

City of Graham, North Carolina
Audited Financial Statements
Year Ended June 30, 2020

City of Graham, North Carolina

Year Ended June 30, 2020

City Council Members

Jerry Peterman – Mayor

Chip Turner - Mayor Pro Tem

Melody Wiggins

Jennifer Talley

Ricky Hall

Administrative and Financial Staff

Frankie Maness – City Manager

Julianne Cordon – Finance Officer

Sandy Callahan – Tax Collector

City of Graham, North Carolina
June 30, 2020
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*Certified
Public
Accountants*

*Advisors to
Management*

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Graham (the "City"), North Carolina as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based upon our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Graham, North Carolina as of June 30, 2020, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 12, the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, on page 58, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 53 and 54, respectively, the Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of the Proportionate Share of Net Pension Liability on page 55, and the Law Enforcement Officer's Special Separation Allowance Schedules of Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 56 and 57, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards general accepted in the United State of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge

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

Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2020 on our consideration of the City of Graham's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Graham's internal control over financial reporting and compliance.

STOUT STUART MCGOWEN & KINGS LLP

Burlington, North Carolina
December 10, 2020

Management's Discussion and Analysis

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

Financial Highlights

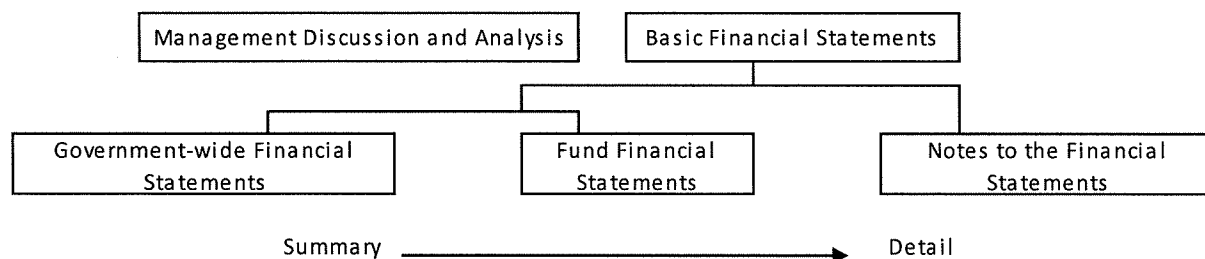
- The assets and deferred outflows of resources of the City of Graham exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$69,129,898 (*net position*).
- The government's total net position decreased by \$620,873, due to an increase in the business type activities' net position of \$145,294 and a decrease in the government type activities' net position of \$766,167.
- As of the close of the current fiscal year, the City of Graham's governmental funds reported combined ending fund balances of \$13,959,352 an increase of \$381,467. Approximately 31% of this total amount, or \$4,370,234, is non-spendable or restricted.
- At the end of the current fiscal year, available fund balance for the General Fund was \$8,095,918, or 63% of total general fund expenditures for the fiscal year.
- The City of Graham's total debt decreased by \$539,798 or 12.2% during the current fiscal year.
- The water and sewer fund produced an excess of revenue over expenditures in the amount of \$260,325 under budgetary reporting.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is

provided to show details about the City's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

Management Discussion and Analysis

City of Graham

the Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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

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

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

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

Government-Wide Financial Analysis

The City of Graham's Net Position
Figure 2

	Governmental Activities			Business-Type Activities			Total		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Current and other assets	\$ 15,774,811	\$ 14,895,449	\$ 14,158,362	\$ 16,928,322	\$ 16,668,633	\$ 15,848,561	\$ 32,703,133	\$ 31,564,082	\$ 30,006,923
Capital assets	18,996,346	19,032,710	18,997,375	40,398,430	40,567,610	40,942,962	59,394,776	59,600,320	59,940,337
Deferred outflows of resources	1,814,374	1,871,610	1,245,406	437,619	468,934	322,267	2,251,993	2,340,544	1,567,673
Total assets	36,585,531	35,799,769	34,401,143	57,764,371	57,705,177	57,113,790	94,349,902	93,504,946	91,514,933
Long-term liabilities outstanding	410,658	398,250	439,730	3,570,853	4,094,301	4,579,244	3,981,511	4,492,551	5,018,974
Other liabilities	14,449,252	12,872,070	12,420,580	4,716,082	4,280,339	4,294,304	19,165,334	17,152,409	16,714,884
Deferred inflows of resources	1,717,272	1,754,933	1,273,933	355,887	354,282	264,691	2,073,159	2,109,215	1,538,624
Total liabilities	16,577,182	15,025,253	14,134,243	8,642,822	8,728,922	9,138,239	25,220,004	23,754,175	23,272,482
Net Position:									
Net invested in capital assets	18,996,346	19,032,710	18,997,375	36,447,762	36,130,791	35,979,125	55,444,108	55,163,501	54,976,500
Restricted	4,370,234	4,683,579	4,560,695	695,944	557,049	-	5,066,178	5,240,628	4,560,695
Unrestricted	(3,358,231)	(2,941,773)	(3,291,170)	11,977,843	12,288,415	11,996,426	8,619,612	9,346,642	8,705,256
Total net position	\$ 20,008,349	\$ 20,774,516	\$ 20,266,900	\$ 49,121,549	\$ 48,976,255	\$ 47,975,551	\$ 69,129,898	\$ 69,750,771	\$ 68,242,451

Management Discussion and Analysis

City of Graham

As noted earlier, the net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Graham exceeded liabilities and deferred inflows by \$69,129,898 as of June 30, 2020. The City's net position decreased by \$620,873 in the fiscal year ended June 30, 2020. However, the largest portion (80%) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City of Graham uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Graham's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Graham's net position, 7.3% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$8,619,612 is unrestricted.

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

- There was an increase in the Ad valorem taxes due to continued diligence in the tax collections.
- There was a decrease in water and sewer charges due to the impact of the coronavirus pandemic.
- There was a large increase in the liability for Local Governmental Employees Retirement System benefits and the Other Post Employment benefits.

City of Graham's Change in Net Position

Figure 3

	Governmental Activities			Business-type Activities			Total		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Revenues:									
Program revenues:									
Charges for services	\$ 1,107,057	\$ 1,204,718	\$ 1,205,925	\$ 7,140,864	\$ 7,524,535	\$ 7,393,677	\$ 8,247,921	\$ 8,729,253	\$ 8,599,602
Grants and contributions									
Operating	1,060,233	1,113,984	915,931	-	-	-	1,060,233	1,113,984	915,931
Capital	252,128	329,586	78,853	68,194	(12,220)	1,614	320,322	317,366	80,467
General revenues:									
Property taxes	5,742,231	5,505,751	5,311,067	-	-	-	5,742,231	5,505,751	5,311,067
Other taxes	5,071,288	5,078,501	4,853,332	-	-	-	5,071,288	5,078,501	4,853,332
Grants and contributions not restricted to specific program	230,088	213,174	208,302	-	-	-	230,088	213,174	208,302
Unrestricted investment earnings	118,923	108,117	99,399	116,529	117,253	81,579	235,452	225,370	180,978
Transfers	-	-	940,388	-	-	(940,388)	-	-	-
Other	10,320	(22,771)	18,295	1,636	-	-	11,956	(22,771)	18,295
Total revenues	13,592,268	13,531,060	13,631,492	7,327,223	7,629,568	6,536,482	20,919,491	21,160,628	20,167,974
Expenses:									
General government	3,213,239	3,050,248	2,945,682	-	-	-	3,213,239	3,050,248	2,945,682
Public safety	6,571,981	5,762,804	5,145,266	-	-	-	6,571,981	5,762,804	5,145,266
Transportation	1,608,852	1,432,656	1,548,386	-	-	-	1,608,852	1,432,656	1,548,386
Economic protection	929,485	852,723	694,733	-	-	-	929,485	852,723	694,733
Culture and recreation	2,034,878	1,925,013	1,704,700	-	-	-	2,034,878	1,925,013	1,704,700
Water and sewer	-	-	-	7,181,929	6,628,864	5,943,872	7,181,929	6,628,864	5,943,872
Total expenses	14,358,435	13,023,444	12,038,767	7,181,929	6,628,864	5,943,872	21,540,364	19,652,308	17,982,639
Increase (decrease) in net position	(766,167)	507,616	1,592,725	145,294	1,000,704	592,610	(620,873)	1,508,320	2,185,335
Net position, July 1	20,774,516	20,266,900	25,765,147	48,976,255	47,975,551	48,896,529	69,750,771	68,242,451	74,661,676
Net position-July 1-Restated	20,774,516	20,266,900	18,674,175	48,976,255	47,975,551	47,382,941	69,750,771	68,242,451	66,057,116
Net position, June 30	\$ 20,008,349	\$ 20,774,516	\$ 20,266,900	\$ 49,121,549	\$ 48,976,255	\$ 47,975,551	\$ 69,129,898	\$ 69,750,771	\$ 68,242,451

Governmental activities: Governmental activities decreased the City's net position by \$766,167, accounting for 123.08% of the total decrease in the net position of the City of Graham. Key elements of this change in net position are as follows:

- There was an increase in the Ad valorem taxes in the amount of \$236,480.
- There was a decrease in charges for services in the amount of \$97,661.
- There was a large increase in the LGERS and OPEB liabilities in the amount of \$408,316 and \$515,292, respectively, due to the expectation of increased cost to provide these benefits.

Business-type activities: Business-type activities increased the City of Graham's net position by \$145,294 accounting for 23.08% of the total growth in the government's net position. Key elements of this increase are as follows:

- There was a decrease in charges for services of \$383,671.
- There was a large increase in the LGERS and OPEB liabilities in the amount of \$102,078 and \$133,423, respectively, due to the expectation of increased cost to provide these benefits.
- There was an increase in capital outlay of \$191,658.

Financial Analysis of the City's Funds

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

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

The general fund is the chief operating fund of the City of Graham. At the end of the current fiscal year, the City of Graham's fund balance available in the General Funds was \$9,589,118, while total fund balance reached \$11,451,972. The Governing Body of the City of Graham has determined that the City should maintain an available fund balance of 30% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting cash flow needs of the City. The City currently has an available fund balance of 75% of general fund expenditures, while total fund balance represents 89.6% of the same amount.

At June 30, 2020, the governmental funds of the City of Graham reported a combined fund balance of \$13,959,352, with a net increase in fund balance of \$381,467. Included in this change in fund balance is an increase of \$406,705 in the general fund and a decrease in the non-major funds of \$25,238.

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

Revenues received were more than the original budgeted amounts during the year, keeping pace with expenditures resulting in revenue over expenditures of \$406,705.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer fund at the end of the fiscal year amounted to \$11,977,843. The total increase in unrestricted net position was \$145,294.

Capital Asset and Debt Administration

Capital assets. The City of Graham's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$59,394,776 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, park facilities, and vehicles.

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

- Several infrastructure projects were completed in addition to new vehicles, trucks and equipment.

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

	Governmental Activities			Business-type Activities			Total		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Land	\$ 2,731,504	\$ 2,782,911	\$ 3,118,468	\$ 1,281,547	\$ 1,281,547	\$ 1,281,547	\$ 4,013,051	\$ 4,064,458	\$ 4,400,015
Art Collection	62,100	62,100	62,100	-	-	-	62,100	62,100	62,100
Building and systems	1,711,614	1,766,293	1,820,972	9,978,332	10,213,533	10,448,734	11,689,946	11,979,826	12,269,706
Water and sewer systems	-	-	-	15,047,531	15,402,962	15,758,393	15,047,531	15,402,962	15,758,393
Improvements other than buildings	2,776,011	2,809,383	2,888,953	11,966,638	11,816,417	11,846,271	14,742,649	14,625,800	14,735,224
Infrastructure	7,371,888	6,538,832	6,610,882	-	-	-	7,371,888	6,538,832	6,610,882
Vehicles and equipment	3,619,429	3,563,263	3,254,066	1,408,162	1,210,799	1,016,447	5,027,591	4,774,062	4,270,513
Construction in progress	723,800	1,509,928	1,241,934	716,220	642,352	591,570	1,440,020	2,152,280	1,833,504
Total Capital Assets	\$ 18,996,346	\$ 19,032,710	\$ 18,997,375	\$ 40,398,430	\$ 40,567,610	\$ 40,942,962	\$ 59,394,776	\$ 59,600,320	\$ 59,940,337

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

Long-term Debt

As of June 30, 2020, the City of Graham had no bonded debt outstanding.

City of Graham's Outstanding Debt

The City of Graham's total debt decreased by 12.02% during the past fiscal year, this decrease is due to payments on debt which totaled \$539,798. North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Graham is \$96,880,928. Additional information regarding the City of Graham's long-term debt can be found in note II.B.5.

Economic Factors and Next Year's Budgets and Rates

In the fiscal year 2020-2021, the City of Graham will celebrate its Septuagintcentennial anniversary. In these 170 years the City has withstood pandemics, The Great Depression, two world wars, civil unrest and a civil war. The COVID-19 pandemic has shuttered a large portion of the local, state and national economy in favor of social distancing to curb the spread. Fiscal Year 2020-2021 can be summarized as the beginning of a journey towards recovery.

While many are sounding alarms, the sky doesn't appear to be completely falling, at least not in Graham. The property tax base is increasing, hundreds of new residents are now calling Graham home, economic development interest is high and despite the pandemic, new housing starts remain steady. In fact, a recent analysis of the online real estate database of Zillow, places the Graham area as having the fastest growing home values in the area.

Mean Home Values						
Zip Code	Value in 2012	Projected 2020	Updated Projection	Actual Increase	Percent Increase Estimated/Actual	
27253 (Graham)	\$117,000	\$160,000	\$165,000	\$48,000	37%	41%
27215 (Macintosh)	\$123,000	\$161,000	\$163,000	\$40,000	30%	32%
27217 (Western Elec)	\$82,000	\$103,000	\$106,000	\$24,000	25%	29%
27302 (Mebane)	\$141,000	\$192,000	\$195,000	\$54,000	36%	38%

Budget Highlights for the Fiscal Year Ending June 30, 2021

The total of all budgets, for the City of Graham in FY 2020-2021, is estimated at \$28,035,640, that's within .07% of the appropriations for the current year. Appropriations across ten (10) different funds include operating, internal service and capital projects. 9

Governmental Activities: Some of the highlights for the FY 2020-2021 General Fund Budget are:

The revenues of the City's general government fund, the General Fund, are most affected by fluctuations in the economy since the City's second largest revenue, the sales and use tax, is particularly elastic. However, all is not lost for the General Fund. Growth in recent years has fueled an increase in the taxable valuation of property in the City. In fact, it is estimated that the tax base will continue to grow and outpace inflation for the coming year. For FY 2020-2021, the General Fund has a total budget of \$14,067,800.

