

**TOWN OF GRIFTON
North Carolina**

FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2020

**TOWN OF GRIFTON
Grifton, North Carolina**

FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2020

Prepared By
BARROW, PARRIS & DAVENPORT, P.A.
Certified Public Accountants
Kinston, North Carolina

**TOWN OF GRIFTON
NORTH CAROLINA**

MAYOR

Billy Ray Jackson

BOARD OF COMMISSIONERS

Raymond Oakes

Johnny Craft

William Barnes Jr.

Claude Kennedy

Angela Gay

TOWN ADMINISTRATION

INTERIM TOWN MANAGER

Mark Warren

TOWN CLERK & UTILITY BILLING SUPERVISOR

Angel Hudson

ASSISTANT TOWN CLERK & TAX COLLECTOR

Pam Ingle

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 9 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions on pages 42 and 43, and the Law Enforcement Officer's Special separation Allowance schedules of changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 44 and 45 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied the certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

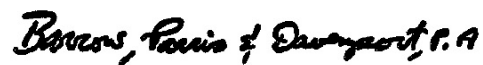
Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2020 on our consideration of Town of Grifton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Grifton's internal control over financial reporting and compliance.



BARROW, PARRIS & DAVENPORT, P.A.
Kinston, North Carolina

November 30, 2020

Management's Discussion and Analysis

As management of the Town of Grifton, North Carolina (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 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.

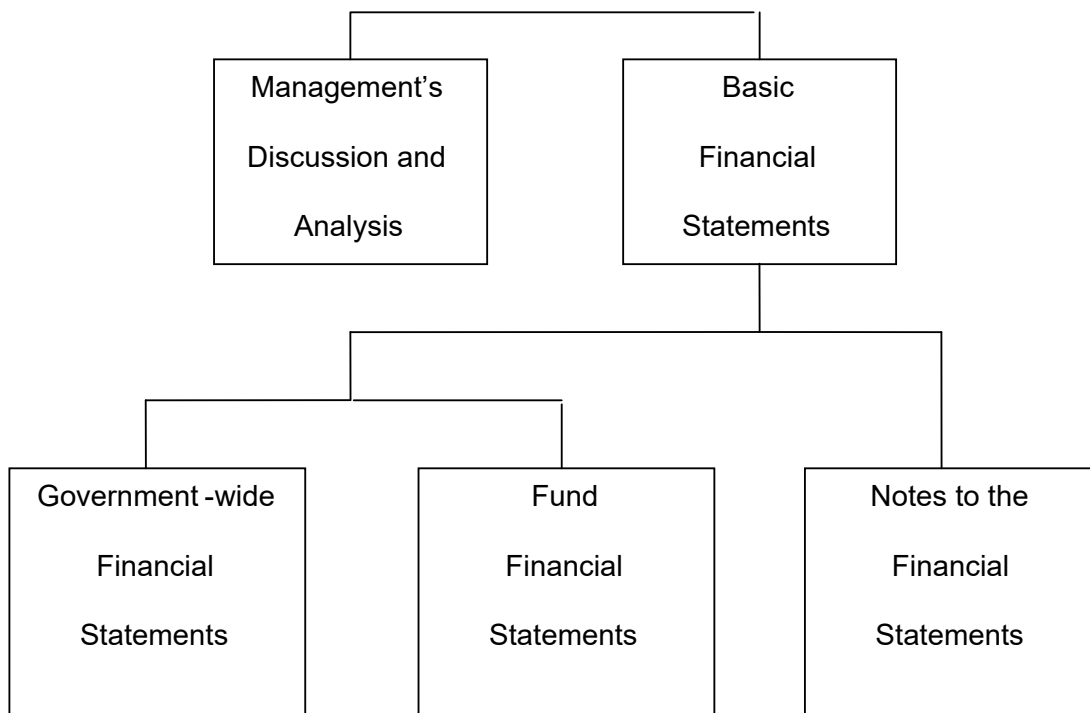
Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$4,903,726 (net position).
- The government's total net position decreased by \$49,825.
- As of the close of the current fiscal year, the Town's governmental fund (General Fund) reported an ending fund balance of \$928,352, an increase of \$119,795 in comparison with the prior year. Approximately 76% percent of this total amount, or \$782,243, is available for spending at the government's discretion (unassigned fund balance). For additional information regarding classification of the Town's fund balance, please see Note III, B. f on page 41.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of three components: 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.

