General Revenue						
Property Taxes	213,594	206,003	-	-	213,594	206,003
Grants and contributions not restricted to specific programs	225,926	220,606	-	-	225,926	220,606
Other Taxes	4,144	4,938	-	-	4,144	4,938
Investment Earnings	3,619	3,992	-	-	3,619	3,992
Other	36,214	34,724	-	-	36,214	34,724
Total Revenues	679,903	667,518	730,149	379,157	1,410,052	1,046,675
Expenses						
General Government	252,772	208,272	-	-	252,772	208,272
Public Safety	-	39,755	-	-	-	39,755
Transportation	185,061	203,917	-	-	185,061	203,917
Environmental Protection	106,649	101,804	-	-	106,649	101,804
Cultural and Recreation	27,370	34,109	-	-	27,370	34,109
Interest on Long-Term Debt	1,857	689	-	-	1,857	689
Water District	-	-	277,314	282,768	277,314	282,768
Total Expenses	573,709	588,546	277,314	282,768	851,023	871,314
Increase(Decrease) in Net Position	106,194	78,972	452,835	96,389	559,029	175,361
Net Position, beginning	936,497	857,525	2,534,928	2,438,539	3,471,425	3,296,064
Net Position, ending	\$ 1,042,691	\$ 936,497	\$ 2,987,763	\$ 2,534,928	\$ 4,030,454	\$ 3,471,425

Governmental activities: Governmental activities increased the Town's net position by \$106,194.

Business-type activities: Business-type activities displayed in this audit refer to the Water/Sewer Fund and increased the Town of Garland's net position by \$452,835.

Financial Analysis of the Town of Garland's Funds

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

Governmental Funds. The focus of The Town of Garland'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.

The general fund is the chief operating fund of the Town of Garland. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$776,609 while total fund balance reached \$921,536. As a measure of the general fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents approximately 150% of the total General Fund expenditures. Total fund balance represents 165% of that same amount.

At June 30, 2020, the governmental funds of the Town reported a combined fund balance of \$929,195 with a 14% increase over last year. Included in this change in fund balance is an increase in fund balance in the General Fund.

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

Revenues were more than the budgeted amounts primarily because revenue was budgeted conservatively, as were the expenditures. The Town was able to comply with its budgetary requirements.

Proprietary Funds. The Town of Garland's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer fund at the end of the fiscal year amounted to \$516,622. The increase in net position for this fund was \$452,835. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Garland's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Garland's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$2,800,586 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year was the purchase of a dump truck in the General Fund and CDBG wastewater collection system improvements project in the Water and Sewer fund, (there were no other significant demolitions or disposals).

**Town of Garland's Capital Assets
(net of depreciation)**

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land and Construction in Progress	\$ 13,395	\$ 13,395	\$ 473,524	\$ 51,966	\$ 486,919	\$ 65,361
Buildings and Other Improvements	33,752	40,324	-	-	33,752	40,324
Plant and Distribution	-	-	2,054,958	2,104,401	2,054,958	2,104,401
Equipment	73,970	79,610	132,756	110,232	206,726	189,842
Vehicles	17,544	27,003	687	4,807	18,231	31,810
	<u>\$ 138,661</u>	<u>\$ 160,332</u>	<u>\$ 2,661,925</u>	<u>\$ 2,271,406</u>	<u>\$ 2,800,586</u>	<u>\$ 2,431,738</u>

Additional information on the Town's capital assets can be found in notes beginning on page 28 of this report.

Long-term Debt. As of June 30, 2020, the Town of Garland had no bonded debt outstanding.

Town of Garland's Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Direct Placement						
Installment Contracts	\$ 34,427	\$ 50,507	\$ -	\$ -	\$ 34,427	\$ 50,507
Direct Borrowing Loan						
Agreements	-	-	190,784	203,502	190,784	203,502
	<u>\$ 34,427</u>	<u>\$ 50,507</u>	<u>\$ 190,784</u>	<u>\$ 203,502</u>	<u>\$ 225,211</u>	<u>\$ 254,009</u>

The Town of Garland's loan balances decreased by \$28,798 during the past fiscal year, primarily due to making the scheduled debt payments.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The Town of Garland's legal debt margin is \$2,313,695.

Additional information regarding the Town of Garland's long-term debt can be found in the notes beginning on page 34 of this report.

Economic Factors and Next Year's Budgets and Rates

For the upcoming year, management does not expect any surge of new development within the Town.

Due to the Town's size, it is difficult to show any real increase in jobs openings within the Town's boundaries. Management reviews Sampson County's economic conditions to monitor for effects on the economy of the Town.

The property tax rate for the Town is not expected to change for the coming budget year.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: Property taxes will remain the same for 2020-2021. General Fund revenues are expected to remain the same. General Fund expenditures have been budgeted accordingly with only a small increase from the 2020-2021 Budget. The Town will continue its commitment to reducing the cost of delivering services.

Business - type Activities: The water and sewer rates in the Town are expected to remain constant.

Requests for Information

This report is designed to provide an overview of the Town of Garland'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 attention of the Finance Officer, Town of Garland, P.O. Box 207, N.C. 28441. You may also call 910-529-4141.