While pressure mounts on the City's revenues, added challenges present themselves on the other side of the ledger as the general cost of doing business is increasing and growth in the City, particularly residential growth, is fueling a greater demand for services. Below are some departmental highlights:

Information Technology: Growing dependence on computer technology and applications as well as aging IT infrastructure is driving greater demand on our Information Technology Department. Recommended appropriations are increased by \$35,000 or 10.12% to continue to maintain and support the nearly 700 managed devices (servers, switches, routers, firewalls, PCs, access points, etc...) and systems. Personnel expenses required to maintain the current staffing level are \$175,500. Capital expenses and other equipment is estimated at \$105,200 and includes the PC replacement program, server replacements and other networking upgrades that are prerequisites for future network enhancements.

Police: The largest public safety service department, both in terms of employees (45 FTEs) and budget (\$4,385,300), responds to over 26,000 calls for service annually. Total appropriations are recommended to increase by \$236,600 where personnel costs (\$3,352,200 total) are the largest contributor to the difference. Capital expenditures totaling \$205,000 are recommended, which include vehicle replacements (\$135,000) and long overdue HVAC change-outs (\$70,000). The replacement of various equipment needs, such as radios, Tasers, and in-car systems are estimated at \$74,600 for the upcoming year. Requested appropriations were reduced by \$265,361, omitting expenditures such as building renovations (\$20,000), 2 vehicle replacements (\$88,380) and various small equipment purchases (\$28,000). Nevertheless, appropriations are sufficient to continue to afford existing services and maintain the Department's Advanced Accreditation with Excellence designation from the Commission on Accreditation of Law Enforcement Agencies (CALEA).

Fire: The greatest departmental variance from the current year to FY 20-21 can be found in the Fire Department, where a single expenditure of (\$250,000) for professional services related to planning and design of a secondary fire station(s) is the primary difference. Driving this expenditure is the growth of the city, both in terms of population and geographic footprint. As development continues outward, fire station proximity becomes a greater concern in order for the properties to remain covered by the City's improved fire suppression rating of 3. In the future, there will be concern over staffing levels to support expanded coverage. Speaking of staffing levels, the Department is serviced by 13.85 FTE personnel and supplemented by 23 volunteer firefighters. Personnel expenditures are estimated at \$887,800 for the upcoming year.

Inspections: Like the fire department, the City's Inspections Department received an improved effectiveness rating recently, where improvements were noted for both residential and commercial effectiveness. Appropriations seek to maintain the effectiveness levels of the department. Like many other General Fund departments, personnel expenditures account for \$497,100 of the \$550,600 proposed budget.

Transportation: The Street Department and two smaller departments (Traffic Engineering & Street Lighting) constitute the City's transportation function. Recommended appropriations for transportation are \$1,738,300, a decrease from \$1,955,100 in the current year. Street Department personnel (9 FTEs) are responsible for maintaining the City's 63 miles of streets, sidewalk network and stormwater infrastructure with a proposed budget of \$1,514,300. Other than personnel expenses (\$553,700), the largest expenditure is for street resurfacing (\$480,000) followed by sidewalk installations (\$100,000). Street Lighting and Traffic Engineering have proposed budgets of \$132,000 and \$92,000, respectively. A carryover appropriation for the traffic signal upgrades to the Burlington-Graham Computerized Traffic Signal System at E. Pine Street and Melville Street is also included at \$63,000.

Sanitation: Five (5) employees provide nearly 300,000 curbside pickups each year in the Sanitation Department. Of all City departments, the Sanitation Department is most encumbered by growth in recent years and is approaching the inability to continue to provide the current level of service. Although it is believed that operations can sustain themselves until we can revisit the issue a year from now, with hopefully a more predictable economic outlook,

Management Discussion and Analysis

City of Graham

discussions about service level, fees, contracts and additional personnel should begin now. Personnel expenses (\$374,200) are the largest expenditure within the department, followed by landfill tipping fees (\$190,000) and truck fuel and maintenance (\$150,000). Speaking of tipping fees, the City will fully realize fee increases from the Alamance County Landfill in FY 2020-2021.

Business-type Activities: Contrary to assumption, the foremost challenge for the City of Graham in FY 2020-2021 is the Water and Sewer Fund rather than the General Fund. This enterprise operation is capital intensive, requiring constant maintenance, replacement and upgrading. Couple those aspects with significant regulatory oversight and challenges compound. In FY 2020-2021, the City must begin to appropriate funds to cover the debt service on recent projects and look ahead towards major projects that have a significant financial impact.

Adhering to the nature of a public enterprise, the Water and Sewer Fund is highly dependent on charges for service. In fact, water and sewer charges account for 76.37% of the total revenues for the fund. Considering almost 95% of all user accounts are residential and our largest consumers are essential businesses and bulk sales, the impact from COVID-19 on user charges is estimated to be nominal.

The current rates have held steady for several years now as the Fund itself has made a remarkable recovery from the struggles of a decade ago. However, revenue generated from our current rates and the rate structure is insufficient to support payment for major capital projects on the horizon. In FY 2020-2021, added debt service for the Boyd Creek Pump Station (\$130,000) must be supported by our rates and we must not lose sight of the debt service requirements for the Waste Water Treatment Plant Improvements and Expansion Project that has an estimated debt service of \$1,250,000 in just a few years from now. To wait to account for this debt service in a single year would require a 46% increase in sewer revenue, all at once. This type of increase would be considered “rate shock” as it would provide little time for individuals and businesses to adjust their finances. Therefore, a graduated approach, over the next four (4) fiscal years, to adjust rates to accommodate the current and future demands, as well as align expenses for the respective services with their rates is recommended. For FY 2020-2021, the following adjustments to rates are recommended with a delayed implementation date of December 31, 2020.

Overall expenditures for the Water and Sewer Fund are proposed at an increase of \$505,800 over the current year. The primary difference between the two years are outlays for the aforementioned debt services (\$452,500) and a transfer (\$60,000) to the Water and Sewer Capital Reserve Fund. If these items were exempted, overall expenditures would realize a slight decrease.

Other Funds: The City operates several capital project funds, an internal service fund and other non-major funds. Some may or may not require budgets due to the type of fund, but nevertheless are subject to our internal controls and placeholder entries are made at minimum. Below is a brief description of each and any changes necessary.

Garage Fund: The Garage operations are responsible for the maintenance of the City’s entire equipment and vehicle fleet, as well as maintains contracts with ACTA, Graham Housing Authority, the Alamance Municipal ABC Board and the Town of Green Level. The City’s garage also provides fuel services for Alamance County, excluding the Sheriff’s Office. The operations necessary to support these entities will require a \$1 increase in the labor rate to offset rising personnel costs.

Revenues are generated largely from our own operations (\$727,700) with the balance from sales and services to other contracted entities. There are no fund balance appropriations requested this year and total revenue is estimated at \$951,700. Major expenditures include Fuel Inventories (\$434,800) and Parts Inventories (\$289,800). Overall expenditures within the fund are estimated at \$951,700 which represents an increase of 1.7%.

Management Discussion and Analysis
City of Graham

Cemeteries Perpetual Care Fund: Established in 2015, the fund ensures the perpetual care and beautification of the City's cemeteries. In fiscal year 2019-2020, there was an appropriation of \$64,000. For FY 2020-2021, no appropriations are requested.

Water & Sewer Capital Reserve Fund: Less of an independent fund and more of a sub-fund of the Water & Sewer Fund, this capital reserve fund accounts for receipts from the levy of System Development Fees. No appropriations are requested for the operating budget, but the possibility of an appropriation to a capital project budget sometime in the year cannot be ruled out. The fund is estimated to receive a transfer of \$60,000 from the Water & Sewer Fund to be retained as equity.

Asset Forfeiture Funds: The City operates both a state and Federal asset forfeiture fund whereby assets seized from certain law enforcement activities are accounted for. Revenues are highly unpredictable as well as the timing of their receipt. Expenditures are regulated by the terms of the agreement with the associated agencies/programs and generally cannot be used to subsidize any operating budgets. Therefore, only nominal placeholder entries are included in the budget adoption to ensure against it.

Graham Regional Park Capital Project Fund: This fund accounts for the initial development phase of the Graham Regional Park. The initial phase is complete and so too are the post-construction requirements. Therefore, the fund can be closed at the end of FY 2019-2020 with the equity (\$28,140) in the fund transferred to the Graham Regional Park Inclusive Playground Fund to further park development and finalize that phase.

Graham Regional Park Universal Playground Capital Project Fund: The City was awarded \$500,000 from a Connect NC Bond Grant to construct a one of a kind playground in our area. This intergenerational playground, designed for individuals to play together regardless of physical challenges or disabilities goes beyond ADA accessibility by focusing on all types of disabilities. A match of at least \$350,000 is required and is accounted for independent of the initial phase to simplify grant requirements. For the upcoming year the equity in the fund for the initial phase is requested to be transferred as well as a carryover of unspent funds from the FY 2019-2020 recreation budget. The completion of this project is expected in FY 2020-2021.

Boyd Creek Pump Station Capital Project Fund: This fund actually accounts for two projects in one. The first, and most significant, being the replacement of the Boyd Creek Pump Station. The second, and smaller part of the project, is an upgrade to the Back Creek #2 lift station which is now complete. In August of 2017, the City was awarded \$612,500 in grant funds and \$1,837,500 in zero interest loan funds. The total fund budget is \$3,962,000.

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

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

City of Graham, North Carolina

Exhibit 1

Statement of Net Position

June 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 12,898,891	\$ 11,246,434	\$ 24,145,325
Taxes receivables (net)	234,987	-	234,987
Accrued interest receivable on taxes	50,870	-	50,870
Accounts receivable (net)	200,178	1,002,379	1,202,557
Prepaid expenses	18,990	-	18,990
Due from other governments	2,050,500	4,220	2,054,720
Internal balances	(13,157)	13,157	-
Restricted cash and cash equivalents	333,552	796,016	1,129,568
Notes receivable	-	3,866,116	3,866,116
Capital assets (Note 1):			
Land, non-depreciable improvements, and construction in progress	3,517,404	1,997,767	5,515,171
Other capital assets, net of depreciation	15,478,942	38,400,663	53,879,605
Total capital assets	18,996,346	40,398,430	59,394,776
Total assets	34,771,157	57,326,752	92,097,909
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	-	-	-
Pension deferrals	1,524,446	362,511	1,886,957
OPEB deferrals	289,928	75,108	365,036
Total deferred outflows of resources	1,814,374	437,619	2,251,993
LIABILITIES			
Current liabilities:			
Accounts payable	978,924	291,193	1,270,117
Accrued interest payable	-	43,597	43,597
Payable from restricted assets	35,720	100,072	135,792
Long-term liabilities:			
Net pension liability - LGERS	2,398,499	626,817	3,025,316
Net pension liability - LEO	1,186,980	-	1,186,980
Net OPEB Liability	9,574,151	3,075,861	12,650,012
Due within one year	274,978	578,542	853,520
Due in more than one year	410,658	3,570,853	3,981,511
Total liabilities	14,859,910	8,286,935	23,146,845
DEFERRED INFLOWS OF RESOURCES			
Prepaid Taxes	15,776	-	15,776
Unearned Revenues	297,832	-	297,832
Pension deferrals	111,382	20,683	132,065
OPEB deferrals	1,292,282	335,204	1,627,486
Total deferred inflows of resources	1,717,272	355,887	2,073,159
NET POSITION			
Net investment in capital assets	18,996,346	36,447,762	55,444,108
Restricted for:			
Cemetery Perpetual Care	2,507,380	-	2,507,380
Stabilization by State Statute	1,862,854	-	1,862,854
Capital Reserve Fund	-	695,944	695,944
Unrestricted	(3,358,231)	11,977,843	8,619,612
Total net position	\$ 20,008,349	\$ 49,121,549	\$ 69,129,898

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

City of Graham, North Carolina
Statement of Activities
For the Year Ended June 30, 2020

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for	Operating Grants	Capital Grants and	Governmental	Business-type	Total
		Services	and Contributions	Contributions	Activities	Activities	
Governmental Activities:							
General government	\$ 3,213,239	\$ 197,104	\$ 353,332	\$ -	\$ (2,662,803)	\$ -	\$ (2,662,803)
Public safety	6,571,981	313,849	263,494	-	(5,994,638)	-	(5,994,638)
Transportation	1,608,852	-	393,270	-	(1,215,582)	-	(1,215,582)
Environmental protection	929,485	392,676	-	-	(536,809)	-	(536,809)
Human services	-	-	36,131	-	36,131	-	36,131
Cultural and recreation	2,034,878	203,428	14,006	252,128	(1,565,316)	-	(1,565,316)
Total governmental activities	14,358,435	1,107,057	1,060,233	252,128	(11,939,017)	-	(11,939,017)
Business-type activities:							
Water and sewer	7,181,929	7,140,864	-	68,194	-	27,129	27,129
Total business-type activities	7,181,929	7,140,864	-	68,194	-	27,129	27,129
Total primary government	\$ 21,540,364	\$ 8,247,921	\$ 1,060,233	\$ 320,322	(11,939,017)	27,129	(11,911,888)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					5,742,231	-	5,742,231
Other taxes					5,071,288	-	5,071,288
Grants and contributions not restricted to specific programs					230,088	-	230,088
Unrestricted investment earnings					118,923	116,529	235,452
Miscellaneous					10,320	1,636	11,956
Total general revenues excluding special items, transfers					11,172,850	118,165	11,291,015
Transfers					-	-	-
Total general revenues, special items, and transfers					11,172,850	118,165	11,291,015
Change in net position					(766,167)	145,294	(620,873)
Net position-beginning					20,774,516	48,976,255	69,750,771
Net position-ending					\$ 20,008,349	\$ 49,121,549	\$ 69,129,898

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

City of Graham, North Carolina
Balance Sheet
Governmental Funds
June 30, 2020

Exhibit 3

	Major Fund General	Total Non- Major Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 10,498,656	\$ 2,194,050	\$ 12,692,706
Restricted cash and cash equivalents	333,552	-	333,552
Accrued interest receivable	52,029	2,315	54,344
Taxes receivables, net	234,987	-	234,987
Accounts receivables, net	134,128	-	134,128
Due from other governments	1,676,698	373,802	2,050,500
Prepaid expenses	-	-	-
Total assets	<u>\$ 12,930,050</u>	<u>\$ 2,570,167</u>	<u>\$ 15,500,217</u>
LIABILITIES			
Accounts payable and accrued liabilities	893,763	62,787	956,550
Payable from restricted cash	35,720	-	35,720
Total liabilities	<u>929,483</u>	<u>62,787</u>	<u>992,270</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	234,987	-	234,987
Prepaid taxes	15,776	-	15,776
Unearned revenue	297,832	-	297,832
Total deferred inflows of resources	<u>548,595</u>	<u>-</u>	<u>548,595</u>
FUND BALANCES			
Non Spendable			
Cemetery Perpetual Care	-	2,507,380	2,507,380
Restricted			
Stabilization by State Statute	1,862,854	-	1,862,854
Assigned			
General Government improvements	-	-	-
Subsequent year's expenditures	1,493,200	-	1,493,200
Unassigned	8,095,918	-	8,095,918
Total fund balances	<u>11,451,972</u>	<u>2,507,380</u>	<u>13,959,352</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 12,930,050</u>	 <u>\$ 2,570,167</u>	