Required Components of Annual Financial Report
Figure 1



Summary → Detail

Basic Financial Statements

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

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

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the 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 it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

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

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Grifton, 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 Town of Grifton 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*, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Grifton 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 the Town

Management Discussion and Analysis
Town of Grifton

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 – Town of Grifton 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. Town of Grifton uses enterprise funds to account for its water and sewer activity and stormwater utility activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 19 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 Grifton’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 42 of this report.

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

Government-Wide Financial Analysis

**Town of Grifton’s
Condensed Statement of Net Position
Figure 2**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current assets	\$1,137,458	\$941,941	\$799,444	\$719,300	\$1,936,902	\$1,661,241
Non-current assets	1,845,991	1,945,687	3,468,982	3,496,614	5,314,973	5,442,301
Deferred outflows of resources	129,123	162,198	33,418	48,786	162,541	210,984
Total assets and deferred outflows of resources	\$3,112,572	\$3,049,826	\$4,301,844	\$4,264,700	\$7,414,416	\$7,314,526
Other liabilities	\$200,051	\$111,439	\$267,741	\$138,039	\$467,792	\$249,478
Long-term liabilities	1,375,172	1,433,629	616,756	633,456	1,991,928	2,067,085
Deferred inflows of resources	49,477	44,114	1,493	298	50,970	44,412
Total liabilities and deferred inflows of resources	\$1,624,700	\$1,589,182	\$885,990	\$771,793	\$2,510,690	\$2,360,975
Net position:						
Net investment in capital assets	\$617,734	\$680,434	\$2,871,481	\$2,903,614	\$3,489,215	\$3,584,048
Restricted net position	211,871	250,269			211,871	250,269
Unrestricted net position	658,267	529,941	544,373	589,293	1,202,640	1,119,234
Total net position	\$1,487,872	\$1,460,644	\$3,415,854	\$3,492,907	\$4,903,726	\$4,953,551

Management Discussion and Analysis
Town of Grifton

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town exceeded liabilities and deferred inflows of resources by \$4,903,726 as of June 30, 2020. The Town's net position decreased by \$49,825 for the fiscal year ended June 30, 2020. However, the largest portion of net position (71.15%) reflects the Town's net investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position (4.32%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,202,640 is unrestricted.

Town of Grifton
Condensed Statement of Revenues, Expenses, and Changes in Net Position
Figure 3

	Governmental		Business-type		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$135,929	\$152,251	\$1,063,706	\$1,055,866	\$1,199,635	\$1,208,117
Operating grants and contributions	131,749	145,742	109,722	192,879	241,471	338,621
Capital grants and contributions	50,000				50,000	
General revenues:						
Property taxes	690,721	576,701			690,721	576,701
Other taxes	548,521	727,875			548,521	727,875
Other	246,155	43,518	285	250	246,440	43,768
Total revenues	\$1,803,075	\$1,646,087	\$1,173,713	\$1,248,995	\$2,976,788	\$2,895,082
Expenses:						
General Government	\$651,461	\$596,309			\$651,461	\$596,309
Public Safety	616,870	596,268			616,870	596,268
Transportation & Public Works	238,900	254,090			238,900	254,090
Community Development	5,135	22,232			5,135	22,232
Environmental Protection	116,553	111,466			116,553	111,466
Cultural & Recreational	68,110	91,179			68,110	91,179
Interest on long-term debt	78,818	48,314			78,818	48,314
Water and sewer and stormwater			\$1,250,766	\$1,232,402	1,250,766	1,232,402
Total expenses	\$1,775,847	\$1,719,858	\$1,250,766	\$1,232,402	\$3,026,613	\$2,952,260
Increase (decrease) in net position before transfers	\$27,228	(\$73,771)	(\$77,053)	\$16,593	(\$49,825)	(\$57,178)
Transfers		9,000		(9,000)		
Increase (decrease) in net position	\$27,228	(\$64,771)	(\$77,053)	\$7,593	(\$49,825)	(\$57,178)
Net position, July 1	1,460,644	1,525,415	3,492,907	3,485,314	4,953,551	5,010,729
Net position, June 30	\$1,487,872	\$1,460,644	\$3,415,854	\$3,492,907	\$4,903,726	\$4,953,551

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 96.49%, annually, with a collection rate excluding motor vehicles of 95.97%, which is slightly below the statewide average.

Governmental activities. Governmental activities increased the Town's net position by \$27,228. The increase in net position was the result of increased grants and property tax revenue.

Business-type activities: Business-type activities decreased the Town's net position by \$77,053. A key element in this decrease was less operating grants and contributions received in the current year.