Basic Financial Statements

Statement of Net Position

June 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets:			
Cash & Cash Equivalents	\$ 849,132	\$ 492,357	\$ 1,341,489
Restricted Assets:			
Restricted Cash	19,348	42,984	62,332
Accounts Receivable	-	280,954	280,954
Taxes Receivable (Net)	26,180	-	26,180
Accounts Receivable (Net)	11,651	32,750	44,401
Inventories	-	4,500	4,500
Due from Other Governments	62,279	-	62,279
Total Current Assets	<u>968,590</u>	<u>853,545</u>	<u>1,822,135</u>
Non-Current Assets:			
Capital Assets (Note 3):			
Land and Nondepreciable Improvements	13,395	473,524	486,919
Other Capital Assets, Net of Depreciation	<u>125,266</u>	<u>2,188,401</u>	<u>2,313,667</u>
Total Capital Assets	<u>138,661</u>	<u>2,661,925</u>	<u>2,800,586</u>
Total Assets	<u>1,107,251</u>	<u>3,515,470</u>	<u>4,622,721</u>
Deferred Outflows of Resources	<u>19,302</u>	<u>12,702</u>	<u>32,004</u>
Liabilities			
Current liabilities:			
Accounts Payable and Accrued Liabilities	13,215	5,804	19,019
Due Within One Year	17,385	13,507	30,892
Payable from restricted assets			
Customer deposits	-	42,984	42,984
Long-term Liabilities:			
Net Pension Liability	29,317	19,293	48,610
Due in More Than One Year	<u>22,951</u>	<u>178,066</u>	<u>201,017</u>
Total Liabilities	<u>82,868</u>	<u>539,755</u>	<u>622,623</u>
Deferred Inflows of Resources			
Pension Deferrals	<u>994</u>	<u>654</u>	<u>1,648</u>
Total Deferred Inflows of Resources	<u>994</u>	<u>654</u>	<u>1,648</u>
Net Position			
Net Investment in Capital Assets	104,234	2,471,141	2,575,375
Restricted for:			
Stabilization by State Statute	73,930	-	73,930
Transportation	19,348	-	19,348
Unrestricted	<u>845,179</u>	<u>516,622</u>	<u>1,361,801</u>
Total Net Position	<u>\$ 1,042,691</u>	<u>\$ 2,987,763</u>	<u>\$ 4,030,454</u>

Town of Garland, North Carolina
Statement of Activities
For the Year Ended June 30, 2020

Exhibit 2

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 252,772	\$ 3,786	8,760	\$ -
Transportation	185,061	-	47,750	-
Environmental Protection	106,649	126,259	482	-
Cultural and Recreation	27,370	2,800	6,569	-
Interest on Long-Term Debt	1,857	-	-	-
Total Governmental Activities	<u>573,709</u>	<u>132,845</u>	<u>63,561</u>	<u>-</u>
Business-Type Activities:				
Water and Sewer Fund	<u>277,314</u>	<u>307,738</u>	<u>-</u>	<u>422,411</u>
Total Business-Type Activities	<u>277,314</u>	<u>307,738</u>	<u>-</u>	<u>422,411</u>
Total Primary Government	<u>\$ 851,023</u>	<u>\$ 440,583</u>	<u>\$ 63,561</u>	<u>\$ 422,411</u>

Town of Garland, North Carolina
Statement of Activities
For the Year Ended June 30, 2020

Exhibit 2

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
Primary Government:			
Governmental Activities:			
General Government	\$ (240,226)	\$ -	\$ (240,226)
Transportation	(137,311)	-	(137,311)
Environmental Protection	20,092	-	20,092
Cultural and Recreation	(18,001)	-	(18,001)
Interest on Long-Term Debt	(1,857)	-	(1,857)
Total Governmental Activities	<u>(377,303)</u>	<u>-</u>	<u>(377,303)</u>
Business-Type Activities:			
Water and Sewer Fund	-	452,835	452,835
Total Business-Type Activities	<u>-</u>	<u>452,835</u>	<u>452,835</u>
Total Primary Government	<u>(377,303)</u>	<u>452,835</u>	<u>75,532</u>
Taxes:			
Property taxes, levied for general purpose	213,594	-	213,594
Other taxes and licenses	4,144	-	4,144
Grants and contributions not restricted to specific programs	225,926	-	225,926
Investment earnings, unrestricted	3,619	-	3,619
Miscellaneous, unrestricted	36,214	-	36,214
Total general revenues not including transfers	<u>483,497</u>	<u>-</u>	<u>483,497</u>
Transfers	-	-	-
Total general revenues and transfers	<u>483,497</u>	<u>-</u>	<u>483,497</u>
Change in net position	106,194	452,835	559,029
Net Position - Beginning	936,497	2,534,928	3,471,425
Net Position - Ending	<u>\$ 1,042,691</u>	<u>\$ 2,987,763</u>	<u>\$ 4,030,454</u>

Balance Sheet
Governmental Funds
June 30, 2020

	Major Fund General Fund	Non- Major Fund 2019 CDBG Rehab Project 18-C-3060	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 841,473	\$ 7,659	\$ 849,132
Restricted cash	19,348	-	19,348
Receivables (net):			
Taxes	23,768	-	23,768
Motor vehicle tags	319	-	319
Accounts	11,651	-	11,651
Due from other governments	62,279	-	62,279
Total assets and other debits	<u>\$ 958,838</u>	<u>\$ 7,659</u>	<u>\$ 966,497</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 13,215	\$ -	\$ 13,215
Total liabilities	<u>13,215</u>	<u>-</u>	<u>13,215</u>
Deferred inflows of resources			
Property tax receivable	23,768	-	23,768
Motor vehicle tags	319	-	319
Total deferred inflows of resources	<u>24,087</u>	<u>-</u>	<u>24,087</u>
Fund balances:			
Restricted			
Stabilization by State Statute	73,930	-	73,930
Streets	19,348	-	19,348
Assigned			
Subsequent Years Expenditures	51,649	-	51,649
Unassigned			
Total fund balances	<u>776,609</u>	<u>7,659</u>	<u>784,268</u>
Total fund balances	<u>921,536</u>	<u>7,659</u>	<u>929,195</u>
Total liabilities, deferred inflows of resources & fund balances	<u>\$ 958,838</u>	<u>\$ 7,659</u>	
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			138,661
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.			19,302
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred.			2,093
Liabilities for earned revenues considered deferred inflows in the fund statements.			24,087
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds			
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year).			(69,653)
Pension related deferrals.			(994)
Net position of governmental activities			<u>\$ 1,042,691</u>