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

(continued)

City of Graham, North Carolina
Balance Sheet
Governmental Funds
June 30, 2020

Exhibit 3

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

Total Fund Balance, Governmental Funds	\$	13,959,352
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$	33,086,985
Accumulated depreciation	(14,090,639)	
Total	<u>18,996,346</u>	
Less internal service fund net capital assets included as net assets below	(51,733)	18,944,613
Deferred outflows of resources related to pensions are not reported in the funds		
		1,490,360
Deferred outflows of resources related to OPEB are not reported in the funds		
		283,857
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds		
		50,870
Internal service funds are used by management to charge the costs of the garage fund, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position.		
		39,526
Consolidation adjustment for internal balances between the Internal Service Fund and the Governmental Funds		
	<u>(13,157)</u>	26,369
Earned revenues considered deferred inflows of resources in fund statements.		
		234,987
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
		(667,103)
Net LEOSA pension		(1,186,980)
Net OPEB liability		(9,415,803)
Net pension liability		(2,337,992)
Deferred inflows of resources related to pensions are not reported in the funds		
		(109,990)
Deferred inflows of resources related to OPEB are not reported in the funds		
		<u>(1,264,191)</u>
Net position of governmental activities	<u>\$</u>	<u>20,008,349</u>

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

City of Graham, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020

Exhibit 4

	Major Fund		
	General Fund	Total Non-Major Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 5,695,588	\$ -	\$ 5,695,588
Other taxes and licenses	640	-	640
Unrestricted intergovernmental	5,199,361	-	5,199,361
Restricted intergovernmental	697,675	185,731	883,406
Permits and fees	296,857	-	296,857
Sales and services	683,590	42,400	725,990
Investment earnings	95,036	23,768	118,804
Other revenues	496,250	-	496,250
Total revenues	<u>13,164,997</u>	<u>251,899</u>	<u>13,416,896</u>
EXPENDITURES			
Current:			
General government	2,452,403	63,265	2,515,668
Public safety	5,873,165	-	5,873,165
Transportation	1,582,869	-	1,582,869
Environmental protection	788,342	-	788,342
Culture and recreation	2,089,654	185,731	2,275,385
Capital Outlay	-	-	-
Total expenditures	<u>12,786,433</u>	<u>248,996</u>	<u>13,035,429</u>
Excess of revenues over expenditures	<u>378,564</u>	<u>2,903</u>	<u>381,467</u>
OTHER FINANCING SOURCES (USES)			
Transfers (to) from other funds	28,141	(28,141)	-
Total other financing sources (uses)	<u>28,141</u>	<u>(28,141)</u>	<u>-</u>
Net change in fund balance	406,705	(25,238)	381,467
Fund balances-beginning	11,045,267	2,532,618	13,577,885
Fund balances-ending	<u>\$ 11,451,972</u>	<u>\$ 2,507,380</u>	<u>\$ 13,959,352</u>

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

(continued)

City of Graham, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020

Exhibit 4
(continued)

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

Net changes in fund balances - total governmental funds	\$	381,467
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period		
Capital outlay expenditures which were capitalized	\$	819,904
Depreciation expense for governmental assets	<u>(802,787)</u>	17,117
Book value of disposed capital asset not recorded in fund statements		(53,480)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		516,443
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities		18,552
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		231,933
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		
Change in unavailable revenue for tax revenue		43,311
Change in accrued interest receivable on taxes		3,331
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		(603)
Pension expense		(1,043,936)
Net pension obligation LEOSSA		(88,178)
Other postemployment benefits		(744,442)
Consolidation adjustment for internal balances between the Internal Service Fund and the Governmental Funds	13,157	
Net revenue of internal service funds determined to be governmental-type	<u>(60,839)</u>	(47,682)
Total changes in net position of governmental activities	<u>\$</u>	<u>(766,167)</u>

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

City of Graham, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2020

Exhibit 5

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 5,399,600	\$ 5,399,600	\$ 5,695,588	\$ 295,988
Other taxes and licenses	100	100	640	540
Unrestricted intergovernmental	5,060,500	5,060,500	5,199,361	138,861
Restricted intergovernmental	501,200	581,200	697,675	116,475
Permits and fees	131,000	131,000	296,857	165,857
Sales and services	670,000	670,000	683,590	13,590
Investment earnings	87,000	87,000	95,036	8,036
Other revenues	429,100	429,100	496,250	67,150
Total revenues	12,278,500	12,358,500	13,164,997	806,497
Expenditures:				
Current:				
General government	2,602,300	2,602,300	2,452,403	149,897
Public safety	5,861,200	5,941,200	5,873,165	68,035
Transportation	1,955,100	1,955,100	1,582,869	372,231
Environmental protection	832,600	832,600	788,342	44,258
Cultural and recreation	2,308,300	2,308,300	2,089,654	218,646
Total expenditures	13,559,500	13,639,500	12,786,433	853,067
Revenues over (under) expenditures	(1,281,000)	(1,281,000)	378,564	1,659,564
Other financing sources (uses):				
Appropriated fund balance				
General Fund	1,281,000	1,281,000	-	(1,281,000)
Transfers (to) from other funds	-	-	28,141	28,141
Total other financing sources (uses)	1,281,000	1,281,000	28,141	(1,252,859)
Net change in fund balance	\$ -	\$ -	406,705	\$ 406,705
Fund balances, beginning of year			11,045,267	
Fund balances, end of year			\$ 11,451,972	

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

City of Graham, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2020

Exhibit 6

	Water and Sewer Fund	Internal Service Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 11,246,434	\$ 206,185
Accounts receivable (net)	1,002,379	11,706
Due from other governments	4,220	-
Prepaid Expenses	-	18,990
Restricted cash and cash equivalents	796,016	-
Total current assets	<u>13,049,049</u>	<u>236,881</u>
Noncurrent assets:		
Notes receivable	3,866,116	-
Capital assets:		
Land and other non-depreciable assets	1,997,767	9,500
Other capital assets, net of depreciation	38,400,663	42,233
Capital assets (net)	<u>40,398,430</u>	<u>51,733</u>
Total noncurrent assets	<u>44,264,546</u>	<u>51,733</u>
Total assets	<u>57,313,595</u>	<u>288,614</u>
DEFERRED OUTFLOWS OF RESOURCES		
Contributions to pension plan	362,511	34,086
OPEB deferrals	75,108	6,071
Deferred charge on refunding	-	-
Total deferred outflows of resources	<u>437,619</u>	<u>40,157</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	291,193	22,374
Accrued interest	43,597	-
Customer deposits	100,072	-
Current portion of long term debts	578,542	-
Total current liabilities	<u>1,013,404</u>	<u>22,374</u>
Noncurrent liabilities:		
Other noncurrent liabilities:		
Other postemployment benefits	3,075,861	158,347
Compensated absences	167,984	18,535
Net pension liability	626,816	60,506
Non-current portion of long term debt	3,402,870	-
Total noncurrent liabilities	<u>7,273,531</u>	<u>237,388</u>
Total liabilities	<u>8,286,935</u>	<u>259,762</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	20,683	1,392
OPEB deferrals	335,204	28,091
Total deferred inflows of resources	<u>355,887</u>	<u>29,483</u>
NET POSITION		
Net investment in capital assets	36,447,762	51,733
Restricted for:		
Capital Reserve Funds	695,944	
Unrestricted	<u>11,964,686</u>	<u>(12,207)</u>
Total net position	49,108,392	<u>\$ 39,526</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>13,157</u>	
Net position of business- type activities	<u>\$ 49,121,549</u>	

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

City of Graham, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2020

Exhibit 7

	Water and Sewer Fund	Internal Service Fund
OPERATING REVENUES		
Charges for services	\$ 6,622,332	\$ 652,501
Other operating revenues	418,532	349
Total operating revenues	<u>7,040,864</u>	<u>652,850</u>
OPERATING EXPENSES		
Billing and metering	457,602	-
Distribution and maintenance	1,487,061	-
Sewer mains	219,256	-
Water treatment plant	1,644,924	-
Sewer treatment plant	1,758,891	-
Non-departmental	501,028	-
Depreciation and amortization	1,002,894	7,410
Garage operations	-	737,255
Total operating expenses	<u>7,071,656</u>	<u>744,665</u>
Operating income	<u>(30,792)</u>	<u>(91,815)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest earned on investment	116,529	2,143
Interest on long-term debt	(103,210)	-
Other	100,000	-
Total nonoperating revenue (expenses)	<u>113,319</u>	<u>2,143</u>
Income before contributions, special item and transfers	<u>82,527</u>	<u>(89,672)</u>
Capital contributions	68,194	-
Gain (loss) on disposition	1,636	-
Transfers to / from other funds	-	-
Contributions, special item and transfers	<u>69,830</u>	<u>-</u>
Change in net position before internal service fund consolidation	152,357	(89,672)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	<u>(7,063)</u>	<u>-</u>
Change in net position	<u>145,294</u>	<u>(89,672)</u>
Total net position - beginning	48,976,255	129,198
Total net position - ending	<u>\$ 49,121,549</u>	<u>\$ 39,526</u>

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

City of Graham, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2020

Exhibit 8

	<u>Water and Sewer Fund</u>	<u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 6,745,299	\$ 679,460
Cash paid for goods and services	(4,205,819)	(568,118)
Cash paid to or on behalf of employees for services	(1,367,238)	(108,699)
Customer deposits received	45,635	-
Customer deposits returned	(52,992)	-
Other operating revenue received	418,532	350
Net cash provided (used) by operating activities	<u>1,583,417</u>	<u>2,993</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(835,789)	-
Payments received on notes receivable	327,403	-
Principal paid on bonds and notes payable	(539,800)	-
Interest paid on bonds and notes payable	(108,689)	-
Other non-operating revenue	169,831	-
Operating transfer from General Fund	-	-
Net cash provided (used) by capital and related financing activities	<u>(987,044)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments and assessments	<u>151,674</u>	<u>2,143</u>
Net cash provided (used) by investing activities	<u>151,674</u>	<u>2,143</u>
Net increase (decrease) in cash and cash equivalents	748,047	5,136
Balances-beginning of the year	11,294,403	197,329
Balances-end of the year	<u>\$ 12,042,450</u>	<u>\$ 202,465</u>

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

City of Graham, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2020

Exhibit 8

	<u>Water and Sewer Fund</u>	<u>Internal Service Fund</u>
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	\$ (30,792)	\$ (91,815)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	1,002,894	7,410
Changes in assets and liabilities:		
Decrease in accounts receivable	102,242	26,959
Increase (decrease) in allowance for doubtful accounts	20,725	
(Increase) decrease in prepaid expenses	-	25,171
(Increase) decrease in deferred outflows of resources - pensions	41,106	4,110
(Increase) decrease in deferred outflows of resources - refunding	4,817	-
(Increase) in deferred outflows of resources - OPEB	(14,608)	(770)
Increase (decrease) in accounts payable	193,030	7,031
Increase (decrease) in customer deposits	(7,357)	-
Increase in accrued salaries	7,109	717
Increase (decrease) in accrued vacation pay	27,145	3,301
Increase (decrease) in pension liability	102,078	10,208
Increase (decrease) in OPEB liability	133,423	10,760
Increase (decrease) in deferred inflows of resources - pensions	(11,312)	1,042
Increase (decrease) in deferred inflows of resources - OPEB	12,917	(1,131)
Total adjustments	<u>1,614,209</u>	<u>94,808</u>
Net cash provided by operating activities	<u>\$ 1,583,417</u>	<u>\$ 2,993</u>

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

City of Graham, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

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

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

Notes to the Financial Statements

The City reports the following major governmental funds:

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

The City reports the following non-major governmental funds:

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

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

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

The City reports the following major enterprise fund:

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

The City reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

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

Notes to the Financial Statements

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

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

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

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

D. Budgetary Data

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

Notes to the Financial Statements

the City's budget ordinance was approved, as is required by the General Statutes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted. The Graham Memorial Park Fund prepares a budget when incurring expenditures.

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

1. Deposits and Investments

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

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

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

<u>City of Graham Restricted Cash</u>		
General Fund	Letter of Credit	\$ 35,720
	Unexpended restricted revenue	<u>297,832</u>
Total Governmental Activities		<u>333,552</u>
Water and Sewer Fund	Customer deposits	100,072
	Unexpended capital reserve revenue	695,944
	Unexpended capital projects revenue	<u>-</u>
Total Business-type activities		<u>796,016</u>
Total Restricted Cash		<u>\$ 1,129,568</u>

Notes to the Financial Statements

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2019.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

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

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of one year. Minimum capitalization cost are as follows: Buildings and improvements, \$20,000; infrastructure, \$100,000; equipment, \$5,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

Notes to the Financial Statements

8. Deferred outflows/inflows of resources

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

9. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Compensated Absences

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

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

Notes to the Financial Statements

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

Notes to the Financial Statements

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

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

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERs) and additions to/deductions from LGERs' fiduciary net position have been determined on the same basis as they are reported by LGERs. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Graham's employer contributions are recognized when due and the City of Graham has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERs. Investments are reported at fair value.

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additions to/deductions from FRSWPF's fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

13. Estimates

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

Notes to the Financial Statements

II. Detail Notes on All Funds

A. Assets

1. Deposits

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

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

At June 30, 2020, the City's deposits had a carrying amount of \$16,270,314 and a bank balance of \$16,127,663. Of the bank balance, \$1,000,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2020, the City's petty cash fund totaled \$2,175.

2. Investments

At June 30, 2020, the City of Graham had \$9,002,404 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAm by Standard and Poor's. The City has no policy regarding credit risk.

