

**TOWN OF GRANITE FALLS
NORTH CAROLINA**

ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 2020

TOWN OF GRANITE FALLS, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2020

Mayor

Barry Hayes

Town Council

Dr. Caryl B. Burns, Mayor Pro Tem

Larry Knight

Jim Mackie

Mike Mackie

Martin D. Townsend

Tracy Townsend

Town Manager

Jerry Church

Prepared by the Town of Granite Falls Finance Department

Finance Director

Jana Williams

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

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

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Town of Granite Falls, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Town of Granite Falls, North Carolina, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Granite Falls' basic financial statements. The individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2020 on our consideration of the Town of Granite Falls' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Granite Falls' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Granite Falls' internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 5, 2020

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Management's Discussion and Analysis

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

Financial Highlights

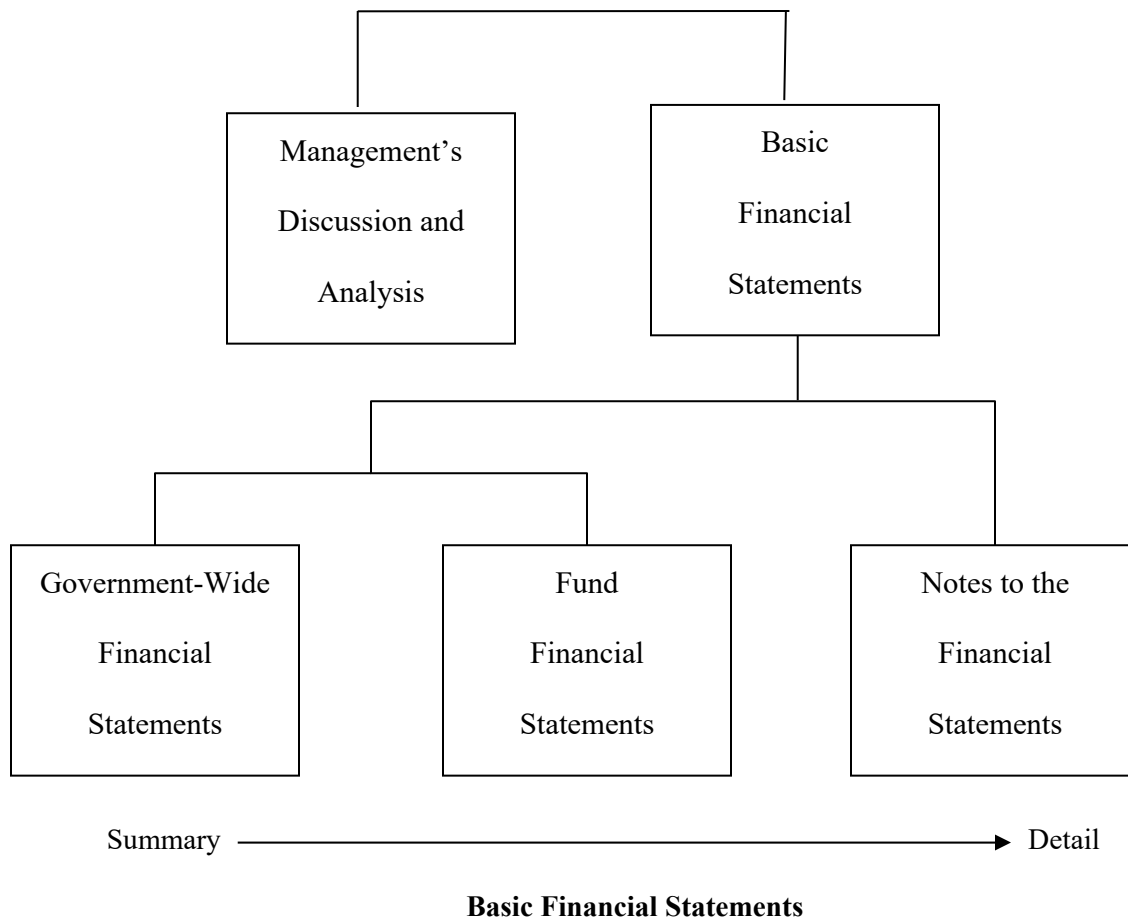
- The assets and deferred outflows of resources of the Town of Granite Falls exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$30,879,503 (*net position*).
- The government's total net position increased by \$1,186,466.
- At the close of the current fiscal year, the Town of Granite Falls' governmental funds reported combined ending fund balances of \$3,625,554, an increase of \$445,440 in comparison with the prior year. Approximately 8% of this total amount, or \$308,068, is restricted or non-spendable.
- At the end of the current fiscal year, available fund balance for the General Fund was \$3,334,656, or 88%, of total General Fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets:						
Current and other assets	\$ 3,846,074	\$ 3,385,595	\$ 8,982,560	\$ 8,023,917	\$ 12,828,634	\$ 11,409,512
Capital assets, net	6,023,125	5,866,045	16,935,702	17,353,159	22,958,827	23,219,204
Total assets	<u>9,869,199</u>	<u>9,251,640</u>	<u>25,918,262</u>	<u>25,377,076</u>	<u>35,787,461</u>	<u>34,628,716</u>
Deferred outflows of resources	<u>464,046</u>	<u>510,194</u>	<u>257,470</u>	<u>287,562</u>	<u>721,516</u>	<u>797,756</u>
Liabilities:						
Current liabilities	150,538	149,181	989,547	1,065,756	1,140,085	1,214,937
Other liabilities	1,296,431	1,250,280	3,122,712	3,198,385	4,419,143	4,448,665
Total liabilities	<u>1,446,969</u>	<u>1,399,461</u>	<u>4,112,259</u>	<u>4,264,141</u>	<u>5,559,228</u>	<u>5,663,602</u>
Deferred inflows of resources	<u>70,246</u>	<u>68,037</u>	<u>-</u>	<u>1,796</u>	<u>70,246</u>	<u>69,833</u>
Net Position:						
Net investment in capital assets	5,989,792	5,799,379	14,369,654	14,636,167	20,359,446	20,435,546
Restricted	308,068	576,953	-	-	308,068	576,953
Unrestricted	<u>2,518,170</u>	<u>1,918,004</u>	<u>7,693,819</u>	<u>6,762,534</u>	<u>10,211,989</u>	<u>8,680,538</u>
Total net position	<u>\$ 8,816,030</u>	<u>\$ 8,294,336</u>	<u>\$ 22,063,473</u>	<u>\$ 21,398,701</u>	<u>\$ 30,879,503</u>	<u>\$ 29,693,037</u>

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town of Granite Falls exceeded liabilities and deferred inflows of resources by \$30,879,503 as of June 30, 2020. The Town's net position increased by \$1,186,466 for the fiscal year ended June 30, 2020. The largest portion of net position (66%) reflects the Town's net investment in capital assets (e.g. land, buildings, and equipment). The Town of Granite Falls uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Granite Falls' investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Granite Falls' net position (1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$10,211,989 is unrestricted.

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

- Continued diligence in the collection of ad valorem property taxes.
- Expansion of sales tax collections and the property tax base by the opening of the following new businesses during fiscal 2020: Little Light Christian Bookstore, Woodlane Street Apartments, Chip Tech Inc., Millspec, and O'Reilly's Auto Parts.
- Utilization of the NC Debt Setoff program. Since its inception, the Town has received approximately \$186,956 in bad debt collections through this program.
- Continued aggressiveness in seeking grants to assist in funding capital projects, rate studies, and programs.
- Increased fees for services when necessary to better cover costs of providing services
- Fiscal responsibility by continuing to control spending.

Town of Granite Falls' Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 415,622	\$ 321,920	\$ 9,048,737	\$ 9,191,267	\$ 9,464,359	\$ 9,513,187
Operating grants and contributions	33,987	51,171	108,631	300,039	142,618	351,210
Capital grants and contributions	145,142	276,332	-	-	145,142	276,332
General revenues:						
Property taxes	1,943,322	1,946,994	-	-	1,943,322	1,946,994
Other taxes and licenses	1,142,362	1,098,611	853,284	9,480	1,995,646	1,108,091
Unrestricted intergovernmental revenues	511,199	490,922	-	-	511,199	490,922
Investment earnings, unrestricted	58,006	46,767	115,613	81,068	173,619	127,835
Total revenues	<u>4,249,640</u>	<u>4,232,717</u>	<u>10,126,265</u>	<u>9,581,854</u>	<u>14,375,905</u>	<u>13,814,571</u>
Expenses:						
General government	289,259	201,902	-	-	289,259	201,902
Public safety	2,081,158	1,889,624	-	-	2,081,158	1,889,624
Streets and public works	644,060	1,262,171	-	-	644,060	1,262,171
Sanitation	196,573	186,179	-	-	196,573	186,179
Cultural and recreation	531,489	579,131	-	-	531,489	579,131
Interest on long-term debt	6,233	9,404	-	-	6,233	9,404
Electric	-	-	6,775,013	6,586,880	6,775,013	6,586,880
Water and sewer	-	-	2,665,655	2,737,244	2,665,655	2,737,244
Transfers	(20,825)	(59,959)	20,825	59,959	-	-
Total expenses	<u>3,727,946</u>	<u>4,068,452</u>	<u>9,461,493</u>	<u>9,384,083</u>	<u>13,189,439</u>	<u>13,452,535</u>
Change in net position	521,694	164,265	664,772	197,771	1,186,466	362,036
Net Position:						
Beginning of year - July 1	<u>8,294,336</u>	<u>8,130,071</u>	<u>21,398,701</u>	<u>21,200,930</u>	<u>29,693,037</u>	<u>29,331,001</u>
End of year - June 30	<u>\$ 8,816,030</u>	<u>\$ 8,294,336</u>	<u>\$ 22,063,473</u>	<u>\$ 21,398,701</u>	<u>\$ 30,879,503</u>	<u>\$ 29,693,037</u>

Governmental Activities. Governmental activities' net position increased by \$521,694. Key elements of this increase are as follows:

- Installed a bullet-resistant glass barrier in the lobby of the Town Office.
- Purchased two Ford Interceptor vehicles, 14 Tasers, and a covert surveillance camera for the Police Department.
- Replacement of 24 Draeger SCBA respirators, installation of a metal storage building, and the purchase of a thermal imaging camera for the Fire Department.
- The Fire Department completed the acquisition of some of the assets from Lovelady Rescue Squad.
- Purchased a new Ford Chipper Truck with leaf vac & collection box and a snowplow attachment for the Street Department.
- Completed the outdoor ADA restrooms project that was incomplete at fiscal year-end 2019. A Grant from the NC DNCR Division of Parks and Recreation Connect NC Bond provided \$80,000 in funding for new outdoor ADA restrooms and new indoor ADA restrooms, as well as ADA van accessible parking at the Recreation Center. The grant funds were received in fiscal year 2019.
- The Granite Falls Town Council amended the 2019-2020 budget to include the following items:
 - a. \$129,000 to complete prior year capital projects from Fund Balance.
 - b. \$2,142 for State Drug Tax in the Police Department.
 - c. \$4,361 for a Safety Grant in the Fire Department
 - d. \$25,001 for ABC Distributions to the local schools
- Department heads continued to control spending, especially throughout the COVID-19 pandemic that affected the Town during the last quarter of fiscal year 2020.
- Town departments implemented increased fees for services where necessary to better cover costs of providing these services.