Town of Garland, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

Exhibit 4

	Major Fund	Non- Major Fund	Total
	General Fund	2019 CDBG Rehab Project 18-C-3060	Governmental Funds
Revenues:			
Ad valorem taxes	\$ 206,233	\$ -	\$ 206,233
Other taxes and licenses	4,144	-	4,144
Unrestricted intergovernmental	225,926	-	225,926
Restricted intergovernmental	48,232	-	48,232
Sales and services	131,060	-	131,060
Permits and Fees	1,785	-	1,785
Investment earnings	3,619	-	3,619
Miscellaneous	51,543	-	51,543
Total revenues	<u>672,542</u>	<u>-</u>	<u>672,542</u>
Expenditures:			
Current:			
General government	230,511	341	230,852
Transportation	173,873	-	173,873
Sanitation	107,155	-	107,155
Cultural and Recreational	27,370	-	27,370
Debt Service:			
Principle	16,080	-	16,080
Interest	1,857	-	1,857
Total expenditures	<u>556,846</u>	<u>341</u>	<u>557,187</u>
Excess (deficiency) of revenues over expenditures	<u>115,696</u>	<u>(341)</u>	<u>115,355</u>
Other Financing Sources (Uses)			
Transfer from NC Step Fund	(8,000)	-	(8,000)
Transfer to General Fund	-	8,000	8,000
Total	<u>(8,000)</u>	<u>8,000</u>	<u>-</u>
Net change in fund balance	107,696	7,659	115,355
Fund Balances, beginning	813,840	-	813,840
Fund Balance, ending	<u>\$ 921,536</u>	<u>\$ 7,659</u>	<u>\$ 929,195</u>

Town of Garland, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

Exhibit 4

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

Net changes in fund balances - total governmental funds	\$ 115,355
<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	8,818
Depreciation expense for governmental activities	(30,490)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	4,309
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	7,361
<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.</p>	
Principal payments on long-term debt	16,080
<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	(1,073)
Net pension expense	(14,167)
Total changes in net position of governmental activities	\$ <u>106,194</u>

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2020

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 198,620	\$ 198,620	\$ 206,233	\$ 7,613
Other taxes and licenses	3,580	3,580	4,144	564
Unrestricted intergovernmental	203,650	203,600	225,926	22,326
Restricted intergovernmental	400	72,098	48,232	(23,866)
Sales and services	123,300	123,300	131,060	7,760
Permits and Fees	1,150	1,200	1,785	585
Investment earnings	2,800	2,820	3,619	799
Miscellaneous	500	17,471	51,543	34,072
Total revenues	<u>534,000</u>	<u>622,689</u>	<u>672,542</u>	<u>49,853</u>
Expenditures:				
Current:				
General government	291,388	286,938	230,511	56,427
Public safety	-	-	-	-
Transportation	122,865	211,458	173,873	37,585
Sanitation	106,000	110,050	107,155	2,895
Cultural and Recreation	39,297	48,668	27,370	21,298
Debt Service	18,450	18,450	17,937	513
Total expenditures	<u>578,000</u>	<u>675,564</u>	<u>556,846</u>	<u>118,718</u>
Revenues over (under) expenditures	<u>(44,000)</u>	<u>(52,875)</u>	<u>115,696</u>	<u>168,571</u>
Other Financing Sources (Uses)				
Transfer from NC Step Fund	-	(8,000)	(8,000)	-
Total	<u>-</u>	<u>(8,000)</u>	<u>(8,000)</u>	<u>-</u>
Fund Balance Appropriated	44,000	60,875	-	(60,875)
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	107,696	<u>\$ 107,696</u>
Fund Balances, beginning			813,840	
Fund balance, ending			<u>\$ 921,536</u>	

Town of Garland, North Carolina
Statement of Fund Net Position
Proprietary Fund
June 30, 2020

Exhibit 6

	Major Enterprise Fund <u>Water and Sewer Fund</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 492,357
Restricted cash and cash equivalents	42,984
Accounts receivable (net) - billed	22,300
Accounts receivable (net) - unbilled	10,450
Restricted accounts receivable	280,954
Inventories	<u>4,500</u>
Total current assets	<u>853,545</u>
Noncurrent assets:	
Capital Assets	
Land and construction in progress	473,524
Other capital assets - net of depreciation	<u>2,188,401</u>
Total Capital Assets	<u>2,661,925</u>
Total Noncurrent assets:	<u>2,661,925</u>
Total Assets	<u>3,515,470</u>
Deferred Outflows of Resources	<u>12,702</u>
Liabilities	
Current liabilities:	
Accounts payable and Accrued Liabilities	5,804
Due to Other Funds	-
Compensated Absences	789
Notes Payable - Current	<u>12,718</u>
Total current liabilities:	<u>19,311</u>
Noncurrent liabilities:	
Net pension liability	19,293
Liabilities payable from restricted assets	
Customer deposits	42,984
Accounts payable	280,101
Notes Payable - Non-current	<u>178,066</u>
Total noncurrent liabilities:	<u>520,444</u>
Total liabilities	<u>539,755</u>
Deferred Inflows of Resources	<u>654</u>
Net position	
Net investment in capital assets	2,471,141
Unrestricted	<u>516,622</u>
Total net position	<u>\$ 2,987,763</u>

Town of Garland, North Carolina
**Statements of Revenues, Expenses, and
Changes in Fund Net Position**
Proprietary Fund
For the Year Ended June 30, 2020

Exhibit 7

	Major Enterprise Fund <u>Water and Sewer Fund</u>
Operating revenues:	
Water and Sewer Charges	\$ 294,890
Reconnection and Penalties	12,637
Other Operating Revenues	<u>211</u>
Total operating revenues	<u>307,738</u>
Operating expenses:	
Administration	4,257
Treatment and Distribution	199,779
Depreciation	<u>73,278</u>
Total operating expenses	<u>277,314</u>
Income before contributions	<u>30,424</u>
Capital Contributions	<u>422,411</u>
Change in net position	452,835
Net Position - Beginning	<u>2,534,928</u>
Net Position - Ending	<u>\$ 2,987,763</u>

Town of Garland, North Carolina
Statement of Cash Flows
Proprietary Fund
For The Year Ended June 30, 2020