3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2020, are net of the following allowances for doubtful accounts:

Funds	2020
General Fund: taxes receivable	\$ 38,375
Water and Sewer fund: accounts receivable	278,028
Total	<u>\$ 316,403</u>

Notes to the Financial Statements

4. Capital Assets

Primary Government

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

Governmental activities:	Beginning			Ending
Capital assets not being depreciated:	Balances	Increases	Decreases	Balances
Land	\$ 2,782,911	\$ -	\$ 51,407	\$ 2,731,504
Art collection	62,100	-	-	62,100
Construction in progress	1,509,928	185,733	971,861	723,800
Total capital assets not being depreciated	4,354,939	185,733	1,023,268	3,517,404
Capital assets being depreciated:				
Buildings	3,434,958	-	-	3,434,958
Other improvements	5,465,191	139,572	-	5,604,763
Vehicles and motorized equipment	7,074,433	224,730	-	7,299,163
Infrastructure	7,701,759	971,861	-	8,673,620
Equipment and furniture	4,306,713	269,868	19,504	4,557,077
Total capital assets being depreciated	27,983,054	1,606,031	19,504	29,569,581
Less accumulated depreciation for:				
Buildings	1,668,665	54,679	-	1,723,344
Other improvements	2,655,808	172,944	-	2,828,752
Vehicles and motorized equipment	4,821,957	-	7,921	4,814,036
Infrastructure	1,162,927	138,805	-	1,301,732
Equipment and furniture	2,995,926	436,359	9,510	3,422,775
Total accumulated depreciation	13,305,283	802,787	17,431	14,090,639
Total capital assets being depreciated, net	14,677,771			15,478,942
Governmental activity capital assets, net	\$ 19,032,710			\$ 18,996,346

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

By Function	
Buildings	\$ 53,415
Improvements	171,300
Infrastructure	138,805
By Department	
General Government	15,208
Public Safety	175,587
Transportation	90,161
Environmental Protection	82,294
Cultural and Recreation	59,316
Depreciation on capital assets held in the City's internal service fund and charged to functions based on usage	
Garage	7,410
Graham Memorial Park	9,291
Total depreciation expense	<u>\$ 802,787</u>

Notes to the Financial Statements

Business-type activities:	Beginning			Ending
Water and Sewer Fund	Balances	Increases	Decreases	Balances
Capital assets not being depreciated:				
Land	\$ 1,281,547	\$ -	\$ -	\$ 1,281,547
Construction in progress	642,352	73,868	-	716,220
Total capital assets not being depreciated	1,923,899	73,868	-	1,997,767
Capital assets being depreciated:				
Buildings	17,696,444	-	-	17,696,444
Lines	23,463,499	-	-	23,463,499
Other improvements	16,268,480	433,968	-	16,702,448
Equipment and furniture	2,699,001	325,878	7,540	3,017,339
Total capital assets being depreciated	60,127,424	759,846	7,540	60,879,730
Less accumulated depreciation for:				
Buildings	7,482,911	235,201	-	7,718,112
Lines	8,060,537	355,431	-	8,415,968
Other improvements	4,452,063	283,747	-	4,735,810
Equipment and furniture	1,488,202	128,515	7,540	1,609,177
Total accumulated depreciation	21,483,713	1,002,894	7,540	22,479,067
Total capital assets being depreciated, net	38,643,711			38,400,663
Business-type activities capital assets, net	\$ 40,567,610			\$ 40,398,430

Construction commitments

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

Project	Spent-to-Date	Remaining Commitment
Graham Regional Park Playground	\$ 723,800	\$ 126,200
Boyd Creek Pump Station	716,220	3,245,780
Total	\$ 1,440,020	\$ 3,371,980

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

Notes to the Financial Statements

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Graham employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Graham's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 8.95% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Graham were \$645,554 for the year ended June 30, 2020.

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

Notes to the Financial Statements

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

At June 30, 2020, the City reported a liability of \$3,025,315 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 City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019, the City's proportion was 0.11078%, which was an increase of 0.0048% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized pension expense of \$1,304,921. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 518,011	\$ -
Changes of assumptions	493,076	-
Net difference between projected and actual earnings on pension plan investments	73,792	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	82,679
City contributions subsequent to the measurement date	645,554	-
Total	<u>\$ 1,730,433</u>	<u>\$ 82,679</u>

\$645,554 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 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	\$ 502,832
2022	141,376
2023	274,602
2024	83,390
2025	-
Thereafter	-
	<u>\$ 1,002,200</u>

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

Notes to the Financial Statements

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

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

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

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

Notes to the Financial Statements

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

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
City's proportionate share of the pension liability (asset)	\$ 6,919,450	\$ 3,025,315	\$ (211,499)

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

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description.*

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

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

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	41
Total	<u>44</u>

2. *Summary of Significant Accounting Policies:*

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

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

Notes to the Financial Statements

3. Actuarial Assumptions:

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

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Investment rate of return	3.26 percent, net of pension plan investment expense, including inflation

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

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

3. Contributions.

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$38,251 as benefits came due for the reporting period.

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

At June 30, 2020, the City reported a total pension liability of \$1,186,980. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the City recognized pension expense of \$114,446.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 61,519	\$ 2,090
Change in assumptions	76,455	47,296
Benefit payment and plan administrative expenses made subsequent to the measurement date	18,552	-
Total	<u>\$ 156,526</u>	<u>\$ 49,386</u>

\$18,552 paid as benefits came due and \$0 of administrative expenses subsequent to the measurement date have been reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of

Notes to the Financial Statements

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

Year ended June 30:

2021	\$ 17,034
2022	17,034
2023	17,034
2024	19,058
2025	11,256
Thereafter	7,172
	<u>\$ 88,588</u>

Sensitivity of the City's total pension liability to changes in the discount rate. The following represents the City's total pension liability calculated using the discount rate of 3.26 percent, as well as the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	\$ 1,309,328	\$ 1,186,980	\$ 1,075,836

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

	2020
Beginning balance	\$ 1,050,974
Service Cost	59,890
Interest on the total pension liability	37,522
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	35,355
Changes of assumptions or other inputs	43,523
Benefit payments	(40,284)
Other changes	-
Ending balance of the total pension liability	<u>\$ 1,186,980</u>

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

The actuarial assumptions used in December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Notes to the Financial Statements

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

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

	LGERS	LEOSSA	Total
Pension Expense	1,304,921	114,446	1,419,367
Pension Liability	3,025,315	1,186,980	4,212,295
Proportionate share of the net pension liability	0.11078%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	518,011	61,519	579,530
Changes of assumptions	493,076	76,455	569,531
Net difference between projected and actual earnings			
on plan investments	73,792	-	73,790
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-
Benefit payments and administrative costs paid subsequent to the measurement date	645,554	18,552	664,106
Deferred Inflows of Resources			
Differences between expected and actual experience	-	2,090	2,090
Changes of assumptions	-	47,296	47,296
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	82,679	-	82,679

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

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

The City made contributions of \$98,911 for the reporting year. No amounts were forfeited.

Notes to the Financial Statements

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

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

Funding Policy. The City contributes an amount equal to five percent of each employee's salary, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan. Contributions for the June 30, 2020 were \$420,336, which consisted of \$204,927 from the City and \$215,409 from the employees.

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

Plan Description. The State of North Carolina contributes, on behalf of the City of Graham, to the Firefighter's and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire and rescue squad workers who have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Firefighter's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Firefighter's and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

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

Contributions. Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The City of Graham funds the plan members required contribution of \$10 per month to the Fund. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2020, the State contributed \$18,302,000 to the plan. The City of Graham's proportionate share of the State's contribution is \$10,726.

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

Notes to the Financial Statements

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

At June 30, 2020, the City reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the City through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the City and supported by the State was \$21,264. 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 City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the City is not projected to make any future contributions to the plan, its proportionate share at June 30, 2020 and at June 30, 2019 was 0%.

For the year ended June 30, 2020, the City recognized pension expense of \$11,195 and revenue of \$11,195 for support provided by the State. At June 30, 2020 the City reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

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

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

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

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

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

Notes to the Financial Statements

f. Other Post-employment Benefits

Healthcare Benefits

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

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

Membership of the HCB Plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	46	7
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	<u>55</u>	<u>19</u>
Total	<u>101</u>	<u>26</u>

Total OPEB Liability

The City's total OPEB liability of \$12,650,012 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Real wage growth	1.00 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	
General Employees	3.50 - 7.75 percent
Firefighters	3.50 - 7.75 percent
Law Enforcement Officers	3.50 - 7.35 percent
Discount rate	3.50 percent
Healthcare cost trend rates	
Pre-Medicare - 7.00 percent for 2019 decreasing to an ultimate rate of 4.5 percent by 2026	
Medicare - 5.0 percent for 2019 decreasing to an ultimate rate of 4.5 percent by 2021	

Notes to the Financial Statements

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

Changes in the Total OPEB Liability

Balance at July 1, 2019	\$	12,001,297
Changes for the year		
Service Cost		353,985
Interest		470,819
Changes of benefit terms		-
Differences between expected and actual experience		(444,812)
Changes in assumptions or other inputs		62,699
Benefit payments		206,024
Net Changes		648,715
Balance at June 30, 2020	\$	<u>12,650,012</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.89% to 3.50%.

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	<u>(2.50%)</u>	<u>(3.50%)</u>	<u>(4.50%)</u>
Total OPEB Liability	\$ 15,094,435	\$ 12,650,012	\$ 10,750,366

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

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 10,626,089	\$ 12,650,012	\$ 15,296,302

Notes to the Financial Statements

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

For the year ended June 30, 2020, the City recognized OPEB expense of \$459,379. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 21,586	\$ 365,097
Changes of assumptions	51,463	1,262,389
Benefit payments and administrative costs made subsequent to the measurement date	291,987	-
	<u>\$ 365,036</u>	<u>\$ 1,627,486</u>

\$365,036 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expenses as follows:

Year ended June 30:		
2021	\$	(365,425)
2022		(365,425)
2023		(365,425)
2024		(331,141)
2025		(127,021)
Thereafter		-

2. Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 645,554
Benefit payments made and administrative expenses for LEOSA made subsequent to measurement date	18,552
Benefit payments made and administrative expenses for OPEB made subsequent to measurement date	291,987
Differences between expected and actual experience	601,114
Changes of assumptions	620,994
Net difference between projected and actual	73,792
Changes in proportion and differences between employer contributions and proportionate share of contributions	-
Charge on refunding	-
Total	<u>\$ 2,251,993</u>

Notes to the Financial Statements

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ 15,776	\$ 15,776
Taxes receivable, less penalties (General Fund)	-	234,987
Unearned revenue	297,832	297,832
Changes in assumptions	1,309,685	-
Differences between expected and actual experience	367,187	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	82,679	-
Total	<u>\$ 2,073,159</u>	<u>\$ 548,595</u>

3. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in a self-funded risk-financing pool administered by the North Carolina League of Municipalities. Through this pool, the City has property and liability coverage. General liability, law enforcement liability and public officials liability coverage is limited to \$1,000,000 per occurrence; public employee scheduled bond is limited to \$100,000; public employee blanket bond is limited to \$50,000, automobile liability coverage is limited to \$1,000,000, and watercraft are limited to \$1,000,000 per occurrence. Real and personal property coverage is limited to \$76,221,257 and boiler and machinery coverage is limited to \$5,000,000.

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

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

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

4. Claims, Judgments, and Contingent Liabilities

At June 30, 2020, the City was a defendant to various lawsuits. In the opinion of the City's management and the City attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

5. Long-Term Obligations

a. Installment Purchase

In April, 2006, the City entered into a direct placement contract to finance the Cherry Lane Pump Station. The property is pledged as collateral for the debt while the debt is outstanding. The contract requires principal payments of \$106,667 semi-annually beginning in the fiscal year 2006 with an interest rate of 3.69 percent. The original amount of the loan was \$3,200,000, with an outstanding balance of \$213,333.

Notes to the Financial Statements

In June, 2010, the City entered into a Water Pollution Control Revolving loan agreement for Sewer improvements. The contract requires principal payments of \$19,795 annually on the indebtedness beginning May 1, 2011. The interest rate as established under this program is zero percent. The original amount of the loan was \$395,896, with an outstanding balance of \$197,947.

In November, 2010, the City entered into a Water Pollution Control Revolving loan agreement for Water improvements. The contract requires principal payments of \$3,672 annually on the indebtedness beginning May 1, 2012. The interest rate as established under this program is zero percent. The original amount of the loan was \$73,430, with an outstanding balance of \$40,389.

On May 19, 2014, the City entered into a direct placement contract to finance the water treatment plant improvements and Project Swordfish Capital Project. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires principal payments in varying amounts beginning in the fiscal year 2015 with an interest rate of 2.60 percent. The original amount of the loan was \$5,925,000, with an outstanding balance of \$3,499,000.

b. General Obligation Indebtedness

There were no bonds payable at June 30, 2020.

Annual debt service payments of the installment purchases as of June 30, 2020, including \$480,131 of interest, are as follows:

Fiscal Year	General		Other Long-Term Indebtedness		Total Debt Due	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ -	\$ -	\$ 547,799	\$ 92,835	\$ 547,799	\$ 92,835
2022	-	-	342,466	78,741	342,466	78,741
2023	-	-	349,466	70,356	349,466	70,356
2024	-	-	359,466	61,750	359,466	61,750
2025	-	-	368,466	52,897	368,466	52,897
2026-2030	-	-	1,979,328	123,552	1,979,328	123,552
2031	-	-	3,678	-	3,678	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,950,669</u>	<u>\$ 480,131</u>	<u>\$ 3,950,669</u>	<u>\$ 480,131</u>

Notes to the Financial Statements

c. Changes in Long-Term Liabilities

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

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020	Current Portion of Balance
Governmental activities:					
Compensated absences	\$ 685,033	\$ 275,581	\$ 274,978	\$ 685,636	\$ 274,978
Total OPEB liability	9,058,859	515,292	-	9,574,151	-
Net pension liability (LGERS)	1,990,183	408,316	-	2,398,499	-
Total pension liability (LEO)	1,050,974	136,006	-	1,186,980	-
Governmental activity long-term liabilities	<u>\$ 12,785,049</u>	<u>\$ 1,335,195</u>	<u>\$ 274,978</u>	<u>\$ 13,845,266</u>	<u>\$ 274,978</u>
Business-type activities:					
Direct placement Installment purchase	\$ 4,490,467	\$ -	539,798	\$ 3,950,669	\$ 547,799
General obligation bonds	-	-	-	-	-
Net pension liability (LGERS)	524,738	102,078	-	626,816	-
Total OPEB liability	2,942,438	133,423	-	3,075,861	-
Compensated absences	171,582	57,888	30,743	198,727	30,743
Business-type activity Long-term liabilities	<u>\$ 8,129,225</u>	<u>\$ 293,389</u>	<u>\$ 570,541</u>	<u>\$ 7,852,073</u>	<u>\$ 578,542</u>

At June 30, 2020, the City of Graham had a legal debt margin of \$96,880,928.

C. Interfund Balances and Activity

There are no amounts due to or from the City's different funds as of June 30, 2020.

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

From the Jim Minor Road Park Capital Project to the General Fund	\$ 28,141
From the Water and Sewer Fund to the Capital Reserve Fund	118,885
From the Water and Sewer Fund to the Capital Project	16,000
	<u>\$ 163,026</u>

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

During the 2020 fiscal year, the City made a transfer from the Jim Minor Road Park Capital Project to the General Fund for the remaining funds in the completed project.

Notes to the Financial Statements

During the 2020 fiscal year, the City made a transfer from the Water and Sewer Fund of \$118,885 to the Capital Reserve Fund as required by General Statute.