Business-Type Activities. Business-type activities increased the Town of Granite Falls' net position by \$664,772. Key elements of this increase are as follows:

- Purchased a Kubota Skid Steer for the Wastewater Treatment Plant and completed the Sewer Line Extension project at Granite Falls Middle School.
- Completed the Raw Water Integration & Turbine Pump Installation projects, purchased a water line boring tool, and completed Phase II of the Water Treatment Plant SCADA system update.
- The Town Council approved an across-the-board increase of 3.2% in the water and sewer rates to offset rising chemical costs and address aging system infrastructure issues.
- The Town Council approved a 1% decrease in retail electric rates. This makes the 5th consecutive year that electric rates have decreased or remained neutral.
- The Electric Department purchased and installed generators at the Police and Fire Departments, and at four sewer pump stations, including AVI, Highland #1, Jordan Holman, and Sunset #1.
- Completed the Electrical Underground Distribution Line for Grace Village Assisted Living Center.
- Purchased a 75 KVA 3 phase pad mount transformer, a 750 KVA 3 phase pad mount transformer, a 1,000 KVA 3 phase pad mount transformer, two 500 KVA 3 phase pad mount transformers, two 100 KVA pad mount transformers, four 50 KVA 1 phase pad mount transformers, four 37.5 KVA pad mount transformers, and six 25 KVA pad mount transformers.
- The Electric Department budget was amended by \$160,000 to complete prior year capital projects.

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town of Granite Falls. At the end of the current fiscal year, available fund balance of the General Fund was \$3,334,656, while total fund balance reached \$3,625,554. The Town currently has an available fund balance of 88% of General Fund expenditures while total fund balance represents 96% of the same amount.

At June 30, 2020, the governmental funds of the Town of Granite Falls reported a fund balance of \$3,625,554, a 14% increase over last year.

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

Total amendments to the General Fund budget increased revenues by \$160,504. Amendments were necessary to complete prior year capital projects, for State Drug Tax, for miscellaneous grants, and for ABC distributions to local schools.

Proprietary Funds. The Town of Granite Falls' proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Water and Sewer Fund totaled \$2,664,881 and for the Electric Fund totaled \$5,028,938 for the year ended June 30, 2020. The decrease in net position for the Water and Sewer Fund was \$169,837 while the increase in net position for the Electric Fund was \$834,609.

Total amendments to the Electric Fund budget increased revenues by \$160,000 to complete prior year capital projects.

Capital Asset and Debt Administration

Capital Assets. The Town of Granite Falls' capital assets for its governmental and business-type activities as of June 30, 2020 totals \$22,958,827 (net of accumulated depreciation). These assets include buildings, land, improvements, and machinery and equipment.

Major capital asset transactions during the year include:

- Installed a bullet-resistant glass barrier in the lobby of the Town Office, purchased two computers and a firesafe filing system in the Administration Department.
- Purchased two Ford Interceptor vehicles, fourteen Tasers, a covert surveillance camera, and barcoding equipment for the Evidence Room at the Police Department.
- Purchased 24 Draeger SCBA respirators, a Draeger Rapid Intervention Pack Lifeguard kit, a thermal imaging camera, purchased and installed a metal storage building at the Fire Department.
- Purchased a new Ford Chipper Truck with leaf vac & collection box and a snowplow attachment for the Street Department.
- Completed the outdoor ADA restrooms project that was incomplete at fiscal year-end 2019. A Grant from the NC DNCR Division of Parks and Recreation Connect NC Bond provided funding for new outdoor ADA restrooms and new indoor ADA restrooms, as well as ADA van accessible parking at the Recreation Center. The grant funds were received in fiscal year 2019.
- The Recreation Department purchased a sanitizing mist machine to help prevent the spread of coronavirus (COVID-19) and replaced a pool filtration pump.
- Purchased a Kubota Skid Steer and portable dissolved oxygen meter for the Wastewater Treatment Plant, a 3" Hammerhead water line boring tool, a core drill, and a cut-off machine for the Water & Sewer Department.
- The Water & Sewer Department completed the Sewer Line Extension project at Granite Falls Middle School and Phase II: Control Panel Upgrade for the water SCADA system.
- The Water & Sewer Department completed the Raw Water Integration & Turbine Pump Installation project, which included two new vertical turbine pumps, rebuilding of a current pump, and integration to the SCADA system.
- The Electric Department purchased and installed generators at the Police and Fire Departments, and at four sewer pump stations, including AVI, Highland #1, Jordan Holman, and Sunset #1.
- The Electric Department installed an Electrical Underground Distribution Line for the future Grace Village Assisted Living Center.
- The Electric Department purchased a 75 KVA 3 phase pad mount transformer, a 750 KVA 3 phase pad mount transformer, a 1,000 KVA 3 phase pad mount transformer, two 500 KVA 3 phase pad mount transformers, two 100 KVA pad mount transformers, four 50 KVA 1 phase pad mount transformers, four 37.5 KVA pad mount transformers, six 25 KVA pad mount transformers, and six 3 phase cabinets.

Debt Administration

- The 2020 General Fund budget included \$86,800 for debt service on the administrative offices and the New Farm Road property.
- The 2020 Water & Sewer Fund budget included \$201,000 for debt service on the three Clean Water State Revolving Fund (CWSRF) loans.
- The Electric Fund currently has no debt.

Town of Granite Falls' Capital Assets

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 1,582,263	\$ 1,582,263	\$ 213,140	\$ 213,140	\$ 1,795,403	\$ 1,795,403
Construction in progress	-	-	47,147	43,997	47,147	43,997
Buildings	2,359,085	2,329,892	-	-	2,359,085	2,329,892
Land improvements	195,500	195,500	-	-	195,500	195,500
Infrastructure	1,373,081	1,373,081	-	-	1,373,081	1,373,081
Plant and distribution systems	-	-	31,541,284	31,377,823	31,541,284	31,377,823
Equipment and vehicles	3,985,752	3,654,010	3,951,168	3,953,332	7,936,920	7,607,342
Total	9,495,681	9,134,746	35,752,739	35,588,292	45,248,420	44,723,038
Accumulated depreciation	(3,472,556)	(3,268,701)	(18,817,037)	(18,235,133)	(22,289,593)	(21,503,834)
Capital assets, net	<u>\$ 6,023,125</u>	<u>\$ 5,866,045</u>	<u>\$ 16,935,702</u>	<u>\$ 17,353,159</u>	<u>\$ 22,958,827</u>	<u>\$ 23,219,204</u>

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

Long-Term Debt. As of June 30, 2020, the Town of Granite Falls had total notes payable outstanding of \$2,648,339. Of total notes payable outstanding, \$33,333 are secured by assets of the Town.

Town of Granite Falls' Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Notes payable	<u>\$ 82,291</u>	<u>\$ 162,680</u>	<u>\$ 2,566,048</u>	<u>\$ 2,716,992</u>	<u>\$ 2,648,339</u>	<u>\$ 2,879,672</u>

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Granite Falls is approximately \$34,682,000.

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

Economic Factors and Next Year's Budgets and Rates

The following are economic indicators affecting the Town:

- During the last quarter of fiscal year 2020, Town staff was concerned that the COVID-19 pandemic would negatively impact the Town's finances and spending was reduced to offset the potential loss of revenue. In preparing the fiscal 2021 budget, Town staff assumed that the impact of COVID-19 would continue through the end of calendar 2020 and developed a conservative budget for fiscal year 2021.
- Caldwell County experienced some of the highest unemployment rates in North Carolina during the years 2008 through 2014 and reached an all-time high of 17.1% in February 2010. The unemployment rate had dropped gradually since 2014 but increased in 2020 primarily due to business layoffs and closures during the ongoing COVID-19 pandemic. In July 2020, the unemployment rate was 9.7%, compared to 4.6% in July 2019.
- In late 2008, the United States, especially North Carolina and the Unifour region, experienced one of the sharpest downturns in the economy since the Great Depression. Caldwell County and Granite Falls were hit extremely hard due to the area's large manufacturing job base. The NC Department of Commerce designated Caldwell County as a 21st Century Community in July 2008 and a Tier II County for 2018. The Caldwell County economic conditions have improved since 2008, but it is difficult to determine the current state of the economy due to the COVID-19 pandemic.
- Granite Falls, as well as most of the State of North Carolina, faced a severe drought from late 2006 until the summer of 2009 when normal rainfall began. From December 2011 through June 2015, the Town was in Stage 0 Normal Conditions. The Town was under Stage 1 Voluntary Water Restrictions from July 2015 through November 2015. The Town has been in stage 0 Normal Conditions since November 2015. Granite Falls participates with other water users in complying with the Low Inflow Protocol (LIP) that is part of Duke Energy Company's FERC relicensing requirements.
- The Town Council approved the 2020-2021 property tax rate to remain at \$.4485 per \$100 valuation. Granite Falls' tax levy for 2020 ad valorem taxes is \$1,805,563, which represents an increase of \$33,301 or 1.9% from the 2019 tax levy of \$1,772,262.
- For fiscal 2020-2021, the Town Council approved an increase from \$3 to \$5 in the monthly residential solid waste fee to offset the increasing cost of waste collection and the purchase of waste collection equipment.
- In 2009, the Town, in cooperation with Caldwell County, purchased 66 acres from Edward Wayne Whisenant off New Farm Road. The property was officially purchased in the name of Caldwell EDC Properties, LLC. Caldwell County and Granite Falls negotiated three-year interest-only payments with Parkway Bank with anticipation the property would be sold for economic development within that time period. As part of the intergovernmental agreement, Caldwell County agreed to pay the monthly interest payments, and Granite Falls will make one annual reimbursement in July. If the property was not sold within three years, the loan would have reverted to interest and principal payments. On May 2, 2011, the Town Council approved an amended Interlocal Agreement between Caldwell County, Caldwell County EDC, LLC, and the Town of Granite Falls, which converted the loan to a 10-year fixed interest rate loan under which the Town would pay both principal and interest, with the first payment due date of July 15, 2011. This parcel was annexed into the Town limits on December 1, 2009. The fiscal 2021 budget includes the final payment on this property.
- In 2007, the Town financed renovations on the Town Office. The loan amount was \$500,000, with principal and interest payments being made semiannually. The final payment on this loan is scheduled for January 2021 and the General Fund debt will be paid in full.