Exhibit 8

	Major Enterprise Fund <u>Water and Sewer Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 301,850
Cash paid for goods and services	(158,009)
Cash paid to employees for services	(37,794)
Customer deposits returned	1,950
Other Operating revenues	<u>211</u>
Net cash provided by operating activities	<u>108,208</u>
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(183,696)
Debt Reduction	(12,718)
Capital Contributions - Grants	<u>141,455</u>
Net cash used by capital and related financing activities	<u>(54,959)</u>
Net increase in cash and cash equivalents	53,249
Cash and cash equivalents:	
Balances, beginning	<u>482,092</u>
Balances, ending	<u>\$ 535,341</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income (loss)	\$ <u>30,424</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	73,278
Changes in assets, deferred in/outflows of resources and liabilities:	
(Increase)/Decrease in accounts receivable	(5,677)
(Increase)/Decrease in deferred outflows of resources-pensions	(5,198)
Increase/(Decrease) in net pension liability	12,057
Increase/(Decrease) in deferred inflows of resources-pensions	1
Increase/(Decrease) in accounts payable and accrued liabilities	1,110
Increase/(Decrease) in compensated absences	263
Increase/(Decrease) in customer deposits	<u>1,950</u>
Total adjustments	<u>77,784</u>
Net cash provided by operating activities	<u>\$ 108,208</u>

TOWN OF GARLAND, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Garland unit 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 Garland is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present 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. 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.

The Town reports the following major governmental fund:

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

The Town reports the following non-major governmental fund:

2019 CDBG Rehabilitation Project Grant – Which reports the activity of rehabilitation to real estate within the town limits through a CDBG grant.

TOWN OF GARLAND, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

The Town reports the following major enterprise fund:

Water and Sewer Fund - This fund is used to account for the Town's water and sewer operations. Water and Sewer Capital Project Funds have been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparison for the Water and Sewer Capital Projects Fund has been included in the supplemental information.

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, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise 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 property taxes 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.

TOWN OF GARLAND, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the Enterprise Capital Project Funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. The governing board must approve all amendments. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

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

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 nonguaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town has no investments

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.

TOWN OF GARLAND, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

3. Restricted Cash - Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

<u>Town of Garland Restricted Cash</u>	
Governmental Activities	
General Fund	
Streets	\$ 19,348
Total Governmental Activities	\$ 19,348
Business Type Activities	
Water and Sewer Fund	
Customer Deposits	\$ 42,984
Total Business Type Activities	\$ 42,984
Total Restricted Cash	\$ 62,332

4. Ad Valorem Taxes Receivable - In accordance with State law [G. S. 105-347 and G. S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2019. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.
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. The allowance for doubtful accounts in the Governmental and Business-type activities at June 30, 2020 is \$2,100 and \$5,000, respectively.
6. Inventories and Prepaid Items – The inventories of the Town's enterprise fund consist of materials and supplies held for subsequent use. The costs of these inventories are expensed when sold or consumed.
7. Capital Assets – Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$500; buildings and improvements, \$500; infrastructure, \$500; furniture and equipment, \$500; and vehicles, \$500. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

TOWN OF GARLAND, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

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

Asset Class	Estimated Useful Life
Buildings	40
Motor Vehicles	5
Equipment	7
Plant Assets	50

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, contributions made to the pension plan in the 2020 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category - property taxes receivable and pension deferrals.
9. Long-Term Obligations - In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

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

10. Compensated Absences - The vacation policies of the Town provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned after one year of service. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave policies provide 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 the 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 represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances - In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The Town has none.

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

TOWN OF GARLAND, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

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

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

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. The Town has none.

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

Subsequent year's expenditures – portion of fund balance that is appropriated in the 2020-2021 budget that is not already classified in restricted or committed. The governing body approves the appropriation and any modification of the original budget.

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

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 of Garland's employer contributions are recognized when due and the Town of Garland 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.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Significant Violations of Finance Related Legal and Contractual Provisions

1. Noncompliance with N.C. General Statutes
None reported.
2. Contractual Violations
None reported.

TOWN OF GARLAND, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

- B. Excess of Expenditures over Appropriations
None reported.

NOTE 3: DETAIL NOTES ON ALL FUNDS

A. Assets

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

At June 30, 2020, the Town's deposits had a carrying amount of \$1,403,696 and a bank balance of \$1,427,728. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. Cash on hand for the Town as of June 30, 2020 was \$125.

2. Investments

At June 30, 2020 the Town had no investments.

3. Receivables - Allowances for Doubtful Accounts - The amounts presented in Exhibit 1, the Statement of Net Position, are shown in detail below:

Fund	6/30/2020
General Fund	
Taxes Receivable	\$ 2,100
Accounts Receivable	-
Total	2,100
Enterprise Funds:	5,000
Total	\$ 7,100

TOWN OF GARLAND, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets not Being Depreciated:				
Land	\$ 13,395	\$ -	\$ -	\$ 13,395
Total Capital Assets not Being Depreciated:	<u>13,395</u>	<u>-</u>	<u>-</u>	<u>13,395</u>
Capital Assets Being Depreciated:				
Buildings	288,788	-	-	288,788
Equipment	333,377	8,819	-	342,196
Vehicles	104,505	-	-	104,505
Total Capital Assets Being Depreciated:	<u>726,670</u>	<u>8,819</u>	<u>-</u>	<u>735,489</u>
Less Accumulated Depreciation for:				
Buildings	248,464	6,572	-	255,036
Equipment	253,767	14,459	-	268,226
Vehicles	77,502	9,459	-	86,961
Total Accumulated Depreciation	<u>579,733</u>	<u>\$ 30,490</u>	<u>\$ -</u>	<u>610,223</u>
Total Capital Assets Being Depreciated, net	<u>146,937</u>			<u>125,266</u>
Governmental Activity Capital Assets, net	<u>\$ 160,332</u>			<u>\$ 138,661</u>