During the 2020 fiscal year, the City made a transfer from the Water and Sewer Fund of \$16,000 to the Boyd Creek Pump Station Capital Project Fund as per the project ordinance.

D. On-Behalf Payments for Fringe Benefits and Salaries

The City has recognized as a revenue and an expenditure on-behalf payments for fringe benefits and salaries of \$18,000, for the salary supplement and stipend benefits paid to eligible firemen by the local board of trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2020. Under State law the local board of trustees for the Fund receives an amount each year which the board may use at its own discretion for eligible firemen or their departments.

E. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 18,996,346	\$ 40,398,430
less: long-term debt	-	(3,950,669)
add: unexpended debt proceeds	-	-
Net investment in capital assets	<u>\$ 18,996,346</u>	<u>\$ 36,447,761</u>

F. Fund Balance

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

Total fund balance - General Fund	\$ 11,451,972
Less: Stabilization by State Statute	(1,862,854)
Appropriated Fund Balance in 2021 Budget	(1,493,200)
Working Capital / Fund Balance Policy	(4,091,850)
Remaining Fund Balance	<u>\$ 4,004,068</u>

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

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

III. Jointly Governed Organization

The City, in conjunction with twelve counties and sixty other municipalities, established the Piedmont Triad Regional Council (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member, and one alternate if they so desire, to the Council's governing board. The City paid membership fees of \$6,206 and \$6,055 respectively, to the Council during the fiscal years ended June 30, 2020 and June 30, 2019.

Notes to the Financial Statements

IV. Joint Ventures

The City, in conjunction with the Cities of Burlington and Mebane, participates in the Alamance Municipal ABC Board. Each participating government appoints board members. The ABC Board is a joint venture established to facilitate control over alcoholic beverages within the Cities. The ABC Board has been in existence for over 40 years and is self-sustaining. The City has an ongoing financial responsibility for the ABC Board because it and the Cities of Burlington and Mebane are legally obligated under the intergovernmental agreement that created the ABC Board to honor any deficiencies in the event that proceeds from other default remedies are insufficient. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2020. Complete financial statements for the ABC Board can be obtained from the administrative offices at 603 W. Harden Street, Graham, North Carolina, 27253.

The City and the members of the City's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums which insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways. The City obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the City's fire department by the board of trustees. During the fiscal year ended June 30, 2020, the City reported revenues and expenditures for the payments of \$18,000 made through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2020. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

V. Related Organization

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

VI. Joint Operation

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

Notes to the Financial Statements

the City of Mebane also agreed to pay to the City of Graham an equalizing sum of \$2,548,070 for their capital interest. The amount is to be paid in twenty annual installments of \$127,403 with the first payment due July 31, 2014. No interest is included in the agreement. The balance of the receivable as of June 30, 2020 was \$1,783,652.

VII. Interlocal Cooperation Agreement

The City of Graham and the City of Mebane entered into an interlocal cooperation agreement for the allocation of Twenty One and Forty Three One Hundredths percent (21.43%) of capacity usage of the City of Graham's wastewater treatment plant. The cost of agreed upon improvements or upgrades to the wastewater treatment plant and the Cherry Lane pump station will be shared by the City of Graham and the City of Mebane based on percentage of capacity usage, as noted above. The duration for the continuation of the agreement is 99 years. The City of Mebane has agreed to pay the City of Graham \$2,682,464 for this capacity usage. The amount is to be paid in twenty annual installments of \$200,000 (payments 1-5), \$150,000 (payments 6-10), \$100,000 (payments 11-15), and \$86,493 (payments 16-20) with the first payment due July 10, 2017. No interest is included in the agreement. The balance of the payable as of June 30, 2020 was \$2,082,464.

VIII. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

IX. Significant Effects of Subsequent Events

Subsequent Events

In accordance with ASC 855, the City evaluated subsequent events through December 10, 2020, the date the financial statements were available to be issued. Except as noted above, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

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

Local Government Employees' Retirement System

	2020	2019	2018	2017	2016
Graham's proportion of the net pension liability (asset) (%)	0.11%	0.11%	0.11%	0.11%	0.11%
Graham's proportion of the net pension liability (asset) (\$)	\$ 3,025,315	\$ 2,514,920	\$ 1,679,121	\$ 2,289,787	\$ 496,232
Graham's covered-employee payroll	\$ 6,712,152	\$ 6,336,890	\$ 6,087,820	\$ 5,910,245	\$ 5,842,839
Graham's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	45.07%	39.69%	27.58%	38.74%	8.49%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	99.07%
	2015	2014			
Graham's proportion of the net pension liability (asset) (%)	-0.11%	0.10%			
Graham's proportion of the net pension liability (asset) (\$)	\$ (641,762)	\$ 1,252,394			
Graham's covered-employee payroll	\$ 5,419,403	\$ 5,052,789			
Graham's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-11.84%	24.79%			
Plan fiduciary net position as a percentage of the total pension liability**	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.

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

Local Government Employees' Retirement System

	2020	2019	2018	2017	2016
Contractually required contribution	\$ 532,416	\$ 462,401	\$ 452,142	\$ 394,126	\$ 395,212
Contributions in relation to the contractually required contribution	535,383	490,017	452,142	394,126	395,212
Contribution deficiency (excess)	\$ (2,967)	\$ (27,616)	\$ -	\$ -	\$ -
Graham's covered-employee payroll	6,951,557	6,712,152	6,336,890	6,087,820	5,910,245
Contributions as a percentage of covered-employee payroll	7.70%	7.30%	7.14%	6.47%	6.69%

	2015	2014
Contractually required contribution	\$ 399,955	\$ 386,609
Contributions in relation to the contractually required contribution	399,955	386,609
Contribution deficiency (excess)	\$ -	\$ -
Graham's covered-employee payroll	5,842,839	5,419,403
Contributions as a percentage of covered-employee payroll	6.85%	7.13%

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

Firefighters' and Rescue Squad Workers' Pension

	2020	2019	2018	2017	2016
Graham's proportionate share of the net pension liability (%)	0.00%	0.00%	0.00%	0.00%	0.00%
Graham's proportionate share of the net pension liability (\$)	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with City of Graham	21,264	23,012	21,716	14,435	26,974
Total	\$ 21,264	\$ 23,012	\$ 21,716	\$ 14,435	\$ 26,974
Graham's covered-employee payroll	\$ 602,227	\$ 548,192	\$ 549,785	\$ 499,649	\$ 495,512
Graham's proportionate share of the net pension liability as a percentage of its covered-employee payroll	3.53%	4.20%	3.95%	2.89%	5.44%
Plan fiduciary net position as a percentage of the total pension liability	89.69%	89.35%	84.94%	91.40%	93.42%

* The amounts presented are for the prior fiscal year.

	2015
Graham's proportionate share of the net pension liability (%)	0.00%
Graham's proportionate share of the net pension liability (\$)	\$ -
State's proportionate share of the net pension liability associated with City of Graham	21,417
Total	\$ 21,417
Graham's covered-employee payroll	\$ 480,564
Graham's proportionate share of the net pension liability as a percentage of its covered-employee payroll	4.46%
Plan fiduciary net position as a percentage of the total pension liability	92.76%

* The amounts presented are for the prior fiscal year.

City of Graham
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2020

	2020	2019	2018	2017
Beginning balance	\$ 1,050,974	\$ 986,337	\$ 849,793	\$ 806,147
Service Cost	59,890	59,277	50,189	54,233
Interest on the total pension liability	37,522	30,865	32,553	28,550
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	35,355	44,821	(3,725)	-
Changes of assumptions or other inputs	43,523	(51,132)	70,408	(26,256)
Benefit payments	(40,284)	(19,194)	(12,881)	(12,881)
Other changes	-	-	-	-
Ending balance of the total pension liability	<u>\$ 1,186,980</u>	<u>\$ 1,050,974</u>	<u>\$ 986,337</u>	<u>\$ 849,793</u>

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

City of Graham
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2020

	2020		2019		2018		2017
Total pension liability	\$ 1,186,980	\$	1,050,974	\$	986,337	\$	849,793
Covered payroll	2,239,931		1,995,372		1,918,587		2,067,710
Total pension liability as a percentage of covered payroll	52.99%		52.67%		51.41%		41.10%

Notes to the schedules:

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

City of Graham, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2020

Total OPEB Liability	2020	2019	2018
Service Cost	\$ 353,985	\$ 378,993	\$ 435,666
Interest	470,819	429,020	385,062
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(444,812)	7,864	28,616
Changes of assumptions	62,699	(733,993)	(1,327,657)
Benefit payments	206,024	(261,123)	(265,857)
Net change in total OPEB liability	648,715	(179,239)	(744,170)
Total OPEB liability - beginning	12,001,297	12,180,536	12,924,706
Total OPEB liability - ending	\$ 12,650,012	\$ 12,001,297	\$ 12,180,536
Covered Payroll	\$ 3,831,598	\$ 4,540,717	\$ 4,540,717
Total OPEB Liability as a percentage of covered payroll	330.15%	264.30%	268.25%

Notes to Schedule

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

<u>Fiscal year</u>	<u>Rate</u>
2020	3.50%
2019	3.89%
2018	3.56%

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City of Graham, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For The Fiscal Year Ended June 30, 2020
With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2019

Statement 1
1 of 12

	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Ad valorem taxes				
Current taxes	\$ 4,841,000	\$ 4,999,705	\$ 158,705	\$ 4,831,280
Prior year taxes	45,000	63,723	18,723	77,004
Vehicle taxes	490,600	612,782	122,182	575,213
Tax cost and interest	23,000	19,378	(3,622)	27,081
Total	5,399,600	5,695,588	295,988	5,510,578
Other taxes and licenses				
Privilege license	100	640	540	805
Total	100	640	540	805
Unrestricted intergovernmental				
Payment in lieu of taxes	26,500	33,421	6,921	35,847
Local option sales tax	3,782,500	3,944,116	161,616	3,868,517
Telecommunications sales tax	-	147,686	147,686	176,371
Piped natural gas sales tax	-	50,243	50,243	61,891
Utilities sales tax	975,000	637,371	(337,629)	650,691
Video franchise fee	-	87,548	87,548	90,146
Beer and wine tax	62,500	65,101	2,601	64,644
ABC profit distribution	80,000	93,708	13,708	118,474
Solid waste disposal tax	9,000	11,454	2,454	11,115
Storm water fee	125,000	128,713	3,713	127,794
Total	5,060,500	5,199,361	138,861	5,205,490
Restricted intergovernmental				
Powell Bill allocation	390,000	393,270	3,270	393,558
School Resource Officer	110,000	135,000	25,000	111,303
Federal drug monies	70,100	40,004	(30,096)	55,298
State drug monies	10,100	-	(10,100)	11,974
Miscellaneous Community grants	1,000	66,397	65,397	76,070
ABC revenue for law enforcement	-	34,278	34,278	30,731
On-behalf of payments - Fire	-	28,726	28,726	25,559
Total	581,200	697,675	116,475	704,493
Permits and fees				
Development fees	1,000	4,475	3,475	4,475
Building permits and inspection fees	130,000	292,382	162,382	335,862
Total	131,000	296,857	165,857	340,337

City of Graham, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For The Fiscal Year Ended June 30, 2020
With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2019

Statement 1
2 of 12

	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Sales and services				
Refuse collection fees	\$ 358,000	\$ 392,676	\$ 34,676	\$ 332,025
Cemetery fees	42,000	58,975	16,975	48,180
Recreation Department fees	119,000	96,145	(22,855)	152,324
Recreation-Graham Mebane Lake	121,000	107,283	(13,717)	93,858
Rent on city properties	30,000	28,511	(1,489)	30,076
Total	670,000	683,590	13,590	656,463
Investment earnings				
Interest on investments	87,000	93,011	6,011	105,713
Federal drug monies - interest	-	2,024	2,024	2,520
State drug monies - interest	-	1	1	21
Total	87,000	95,036	8,036	108,254
Miscellaneous				
Other	50,000	59,098	9,098	67,176
ABC revenue	-	36,131	36,131	34,526
Recycling/surplus proceeds	20,100	575	(19,525)	279,233
NCCP	305,000	340,749	35,749	292,543
Police Donations / Contributions	35,000	12,266	(22,734)	59,225
Recreation donations	1,000	14,006	13,006	29,967
Court costs and fines	15,000	16,992	1,992	20,345
Sports Hall of Fame	-	-	-	845
Alarms	2,000	3,850	1,850	3,850
Insurance proceeds	1,000	12,583	11,583	18,119
Total	429,100	496,250	67,150	805,829
Total revenues	12,358,500	13,164,997	806,497	13,332,249
Expenditures:				
General government				
Governing Body				
Salaries	31,700	31,376	324	30,760
Professional services	2,000	3,031	(1,031)	650
Travel	5,000	1,836	3,164	2,108
Supplies and materials	500	7	493	2,886
FICA	2,500	2,400	100	2,442
Miscellaneous	14,000	12,591	1,409	3,521
Total	55,700	51,241	4,459	42,367

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	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Administration				
Salaries	\$ 451,000	\$ 440,796	\$ 10,204	\$ 497,138
Professional services	52,000	55,616	(3,616)	106,778
FICA	28,300	31,934	(3,634)	32,329
Group insurance	253,500	257,744	(4,244)	243,771
Retirement	38,200	39,144	(944)	31,049
Longevity pay	10,100	9,969	131	9,463
Telephone and postage	5,000	6,120	(1,120)	6,170
Vehicle tax administration fee	-	20,823	(20,823)	19,423
Travel	5,000	2,917	2,083	2,217
Maintenance and repairs-vehicles	500	61	439	599
Vehicle and equipment fuel	100	51	49	35
Advertising	500	153	347	530
Dues and subscriptions	12,000	11,714	286	11,278
Insurance and bonds	210,000	193,416	16,584	205,293
Miscellaneous	33,500	29,152	4,348	37,291
Animal Shelter	118,000	118,145	(145)	103,369
Capital outlay - improvements	100	-	100	-
Contracted services	75,000	90,388	(15,388)	63,103
NCCP	225,000	146,864	78,136	29,449
Supplemental retirement	18,500	17,055	1,445	14,424
Supplies	2,500	2,318	182	1,787
Facade grant	15,000	12,700	2,300	15,000
Economic development	20,000	20,000	-	20,000
Total	1,573,800	1,507,080	66,720	1,450,496
Information Technologies				
Salaries	125,000	125,012	(12)	118,828
FICA	10,000	9,202	798	8,711
Group insurance	15,200	14,905	295	13,825
Unemployment expense	700	-	700	-
Retirement	11,300	11,403	(103)	9,359
Longevity pay	2,100	2,038	62	1,939
Telephone and postage	5,000	2,909	2,091	1,305
Travel	1,500	772	728	956
Maintenance and repairs - equipment	2,500	1,946	554	2,382
Supplies	1,000	734	266	851