- The Town participated in the NC Department of Commerce Small Town Main Street program through June 2018. The program uses the “Four Point Approach” to downtown revitalization that includes organization, promotions, design, and economic restructuring. A Facade Grant program was identified as a need by local participants in the program. While the Town no longer participates in this program, the Council approved continuing the Facade Grant program and approved \$5,000 in the fiscal year 2020-2021 budget to continue the Facade Grant program.
- The Town partnered with downtown merchants to begin the Granite Falls Merchants Association in early 2008. The Merchants Association held their first annual “Festival On Main” in September 2009. This event was so successful, the merchants voted to make this an annual event and the eleventh annual festival was held in September 2019. Unfortunately, the 2020 festival has been canceled due to the COVID-19 pandemic.
- The Granite Falls History and Transportation Museum continues to be open on weekends and is staffed by volunteers. The museum is opened other times by appointment. The museum, located at 107 Falls Avenue, was renovated with a \$335,000 grant from DOT enhancement funds, along with the Town’s local contribution of \$92,538. The Town pays the ongoing operating costs of the museum.
- The Town developed a comprehensive Capital Improvement Plan (CIP) in fiscal 2012. Town staff continue to schedule and complete CIP projects each year. Due to the COVID-19 pandemic, staff has reduced the capital outlay budget as much as possible for fiscal 2021. The fiscal 2021 budget is \$1,057,500, which represents a decrease of \$1,296,181 over the fiscal 2020 capital outlay budget as amended.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities. General Fund revenues budgeted for the fiscal year 2021 are \$4,285,000, or approximately 10% less than 2020 actual revenues. The tax rate for fiscal 2021 remains at \$.4485 per \$100 valuation. The Town General Fund personnel budget increased by 7.52% due to the addition of two new positions and for increases in the cost of employee benefits. The Town has appropriated \$165,700 in unrestricted fund balance to pay for normal operating expenses. The capital project budget is conservative and includes only one specific project: a new phone system for the Administrative Office. Due to the COVID-19 pandemic, staff made every effort to reduce expenditures in all departments.

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

The retail electric rate for fiscal 2021 budget remains flat with fiscal 2020 rates. The NC Municipal Power Agency #1 increased the Renewable Energy Portfolio Standards (REPS) charge that averages one-half percent of each customer’s electric bill.

RENEWABLE ENERGY PORTFOLIO STANDARDS – SENATE BILL 3

2020 - 2021		
<u>Customer</u>	<u>Monthly Cost</u>	<u>Annual Cost</u>
Residential	0.77	9.24
Commercial	4.19	50.28
Industrial	43.15	517.80

The fiscal year 2021 Electric Fund budget does not include funds for Electric Fund debt service payments. The Electric Fund debt was paid in full during fiscal 2012.

In fiscal year 2021, the Town will continue its commitment to green power and energy efficiency initiatives through rebate programs to customers for installing energy efficient water heaters and heat pumps. The Council recently approved three energy efficiency programs for Town customers. The fiscal year 2021 Electric Fund budget includes \$177,500 to address items from the Town's Capital Improvement Plan (CIP).

The Town has historically operated in a deficit in the Water and Sewer Fund as water and sewer sales have been sluggish as a direct result of loss of local industry coupled with customer's usage being less due to conservation measures caused by previous drought conditions. The 2020-2021 budget includes a water rate increase on the 3,000-gallon minimum monthly charge from \$26.10 to \$27.00 or \$.90, and an increase on the monthly base sewer rate of \$.57 from \$16.18 to \$16.75. In addition to the base rate increases, the Town implemented small block usage rate increases. Rate increases were also implemented for County customers on Town-owned lines, large commercial and industrial users, and wholesale customers. The Town rate structure and metering practices are in compliance with the state mandates of "the more a user consumes the more they pay" and separate meters required for irrigation systems.

The fiscal year 2021 Water and Sewer Fund budget includes \$198,000 for Water and Sewer Fund debt payments. The budget also includes \$780,000 in capital outlay, \$500,000 of which will be funded by a State Revolving Fund loan. The budget requires the use of the \$366,000 from the Water and Sewer Fund Unrestricted Net Position.

Requests for Information

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Granite Falls ABC Board
Assets:				
Current assets:				
Cash and investments	\$ 3,474,389	\$ 6,610,044	\$ 10,084,433	\$ 177,335
Taxes receivable, net	54,177	-	54,177	-
Accounts receivable, net	284,311	1,215,008	1,499,319	-
Due from component unit	17,909	-	17,909	-
Inventory	-	743,282	743,282	258,025
Prepaid items	-	-	-	5,548
Restricted assets:				
Cash and investments, restricted	15,288	414,226	429,514	-
Total current assets	3,846,074	8,982,560	12,828,634	440,908
Non-current assets:				
Capital assets:				
Land and construction in progress	1,582,263	260,287	1,842,550	79,509
Other capital assets, net of depreciation	4,440,862	16,675,415	21,116,277	20,147
Total non-current assets	6,023,125	16,935,702	22,958,827	99,656
Total assets	9,869,199	25,918,262	35,787,461	540,564
Deferred Outflows of Resources:				
Pension deferrals	447,678	247,438	695,116	15,965
OPEB deferrals	16,368	10,032	26,400	-
Total deferred outflows of resources	464,046	257,470	721,516	15,965
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	150,538	575,321	725,859	175,656
Due to primary government	-	-	-	17,909
Liabilities payable from restricted assets:				
Customer deposits	-	414,226	414,226	-
Total current liabilities	150,538	989,547	1,140,085	193,565
Long-term liabilities:				
Due within one year	167,280	211,826	379,106	-
Net pension liability (LGRS)	671,173	411,365	1,082,538	19,936
Total pension liability (LEOSSA)	326,690	-	326,690	-
Total OPEB liability	93,105	57,065	150,170	-
Due in more than one year	38,183	2,442,456	2,480,639	-
Total long-term liabilities	1,296,431	3,122,712	4,419,143	19,936
Total liabilities	1,446,969	4,112,259	5,559,228	213,501
Deferred Inflows of Resources:				
Prepaid taxes	4,483	-	4,483	-
Pension deferrals	65,763	-	65,763	-
Total deferred inflows of resources	70,246	-	70,246	-
Net Position:				
Net investment in capital assets	5,989,792	14,369,654	20,359,446	99,656
Restricted for:				
Stabilization by state statute	290,898	-	290,898	-
Public safety	1,882	-	1,882	-
Cultural and recreation	15,288	-	15,288	-
Working capital	-	-	-	47,552
Unrestricted	2,518,170	7,693,819	10,211,989	195,820
Total net position	\$ 8,816,030	\$ 22,063,473	\$ 30,879,503	\$ 343,028

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 289,259	\$ 151,874	\$ 32,182	\$ -
Public safety	2,081,158	108,238	1,805	-
Streets and public works	644,060	108,834	-	145,142
Sanitation	196,573	-	-	-
Cultural and recreation	531,489	46,676	-	-
Interest on long-term debt	6,233	-	-	-
Total governmental activities	<u>3,748,771</u>	<u>415,622</u>	<u>33,987</u>	<u>145,142</u>
Business-Type Activities:				
Water and Sewer	2,665,655	2,341,536	108,631	-
Electric	6,775,013	6,707,201	-	-
Total business-type activities	<u>9,440,668</u>	<u>9,048,737</u>	<u>108,631</u>	<u>-</u>
Total primary government	<u>\$ 13,189,439</u>	<u>\$ 9,464,359</u>	<u>\$ 142,618</u>	<u>\$ 145,142</u>
Component Unit:				
ABC Board	<u>\$ 1,602,027</u>	<u>\$ 1,596,538</u>	<u>\$ -</u>	<u>\$ -</u>

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Net (Expense) Revenue and Changes in Net Position			Component
	Primary Government			Unit
	Governmental Activities	Business-Type Activities	Total	Granite Falls ABC Board
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ (105,203)	\$ -	\$ (105,203)	\$ -
Public safety	(1,971,115)	-	(1,971,115)	-
Streets and public works	(390,084)	-	(390,084)	-
Sanitation	(196,573)	-	(196,573)	-
Cultural and recreation	(484,813)	-	(484,813)	-
Interest on long-term debt	(6,233)	-	(6,233)	-
Total governmental activities	(3,154,020)	-	(3,154,020)	-
Business-Type Activities:				
Water and sewer	-	(215,488)	(215,488)	-
Electric	-	(67,812)	(67,812)	-
Total business-type activities	-	(283,300)	(283,300)	-
Total primary government	(3,154,020)	(283,300)	(3,437,320)	-
Component Unit:				
ABC Board				(5,489)
General Revenues:				
Taxes:				
Ad valorem taxes	1,943,322	-	1,943,322	-
Local option sales tax	1,111,360	-	1,111,360	-
Other taxes and licenses	31,002	853,284	884,286	-
Unrestricted intergovernmental revenues	511,199	-	511,199	-
Investment earnings	58,006	115,613	173,619	207
Total general revenues, excluding transfers	3,654,889	968,897	4,623,786	207
Transfers	20,825	(20,825)	-	-
Total general revenues and transfers	3,675,714	948,072	4,623,786	207
Change in net position	521,694	664,772	1,186,466	(5,282)
Net Position:				
Beginning of year - July 1	8,294,336	21,398,701	29,693,037	348,310
End of year - June 30	\$ 8,816,030	\$ 22,063,473	\$ 30,879,503	\$ 343,028