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

General Government	\$ 7,517
Public Safety	9,937
Transportation	13,036
Total Depreciation Expense	<u>\$ 30,490</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activities:				
Water and Sewer Fund				
Capital Assets not Being Depreciated:				
Land	\$ 51,113	\$ -	\$ -	\$ 51,113
Construction in Progress	853	421,558	-	422,411
Total Capital Assets not Being Depreciated:	<u>51,966</u>	<u>421,558</u>	<u>-</u>	<u>473,524</u>
Capital Assets Being Depreciated:				
Plant and Distribution	3,198,631	4,357	-	3,202,988
Equipment	304,681	37,882	-	342,563
Vehicles	79,975	-	-	79,975
Total Capital Assets Being Depreciated:	<u>3,583,287</u>	<u>42,239</u>	<u>-</u>	<u>3,625,526</u>
Less Accumulated Depreciation for:				
Plant and Distribution	1,094,230	53,800	-	1,148,030
Equipment	194,449	15,358	-	209,807
Vehicles	75,168	4,120	-	79,288
Total Accumulated Depreciation	<u>1,363,847</u>	<u>\$ 73,278</u>	<u>\$ -</u>	<u>1,437,125</u>
Total Capital Assets Being Depreciated, net	<u>2,219,440</u>			<u>2,188,401</u>
Water and Sewer Capital Assets, net	<u>\$ 2,271,406</u>			<u>\$ 2,661,925</u>

TOWN OF GARLAND, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Construction Commitments

The government has active construction projects as of June 30, 2020. At year-end, the government's commitments with contractors are as follows:

Project	Spent To Date	Remaining Commitment
Sewer Improvement	\$ 210,513	\$ 712,811
Total	<u>\$ 210,513</u>	<u>\$ 712,811</u>

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Garland is a participating employer in the statewide Local Governmental Employees' Retirement System (LERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LERS 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 LERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LERS 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.

LERS 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 of Garland employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LERS Board of Trustees. The Town of Garland's contractually required contribution rate for the year ended June 30, 2020, was 9.01% for general employees,

TOWN OF GARLAND, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

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 of Garland were \$7,182 for the year ended June 30, 2020.

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

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

At June 30, 2020, the Town reported a liability of \$48,610 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019, the Town's proportion was 0.00178%, which was an increase of 0.00056% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$23,901. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,323	\$ -
Changes of assumptions	7,923	-
Net difference between projected and actual earnings on pension plan investments	1,186	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	7,390	1,648
Town contributions subsequent to the measurement date	7,182	-
Total	<u>\$ 32,004</u>	<u>\$ 1,648</u>

\$7,182 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	\$ 10,634
2022	3,548
2023	6,070
2024	2,922
2025	-
Thereafter	-
	<u>\$ 23,174</u>

TOWN OF GARLAND, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	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, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2014 through December 31, 2018.

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

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

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

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

TOWN OF GARLAND, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

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

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension 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:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 111,181	\$ 48,610	\$ (3,398)

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.

2. Other Employment Benefits

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

TOWN OF GARLAND, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

3. Deferred Outflows and Inflows of Resources

The Town has two deferred outflows of resources. Deferred outflows of resources is comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 7,182
Differences between expected and actual experience	8,323
Changes of assumptions	7,923
Net difference between projected and actual earnings on pension plan investments	1,186
Changes in proportion and differences between Town contributions and proportionate share of contributions	7,390
	<u>\$ 32,004</u>

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

Source	Statement of Net Position	General Fund Balance Sheet
Taxes Receivable	\$ -	\$ 23,768
Motor Vehicle Licenses	-	319
Differences between expected and actual experience	-	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	1,648	-
Total	<u>\$ 1,648</u>	<u>\$ 24,087</u>

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 participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request. The Town does not carry additional flood insurance due to location of buildings in relation to the recognized flood plain.

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

TOWN OF GARLAND, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

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

5. Claims and Judgments

At June 30, 2020, the Town was not involved in any lawsuits.

6. Long-Term Obligations

Installment Purchases

General Fund

The Town obtained a direct placement agreement from Southern Bank and Trust Company dated April 24, 2019 for purchase of a dump truck. Payable in four principal payments of \$11,476 and interest at 3.59% on the remaining principal balance. The property is pledged as collateral for the debt while the debt is outstanding. Outstanding balance at year end was \$34,427. Maturity is April 2023.

Water and Sewer Fund

The Town obtained a direct borrowing contract from NC Clean Water State Revolving Loan Fund dated December 5, 2014 to finance the automated meter reading conversion project. The contract is secured with collateral of the system. Payments are due in 20 annual payments of \$12,718 with no interest stated. Balance at June 30, 2020 was \$190,784, with final payment expected May 2035.

Annual debt service requirements to maturity for long-term obligations are as follows:

Year Ending 30-Jun	<u>Governmental Activities</u>		<u>Business Type Activities</u>	
	Principal	Interest	Principal	Interest
2021	11,476	1,236	12,718	-
2022	11,476	824	12,718	-
2023	11,475	412	12,718	-
2024	-	-	12,718	-
2025	-	-	12,718	-
2026-2030	-	-	63,595	-
2031-2035	-	-	63,599	-
Total	\$ 34,427	\$ 2,472	\$ 190,784	\$ -

TOWN OF GARLAND, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Changes in Long Term Debt - During the year ended June 30, 2020, the following changes occurred in Long Term Debt:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental Activities:					
Direct Placement Installment Contract	\$ 50,507	\$ -	\$ (16,080)	\$ 34,427	\$ 11,476
Net Pension Liability (LGERS)	21,707	7,610	-	29,317	-
Compensated Absences	4,836	6,238	(5,165)	5,909	5,909
Total Governmental Activities	<u>\$ 77,050</u>	<u>\$ 13,848</u>	<u>\$ (21,245)</u>	<u>\$ 69,653</u>	<u>\$ 17,385</u>
Business-Type Activities:					
Water and Sewer Fund					
Direct Borrowing Notes Payable	\$ 203,502	\$ -	\$ (12,718)	\$ 190,784	\$ 12,718
Net Pension Liability (LGERS)	7,236	12,057	-	19,293	-
Compensated Absences	526	390	(127)	789	789
Total Water and Sewer Fund	<u>\$ 211,264</u>	<u>\$ 12,447</u>	<u>\$ (12,845)</u>	<u>\$ 210,866</u>	<u>\$ 13,507</u>

The legal debt margin of the Town at June 30, 2020 was \$2,313,695.

C. Interfund Activity

Transfers	
From	To

Transfers to/from other funds during June 30, 2020, consist of the following:

General Fund	\$ 8,000	\$ -
2019 CDBG Rehab Project 18-C-3060	-	8,000
Water and Sewer Fund	7,500	-
Asset and Inventory Assessment Grant	-	7,500
Total Transfers	<u>\$ 15,500</u>	<u>\$ 15,500</u>

All transfers were made to project funds for the local match requirement.