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	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Contracted services	\$ 34,600	\$ 31,115	\$ 3,485	\$ 33,560
Dues and subscriptions	300	200	100	150
Miscellaneous	2,000	3,279	(1,279)	4,608
Capital outlay - equipment	27,000	7,795	19,205	55,230
Software maintenance	48,200	35,875	12,325	24,886
Small equipment purchase	56,000	69,260	(13,260)	43,960
Supplemental retirement	6,300	4,847	1,453	4,606
Total	348,700	321,292	27,408	325,156
Finance				
Salaries	218,000	208,381	9,619	228,853
FICA	17,000	15,007	1,993	17,901
Group insurance	22,700	22,373	327	21,896
Unemployment expense	800	-	800	-
Retirement	18,500	19,091	(591)	18,381
Longevity pay	7,000	6,804	196	10,353
Bank charges	22,000	11,322	10,678	12,354
Telephone and postage	10,000	5,874	4,126	6,825
Travel	2,000	735	1,265	1,492
Advertising	2,000	1,092	908	1,135
Supplies	7,000	6,797	203	4,979
Contracted services	6,000	4,180	1,820	3,499
Dues and subscriptions	100	1,509	(1,409)	355
Miscellaneous	1,100	11,917	(10,817)	9,231
Audit	36,500	36,500	-	35,750
Software maintenance	25,000	20,902	4,098	9,266
Maintenance & repairs-equipment	500	-	500	-
Small equipment purchase	500	-	500	661
Supplemental retirement	10,400	8,580	1,820	7,210
Total	407,100	381,064	26,036	390,141

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	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Public buildings				
Salaries	\$ 12,000	\$ 4,592	\$ 7,408	\$ 4,807
FICA	900	351	549	368
Retirement expense	-	(9)	9	-
Telephone and postage	100	-	100	-
Utilities	55,000	44,285	10,715	43,662
Maintenance and repairs	43,500	39,098	4,402	53,987
Vehicle and equipment fuel	1,000	311	689	336
Supplies and materials	12,000	11,701	299	15,002
Uniforms	500	144	356	555
Small equipment purchase	500	9,932	(9,432)	3,272
Capital outlay-other improvements	-	-	-	19,131
Total	125,500	110,405	15,095	141,120
City garage and warehouse				
Salaries	48,700	49,348	(648)	47,135
FICA	3,800	3,763	37	3,584
Group insurance	7,600	7,458	142	6,918
Unemployment expense	-	-	-	-
Retirement	4,400	4,687	(287)	3,866
Longevity pay	3,000	2,878	122	2,747
Telephone and postage	800	420	380	507
Utilities	6,000	4,352	1,648	4,808
Maintenance and repairs-building	3,000	1,500	1,500	2,000
Maintenance and repairs-equipment	5,000	913	4,087	18,109
Supplies	1,200	42	1,158	173
Miscellaneous	4,500	3,493	1,007	3,194
Small equipment purchases	1,000	-	1,000	-
Supplemental retirement	2,500	2,467	33	2,357
Capital outlay - equipment	-	-	-	-
Total	91,500	81,321	10,179	95,398
Total general government	2,602,300	2,452,403	149,897	2,444,678
Public safety				
Police department				
Salaries	2,355,000	2,361,677	(6,677)	2,281,030
Professional services	160,000	161,110	(1,110)	82,339
FICA	181,000	174,509	6,491	171,363
Group insurance	326,000	286,905	39,095	269,398

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	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Unemployment expense	\$ 10,000	\$ -	\$ 10,000	\$ -
Retirement	211,000	221,254	(10,254)	187,768
Longevity pay	61,000	59,213	1,787	59,181
Training	21,000	23,734	(2,734)	24,291
Telephone and postage	44,000	53,610	(9,610)	49,148
Utilities	28,000	23,774	4,226	23,214
Travel	15,000	10,078	4,922	11,628
Vehicle and equipment fuel	70,000	63,589	6,411	78,480
Maintenance and repairs - building	42,000	62,048	(20,048)	32,010
Maintenance and repairs - equipment	15,000	11,764	3,236	13,148
Maintenance and repairs - vehicles	78,000	79,063	(1,063)	100,168
Radio maintenance	34,700	34,546	154	2,452
Supplies and materials	16,500	14,167	2,333	26,222
Crime prevention	84,200	4,696	79,504	3,166
K-9 expense	14,000	16,218	(2,218)	8,130
Uniforms	28,000	57,405	(29,405)	37,400
Contracted services	76,000	59,097	16,903	52,985
Dues and subscriptions	2,500	2,619	(119)	2,706
Small equipment purchase	55,000	75,691	(20,691)	67,513
Miscellaneous	8,000	22,529	(14,529)	18,763
Capital outlay - equipment	133,000	147,908	(14,908)	177,894
Software maintenance and changes	50,000	44,436	5,564	18,179
Supplemental retirement	110,000	106,807	3,193	101,082
Total	4,228,900	4,178,447	50,453	3,899,658
Fire department				
Salaries	585,000	602,227	(17,227)	548,192
Professional fees	156,000	108,629	47,371	57,103
FICA	47,000	47,932	(932)	44,936
Group insurance	70,000	64,629	5,371	61,681
Unemployment expense	2,200	-	2,200	-
Retirement	45,000	46,159	(1,159)	39,742
Longevity pay	16,000	15,577	423	20,294
Training	4,000	3,247	753	762
Telephone and postage	9,900	10,727	(827)	8,241
Travel	4,000	3,268	732	1,091
Maintenance and repairs - equipment	10,000	8,180	1,820	7,944
Maintenance and repairs - vehicles	45,000	104,749	(59,749)	20,179
Radio maintenance	27,900	2,152	25,748	819
Firemen's fees	20,000	18,610	1,390	19,852
Firemen's pension fund	21,600	21,150	450	24,136

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With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2019

	2020		Variance	2019
	Budget	Actual	Positive (Negative)	Actual
Vehicle and equipment fuel	\$ 10,000	\$ 7,870	\$ 2,130	\$ 7,744
Supplies and materials	11,000	13,061	(2,061)	10,585
Hazmat equipment	1,500	422	1,078	176
Uniforms	48,000	38,913	9,087	149,058
Insurance - Firemen's Fraternal Fund	2,500	3,364	(864)	2,174
Dues and subscriptions	10,400	3,843	6,557	1,992
Miscellaneous fire prevention	2,000	2,379	(379)	1,429
Health and safety	2,500	4,991	(2,491)	2,297
Miscellaneous	1,000	2,403	(1,403)	2,648
Small equipment purchase	5,000	1,877	3,123	1,709
Capital outlay - equipment	-	-	-	20,040
Supplemental retirement	24,500	22,895	1,605	20,851
Police reserves	2,800	2,249	551	2,622
On-behalf payments	-	28,726	(28,726)	25,559
Total	1,184,800	1,190,229	(5,429)	1,103,856
Inspection - planning/zoning				
Salaries	340,000	328,031	11,969	315,488
Professional services	15,000	16,378	(1,378)	87,890
FICA	27,000	24,991	2,009	23,689
Group insurance	45,500	42,267	3,233	41,486
Unemployment expense	1,500	-	1,500	-
Retirement	28,500	29,594	(1,094)	24,475
Longevity pay	8,500	8,352	148	7,092
Telephone and postage	7,500	7,643	(143)	5,995
Travel	11,000	5,406	5,594	9,276
Maintenance and repairs - vehicles	2,500	3,761	(1,261)	2,836
Advertising	2,000	890	1,110	1,787
Vehicle and equipment fuel	2,000	1,639	361	1,970
Dues and subscriptions	2,000	1,076	924	1,194
Small equipment purchases	3,000	-	3,000	961
Capital outlay - equipment	-	-	-	33,781
Supplies and materials	4,500	12,437	(7,937)	2,195
Uniforms	1,500	1,208	292	1,620
Miscellaneous	2,500	1,888	612	900
Software maintenance and changes	7,000	4,883	2,117	2,800
Supplemental retirement	16,000	14,045	1,955	22,291
Total	527,500	504,489	23,011	587,726
Total public safety	5,941,200	5,873,165	68,035	5,591,240

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	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Transportation				
Traffic engineering				
Utilities	\$ 3,500	\$ 2,793	\$ 707	\$ 2,500
Supplies and materials	1,000	-	1,000	-
Small equipment purchases	1,000	-	1,000	-
Capital outlay - equipment	63,000	-	63,000	-
Contracted services	24,000	24,000	-	24,000
Total	92,500	26,793	65,707	26,500
Street				
Salaries	387,000	360,281	26,719	331,180
Professional services	65,500	5,536	59,964	15,314
Storm water	40,000	36,114	3,886	35,272
FICA	30,000	27,449	2,551	24,955
Group insurance	68,100	62,806	5,294	59,396
Unemployment expense	1,800	-	1,800	-
Retirement	35,000	33,097	1,903	26,288
Longevity pay	13,700	8,304	5,396	8,023
Telephone and postage	7,000	5,799	1,201	4,162
Utilities	3,000	9,826	(6,826)	2,506
Travel	4,500	-	4,500	-
Maintenance and repairs - buildings	3,500	3,030	470	1,515
Maintenance and repairs - equipment	4,000	-	4,000	988
Maintenance and repairs - vehicles	78,000	56,516	21,484	75,319
Radio maintenance	1,000	-	1,000	117
Vehicle and equipment fuel	35,000	14,228	20,772	23,879
Supplies and materials	18,000	17,854	146	15,122
Traffic control	6,000	13,365	(7,365)	2,667
Uniforms	6,500	6,658	(158)	6,218
Road repair materials	15,000	22,828	(7,828)	20,986
Sidewalk repairs	100,000	57,354	42,646	50,890
Snow and ice removal	18,000	-	18,000	12,273
Storm sewers	25,000	4,446	20,554	26,182
Street resurfacing	470,000	525,631	(55,631)	429,541
Right of ways	62,000	14,793	47,207	-
Dues and subscriptions	2,000	2,240	(240)	1,833
Miscellaneous	3,500	3,599	(99)	3,068
Contracted services	2,000	1,604	396	500
Small equipment purchases	10,000	22,733	(12,733)	5,442
Capital outlay - other improvements	16,000	-	16,000	-

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	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Capital outlay - equipment	\$ 160,000	\$ 132,124	\$ 27,876	\$ 13,975
Supplemental retirement	19,500	15,787	3,713	14,350
Street improvements	20,000	3,770	16,230	22,020
Total	1,730,600	1,467,772	262,828	1,233,981
Street lighting				
Utilities	130,000	88,304	41,696	89,561
Contracted services	2,000	-	2,000	1,943
Total	132,000	88,304	43,696	91,504
Total transportation	1,955,100	1,582,869	372,231	1,351,985
Environmental protection				
Sanitation				
Salaries	237,000	244,786	(7,786)	234,856
FICA	19,500	19,276	224	18,440
Group insurance	45,400	44,142	1,258	35,551
Unemployment expense	1,400	-	1,400	-
Retirement	21,300	22,963	(1,663)	19,014
Longevity pay	9,200	11,077	(1,877)	10,482
Telephone and postage	4,500	4,921	(421)	4,206
Maintenance and repairs - equipment	1,000	-	1,000	-
Maintenance and repairs - vehicles	100,000	105,958	(5,958)	93,926
Vehicle and equipment fuel	50,000	33,773	16,227	40,004
Supplies and materials	1,000	663	337	723
Tipping fees	180,000	179,381	619	168,446
Travel	200	-	200	-
Radio maintenance	500	-	500	-
Uniforms	4,000	4,138	(138)	2,943
Contracted services	108,000	75,134	32,866	74,002
Small equipment purchases	1,000	-	1,000	3,829
Capital outlay equipment	-	-	-	260,917
Miscellaneous	2,000	2,703	(703)	4,435
Rollout refuse	34,000	29,509	4,491	28,589
Supplemental retirement	12,600	9,918	2,682	10,047
Total environmental protection	832,600	788,342	44,258	1,010,410

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	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Culture and recreation				
Recreation				
Salaries	\$ 415,000	\$ 385,081	\$ 29,919	\$ 377,268
Professional services	12,000	366	11,634	32,125
FICA	33,000	29,033	3,967	29,196
Group insurance	38,000	37,829	171	33,425
Unemployment expense	1,400	-	1,400	-
Retirement	25,000	25,701	(701)	21,388
Longevity pay	7,400	7,234	166	7,724
Telephone and postage	19,800	13,515	6,285	14,241
Utilities	43,000	29,841	13,159	29,866
Travel	5,000	3,311	1,689	3,724
Maintenance and repairs - buildings	14,000	7,770	6,230	37,968
Maintenance and repairs - equipment	6,000	16,177	(10,177)	14,162
Maintenance and repairs - vehicles	4,200	2,242	1,958	6,574
Contracted personnel	22,000	14,202	7,798	19,448
Vehicle and equipment fuel	3,000	1,125	1,875	1,931
Supplies and materials	8,000	8,639	(639)	8,798
City sidewalk expenditures	-	-	-	-
Uniforms	1,500	162	1,338	736
Uniforms/Equipment from donations	4,000	992	3,008	3,991
Contracted services	28,000	22,153	5,847	25,427
Dues and subscriptions	7,600	9,223	(1,623)	6,580
Miscellaneous	10,000	11,195	(1,195)	11,540
Athletics programs	18,000	6,703	11,297	14,738
Hall of fame	500	102	398	9,411
Other programs	66,400	55,934	10,466	63,789
Concessions	8,000	3,106	4,894	4,455
Small equipment purchases	13,500	21,303	(7,803)	18,164
Capital outlay - other improvements	28,000	-	28,000	20,000
Advertising	6,000	5,650	350	6,005
Supplemental retirement	14,000	12,722	1,278	13,116
Capital outlay - equipment	58,000	79,037	(21,037)	7,155
Total	920,300	810,348	109,952	842,945