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2020

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Assets:		
Cash and investments	\$ 3,474,389	\$ 3,474,389
Taxes receivable, net	54,177	54,177
Accounts receivable, net	284,311	284,311
Due from component unit	17,909	17,909
Restricted cash	15,288	15,288
Total assets	<u>\$ 3,846,074</u>	<u>\$ 3,846,074</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:		
Liabilities:		
Accounts payable	<u>\$ 150,538</u>	<u>\$ 150,538</u>
Deferred Inflows of Resources:		
Property taxes receivable	54,177	54,177
Prepaid taxes	4,483	4,483
Other receivables	<u>11,322</u>	<u>11,322</u>
Total deferred inflow of resources	<u>69,982</u>	<u>69,982</u>
Fund Balances:		
Restricted:		
Stabilization by state statute	290,898	290,898
Public safety	1,882	1,882
Cultural and recreation	15,288	15,288
Committed:		
Sidewalk construction	16,145	16,145
Assigned:		
Subsequent year's expenditures	165,700	165,700
Sesquicentennial celebration	26,557	26,557
Unassigned	<u>3,109,084</u>	<u>3,109,084</u>
Total fund balances	<u>3,625,554</u>	<u>3,625,554</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,846,074</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,023,125
Net pension liability - LGERS	(671,173)
Total pension liability - LEOSSA	(326,690)
Total OPEB liability	(93,105)
Deferred outflows of resources related to pensions are not reported in the funds.	447,678
Deferred outflows of resources related to OPEB are not reported in the funds.	16,368
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, not reported in the funds.	(205,463)
Deferred inflows in the governmental funds are used to offset accounts receivable not expected to be available within 60 days of year-end. These receivables are a component of net position in the Statement of Net Position.	65,499
Pension related deferrals	<u>(65,763)</u>
Net position of governmental activities	<u>\$ 8,816,030</u>

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Major Fund</u>
	<u>General</u>
	<u>Fund</u>
Revenues:	
Ad valorem taxes	\$ 1,942,188
Other taxes and licenses	1,142,362
Unrestricted intergovernmental revenues	511,199
Restricted intergovernmental revenues	178,142
Sales and services	106,901
Investment earnings	58,006
Miscellaneous	299,417
Total revenues	<u>4,238,215</u>
Expenditures:	
Current:	
General government	266,386
Public safety - police	1,343,166
Public safety - fire	762,668
Street and public works	686,007
Sanitation	196,573
Cultural and recreation	451,353
Debt service:	
Principal	80,389
Interest	6,233
Total expenditures	<u>3,792,775</u>
Net change in fund balances	445,440
Fund Balances:	
Beginning of year - July 1	<u>3,180,114</u>
End of year - June 30	<u>\$ 3,625,554</u>

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

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

Net change in fund balances - total governmental funds	\$ 445,440
Property tax revenues and assessments in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement.	11,425
Contribution of capital assets is reported as a revenue in the Statement of Activities and is not reported in the governmental funds.	20,825
Capital outlay is reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	478,590
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(342,335)
Pension expense - LGERS	(151,368)
Pension expense - LEOSSA	(26,814)
OPEB plan expense	9,134
Expenses related to compensated absences that do not require current financial resources, are not reported as expenditures in the governmental funds statement.	(3,592)
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	<u>80,389</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ 521,694</u>

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Over/Under
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 1,924,000	\$ 1,924,000	\$ 1,942,188	\$ 18,188
Other taxes and licenses	1,098,100	1,098,100	1,142,362	44,262
Unrestricted intergovernmental revenues	402,200	425,992	511,199	85,207
Restricted intergovernmental revenues	146,200	150,561	178,142	27,581
Sales and services	221,400	133,900	106,901	(26,999)
Investment earnings	50,000	50,000	58,006	8,006
Miscellaneous	215,600	215,600	299,417	83,817
Total revenues	<u>4,057,500</u>	<u>3,998,153</u>	<u>4,238,215</u>	<u>240,062</u>
Expenditures:				
Current:				
General government	365,700	367,691	266,386	101,305
Public safety - police	1,359,000	1,413,242	1,343,166	70,076
Public safety - fire	793,000	796,362	762,668	33,694
Street and public works	892,000	891,000	686,007	204,993
Sanitation	200,000	200,000	196,573	3,427
Cultural and recreational	558,000	571,200	451,353	119,847
Debt service:				
Principal retirement	84,400	80,506	80,389	117
Interest and fees	2,400	6,294	6,233	61
Total expenditures	<u>4,254,500</u>	<u>4,326,295</u>	<u>3,792,775</u>	<u>533,520</u>
Revenues over (under) expenditures	(197,000)	(328,142)	445,440	773,582
Other Financing Sources (Uses):				
Fund balance appropriated	<u>197,000</u>	<u>328,142</u>	<u>-</u>	<u>(328,142)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	445,440	<u>\$ 445,440</u>
Fund Balance:				
Beginning of year - July 1			<u>3,180,114</u>	
End of year - June 30			<u>\$ 3,625,554</u>	

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020

	Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
Assets:			
Current assets:			
Cash and investments	\$ 4,257,152	\$ 2,352,892	\$ 6,610,044
Accounts receivable, net	875,758	339,250	1,215,008
Inventory	561,998	181,284	743,282
Cash and investments, restricted	303,250	110,976	414,226
Total current assets	<u>5,998,158</u>	<u>2,984,402</u>	<u>8,982,560</u>
Non-current assets:			
Capital assets:			
Land and construction in progress	47,400	212,887	260,287
Other capital assets, net of depreciation	3,441,771	13,233,644	16,675,415
Total capital assets	<u>3,489,171</u>	<u>13,446,531</u>	<u>16,935,702</u>
Total assets	<u>9,487,329</u>	<u>16,430,933</u>	<u>25,918,262</u>
Deferred Outflows of Resources:			
OPEB deferrals	6,072	3,960	10,032
Pension deferrals	149,765	97,673	247,438
Total deferred outflows of resources	<u>155,837</u>	<u>101,633</u>	<u>257,470</u>
Liabilities:			
Current liabilities:			
Accounts payable	503,899	71,422	575,321
Current portion of long-term obligations	23,725	188,101	211,826
Liabilities payable from restricted assets:			
Customer deposits	303,250	110,976	414,226
Total current liabilities	<u>830,874</u>	<u>370,499</u>	<u>1,201,373</u>
Non-current liabilities:			
Net pension liability	248,985	162,380	411,365
Total OPEB liability	34,539	22,526	57,065
Non-current portion of long-term obligations	10,659	2,431,797	2,442,456
Total non-current liabilities	<u>294,183</u>	<u>2,616,703</u>	<u>2,910,886</u>
Total liabilities	<u>1,125,057</u>	<u>2,987,202</u>	<u>4,112,259</u>
Net Position:			
Net investment in capital assets	3,489,171	10,880,483	14,369,654
Unrestricted	<u>5,028,938</u>	<u>2,664,881</u>	<u>7,693,819</u>
Total net position	<u>\$ 8,518,109</u>	<u>\$ 13,545,364</u>	<u>\$ 22,063,473</u>

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
Operating Revenues:			
Charges for services	\$ 6,554,419	\$ 2,177,007	\$ 8,731,426
Other operating revenue	152,782	164,529	317,311
Total operating revenues	<u>6,707,201</u>	<u>2,341,536</u>	<u>9,048,737</u>
Operating Expenses:			
Electrical operations	2,081,199	-	2,081,199
Electrical purchases	4,404,677	-	4,404,677
Water and sewer operations	-	1,921,493	1,921,493
Depreciation	289,137	694,441	983,578
Total operating expenses	<u>6,775,013</u>	<u>2,615,934</u>	<u>9,390,947</u>
Operating income (loss)	<u>(67,812)</u>	<u>(274,398)</u>	<u>(342,210)</u>
Non-Operating Revenues (Expenses):			
Investment earnings	66,826	48,787	115,613
Grant revenue	2,352	106,279	108,631
Other non-operating income	821,368	31,916	853,284
Interest and fees paid	-	(49,721)	(49,721)
Total non-operating revenues (expenses)	<u>890,546</u>	<u>137,261</u>	<u>1,027,807</u>
Income (loss) before contributions & transfers	822,734	(137,137)	685,597
Non-cash transfer of assets	<u>11,875</u>	<u>(32,700)</u>	<u>(20,825)</u>
Change in net position	834,609	(169,837)	664,772
Net Position:			
Beginning of year - July 1	<u>7,683,500</u>	<u>13,715,201</u>	<u>21,398,701</u>
End of year - June 30	<u>\$ 8,518,109</u>	<u>\$ 13,545,364</u>	<u>\$ 22,063,473</u>

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
Cash Flows from Operating Activities:			
Cash received from customers	\$ 6,621,528	\$ 2,155,101	\$ 8,776,629
Cash paid for goods and services	(5,784,493)	(1,022,010)	(6,806,503)
Cash paid to employees for services	(733,489)	(851,153)	(1,584,642)
Other operating revenues	152,782	164,529	317,311
Net cash provided (used) by operating activities	256,328	446,467	702,795
Cash Flows from Capital and Related Financing Activities:			
Acquisition of capital assets and construction	(228,959)	(361,227)	(590,186)
Principal paid on debt	-	(150,944)	(150,944)
Capital contributions	-	106,279	106,279
Other non-operating revenues	823,720	31,916	855,636
Interest and fees paid on bonds and notes	-	(49,721)	(49,721)
Net cash provided (used) by capital and related financing activities	594,761	(423,697)	171,064
Cash Flows From Non-Capital Financing Activities:			
Operating transfers out	(807,652)	(40,630)	(848,282)
Operating transfers in	807,652	40,630	848,282
Miscellaneous non-operating revenue	-	278,130	278,130
Net cash provided (used) for non-capital financing activities	-	278,130	278,130
Cash Flows from Investing Activities:			
Interest on investments	66,826	48,787	115,613
Net increase (decrease) in cash and cash equivalents	917,915	349,687	1,267,602
Cash and Cash Equivalents:			
Beginning of year - July 1	3,642,487	2,114,181	5,756,668
End of year - June 30	\$ 4,560,402	\$ 2,463,868	\$ 7,024,270
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (67,812)	\$ (274,398)	\$ (342,210)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	289,137	694,441	983,578
(Increase) decrease in:			
Accounts receivable	67,109	(21,906)	45,203
Inventory	(12,670)	(1,704)	(14,374)
Deferred outflows of resources for pensions	18,218	11,881	30,099
Deferred outflows of resources for OPEB	(4)	(3)	(7)
Increase (decrease) in:			
Net pension liability	39,022	25,449	64,471
Deferred inflows of resources for pensions	(1,087)	(709)	(1,796)
Other post-employment benefits	(3,385)	(2,207)	(5,592)
Accounts payable	(113,767)	(7,144)	(120,911)
Customer deposits	32,666	15,276	47,942
Accrued vacation pay	8,901	7,491	16,392
Net cash provided (used) by operating activities	\$ 256,328	\$ 446,467	\$ 702,795
Non-Cash Transactions:			
Transfer of capital assets from (to) other funds	\$ 11,875	\$ (32,700)	\$ (20,825)

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Town of Granite Falls ABC Board

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

B. Basis of Presentation

Government-Wide Statements. The Statement of Net Position and the Statement of Activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental activities* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed, in whole or in part, by fees charged to external parties.