D. Fund Balance

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

Total fund balance-General Fund		\$921,536
Less:		
Stabilization by State Statute		73,930
Streets - Powell Bill		19,348
Appropriated Fund Balance in the Subsequent Year's Budget		51,649
Remaining Fund Balance		\$776,609

TOWN OF GARLAND, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 5: SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs - The Town has received proceeds from federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant 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 6: SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 23, 2020, the date which the financial statements were available for issue.

Required Supplementary Financial Data

The section contains additional information required by the generally accepted
accounting principles

Schedule of Proportionate Share of Net Pension Liability (Asset)

Schedule of Contributions to Local Government Employees' Retirement System

Town of Garland, North Carolina
Town of Garland's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Seven Fiscal Years *

Local Government Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.00178%	0.00122%	0.00151%	0.00198%	0.00102%	0.14700%	0.08000%
Town's proportion of the net pension liability (asset) (\$)	\$ 48,610	\$ 28,943	\$ 23,069	\$ 42,021	\$ 4,578	\$ (8,669)	\$ 9,643
Town's covered-employee payroll	\$ 142,528	\$ 97,914	\$ 115,855	\$ 126,415	\$ 119,616	\$ 102,985	\$ 77,999
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	34.11%	29.56%	19.91%	33.24%	3.83%	(8.42%)	12.36%
Plan fiduciary net position as a percentage of the total pension liability**	90.86%	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.

Town of Garland, North Carolina
Town of Garland's Contributions
Required Supplementary Information
Last Seven Fiscal Years

Local Government Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 7,182	\$ 11,547	\$ 7,597	\$ 8,781	\$ 8,723	\$ 8,253	\$ 7,281
Contributions in relation to the contractually required contribution	7,182	11,547	7,597	8,781	8,723	8,253	7,281
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 79,710	\$ 142,528	\$ 97,914	\$ 115,855	\$ 126,415	\$ 119,616	\$ 102,985
Contributions as a percentage of covered-employee payroll	9.01%	8.10%	7.76%	7.58%	7.29%	6.90%	7.07%

Supplementary Statements

The section contains additional statements required by the Local Government Commission
in North Carolina.

Town of Garland, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes		\$ 204,243	
Penalties and interest		1,990	
Total	\$ 198,620	206,233	\$ 7,613
Other taxes and licenses:			
Motor Vehicle Licenses		4,144	
Total	3,580	4,144	564
Unrestricted intergovernmental:			
Local option sales taxes		180,834	
Utility franchise tax		34,526	
Telecom Sales Tax		5,238	
Video Franchise Fee		2,606	
Beer and Wine Tax		2,722	
Total	203,600	225,926	22,326
Restricted intergovernmental:			
Powell Bill Allocation		30,130	
FEMA Reimbursements		17,620	
Solid Waste Disposal		482	
Total	72,098	48,232	(23,866)
Sales and services:			
Cemetery Plots		2,800	
Court Cost and Fees		54	
Other Fees		1,947	
Sanitation Fees		126,259	
Total Sales and Services	123,300	131,060	7,760
Permits and Fees:			
Building Permits		1,050	
Beer and Wine Permits		55	
Business Registration Fee		680	
Total Permits and Fees	1,200	1,785	585
Investment earnings:			
Regular		3,538	
Powell Bill		81	
Total Other Revenues	2,820	3,619	799

Town of Garland, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Other Revenues:			
Insurance Proceeds/Sale of Fixed Assets		30,696	
Donations		15,329	
Miscellaneous		5,518	
Total Other Revenues	17,471	51,543	34,072
Total Revenues	622,689	672,542	49,853
Expenditures:			
General government:			
Governing Body:			
Salaries		15,999	
Employee Benefits		1,224	
Operating Expenses		2,156	
Total Governing Body	21,241	19,379	1,862
Administration:			
Salaries		49,000	
Employee Benefits		20,397	
Operating Expenses		32,469	
Capital Outlay		-	
Total Administration	118,992	101,866	17,126
Tax and Revaluation:			
Operating Expenses		3,118	
Total Tax and Revaluation	4,000	3,118	882
Community Events:			
Operating Expenses		6,641	
Total Community Events	11,123	6,641	4,482
Professional:			
Operating Expenses		10,520	
Total Professional	15,000	10,520	4,480
Elections:			
Operating Expenses		3,565	
Total Elections	3,566	3,565	1
Public Buildings:			
Operating Expenses		78,916	
Capital Outlay		6,506	
Total Public Buildings	113,016	85,422	27,594
Total General Government	286,938	230,511	56,427

Town of Garland, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Transportation:			
Streets:			
Salaries		19,127	
Employee Benefits		4,650	
Operating Expenses		120,536	
Capital Outlay		1,806	
Total Streets	164,458	146,119	18,339
Powell Bill:			
Maintenance and Repairs		27,754	
Total Powell Bill	47,000	27,754	19,246
Total Transportation	211,458	173,873	37,585
Environmental Protection:			
Sanitation:			
Contracted Services		107,155	
Miscellaneous		-	
Total Sanitation	110,050	107,155	2,895

Town of Garland, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Cultural and Recreation:			
Recreation Department:			
Operating Expenses		15,794	
Capital Outlay		506	
Total Recreation	34,868	16,300	18,568
Cemetery:			
Operating Expenses		11,070	
Total Cemetery	13,800	11,070	2,730
Total Cultural and Recreation	48,668	27,370	21,298
Debt Service:			
Principle		16,080	
Interest		1,857	
Total Debt Service	18,450	17,937	513
Total Expenditures	675,564	556,846	118,718
Revenues over (under) expenditures	(52,875)	115,696	168,571
Other Financing Sources (Uses)			
Transfer from NC Step Fund	(8,000)	(8,000)	
Total	(8,000)	(8,000)	-
Fund Balance Appropriated	60,875	-	(60,875)
Net Change in Fund Balance	\$ -	107,696	\$ 107,696
Fund Balances, Beginning		813,840	
Fund Balances, Ending		\$ 921,536	