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	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Graham-Mebane Lake				
Salaries	\$ 91,000	\$ 94,539	\$ (3,539)	\$ 83,943
FICA	8,000	7,303	697	6,488
Group insurance	7,600	7,447	153	6,907
Professional services	8,100	6,462	1,638	-
Unemployment expense	700	-	700	-
Retirement expense	3,900	4,057	(157)	3,304
Longevity pay	1,100	1,067	33	1,015
Telephone and postage	4,000	3,021	979	2,829
Utilities	4,000	3,833	167	3,001
Travel	1,000	416	584	399
Maintenance and repairs - buildings	10,000	7,680	2,320	125
Maintenance and repairs - equipment	1,000	571	429	406
Maintenance and repairs - vehicles	1,000	1,171	(171)	701
Vehicle and equipment fuel	1,000	624	376	701
Other programs	2,500	15	2,485	566
Supplies and materials	9,800	11,440	(1,640)	10,474
Uniforms	800	715	85	28
Contracted services	2,000	598	1,402	1,157
Dues and subscriptions	100	-	100	-
Miscellaneous expense	2,000	929	1,071	13,315
Small equipment purchases	5,200	4,361	839	7,535
Capital outlay - equipment	20,000	8,148	11,852	7,500
Supplemental retirement	2,200	2,186	14	2,072
Total	187,000	166,583	20,417	152,466
Property Maintenance				
Salaries	484,500	477,739	6,761	450,401
FICA	39,000	35,616	3,384	34,029
Group insurance	83,000	82,614	386	74,818
Unemployment expense	2,600	-	2,600	-
Retirement	37,500	40,215	(2,715)	32,484
Longevity pay	14,600	11,761	2,839	12,613
Telephone and postage	7,300	6,270	1,030	5,498
Utilities	36,800	26,105	10,695	24,533
Travel	2,900	2,538	362	513
Contract labor	6,000	68	5,932	-
Equipment rentals	4,000	1,727	2,273	623
Maintenance and repairs - buildings	28,000	9,073	18,927	21,514
Maintenance and repairs - equipment	66,000	56,376	9,624	69,515
Maintenance and repairs - grounds	45,000	36,058	8,942	38,880
Maintenance and repairs - vehicles	30,000	28,440	1,560	34,380

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	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Maintenance and repairs - lighting and fencing	\$ 8,500	\$ 6,647	\$ 1,853	\$ 7,152
Vehicle and equipment fuel	33,000	19,572	13,428	25,306
Supplies and materials	14,600	13,605	995	11,044
Uniforms	8,600	6,946	1,654	7,133
Dues and subscriptions	4,000	4,000	-	3,792
Miscellaneous	4,500	9,443	(4,943)	5,936
Small equipment purchases	9,000	14,315	(5,315)	11,737
Capital outlay - other improvements	70,000	76,307	(6,307)	52,329
Capital outlay - equipment	125,000	119,589	5,411	104,626
Supplemental retirement	21,600	21,199	401	17,583
Business beautification grant	15,000	6,500	8,500	15,000
Total	1,201,000	1,112,723	88,277	1,061,439
Total culture and recreation	2,308,300	2,089,654	218,646	2,056,850
Total expenditures	13,639,500	12,786,433	853,067	12,455,163
Revenues over (under) expenditures	(1,281,000)	378,564	1,659,564	877,086
Other financing sources (uses)				
Transfers:				
Governmental Capital Projects	-	28,141	28,141	-
Appropriated fund balance	1,281,000	-	(1,281,000)	-
Total	1,281,000	28,141	(1,252,859)	-
Net Change in Fund Balances	\$ -	406,705	\$ 406,705	877,086
Fund balances, beginning		11,045,267		10,168,181
Fund balances, ending		\$ 11,451,972		\$ 11,045,267

City of Graham, North Carolina
Combining Balance Sheets
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2020

Statement 2

	Graham Memorial Park	Graham Regional Park Playground	Jim Minor Road Park	Total Nonmajor Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 2,567,850	\$ (373,800)	\$ -	\$ 2,194,050
Accrued interest receivable	2,315	-	-	2,315
Accounts receivable, net	-	-	-	-
Due from other governments	2	373,800	-	373,802
	<hr/>			
Total assets	\$ 2,570,167	\$ -	\$ -	\$ 2,570,167
	<hr/>			

LIABILITIES AND FUND BALANCES

Accounts payable and accrued liabilities	\$ 62,787	\$ -	\$ -	\$ 62,787
Fund balances:				
Reserved for subsequent years' expenditures	2,507,380	-	-	2,507,380
	<hr/>			
Total liabilities and fund balances	\$ 2,570,167	\$ -	\$ -	\$ 2,570,167
	<hr/>			

City of Graham, North Carolina
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2020

Statement 3

	Graham Memorial Park	Graham Regional Park Playground	Jim Minor Road Park	Total Nonmajor Governmental Funds
<u>REVENUES</u>				
Restricted intergovernmental revenues:				
Investment earnings	\$ 23,768	\$ -	\$ -	\$ 23,768
Lot sales	42,400	-	-	42,400
Restricted intergovernmental	-	185,731	-	185,731
Total revenues	66,168	185,731	-	251,899
Expenditures				
Capital outlay	63,265	-	-	63,265
Construction costs	-	185,731	-	185,731
Professional services	-	-	-	-
Total expenditures	63,265	185,731	-	248,996
Other financing sources:				
Transfer (to) from General Fund	-	-	(28,141)	(28,141)
Revenues over expenditures and other financing sources	2,903	-	(28,141)	(25,238)
Fund balance - beginning of year	2,504,477	-	28,141	2,532,618
Fund balance - end of year	\$ 2,507,380	\$ -	\$ -	\$ 2,507,380

City of Graham, North Carolina
Special Revenue Fund - Graham Memorial Park Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2020
With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2019

Statement 4

	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Sale of cemetery lots	\$ -	\$ 42,400	\$ 42,400	\$ 37,200
Investment earnings	64,000	23,768	(40,232)	41,253
Total revenues	64,000	66,168	2,168	78,453
Expenditures				
Small equipment purchases	-	-	-	-
Capital outlay improvements	64,000	63,265	735	-
Capital outlay equipment	-	-	-	64,483
Total expenditures	64,000	63,265	735	64,483
Revenues over expenditures	-	2,903	2,903	13,970
Other financing sources (uses)				
Appropriated fund balance	-	-	-	-
	-	-	-	-
Revenues and other sources over (under) expenditures	<u>\$ -</u>	2,903	<u>\$ 2,903</u>	13,970
Fund balance, beginning		2,504,477		2,490,507
Fund balance, ending		<u>\$ 2,507,380</u>		<u>\$ 2,504,477</u>

City of Graham, North Carolina
Capital Project Fund - Graham Regional Park Playground
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2020

Statement 5

	Project Authori- zation	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total To Date	
Expenditures					
Professsional Services	\$ 42,500	\$ 16,051	\$ -	\$ 16,051	\$ 26,449
Construction	775,000	522,018	185,731	707,749	67,251
Contingencies	32,500	-	-	-	32,500
Total	850,000	538,069	185,731	723,800	126,200
Other financing sources:					
Operating transfer from					
General Fund	350,000	350,000	-	350,000	-
Grant proceeds	500,000	188,069	185,731	373,800	(126,200)
	850,000	538,069	185,731	723,800	(126,200)
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			-		
Fund balance, ending			<u>\$ -</u>		

City of Graham, North Carolina
Capital Project Fund - Jim Minor Road Park
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2020

Statement 6

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

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

Statement 7
Page 1 of 6

With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2019

	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Charges for services				
Sewer surcharges	\$ 60,000	\$ 61,481	\$ 1,481	\$ 60,256
Water charges	2,925,000	2,931,668	6,668	2,910,308
Sewer charges	2,785,000	2,827,240	42,240	2,858,098
Mebane revenue	796,000	801,944	5,944	709,452
Total	6,566,000	6,622,333	56,333	6,538,114
Other operating revenues				
Sewer acreage & connection fees	-	81,589	81,589	313,773
Water acreage & connection fees	-	37,296	37,296	263,286
Plumbing permits and inspections	30,000	45,452	15,452	40,679
Water and sewer taps	2,500	19,597	17,097	11,325
Water and sewer assessments	100	-	(100)	10,283
Miscellaneous	8,000	20,445	12,445	14,683
Cut-offs	100,000	78,283	(21,717)	111,344
Total	140,600	282,662	142,062	765,373
Total operating revenues	6,706,600	6,904,995	198,395	7,303,487
Non-operating revenues				
Investment earnings	60,000	116,529	56,529	117,253
Sale / lease of property	27,000	27,600	600	27,925
NCCP	75,000	103,393	28,393	88,244
Swordfish Alamance County	100,000	100,000	-	100,000
Total non-operating revenues	262,000	347,522	85,522	333,422
Total revenues	6,968,600	7,252,517	283,917	7,636,909
Expenditures:				
Water billing and metering				
Salaries	230,000	181,796	48,204	159,937
ADM Water bill and meter	-	18,789	(18,789)	-
Professional services	500	-	500	-
FICA	16,000	12,834	3,166	12,139
Group insurance	38,000	23,575	14,425	27,663
Unemployment expense	500	-	500	-
Retirement	19,000	15,521	3,479	12,626
Longevity pay	5,100	5,015	85	3,560
Bank charges	45,000	69,890	(24,890)	59,490
Telephone and postage	35,000	35,517	(517)	32,533
Travel	1,000	-	1,000	1,125

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

Statement 7
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With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2019

	2020			2019
			Variance Positive (Negative)	
	Budget	Actual		Actual
Maintenance and repairs - vehicles	\$ 2,500	\$ 2,977	\$ (477)	\$ 1,625
Maintenance and repairs-equipment	1,000	-	1,000	-
Vehicle and equipment fuel	2,500	1,746	754	2,216
Supplies and materials	4,000	999	3,001	1,691
Uniforms	600	425	175	334
Contract services	20,000	17,140	2,860	15,390
Dues and subscriptions	10,000	9,859	141	9,785
Small equipment	2,000	-	2,000	975
Miscellaneous	1,500	1,203	297	485
Software maintenance and charges	26,000	34,146	(8,146)	38,671
Bad debt expense	-	2,131	(2,131)	1,104
Supplemental retirement	10,000	8,396	1,604	7,970
Total	470,200	441,959	28,241	389,319
Water distribution				
Salaries	369,000	354,144	14,856	328,692
FICA	29,000	26,808	2,192	24,757
Group insurance	76,000	72,703	3,297	65,734
Unemployment expense	2,200	-	2,200	-
Retirement	33,000	32,348	652	25,832
Longevity pay	6,600	6,248	352	5,553
Telephone and postage	6,500	7,873	(1,373)	4,405
Utilities	10,500	9,135	1,365	10,547
Travel	5,000	5,947	(947)	(240)
Maintenance and repairs - equipment	30,000	15,767	14,233	19,961
Maintenance and repairs - vehicles	15,000	17,849	(2,849)	18,966
Vehicle and equipment fuel	17,000	10,493	6,507	14,245
Supplies and materials	150,000	150,439	(439)	109,770
Uniforms	7,000	7,953	(953)	6,075
Contracted services	300,000	278,311	21,689	338,294
Dues and subscriptions	6,500	4,191	2,309	3,531
Miscellaneous	4,500	84,016	(79,516)	8,536
Meters, valves, hydrants	400,000	351,390	48,610	351,702
Small tools and equipment	8,000	-	8,000	7,619
Supplemental retirement	17,000	13,153	3,847	10,487
Total	1,492,800	1,448,768	44,032	1,354,466

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

Statement 7
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With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2019

	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Sewer mains				
Salaries	\$ 47,000	\$ 45,261	\$ 1,739	\$ 31,741
FICA	4,000	3,465	535	2,348
Group insurance	7,500	-	7,500	122
Professional services	67,000	36,898	30,102	20,000
Retirement	4,500	4,262	238	2,377
Longevity pay	2,300	2,234	66	1,043
Telephone and postage	6,000	4,912	1,088	4,997
Utilities	22,000	19,340	2,660	20,723
Travel	1,000	580	420	580
Maintenance and repairs - buildings	25,000	1,425	23,575	-
Maintenance and repairs - equipment	40,000	55,956	(15,956)	8,389
Maintenance and repairs - vehicles	4,000	3,810	190	2,483
Vehicle and equipment fuel	3,000	2,867	133	2,524
Supplies and materials	1,500	366	1,134	1,865
Uniforms	1,500	1,271	229	1,795
Contracted services	8,500	4,738	3,762	4,725
Miscellaneous	2,500	-	2,500	-
Small equipment purchase	2,500	27,438	(24,938)	16,428
Supplemental retirement	2,300	797	1,503	593
Total	252,100	215,620	36,480	122,733
Water Treatment Plant				
Salaries	465,000	452,900	12,100	458,508
Professional services	50,000	20,808	29,192	12,828
FICA	39,000	35,969	3,031	35,217
Group insurance	69,000	66,421	2,579	62,463
Unemployment expense	2,100	-	2,100	-
Retirement	42,000	42,010	(10)	36,622
Longevity pay	15,300	15,157	143	14,033
Telephone and postage	8,300	6,824	1,476	7,185
Utilities	210,000	206,372	3,628	200,003
Travel	4,500	818	3,682	4,964
Maintenance and repairs - buildings and grounds	22,000	18,432	3,568	17,848
Maintenance and repairs - equipment	45,000	32,609	12,391	25,688
Maintenance and repairs - vehicles	4,000	636	3,364	1,404

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

Statement 7
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With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2019

	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Vehicle and equipment fuel	\$ 3,000	\$ 1,466	\$ 1,534	\$ 1,691
Supplies and materials	550,000	587,732	(37,732)	505,507
Uniforms	3,000	1,449	1,551	1,946
Lab expense	45,000	33,875	11,125	29,914
Contract services	75,000	50,071	24,929	59,322
Dues and subscriptions	9,000	8,576	424	8,474
Small equipment	20,000	(15,334)	35,334	7,834
Miscellaneous	3,000	747	2,253	410
Supplemental retirement	23,000	21,164	1,836	21,751
Total	1,707,200	1,588,702	118,498	1,513,612
Waste Water Treatment Plant				
Salaries	501,000	476,936	24,064	462,601
Professional services	25,000	14,124	10,876	79,500
FICA	39,000	36,222	2,778	35,212
Group insurance	84,000	74,557	9,443	72,827
Unemployment expense	2,300	-	2,300	-
Retirement	45,000	44,047	953	36,221
Longevity pay	17,000	16,772	228	15,581
Telephone and postage	6,000	9,381	(3,381)	6,687
Utilities	155,000	133,959	21,041	142,714
Travel	4,000	1,946	2,054	2,581
Maintenance and repairs - buildings	22,000	19,869	2,131	47,272
Maintenance and repairs - equipment	75,000	60,068	14,932	18,995
Maintenance and repairs - vehicles	8,000	15,117	(7,117)	28,430
Vehicle and equipment fuel	12,000	6,892	5,108	10,539
Supplies and materials	160,000	228,841	(68,841)	150,533
Uniforms	4,000	2,097	1,903	2,060
Lab expense	50,000	50,220	(220)	50,707
Contracted services	34,000	35,392	(1,392)	31,548
Sewer treatment	450,000	429,480	20,520	425,253
Dues and subscriptions	18,000	13,090	4,910	13,369
Miscellaneous	3,000	640	2,360	767
Bad debt expense	-	18,594	(18,594)	1,765
Small equipment purchase	18,000	5,236	12,764	11,382
Supplemental retirement	25,000	20,327	4,673	18,949
Total	1,757,300	1,713,807	43,493	1,665,493

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

Statement 7
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With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2019