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

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

The Town reports the following major governmental fund:

General Fund

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

The Town reports the following major enterprise funds:

Electric Fund. This fund is used to account for the Town's electric operations. Additionally, the Town has legally adopted a Capital Reserve Fund under North Carolina General Statutes. However, for statement presentation in accordance with GASB Statement No. 54, the Capital Reserve Fund is consolidated in the Electric Fund. The budgetary comparison for the Capital Reserve Fund has been included in the supplemental information.

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

C. Measurement Focus and Basis of Accounting

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

Government-Wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

The Town considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem property taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, state law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Caldwell County and then remitted to and distributed by the state. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues.

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

D. Budgetary Data

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

Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. The Town Manager is authorized to transfer appropriations between functional areas within a fund up to \$5,000; however, any revisions that alter the total expenditures of any fund or exceed \$5,000 must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year, or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Estimates

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

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

Deposits and Investments

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

The Town's investments are reported at fair value. The NCCMT Government Portfolio, a SEC registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2020, The Term portfolio has a duration of 0.15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

Cash and Cash Equivalents

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

Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the purpose for which the deposit was collected. Donations for the Veterans Memorial are restricted to the purpose of making additions to, or general upkeep of, the existing memorial. The Town's restricted cash at June 30, 2020 is as follows:

Governmental Activities:

General Fund:

Cultural and recreation - Veterans Memorial	\$ 15,288
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Business-Type Activities:

Electric Fund:

Customer deposits	303,250
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Water and Sewer Fund:

Customer deposits	110,976
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Total business-type activities	414,226
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Total restricted cash	\$ 429,514
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Ad Valorem Taxes Receivable

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Allowances for Doubtful Accounts

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

Inventory and Prepaid Items

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

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

Capital Assets

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

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

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

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Deferred Outflows/Inflows of Resources

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

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

Long-Term Obligations

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

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

Compensated Absences

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

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

Non-Spendable Fund Balance

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

Restricted Fund Balance

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

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

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

Committed Fund Balance

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

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

Assigned Fund Balance

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

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

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

Unassigned Fund Balance

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

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

The Town has not officially adopted a fund balance policy.

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

Total fund balance - General Fund	\$ 3,625,554
Less:	
Stabilization by state statute	<u>290,898</u>
Total available fund balance	<u>\$ 3,334,656</u>

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 (LERS) and additions to/deductions from LERS' fiduciary net position have been determined on the same basis as they are reported by LERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town's employer contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LERS. Investments are reported at fair value.

2. Detail Notes On All Funds

A. Assets

Deposits

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

At June 30, 2020, the Town's deposits had a carrying amount of \$10,365,295 and a bank balance of \$10,607,852. Of the bank balance, \$430,617 was covered by federal depository insurance and \$10,177,235 was covered by collateral held under the Pooling Method. The Town's cash on hand totaled \$900 at June 30, 2020.

Investments

As of June 30, 2020, the Town's investment balances were as follows:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2020</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust - Term Portfolio*	Fair Value Level 1	\$ 147,752	0.15 years	Unrated

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

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

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

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

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

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Receivables - Allowances for Doubtful Accounts

The receivables shown in Exhibit A at June 30, 2020 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Due from Component Unit</u>	<u>Total</u>
Governmental Activities:					
General	\$ 38,003	\$ 175,616	\$ 246,308	\$ 17,909	\$ 477,836
Allowance for doubtful accounts	-	(121,439)	-	-	(121,439)
Total governmental activities	<u>\$ 38,003</u>	<u>\$ 54,177</u>	<u>\$ 246,308</u>	<u>\$ 17,909</u>	<u>\$ 356,397</u>
Business-Type Activities:					
Water and Sewer Fund	\$ 339,250	\$ -	\$ -	\$ -	\$ 339,250
Electric Fund	<u>875,758</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>875,758</u>
Total business-type activities	<u>\$ 1,215,008</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,215,008</u>

Due from other governments consisted of the following:

Local option sales tax	\$ 186,184
Motor vehicle taxes	16,195
Sales tax refund	<u>43,929</u>
Due from other governments	<u>\$ 246,308</u>

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Capital Assets

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

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2020</u>
By Asset Type:					
Non-Depreciable Assets:					
Land	\$ 1,582,263	\$ -	\$ -	\$ -	\$ 1,582,263
Depreciable Assets:					
Buildings	2,329,892	29,193	-	-	2,359,085
Land improvements	195,500	-	-	-	195,500
Infrastructure	1,373,081	-	-	-	1,373,081
Equipment and vehicles	3,654,010	449,397	(185,728)	68,073	3,985,752
Total depreciable capital assets	<u>7,552,483</u>	<u>478,590</u>	<u>(185,728)</u>	<u>68,073</u>	<u>7,913,418</u>
Less Accumulated Depreciation:					
Buildings	(826,277)	(72,760)	-	-	(899,037)
Land improvements	(4,692)	-	-	-	(4,692)
Infrastructure	(329,865)	(39,867)	-	-	(369,732)
Equipment and vehicles	(2,107,867)	(229,708)	185,728	(47,248)	(2,199,095)
Total accumulated depreciation	<u>(3,268,701)</u>	<u>\$ (342,335)</u>	<u>\$ 185,728</u>	<u>\$ (47,248)</u>	<u>(3,472,556)</u>
Total depreciable capital assets, net	<u>4,283,782</u>				<u>4,440,862</u>
Capital assets, net	<u>\$ 5,866,045</u>				<u>\$ 6,023,125</u>

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

Governmental Activities:

General government	\$ 48,609
Public safety	137,723
Public works	64,016
Cultural and recreational	91,987
Total	<u>\$ 342,335</u>

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Proprietary Capital Assets

The capital assets of the proprietary funds of the Town at June 30, 2020 are as follows:

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2020</u>
Water and Sewer Fund:					
Non-Depreciable Assets:					
Land	\$ 165,740	\$ -	\$ -	\$ -	\$ 165,740
Construction in progress	43,997	119,730	-	(116,580)	47,147
Total non-depreciable assets	<u>209,737</u>	<u>119,730</u>	<u>-</u>	<u>(116,580)</u>	<u>212,887</u>
Depreciable Assets:					
Plant and distribution systems	25,825,160	-	(19,505)	116,580	25,922,235
Furniture, equipment, vehicles	2,291,249	241,497	(131,442)	(91,820)	2,309,484
Total depreciable capital assets	<u>28,116,409</u>	<u>241,497</u>	<u>(150,947)</u>	<u>24,760</u>	<u>28,231,719</u>
Less Accumulated Depreciation:					
Plant and distribution systems	(13,462,147)	(555,046)	19,508	-	(13,997,685)
Furniture, equipment, vehicles	(1,048,314)	(139,395)	128,199	59,120	(1,000,390)
Accumulated depreciation	<u>(14,510,461)</u>	<u>\$ (694,441)</u>	<u>\$ 147,707</u>	<u>\$ 59,120</u>	<u>(14,998,075)</u>
Depreciable capital assets, net	<u>13,605,948</u>				<u>13,233,644</u>
Capital assets, net	<u>13,815,685</u>				<u>13,446,531</u>
Electric Fund:					
Non-Depreciable Assets:					
Land	<u>47,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>47,400</u>
Depreciable Assets:					
Plant and distribution systems	5,552,663	66,386	-	-	5,619,049
Furniture, equipment, and vehicles	1,662,083	162,573	(206,719)	23,747	1,641,684
Total depreciable capital assets	<u>7,214,746</u>	<u>228,959</u>	<u>(206,719)</u>	<u>23,747</u>	<u>7,260,733</u>
Less Accumulated Depreciation:					
Plant and distribution systems	(3,010,578)	(177,627)	75,551	-	(3,112,654)
Furniture, equipment, vehicles	(714,094)	(111,510)	131,168	(11,872)	(706,308)
Accumulated depreciation	<u>(3,724,672)</u>	<u>\$ (289,137)</u>	<u>\$ 206,719</u>	<u>\$ (11,872)</u>	<u>(3,818,962)</u>
Depreciable capital assets, net	<u>3,490,074</u>				<u>3,441,771</u>
Capital assets, net	<u>3,537,474</u>				<u>3,489,171</u>
Proprietary capital assets, net	<u>\$ 17,353,159</u>				<u>\$ 16,935,702</u>

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2020 is composed of the following elements:

	<u>Governmental Activities</u>	<u>Water and Sewer Fund</u>	<u>Electric Fund</u>
Capital assets	\$ 6,023,125	\$ 13,446,531	\$ 3,489,171
Less: long-term debt	(82,291)	(2,566,048)	-
Add: debt for assets not owned by the Town	48,958	-	-
Net investment in capital assets	<u>\$ 5,989,792</u>	<u>\$ 10,880,483</u>	<u>\$ 3,489,171</u>

B. Liabilities

Payables

Payables at Exhibit A at June 30, 2020 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Utility Deposits</u>	<u>Total</u>
Governmental Activities:				
General Fund	<u>\$ 78,652</u>	<u>\$ 71,886</u>	<u>\$ -</u>	<u>\$ 150,538</u>
Business-Type Activities:				
Water and Sewer Fund	\$ 42,505	\$ 28,917	\$ 110,976	\$ 182,398
Electric Fund	480,268	23,631	303,250	807,149
Total business-type activities	<u>\$ 522,773</u>	<u>\$ 52,548</u>	<u>\$ 414,226</u>	<u>\$ 989,547</u>

Pension Plan Obligations

Local Governmental Employees' Retirement System

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Granite Falls employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2020, was 8.95% of compensation for law enforcement officers and 9.70% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$250,110 for the year ended June 30, 2020.

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

At June 30, 2020, the Town reported a liability of \$1,082,538 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019 the Town's proportion was 0.03964%, which was an increase of 0.00116% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$494,253. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 185,358	\$ -
Changes of assumptions	176,436	-
Net difference between projected and actual earnings on pension plan investments	26,404	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	12,845	-
Town contributions subsequent to the measurement date	250,110	-
Total	<u>\$ 651,153</u>	<u>\$ -</u>

\$250,110 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Total
2021	\$ 201,521
2022	63,550
2023	105,634
2024	30,338
2025	-
Thereafter	-
Total	<u>\$ 401,043</u>

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

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

The plan currently uses mortality rates based on the *RP-2014 Total Data Set for Healthy Annuitants Mortality Table* that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 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	<u>6.0%</u>	4.0%
Total	<u>100.0%</u>	

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The information above is based on 30-year expectations developed with the consulting actuary for the 2019 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	<u>\$ 2,475,961</u>	<u>\$ 1,082,538</u>	<u>\$ (75,680)</u>

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

Law Enforcement Officers' Special Separation Allowance

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

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

A separate report was not issued for the plan.