Town of Garland, North Carolina
2019 CDBG Rehab Project 18-C-3060
Schedule of Revenues, Expenditures and
Changes in Fund Balance-Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2020

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted Intergovernmental					
CDBG	\$ 750,000	\$ -	\$ -	\$ -	\$ (750,000)
Total Restricted					
Intergovernmental	750,000	-	-	-	(750,000)
Expenditures:					
General Government					
Housing Rehab	758,000	-	341	341	757,659
Total Expenditures	758,000	-	341	341	757,659
Revenues Over(Under)					
Expenditures	(8,000)	-	(341)	(341)	7,659
Other Financing Sources(Uses)					
Transfers - In (Out)					
Local Match	8,000	-	8,000	8,000	-
Total Other Financing	8,000	-	8,000	8,000	-
Sources (Uses)					
Revenues and Other Sources					
Over Other Uses	\$ -	\$ -	7,659	\$ 7,659	\$ 7,659
Fund Balance					
Fund Balances, beginning			-		
Fund Balances, ending			\$ 7,659		

Town of Garland, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Charges for services:			
Water Charges		\$ 142,428	
Sewer Charges		152,462	
Reconnection Fees		5,237	
Penalties		7,400	
Miscellaneous		211	
Total	\$ 292,000	307,738	\$ 15,738
Nonoperating Revenues			
Interest Earned on Investment		-	
Total	-	-	-
Total revenues	292,000	307,738	15,738
Expenditures:			
Administration			
Other Operating Expenditures		4,257	
Total Administration	5,000	4,257	743
Treatment and Distribution			
Salaries		38,057	
Employee Benefits		24,876	
Operating Expenses		74,771	
Contracted Services		29,939	
Repairs and Maintenance		22,763	
Total	232,042	190,406	41,636
Debt Service:			
Principle		12,718	
Interest		-	
Total Debt Service	12,719	12,718	1

Town of Garland, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Capital outlay:			
Equipment		42,239	
Water/Sewer System		-	
Total capital outlay	42,239	42,239	-
Total expenditures	292,000	249,620	42,380
Capital Contributions	-	-	-
Revenues Over/(Under) Expenditures	-	58,118	58,118
Other financing sources (uses):			
Transfers to Capital Projects	(7,500)	(7,500)	-
Fund Balance Appropriated	7,500	-	(7,500)
Total other financing sources (uses)	-	(7,500)	(7,500)
Revenues and other sources over expenditures and other uses	\$ -	\$ 50,618	\$ 50,618
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues over expenditures		\$ 50,618	
Reconciling items:			
Capital outlay		42,239	
Principle payments		12,718	
Local Match Revenue in Capital Project Fund		7,500	
Capital Contributions - Capital Project Funds		422,411	
Operating Expenditures - Capital Project Funds		(2,250)	
(Increase)/Decrease in compensated absences payable		(263)	
Increase/(Decrease) in deferred outflows of resources-pensions		5,198	
(Increase)/Decrease in net pension liability		(12,057)	
(Increase)/Decrease in deferred inflows of resources-pensions		(1)	
Depreciation		(73,278)	
Total reconciling items		402,217	
Change in Net Position		\$ 452,835	

Town of Garland, North Carolina
2014 CDBG Sewer Project 14-I-3084
Schedule of Revenues, Expenditures and
Changes in Fund Balance-Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2020

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted Intergovernmental					
CDBG	\$ 194,171	\$ -	\$ 194,171	\$ 194,171	\$ -
Miscellaneous Income	-	-	-	-	-
Total Revenue	<u>194,171</u>	<u>-</u>	<u>194,171</u>	<u>194,171</u>	<u>-</u>
Expenditures:					
Sewer Improvements	<u>194,171</u>	<u>-</u>	<u>194,171</u>	<u>194,171</u>	<u>-</u>
Total Expenditures	<u>194,171</u>	<u>-</u>	<u>194,171</u>	<u>194,171</u>	<u>-</u>
Revenues and Other Sources					
Over Other Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Town of Garland, North Carolina
2015 CDBG Sewer Project 15-I-3085
Schedule of Revenues, Expenditures and
Changes in Fund Balance-Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2020

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted Intergovernmental					
CDBG	\$ 83,932	\$ -	\$ 16,786	\$ 16,786	\$ (67,146)
Miscellaneous Income	-	-	-	-	-
Total Revenue	<u>83,932</u>	<u>-</u>	<u>16,786</u>	<u>16,786</u>	<u>(67,146)</u>
Expenditures:					
Sewer Improvements	<u>83,932</u>		<u>16,786</u>	<u>16,786</u>	<u>67,146</u>
Total Expenditures	<u>83,932</u>	<u>-</u>	<u>16,786</u>	<u>16,786</u>	<u>67,146</u>
Revenues Over(Under)					
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and Other Sources					
Over Other Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Town of Garland, North Carolina
2017 CDBG Sewer Project 17-I-2963
Schedule of Revenues, Expenditures and
Changes in Fund Balance-Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2020

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted Intergovernmental					
CDBG	\$ 1,014,575	\$ -	\$ 211,454	\$ 211,454	\$ (803,121)
Miscellaneous Income	-	-	-	-	-
Total Revenue	<u>1,014,575</u>	<u>-</u>	<u>211,454</u>	<u>211,454</u>	<u>(803,121)</u>
Expenditures:					
Sewer Improvements	<u>1,014,575</u>	<u>853</u>	<u>210,601</u>	<u>211,454</u>	<u>803,121</u>
Total Expenditures	<u>1,014,575</u>	<u>853</u>	<u>210,601</u>	<u>211,454</u>	<u>803,121</u>
Revenues Over(Under)					
Expenditures	<u>-</u>	<u>(853)</u>	<u>853</u>	<u>-</u>	<u>-</u>
Revenues and Other Sources					
Over Other Uses	<u>\$ -</u>	<u>\$ (853)</u>	<u>\$ 853</u>	<u>\$ -</u>	<u>\$ -</u>

Town of Garland, North Carolina
2019 CDBG Sewer Project 19-I-3104
Schedule of Revenues, Expenditures and
Changes in Fund Balance-Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2020