	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Non-departmental				
Professional services	\$ 135,000	\$ 119,206	\$ 15,794	\$ 175,696
Group Insurance	71,400	62,934	8,466	66,869
Water - Burlington	5,000	-	5,000	-
Contracted Services	28,500	64,694	(36,194)	36,791
NCCP revenue sharing payment	-	11,100	(11,100)	-
Insurance and bonds	100,000	84,036	15,964	88,469
Small equipment purchase	25,000	18,039	6,961	20,231
Miscellaneous	8,000	9,146	(1,146)	5,352
Total	372,900	369,155	3,745	393,408
Debt service				
Interest	109,000	108,689	311	124,335
Debt principal	540,000	539,800	200	531,800
Total	649,000	648,489	511	656,135
Capital outlay - equipment & improvements				
Water distribution improvements	280,000	247,814	32,186	-
Water distribution equipment	110,000	101,615	8,385	202,941
Sewer mains	40,000	-	40,000	53,556
Water Treatment Plant improvements	215,000	149,480	65,520	64,899
Water Treatment Plant equipment	45,000	39,137	5,863	35,591
Waste Water Plant improvements	80,000	36,700	43,300	177,459
Waste Water Treatment Plant	273,500	185,100	88,400	33,742
Total	1,043,500	759,846	283,654	568,188
Total expenditures	7,745,000	7,186,346	558,654	6,663,354
Revenues over (under) expenditures	(776,400)	66,171	842,571	973,555

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

Statement 7
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With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2019

	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Other financing sources (uses)				
Fund balance appropriated	\$ 448,400	\$ -	\$ (448,400)	\$ -
Mebane WTP Capital Contribution	127,000	127,403	403	127,403
Mebane WWTP Payment	200,000	200,000	-	200,000
Transfer	-	(134,885)	(134,885)	(623,059)
Sale of surplus property	1,000	1,636	636	-
Total	776,400	194,154	(582,246)	(295,656)
Revenues and other sources (uses)				
over expenditures	<u>\$ -</u>	260,325	<u>\$ 260,325</u>	677,899
Reconciling items:				
Payment of debt principal		539,800		531,800
Principal payments received		(327,403)		(327,403)
Capital outlay		759,846		568,188
(Increase) decrease in accrued vacation pay		(27,145)		(20,055)
Increase (decrease) in deferred outflows of resources				
-OPEB		14,607		6,972
(Increase) decrease in deferred inflows of resources				
-OPEB		(12,917)		(87,560)
(Increase) decrease in accrued OPEB liability		(133,425)		36,355
(Increase) decrease in interest expense accrual		5,479		5,362
(Increase) decrease in net pension liability		(102,079)		(167,160)
(Increase) decrease in deferred inflows of resources				
-pensions		11,312		(2,031)
Increase (decrease) in deferred outflows of resources		(41,106)		139,695
- pensions				
Water and sewer assessments		4,878		4,878
Proceeds on sale of property		(1,636)		-
Gain (loss) on disposal of assets		1,636		(12,220)
Capital contributions		-		-
Depreciation and amortization		(1,002,894)		(982,102)
Water and Sewer Capital Reserve Fund revenue		118,885		577,059
Income from Capital Project Fund		68,194		-
Transfer to Water and Sewer Capital Projects Fund		16,000		46,000
Total reconciling items		(107,968)		317,778
Change in Net Position		<u>\$ 152,357</u>		<u>\$ 995,677</u>

City of Graham, North Carolina
Capital Reserve Fund - System Development Fees
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2020
With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2019

Statement 8

	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Expenditures				
Capital outlay improvements	\$ -	\$ -	\$ -	\$ -
Capital outlay equipment	-	-	-	-
Total Expenditures	-	-	-	-
Revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Transfer to Water and Sewer Fund	-	-	-	-
Transfer from Water and Sewer Fund	-	118,885	118,885	577,059
Revenues and other sources over (under) expenditures	<u>\$ -</u>	118,885	<u>\$ 118,885</u>	
Fund balance, beginning		<u>577,059</u>		<u>-</u>
Fund balance, ending		<u>\$ 695,944</u>		<u>\$ 577,059</u>

CITY OF GRAHAM, NORTH CAROLINA
Boyd Creek Pump Station Capital Project
Schedule of Revenues and Expenditures - Budget and Actual (Non GAAP)
From Inception and For the Fiscal Year Ended June 30, 2020

Statement 9

	Project	Actual			Variance
	Authori- zation	Prior Year	Current Year	Total To Date	Positive (Negative)
Expenditures					
Professional services	\$ 220,000	\$ 249,361	\$ 11,930	\$ 261,291	\$ (41,291)
Construction	430,000	392,991	-	392,991	37,009
Lift station construction	3,250,000	-	-	-	3,250,000
Loan fees	62,000	-	61,938	61,938	62
Total	3,962,000	642,352	73,868	716,220	3,245,780
Other financing sources:					
Operating transfer from					
Water and Sewer Fund	712,000	696,000	16,000	712,000	-
Grant proceeds	612,500	-	4,220	4,220	(608,280)
Loan proceeds	2,637,500	-	-	-	(2,637,500)
	3,962,000	696,000	20,220	716,220	(3,245,780)
Net change in fund balance	\$ -	\$ 53,648	\$ (53,648)	\$ -	\$ -

City of Graham, North Carolina
Internal Service Fund - Garage Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
For The Fiscal Year Ended June 30, 2020

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With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2019

	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Operating revenues				
Charges for services				
Alamance County - maintenance	\$ 198,000	\$ 136,060	\$ (61,940)	\$ 180,079
City of Graham	703,800	483,975	(219,825)	640,150
Graham Housing Authority	13,700	14,827	1,127	13,145
ACTA vehicles	-	-	-	15,557
Green Level	16,600	14,567	(2,033)	16,988
ABC vehicles	2,800	3,072	272	3,302
Sale of surplus property	-	-	-	-
Miscellaneous income	100	349	249	-
Total	935,000	652,850	(282,150)	869,221
Total operating revenues	935,000	652,850	(282,150)	869,221
Non-operating revenues				
Investment earnings	600	2,143	1,543	2,404
Total non-operating revenues	600	2,143	1,543	2,404
Total revenues	935,600	654,993	(280,607)	871,625
Expenditures:				
Operations				
Salaries	125,000	121,889	3,111	126,782
FICA	9,500	9,537	(37)	9,850
Group insurance	15,200	15,661	(461)	13,825
Dental insurance	1,000	40	960	84
Unemployment expense	600	-	600	-
Retirement	9,800	10,010	(210)	8,452
Longevity pay	4,300	4,074	226	3,273
Depreciation	3,600	328	3,272	-
Telephone and postage	-	4,368	(4,368)	3,911
Utilities	3,500	2,748	752	3,013
Travel	500	-	500	-
Maintenance and repairs - equipment	3,500	2,459	1,041	2,899
Maintenance and repairs - vehicles	3,500	277	3,223	491
Vehicle and equipment fuel	1,600	616	984	842
Supplies and materials	3,500	1,349	2,151	1,616

City of Graham, North Carolina
Internal Service Fund - Garage Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
For The Fiscal Year Ended June 30, 2020

Statement 10
Page 2 of 2

With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2019

	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Uniforms	\$ 3,800	\$ 3,076	\$ 724	\$ 3,675
Dues and subscriptions	6,200	4,540	1,660	5,612
Miscellaneous	3,500	4,048	(548)	3,238
Purchases for inventory	725,000	516,418	208,582	661,797
Supplemental retirement	5,500	5,369	131	5,287
Capital outlay - small tools	6,500	2,926	3,574	-
Total	935,600	709,733	225,867	854,647
Capital outlay	-	-	-	8,190
Total expenditures	935,600	709,733	225,867	862,837
Revenues over (under) expenditures	-	(54,740)	(54,740)	8,788
Other financing sources (uses)				
Fund balance appropriated	-	-	-	-
Revenues and other sources (uses) over expenditures	<u>\$ -</u>	<u>(54,740)</u>	<u>\$ (54,740)</u>	<u>8,788</u>
Reconciling items:				
Capital outlay		-		8,190
Depreciation		(7,410)		(6,825)
Loss on disposal of assets		-		-
Increase in deferred outflows of resources - pensions		(4,111)		13,969
(Increase) decrease in net pension liability		(10,208)		(16,716)
(Increase) decrease in deferred inflows of resources - pensions		1,131		(203)
Increase (decrease) in deferred outflows of resources -OPEB		770		891
(Increase) decrease in deferred inflows of resources -OPEB		(1,042)		(7,714)
(Increase) decrease in OPEB Liability		(10,763)		3,203
(Increase) decrease in accrued vacation pay		(3,299)		(1,940)
Total reconciling items		<u>(34,932)</u>		<u>(7,145)</u>
Change in Net Position		<u>\$ (89,672)</u>		<u>\$ 1,643</u>

City of Graham, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2020

Statement 11

Fiscal Year	Uncollected Balance June 30, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2019-2020	\$	\$ 5,721,271	\$ 5,597,365	\$ 123,906
2018-2019	83,240	-	44,102	39,138
2017-2018	29,061	-	9,827	19,234
2016-2017	20,650	-	3,893	16,757
2015-2016	15,531	-	2,520	13,011
2014-2015	11,754	-	1,061	10,693
2013-2014	14,826	-	1,589	13,237
2012-2013	15,685	-	1,027	14,658
2011-2012	13,570	-	854	12,716
2010-2011	10,684	-	672	10,012
2009-2010	11,841	-	11,841	-
	<u>\$ 226,842</u>	<u>\$ 5,721,271</u>	<u>\$ 5,674,751</u>	273,362

Less: Allowance for uncollectible accounts (General Fund)

38,375

Ad valorem taxes receivable - net

\$ 234,987

Reconciliation with revenues:

Ad valorem taxes - General Fund

\$ 5,695,588

Reconciling items:

Tax cost and interest

(26,554)

Amounts written off for tax year 2009-2010

per statute of limitations

11,841

Refunds and other adjustments - net

(6,124)

Subtotal

(20,837)

Total collections and credits

\$ 5,674,751

City of Graham, North Carolina
Analysis of Current Tax Levy
City-Wide Levy
For The Fiscal Year Ended June 30, 2020

Statement 12

	City-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 1,274,148,008	\$ 0.455	\$ 5,797,375	\$ 5,188,001	\$ 609,374
Penalties	-		-	-	-
Total	1,274,148,008		5,797,375	5,188,001	609,374
Discoveries	3,543,130		16,121	16,121	-
			5,813,496	5,204,122	609,374
Abatements	(20,275,367)		(92,225)	(92,225)	-
Total property valuation	<u>\$ 1,257,415,771</u>				
Net levy			5,721,271	5,111,897	609,374
Uncollected taxes at June 30, 2020			(123,906)	(120,236)	(3,670)
Current year's taxes collected			<u>\$ 5,597,365</u>	<u>\$ 4,991,661</u>	<u>\$ 605,704</u>
Current levy collection percentage			<u>97.83%</u>	<u>97.65%</u>	<u>99.40%</u>
<u>Secondary Market Disclosures:</u>					
Assessed Valuation:			Total		
Assessment Ratio ¹			100%		
Real Property			\$ 965,113,338	\$ 965,113,338	\$ -
Personal Property			260,249,911	126,321,653	133,928,258
Public Service Companies ²			<u>32,058,924</u>	<u>32,058,924</u>	<u>-</u>
Total Assessed Valuation			1,257,422,173	1,123,493,915	133,928,258
Tax Rate per \$100			<u>0.455</u>	<u>0.455</u>	<u>0.455</u>
Levy (includes discoveries, releases and abatements)			<u>\$ 5,721,271</u>	<u>\$ 5,111,897</u>	<u>\$ 609,374</u>

¹ Percentage of appraised value has been established by statute.

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

**City of Graham, North Carolina
Ten Largest Taxpayers
For The Fiscal Year Ended June 30, 2020**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Percentage of Total Assessed Valuation</u>		
LIDL US Operations LLC	Manufacturing	\$	82,216,284	6.54%
LMCC, Waterside LLC	Real Estate Development		22,994,718	1.83%
ECO, Waterhouse LLC	Rental		19,353,027	1.54%
Indulor America LP	Manufacturing		17,952,343	1.43%
Duke Energy	Utilities		13,063,408	1.04%
Luxfer, Inc	Manufacturing		12,762,082	1.01%
Peak of Graham LLC	Healthcare		10,628,735	0.85%
Pines Apartments of Graham	Rental		9,409,857	0.75%
Sterigenics U.S. LLC	Sterilization Technologies		7,488,579	0.60%
Piedmont Natural Gas	Utilities		6,723,930	0.53%
		\$	202,592,963	16.11%



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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United State of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Graham, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprises the City of Graham's basic financial statements and have issued our report thereon dated December 10, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

STOUT STUART MCGOWEN & KINGS LLP

Burlington, North Carolina
December 10, 2020



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

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited City of Graham, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Graham's major state programs for the year ended June 30, 2020. The City of Graham's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the City of Graham complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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

STOUT STUART MCGOWEN & KING, LLP

Burlington, North Carolina
December 10, 2020

CITY OF GRAHAM, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2020

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X NoSignificant Deficiency(s) identified that are not
considered to be material weaknesses _____ Yes X None ReportedNoncompliance material to financial statements noted _____ Yes X NoState Awards

Internal control over major State programs:

Material weakness(es) identified? _____ Yes X NoSignificant Deficiency(s) identified that are not
considered to be material weaknesses _____ Yes X None ReportedType of auditor's report issued on compliance for
major State programs: UnmodifiedAny audit findings disclosed that are required to be
reported in accordance with State Single Audit
Implementation Act _____ Yes X No

Identification of major State Programs:

Program NamePowell Bill
Connect NC Bond Grant Program

CITY OF GRAHAM, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

Section II. Financial Statement Findings

None reported.

Section III. State Award Findings and Questioned Costs

None reported.

CITY OF GRAHAM, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2020

None Reported

CITY OF GRAHAM, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For The Year Ended June 30, 2020

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct and Pass-through) Expenditures	State Expenditures
Federal Grants:				
<u>U.S. Department of Transportation</u>				
<u>National Highway Traffic Safety Administration</u>				
Passed through N.C. Department of Transportation				
State and Community Highway Safety	20.600		12,266	
State Grants:				
<u>NC Division of Environmental Assistance and Customer Service</u>				
Community Waste Reduction and Recycling Grant	N/A	UNKNOWN	-	2,631
<u>N.C. Division of Parks and Recreation</u>				
Connect NC Bond Grant Program	N/A	UNKNOWN	-	373,800
<u>N.C. Department of Transportation</u>				
Powell Bill	N/A	UNKNOWN	-	393,270
<u>N.C. Department of Education</u>				
Passed through Alamance-Burlington School System				
School Resource Officer	N/A	UNKNOWN	-	135,000
Total assistance - State programs			-	904,701
Total assistance			\$ 12,266	\$ 904,701

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

1. The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the City of Graham under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Graham, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Graham.

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

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