Summary of Significant Accounting Policies

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

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

Actuarial Assumptions

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

Inflation	2.50%
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26%

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

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

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

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

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

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

At June 30, 2020, the Town reported a total pension liability of \$326,690. The total pension liability was measured at 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 Town recognized pension expense of \$26,814.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 19,386	\$ 52,218
Changes of assumptions and other inputs	24,577	13,545
Total	<u>\$ 43,963</u>	<u>\$ 65,763</u>

\$0 reported as deferred outflows of resources related to pensions resulting from administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Total
2021	\$ (3,055)
2022	(3,055)
2023	(3,055)
2024	(2,565)
2025	(8,324)
Thereafter	<u>(1,746)</u>
Total	<u>\$ (21,800)</u>

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Sensitivity of the Town's Total Pension Liability to Changes in the Discount Rate. The following presents the Town's total pension liability calculated using the discount rate of 3.26%, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26%) or 1-percentage-point higher (4.26%) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	<u>\$ 362,207</u>	<u>\$ 326,690</u>	<u>\$ 294,663</u>

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

	<u>2020</u>
Beginning balance	\$ 299,808
Service cost	18,956
Interest on the total pension liability	10,913
Differences between expected and actual experience in the measurement of the total pension liability	(15,555)
Changes of assumption or other inputs	<u>12,568</u>
Ending balance of the total pension liability	<u><u>\$ 326,690</u></u>

Changes of assumptions. Changes of assumptions and other inputs reflect a change in the Municipal Bond Index Rate from 3.64 percent at December 31, 2018 to 3.26 percent at December 31, 2019.

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

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 494,253	\$ 26,814	\$ 521,067
Pension liability	1,082,538	326,690	1,409,228
Proportionate share of the net pension liability	0.03964%	NA	NA

Deferred Outflows of Resources:

Differences between expected and actual experience	\$ 185,358	\$ 19,386	\$ 204,744
Changes of assumptions	176,436	24,577	201,013
Net difference between projected and actual earnings on pension plan investments	26,404	-	26,404
Changes in proportion and differences between contributions and proportionate share of contributions	12,845	-	12,845
Benefit payments and administration costs paid subsequent to the measurement date	<u>250,110</u>	<u>-</u>	<u>250,110</u>
Total deferred outflows of resources	<u>\$ 651,153</u>	<u>\$ 43,963</u>	<u>\$ 695,116</u>

Deferred Inflows of Resources:

Differences between expected and actual experience	\$ -	\$ 52,218	\$ 52,218
Changes of assumptions	<u>-</u>	<u>13,545</u>	<u>13,545</u>
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ 65,763</u>	<u>\$ 65,763</u>

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers and employees not engaged in law enforcement. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the Pension Trust Fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the plan.

The Town made contributions of \$31,359 for the reporting year. No amounts have been forfeited.

Other Post-Employment Benefits

Healthcare Benefits

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

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

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

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

Total OPEB Liability

The Town's total OPEB liability of \$150,170 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2019	<u>\$ 164,885</u>
Changes for the year:	
Service cost	445
Interest	5,967
Differences between expected and actual experience	127
Changes of assumptions or other inputs	1,968
Benefit payments	<u>(23,222)</u>
Net changes	<u>(14,715)</u>
Balance at June 30, 2020	<u><u>\$ 150,170</u></u>

Changes in assumptions and other inputs reflect a change in the Municipal Bond Index Rate from 3.89% to 3.50%.

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

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g., initial per capita costs, healthcare cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

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

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	\$ <u>155,404</u>	\$ <u>150,170</u>	\$ <u>145,204</u>

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

	1% Decrease	Current	1% Increase
Total OPEB liability	\$ <u>155,404</u>	\$ <u>150,170</u>	\$ <u>145,204</u>

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

For the year ended June 30, 2020, the Town recognized OPEB expense of \$8,505. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Benefit payments and plan administrative expense made subsequent to the measurement date	\$ 26,400	\$ -

\$26,400 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 Employment Benefits

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Deferred Outflows and Inflows of Resources

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

	<u>Amount</u>
Contributions to pension plan in the current fiscal year - LGERS	\$ 250,110
Differences between expected and actual experience - LGERS	185,358
Changes of assumptions - LGERS	176,436
Net difference between projected and actual earnings on pension plan investment -LGERS	26,404
Changes in proportion and differences between Town contributions and proportionate share of contributions - LGERS	12,845
Differences between expected and actual experience - LEOSSA	19,386
Changes of assumptions - LEOSSA	24,577
Benefit payments and administrative expenses for OPEB made subsequent to measurement date	26,400
Total	<u>\$ 721,516</u>

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

	<u>Amount</u>
Taxes receivable (General Fund)	\$ 54,177
Prepaid taxes (General Fund)	4,483
Other receivables (General Fund)	11,322
Differences between expected and actual experience - LEOSSA	52,218
Changes of assumptions - LEOSSA	13,545
Total	<u>\$ 135,745</u>

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Risk Management

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

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

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

The Town carries flood insurance through a commercial company for \$302,500 on the building and \$55,100 on the contents per occurrence at the wastewater treatment plant.

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Long-Term Obligations

Notes Payable

Notes payable at June 30, 2020 are comprised of the following individual agreements:

Governmental Activities:

\$500,000 note payable through January 2021, including interest at 4.01% per year; collateralized by a building (issued in January 2006)	\$ 33,333
\$1,280,000 for Caldwell EDC Properties, LLC for purchase of Whisenant property for economic development; financed for 10 years at 4.00% interest, due in annual installments through July 2020; 1/3 is payable by the Town and 2/3 is payable by Caldwell County through an interlocal agreement	<u>48,958</u>
Total governmental activities long-term debt	<u>\$ 82,291</u>

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

Governmental Funds:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	<u>\$ 82,291</u>	<u>\$ 2,994</u>	<u>\$ 85,285</u>

The Town's outstanding note from direct placements related to governmental activities of \$33,333 is secured by a deed of trust on the municipal building located on Park Square. Upon the failure to pay or make timely payments, the outstanding principal is due immediately. Upon default, the lender can enforce its security interest in the mortgaged property, including initiating foreclosure proceedings.

The Town's outstanding note from direct placements related to governmental activities of \$48,958 is secured by a deed of trust on the land located on New Farm Road. Upon the failure to pay or make timely payments, the outstanding principal is due immediately. Upon default, the lender can enforce its security interest in the mortgaged property, including initiating foreclosure proceedings.

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Business-Type Activities:

\$579,500 note payable in annual installments of \$30,500, through May 2037, including interest at 1.83% per year; this loan was approved for \$610,000 in November of 2015 and will increase based upon drawdowns during project finalization in fiscal year 2018 as CWSRF project is complete. \$ 518,500

\$1,458,346 note payable in annual installments of \$95,000, through May 2037, including interest at 1.83% per year; this loan was approved for \$1,910,000 in November of 2015 and will increase based upon drawdowns during project finalization in fiscal year 2018 as CWSRF project is complete. 1,615,000

\$508,880 note payable in annual principal installments of \$25,444 through May of 2037 including interest at 1.83% per year; this loan was approved for \$538,357 in November of 2015 and was decreased based upon drawdowns during project finalization in fiscal year 2018. The initial payment in fiscal year 2018 was based on the original approved amount of the loan. 432,548

Total business-type activities long-term debt \$ 2,566,048

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

Year Ending June 30	Principal	Interest	Total
2021	\$ 150,944	\$ 46,959	\$ 197,903
2022	150,944	44,196	195,140
2023	150,944	41,434	192,378
2024	150,944	38,672	189,616
2025	150,944	35,910	186,854
2026-2030	754,720	138,114	892,834
2031-2035	754,720	69,057	823,777
2036-2037	<u>301,888</u>	<u>8,287</u>	<u>310,175</u>
Total proprietary funds	<u><u>\$ 2,566,048</u></u>	<u><u>\$ 422,629</u></u>	<u><u>\$ 2,988,677</u></u>

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The Town's outstanding note from direct borrowings related to business-type activities of \$518,500 is not secured by a pledge of faith and credit of the State of North Carolina or of the Town but is payable solely from the revenues of the project or benefited systems, or other available funds. The note contains provisions that an event of default would result in (1) any other monies due to the Town from the state may be withheld by the state and applied to the payment of the outstanding note.

The Town's outstanding note from direct borrowings related to business-type activities of \$1,615,000 is not secured by a pledge of faith and credit of the State of North Carolina or of the Town but is payable solely from the revenues of the project or benefited systems, or other available funds. The note contains provisions that an event of default would result in (1) any other monies due to the Town from the state may be withheld by the state and applied to the payment of the outstanding note.

The Town's outstanding note from direct borrowings related to business-type activities of \$432,548 is not secured by a pledge of faith and credit of the State of North Carolina or of the Town but is payable solely from the revenues of the project or benefited systems, or other available funds. The note contains provisions that an event of default would result in (1) any other monies due to the Town from the state may be withheld by the state and applied to the payment of the outstanding note.