	<u>Project</u>		<u>Actual</u>		<u>Variance</u>
	<u>Authorization</u>	<u>Prior</u>	<u>Current</u>	<u>Total</u>	<u>Positive</u>
		<u>Years</u>	<u>Year</u>	<u>to Date</u>	<u>(Negative)</u>
Revenues:					
Restricted Intergovernmental					
CDBG	\$ 707,323	\$	\$	\$ -	\$ (707,323)
Miscellaneous Income	-	-	-	-	-
Total Revenue	<u>707,323</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(707,323)</u>
Expenditures:					
Sewer Improvements	<u>707,323</u>			-	<u>707,323</u>
Total Expenditures	<u>707,323</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>707,323</u>
Revenues Over(Under)					
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and Other Sources					
Over Other Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Town of Garland, North Carolina
Asset and Inventory Assessment Grant
Schedule of Revenues, Expenditures and
Changes in Fund Balance-Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2020

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted Intergovernmental					
AIA Grant	\$ 150,000	\$ -	\$ -	\$ -	\$ (150,000)
Miscellaneous Income	-	-	-	-	-
Total Revenue	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(150,000)</u>
Expenditures:					
Technical Services	<u>157,500</u>		<u>2,250</u>	<u>2,250</u>	<u>155,250</u>
Total Expenditures	<u>157,500</u>	<u>-</u>	<u>2,250</u>	<u>2,250</u>	<u>155,250</u>
Revenues Over(Under)					
Expenditures	<u>(7,500)</u>	<u>-</u>	<u>(2,250)</u>	<u>(2,250)</u>	<u>5,250</u>
Other Financing Sources(Uses)					
Transfers - In (Out)					
Local Match	<u>7,500</u>	<u>-</u>	<u>7,500</u>	<u>7,500</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>7,500</u>	<u>-</u>	<u>7,500</u>	<u>7,500</u>	<u>-</u>
Revenues and Other Sources					
Over Other Uses	<u>\$ -</u>	<u>\$ -</u>	<u>5,250</u>	<u>\$ 5,250</u>	<u>\$ 5,250</u>

OTHER SCHEDULES

This section includes additional information on property taxes.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

Town of Garland, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2020

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2019 - 2020	\$ -	\$ 212,626	\$ 194,271	\$ 18,355
2018 - 2019	10,537	-	7,798	2,739
2017 - 2018	3,294	-	2,173	1,121
Previous	5,020	-	1,367	3,653
	<u>\$ 18,851</u>	<u>\$ 212,626</u>	<u>\$ 205,609</u>	<u>\$ 25,868</u>
Less: Allowance for Doubtful Accounts				<u>2,100</u>
General Fund				<u>\$ 23,768</u>

Reconciliation to revenues:

Ad valorem taxes - General Fund	\$ 206,233
Reconciling items:	
Interest collected	(1,990)
Releases	<u>1,366</u>
Subtotal	<u>(624)</u>
Total collections and credits	<u>\$ 205,609</u>

Town of Garland, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2020

				Total Levy	
	Town - Wide			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate	Total Levy		
Original levy:					
Property taxed at current year's rate	\$ 29,210,556	0.72	\$ 210,316	\$ 184,758	\$ 25,558
Penalties			1,295	1,295	-
Total	<u>29,210,556</u>		<u>211,611</u>	<u>186,053</u>	<u>25,558</u>
Discoveries:					
Current year taxes	<u>189,583</u>	0.72	<u>1,365</u>	<u>1,365</u>	<u>-</u>
Total	<u>189,583</u>		<u>1,365</u>	<u>1,365</u>	<u>-</u>
Abatements	<u>(48,611)</u>	0.72	<u>(350)</u>	<u>(350)</u>	<u>-</u>
Total property valuation	<u>\$ 29,351,528</u>				
Net levy			212,626	187,068	25,558
Uncollected taxes at June 30, 2020			<u>18,355</u>	<u>18,355</u>	<u>-</u>
Current year's taxes collected			<u>\$ 194,271</u>	<u>\$ 168,713</u>	<u>\$ 25,558</u>
Current levy collection percentage			<u>91.37%</u>	<u>90.19%</u>	<u>100.00%</u>

Compliance Section



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R. Bryon Scott, CPA
Gregory S. Adams, CPA
Alan W. Thompson, CPA

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregated remaining fund information of the Town of Garland, North Carolina, as of and for the year ended June 30, 2020, which collectively comprises the Town of Garland's basic financial statements, and have issued our report thereon dated November 23, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Garland'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 of Garland'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency or 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency, 2020-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Garland'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*.

Town of Garland's Response to Finding

The Town's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Thompson, Price, Scott, Adams & Co., PA

Elizabethtown, North Carolina

November 23, 2020

Town of Garland, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2020

Section I.	Summary of Auditor's Results
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Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? _____yes X none reported
- Significant Deficiency(s) identified? X yes _____none reported

Noncompliance material to financial statements noted? _____yes X none reported

Town of Garland, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2020

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCY

2020 – 001 Segregation of Duties

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: There is a lack of segregation of duties among Town personnel.

Effect: Transactions could be mishandled.

Cause: There are a limited number of personnel for certain functions.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2019-001.

Recommendation: The duties should be separated as much as possible. Alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

Views of responsible officials and planned corrective actions: Management is aware of the deficiency, but the cost-benefit analysis indicates that hiring more personnel to mitigate the issue is not feasible. However, compensating controls have been implemented using the Mayor and other Board members to review certain transactions and reports on a scheduled basis.



TOWN OF GARLAND

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GARLAND, NORTH CAROLINA
FAX: 910-529-1393

Winifred Murphy
Mayor

Corrective Action Plan
For the Fiscal Year Ended June 30, 2020

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCY

2020 – 001 Segregation of Duties

Name of contact person:	Winifred Murphy, Mayor
Corrective Action:	The duties will be separated as much as possible and alternative controls will be used to compensate for lack of separation. The governing board will become more involved in providing some of these controls. Checklists documenting completion of certain procedures were created for the board to review during the year.
Proposed Completion Date:	The Board will implement the above procedure immediately.