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

A summary of changes in long-term obligations follows:

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2020</u>	<u>Current Portion</u>
Governmental Activities:					
Accrued vacation pay	\$ 119,580	\$ 86,102	\$ 82,510	\$ 123,172	\$ 84,989
Notes from direct placements	162,680	-	80,389	82,291	82,291
Net pension liability (LGERS)	565,984	105,189	-	671,173	-
Total pension liability (LEOSSA)	299,808	26,882	-	326,690	-
Total OPEB Liability	102,228	-	9,123	93,105	-
Total governmental activities	<u>\$ 1,250,280</u>	<u>\$ 218,173</u>	<u>\$ 172,022</u>	<u>\$ 1,296,431</u>	<u>\$ 167,280</u>
Business-Type Activities:					
Water and Sewer Fund:					
Notes from direct borrowings	\$ 2,716,992	\$ -	\$ 150,944	\$ 2,566,048	\$ 150,944
Accrued vacation pay	46,359	39,479	31,988	53,850	37,157
Net pension liability (LGERS)	136,931	25,449	-	162,380	-
Total OPEB Liability	24,733	-	2,207	22,526	-
Total Water and Sewer Fund	<u>2,925,015</u>	<u>64,928</u>	<u>185,139</u>	<u>2,804,804</u>	<u>188,101</u>
Electric Fund:					
Accrued vacation pay	25,483	26,484	17,583	34,384	23,725
Net pension liability (LGERS)	209,963	39,022	-	248,985	-
Total OPEB Liability	37,924	-	3,385	34,539	-
Total Electric Fund	<u>273,370</u>	<u>65,506</u>	<u>20,968</u>	<u>317,908</u>	<u>23,725</u>
Total Business-Type Activities:					
Notes from direct borrowings	2,716,992	-	150,944	2,566,048	150,944
Accrued vacation pay	71,842	65,963	49,571	88,234	60,882
Net pension liability (LGERS)	346,894	64,471	-	411,365	-
Total OPEB liability	62,657	-	5,592	57,065	-
Total business-type activities	<u>\$ 3,198,385</u>	<u>\$ 130,434</u>	<u>\$ 206,107</u>	<u>\$ 3,122,712</u>	<u>\$ 211,826</u>

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

At June 30, 2020, the Town had a legal debt margin of approximately \$34,682,000.

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

C. Interfund Balances and Activity

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

From	To	Amount	Purpose
Water /Sewer Fund	State Reserve Project Loan Project	\$ 16,930	To cover current year expenses in the project.
Electric Fund	Capital Reserve Fund - Electric	807,652	To establish Capital Reserve Fund as approved by Governing Board
Enterprise Fund Capital			
Project Fund Asset	Water /Sewer Fund	23,700	To close out project
Inventory and			
Assessment Project			

3. Jointly Governed Organization

The Town, in conjunction with four counties and 23 other municipalities, established the Western Piedmont Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council's governing board. The Town paid \$6,145 for membership fees to the Council during the year ended June 30, 2020.

The Town, in conjunction with eighteen other local governments, is a member of the North Carolina Municipal Power Agency Number 1 (Agency). The Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Agency's governing board. The nineteen members, which receive power from the Agency, have signed power sales agreements to purchase a specified share of the power generated by the Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The Town's purchases of power for the fiscal year ended June 30, 2020 were \$4,364,101. Complete financial statements for the Power Agency can be obtained from the Agency's administrative offices at P.O. Box 29513, Raleigh, NC 27626-0513.

4. Summary Disclosures of Significant Contingencies

Federal and State-Assisted Programs

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Subsequent Event

In March 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19), a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact the Town's revenues. At the current time, we are unable to quantify the potential effects of this pandemic.

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

Other Post-Employment Benefits			
	2020	2019	2018
Service cost	\$ 445	\$ 461	\$ 503
Interest	5,967	6,166	5,863
Differences between expected and actual experience	127	(1,287)	(284)
Changes of assumptions or other inputs	1,968	(2,028)	(4,231)
Benefit payments	(23,222)	(23,015)	(24,000)
Net change in total OPEB liability	(14,715)	(19,703)	(22,149)
Total OPEB liability - beginning	164,885	184,588	206,737
Total OPEB liability - ending	<u>\$ 150,170</u>	<u>\$ 164,885</u>	<u>\$ 184,588</u>
Covered payroll	N/A*	N/A*	N/A*
Total OPEB liability as a percentage of covered payroll	N/A*	N/A*	N/A*

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

Notes to the Required Schedules:

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

Fiscal Year	Rate
2020	3.50%
2019	3.89%
2018	3.56%

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

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

Local Government Employees' Retirement System							
	2020	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.03964%	0.03848%	0.03783%	0.03538%	0.03119%	0.03193%	0.03320%
Town's proportion of the net pension liability (asset) (\$)	\$ 1,082,538	\$ 912,878	\$ 577,939	\$ 750,883	\$ 139,980	\$ (188,306)	\$ 400,187
Town's covered payroll	\$ 2,543,823	\$ 2,445,992	\$ 2,327,239	\$ 2,143,926	\$ 1,984,104	\$ 1,936,360	\$ 2,017,612
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	42.56%	37.32%	24.83%	35.02%	7.06%	(9.72%)	19.83%
Plan fiduciary net position as a percentage of the total pension liability**	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

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

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

	Local Government Employees' Retirement System						
	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 250,110	\$ 201,177	\$ 186,499	\$ 171,786	\$ 144,423	\$ 139,313	\$ 134,326
Contributions in relation to the contractually required contribution	<u>250,110</u>	<u>201,177</u>	<u>186,499</u>	<u>171,786</u>	<u>144,423</u>	<u>139,313</u>	<u>134,326</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town of Granite Falls' covered payroll	\$ 2,747,932	\$ 2,543,823	\$ 2,445,992	\$ 2,327,239	\$ 2,143,926	\$ 1,984,104	\$ 1,936,360
Contributions as a percentage of covered payroll	9.10%	7.91%	7.62%	7.38%	6.74%	7.02%	6.94%

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

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

Law Enforcement Officers' Special Separation Allowance				
	2020	2019	2018	2017
Beginning balance	\$ 299,808	\$ 338,615	\$ 255,532	\$ 239,094
Service cost	18,956	18,154	16,432	15,732
Interest on the total pension liability	10,913	10,700	9,864	8,536
Differences between expected and actual experience in the measurement of the total pension liability	(15,555)	(53,936)	33,231	-
Changes of assumption or other inputs	12,568	(13,725)	23,556	(7,830)
Ending balance of the total pension liability	<u>\$ 326,690</u>	<u>\$ 299,808</u>	<u>\$ 338,615</u>	<u>\$ 255,532</u>

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

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

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

	Law Enforcement Officers' Special Separation Allowance			
	2020	2019	2018	2017
Total pension liability	\$ 326,690	\$ 299,808	\$ 338,615	\$ 255,532
Covered payroll	651,747	565,328	555,244	521,510
Total pension liability as a percentage of covered payroll	50.13%	53.03%	60.98%	49.00%

Notes to the Schedules:

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

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2020

WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 1,907,000	\$ 1,930,974	\$ 23,974	\$ 1,932,861
Penalties and interest	17,000	11,214	(5,786)	21,671
Total	1,924,000	1,942,188	18,188	1,954,532
Other Taxes and Licenses:				
Privilege licenses	100	75	(25)	95
Cable TV franchise tax	33,000	30,927	(2,073)	33,323
Local option sales tax	1,065,000	1,111,360	46,360	1,065,193
Total	1,098,100	1,142,362	44,262	1,098,611
Unrestricted Intergovernmental Revenues:				
Franchise tax	272,000	270,021	(1,979)	277,074
Beer and wine tax	20,800	20,004	(796)	20,062
Gross receipts tax on vehicle rentals	42,000	41,778	(222)	51,680
ABC Board profit distribution	91,192	179,396	88,204	142,106
Total	425,992	511,199	85,207	490,922
Restricted Intergovernmental Revenues:				
Special State revenue - police drug tax	1,200	1,805	605	2,440
Powell Bill allocation	145,000	145,142	142	146,332
Miscellaneous grants	4,361	31,195	26,834	46,846
Total	150,561	178,142	27,581	195,618
Sales and Services:				
Receipt for services	1,800	1,871	71	1,871
Cellular One lease	27,600	27,608	8	25,002
Court costs and jail fees	1,000	1,020	20	1,068
Tipping fees	8,200	8,709	509	8,617
Cemetery plots	17,000	21,017	4,017	23,931
Recreation	78,300	46,676	(31,624)	79,682
Total	133,900	106,901	(26,999)	140,171
Investment Earnings	50,000	58,006	8,006	46,767

TOWN OF GRANITE FALLS, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2020

WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Actual
Miscellaneous:				
South Caldwell fire district tax	100,000	104,218	4,218	99,098
Donations - Centennial celebration	1,200	987	(213)	1,885
Other	114,400	194,212	79,812	84,946
Total	215,600	299,417	83,817	185,929
 Total revenues	 3,998,153	 4,238,215	 240,062	 4,112,550
 Expenditures:				
General Government:				
Governing body	25,400	18,772	6,628	15,600
 Administration:				
Salaries and employee benefits	352,900	342,008	10,892	327,166
Operating expenses	383,491	347,047	36,444	225,230
Capital outlay	92,900	45,559	47,341	4,838
Cost redistribution	(487,000)	(487,000)	-	(399,500)
Total	367,691	266,386	101,305	173,334
 Public Safety - Police:				
Salaries and employee benefits	1,001,500	981,561	19,939	892,075
Operating expenses	266,742	232,572	34,170	237,322
Capital outlay	145,000	129,033	15,967	107,004
Total	1,413,242	1,343,166	70,076	1,236,401
 Public Safety - Fire:				
Salaries and employee benefits	494,200	491,469	2,731	464,811
Operating expenses	139,981	122,453	17,528	123,194
Capital outlay	162,181	148,746	13,435	82,831
Total	796,362	762,668	33,694	670,836
 Street and Public Works:				
Salaries and employee benefits	246,800	237,327	9,473	245,740
Operating expenses	205,200	155,270	49,930	180,981
Powell Bill expenditures	310,000	167,168	142,832	777,765
Capital outlay	129,000	126,242	2,758	73,546
Total	891,000	686,007	204,993	1,278,032

TOWN OF GRANITE FALLS, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2020

WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Actual
Sanitation	200,000	196,573	3,427	186,179
Cultural and Recreational:				
Salaries and employee benefits	263,700	234,953	28,747	236,860
Operating expenses	268,500	187,390	81,110	232,658
Capital outlay	39,000	29,010	9,990	93,018
Total	571,200	451,353	119,847	562,536
Debt Service:				
Principal retirement	80,506	80,389	117	78,555
Interest and fees	6,294	6,233	61	9,404
Total	86,800	86,622	178	87,959
Total expenditures	4,326,295	3,792,775	533,520	4,195,277
Revenues over (under) expenditures	(328,142)	445,440	773,582	(82,727)
Other Financing Sources (Uses):				
Transfers out	-	-	-	(117,358)
Fund balance appropriated	328,142	-	(328,142)	-
Total other financing sources (uses)	328,142	-	(328,142)	(117,358)
Net change in fund balance	\$ -	445,440	\$ 445,440	(200,085)
Fund Balance:				
Beginning of year - July 1		3,180,114		3,380,199
End of year - June 30		\$ 3,625,554		\$ 3,180,114

TOWN OF GRANITE FALLS, NORTH CAROLINA

ELECTRIC FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2020

WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Total
Revenues:				
Operating revenues:				
Charges for services	\$ 6,759,600	\$ 6,554,419	\$ (205,181)	\$ 6,894,885
Other operating revenue	140,400	152,782	12,382	160,968
Total operating revenues	6,900,000	6,707,201	(192,799)	7,055,853
Non-operating revenues:				
Grant revenue	-	2,352	2,352	14,477
Other non-operating income	813,652	821,368	7,716	-
Investment earnings	50,000	66,826	16,826	47,725
Total non-operating revenues	863,652	890,546	26,894	62,202
Total revenues	7,763,652	7,597,747	(165,905)	7,118,055
Expenditures:				
Operating expenses:				
Electrical operations	2,141,200	2,050,006	91,194	1,886,249
Electrical purchases	4,496,100	4,404,677	91,423	4,478,685
Total operating expenses	6,637,300	6,454,683	182,617	6,364,934
Capital outlay	802,500	228,959	573,541	530,279
Total expenditures	7,439,800	6,683,642	756,158	6,895,213
Revenues over (under) expenditures	323,852	914,105	590,253	222,842
Other Financing Sources (Uses):				
Appropriated fund balance	483,800	-	(483,800)	-
Transfers out	(807,652)	(807,652)	-	-
Total other financing sources (uses)	(323,852)	(807,652)	(483,800)	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	106,453	\$ 106,453	222,842
Reconciliation from Budgetary Basis (Modified Accrual) To Full Accrual:				
Non-cash transfer of assets		11,875		(7,704)
Change in inventory		12,670		38,820
Change in deferred outflows of resources - OPEB		4		1,471
Change in compensated absences		8,901		1,434
Capital outlay		228,959		530,279
Intrafund transfer		807,652		-
Change in OPEB liability		3,385		4,531
Pension benefit (expense)		(56,153)		(14,441)
Depreciation		(289,137)		(253,761)
Change in net position		\$ 834,609		\$ 523,471

TOWN OF GRANITE FALLS, NORTH CAROLINA**ENTERPRISE FUND CAPITAL PROJECT FUND - CAPITAL RESERVE****SCHEDULE OF REVENUES AND EXPENDITURES -****BUDGET AND ACTUAL (NON-GAAP)****FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Expenditures:			
Current:			
Capital outlay	\$ 807,652	\$ -	\$ 807,652
Revenues over (under) expenditures	(807,652)	-	807,652
Other Financing Sources (Uses):			
Transfers in	807,652	807,652	-
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	807,652	<u>\$ 807,652</u>
Fund Balance:			
Beginning of year - July 1		-	
End of year - June 30		<u>\$ 807,652</u>	

TOWN OF GRANITE FALLS, NORTH CAROLINA

WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2020
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Total
Revenues:				
Operating revenues:				
Charges for services	\$ 2,125,000	\$ 2,177,007	\$ 52,007	\$ 2,102,515
Other operating revenue	25,500	164,529	139,029	32,899
Total operating revenues	2,150,500	2,341,536	191,036	2,135,414
Non-operating revenues:				
Grant revenue	-	3,479	3,479	7,432
Investment earnings	41,000	48,787	7,787	33,343
Other non-operating revenue	9,500	31,916	22,416	9,480
Total non-operating revenues	50,500	84,182	33,682	50,255
Total revenues	2,201,000	2,425,718	224,718	2,185,669
Expenditures:				
Operating expenses	1,875,570	1,709,269	166,301	1,551,705
Repairs and maintenance	198,700	183,769	14,931	211,465
Capital outlay	1,025,000	241,497	783,503	440,973
Debt service - principal	151,000	150,944	56	149,470
Debt service - interest and fees	60,000	49,721	10,279	52,091
Total expenditures	3,310,270	2,335,200	975,070	2,405,704
Revenues over (under) expenditures	(1,109,270)	90,518	1,199,788	(220,035)
Other Financing Sources (Uses):				
Appropriated fund balance	626,200	-	(626,200)	-
Loan proceeds	500,000	-	(500,000)	-
Intrafund transfers out	(16,930)	(16,930)	-	(30,217)
Intrafund transfers in	-	23,700	23,700	715,231
Total other financing sources (uses)	1,109,270	6,770	(1,102,500)	685,014
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	97,288	\$ 97,288	464,979
Reconciliation from Budgetary Basis (Modified Accrual) To Full Accrual:				
Non-cash transfer of assets		(32,700)		(52,255)
Change in inventory		1,704		2,637
Capital outlay		241,497		440,973
Depreciation		(694,441)		(681,182)
Change in compensated absences		7,491		2,716
Change in deferred outflows of resources - OPEB		3		959
Pension benefit (expense)		(36,621)		(9,418)
Grant from Water & Sewer Capital Project		102,800		264,350
Water capital project intrafund transfers		(6,770)		(685,014)
Capital project revenues		-		13,780
Capital project expenses not capitalized		-		(240,650)
Change in OPEB liability		2,208		2,955
Gain (loss) on disposal of capital assets		(3,240)		-
Principal repayments on long-term debt		150,944		149,470
Change in net position		\$ (169,837)		\$ (325,700)

TOWN OF GRANITE FALLS, NORTH CAROLINA

**ENTERPRISE FUND CAPITAL PROJECT FUND -
 ASSET INVENTORY AND ASSESSMENT PROJECT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020**

	Actual			
	Project Authorization	Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental revenues:				
NC Department of Environmental Quality	\$ 300,000	\$ 300,000	\$ -	\$ 300,000
Expenditures:				
Administrative costs	23,016	23,016	-	23,016
Engineering costs	280,000	280,000	-	280,000
Total expenditures	303,016	303,016	-	303,016
Revenues over (under) expenditures	(3,016)	(3,016)	-	(3,016)
Other Financing Sources (Uses):				
Transfers in	26,716	26,716	-	26,716
Transfers out	(23,700)	-	(23,700)	(23,700)
Total other financing sources (uses)	3,016	26,716	(23,700)	3,016
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 23,700	\$ (23,700)	\$ -

TOWN OF GRANITE FALLS, NORTH CAROLINA

ENTERPRISE FUND CAPITAL PROJECT FUND - STATE RESERVE LOAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Expenditures:				
Contingency	\$ 10,000	\$ -	\$ -	\$ -
Construction - water line	384,600	-	-	-
Legal fees	2,000	-	280	280
Engineering costs	<u>103,400</u>	<u>30,217</u>	<u>16,650</u>	<u>46,867</u>
Total expenditures	<u>500,000</u>	<u>30,217</u>	<u>16,930</u>	<u>47,147</u>
Revenues over (under) expenditures	<u>(500,000)</u>	<u>(30,217)</u>	<u>(16,930)</u>	<u>(47,147)</u>
Other Financing Sources (Uses):				
Debt issued	500,000	-	-	-
Transfers in	<u>-</u>	<u>30,217</u>	<u>16,930</u>	<u>47,147</u>
Total other financing sources (uses)	<u>500,000</u>	<u>30,217</u>	<u>16,930</u>	<u>47,147</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF GRANITE FALLS, NORTH CAROLINA

ENTERPRISE FUND CAPITAL PROJECT - GFMS SEWER LINE EXTENSION

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

	<u>Actual</u>		
	<u>Project</u>	<u>Prior</u>	<u>Current</u>
	<u>Authorization</u>	<u>Years</u>	<u>Year</u>
			<u>Total</u>
			<u>to Date</u>
Revenues:			
Restricted intergovernmental revenues:			
Local funds - Caldwell County Schools	\$ 141,470	\$ 13,780	\$ 102,800
			\$ 116,580
Expenditures:			
Sewer line construction	117,170	480	-
Engineering	24,300	13,300	102,800
Total expenditures	141,470	13,780	102,800
			116,580
Revenues over (under) expenditures	\$ -	\$ -	\$ -
			\$ -

TOWN OF GRANITE FALLS, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2020

Fiscal Year	Uncollected Balance July 1, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2019-2020	\$ -	\$ 1,948,961	\$ 1,907,870	\$ 41,091
2018-2019	44,006	-	11,640	32,366
2017-2018	24,223	-	3,306	20,917
2016-2017	20,743	-	1,842	18,901
2015-2016	13,973	-	907	13,066
2014-2015	10,995	-	417	10,578
2013-2014	14,404	-	3,384	11,020
2012-2013	15,783	-	1,304	14,479
2010-2011	8,611	-	1,276	7,335
2009-2010	6,873	-	1,010	5,863
2008-2009	8,560	-	8,560	-
Total	\$ 168,171	\$ 1,948,961	\$ 1,941,516	175,616
Less: Allowance for uncollectible accounts				<u>(121,439)</u>
Ad valorem taxes receivable, net				<u>\$ 54,177</u>
Reconciliation of Collections and Credits with Revenue:				
Ad valorem taxes:				
General Fund				\$ 1,942,188
Reconciling items:				
Interest collected				(11,214)
Taxes written off				8,560
Miscellaneous adjustments				<u>1,982</u>
Total collections and credits				<u>\$ 1,941,516</u>

TOWN OF GRANITE FALLS, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
FOR THE YEAR ENDED JUNE 30, 2020

	Property Valuation	Rate	Total Levy	Total Levy	
				Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 434,538,488	\$ 0.45	\$ 1,948,905	\$ 1,772,262	\$ 176,643
Discoveries:					
Current year levy	232,613	0.45	1,043	1,043	-
Abateements:					
Current year levy	<u>(219,938)</u>		<u>(987)</u>	<u>(346)</u>	<u>(641)</u>
Total property valuation	<u>\$ 434,551,162</u>				
Net Levy			1,948,961	1,772,959	176,002
Uncollected taxes at June 30, 2020			<u>(41,091)</u>	<u>(41,091)</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 1,907,870</u>	<u>\$ 1,731,868</u>	<u>\$ 176,002</u>
Current Levy Collection Percentage			<u>97.89%</u>	<u>97.68%</u>	<u>100.00%</u>

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

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

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit Of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Town of Granite Falls, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 5, 2020. Our report includes a reference to other auditors who audited the financial statements of the Town of Granite Falls ABC Board, as described in our report on the Town of Granite Falls' financial statements. The financial statements of the Town of Granite Falls ABC Board were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Town of Granite Falls ABC Board.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P. A.
Hickory, North Carolina
October 5, 2020

TOWN OF GRANITE FALLS, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2020

1. Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

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

Non-compliance material to financial statements noted? No

TOWN OF GRANITE FALLS, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2020

2. Financial Statements Findings

None reported.

TOWN OF GRANITE FALLS, NORTH CAROLINA

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

None.

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