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

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, Town of Grifton's fund balance available in the General Fund was \$782,243, while total fund balance reached \$928,352.

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

During the fiscal year, the Town amended its original budget on several occasions. Several of the largest amendments related to increase revenue sources for FEMA funds, proceeds from issuance of debt and various grants.

Actual overall revenues for the General Fund were lower than the budgeted amounts. Actual ad valorem taxes were higher than budgeted amounts, local option sales taxes were lower than budgeted amounts, while intergovernmental revenues were higher than budgeted amounts. Other general fund actual revenues approximated budgeted amounts. In addition, the Town's overall expenditures within the General Fund were lower than budgeted amounts.

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. Unrestricted net position of the proprietary funds at the end of the fiscal year amounted to \$544,373, whereas net position including the net investment in capital assets amounted to \$3,415,854. The proprietary fund's net position decreased by \$77,053.

Capital Asset and Debt Administration

Capital assets. The Town's net investment in capital assets for its governmental and business-type activities as of June 30, 2020, totaled \$5,314,973 (net of accumulated depreciation). These assets include land, buildings, infrastructure, machinery, and equipment.

Major capital asset additions during the year include the following:

- 2 Police Vehicles & 1 Sewer Truck
- New Server
- Plant equipment including a John Deere Gator, a Grasshopper, and sewer system camera
- New Playground

Town of Grifton
Condensed Statement of Capital Assets (Net of Depreciation)
Figure 5

	Governmental		Business-type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Construction in Progress			\$109,840	\$7,085	\$109,840	\$7,085
Land	\$365,783	\$365,783			365,783	365,783
Buildings and System	530,111	577,422			530,111	577,422
Equipment	100,477	76,244	49,442	44,793	149,919	121,037
Vehicles	119,834	113,540	64,679	76,860	184,513	190,400
Infrastructure	729,786	812,698	3,245,021	3,367,876	3,974,807	4,180,574
Total	\$1,845,991	\$1,945,687	\$3,468,982	\$3,496,614	\$5,314,973	\$5,442,301

Additional information on the Town's capital assets can be found on pages 27-28 of this report.

Long-term Debt. As of June 30, 2020, the Town had total debt outstanding of \$1,825,758, excluding compensated absences and pension liabilities. The Town's outstanding loans consist of the general obligation bonds for roads and streets, utility fund improvements, and vehicle and equipment loans.

Town of Grifton's Capital Assets
Condensed Statement of Long-Term Debt
Figure 6

	Governmental		Business-type		Total	
	Activities	Activities	Activities	Activities		
	2020	2019	2020	2019	2020	2019
Compensated absences	\$34,096	\$24,475	\$5,108	\$6,598	\$39,204	\$31,073
Net pension liability - LGERS	192,442	187,930	51,156	57,608	243,598	245,538
Total pension liability - LEOSSA	33,526	34,717			33,526	34,717
General obligation bonds	1,155,000	1,232,000	525,000	534,000	1,680,000	1,766,000
Installment purchases	73,257	33,253	72,501	59,000	145,758	92,253
Total	\$1,488,321	\$1,512,375	\$653,765	\$657,206	\$2,142,086	\$2,169,581

Economic Factors and Next Year's Budgets and Rates

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

- The Town of Grifton unemployment rate of 6.4% is above the State average of 6.5%.
- The Town's occupancy rate is 13.3% for the year, which is higher than the State average of 6.6%.
- The Town of Grifton's median household income is approximately \$36,412 compared with approximately \$57,341 for the State.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: Property taxes will remain at \$.63 cents, while local option sales tax revenue is expected to decrease slightly. Overall, the budgeted revenues are increased approximately 2% over 2020.

Budgeted expenditures are expected to remain consistent with fiscal year 2020.

Management Discussion and Analysis
Town of Grifton

Business – type Activities: The sewer rates in the Town are expected to remain stable as the NRWASA and CMSD rates are unchanged. General operating expenses are expected to remain consistent with fiscal year 2020. Storm water rates are expected to remain unchanged.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Mark Warren, Interim Town Manager, Town of Grifton, PO Box 579, Grifton, North Carolina 28530.

BASIC FINANCIAL STATEMENTS

TOWN OF GRIFTON, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2020

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS:			
<i>Current Assets:</i>			
Cash and Cash Equivalents	\$930,814	\$501,522	\$1,432,336
Prepaid Expenses	32,741		32,741
Taxes Receivables (Net)	48,586		48,586
Accrued Interest Receivable	8,659		8,659
Accounts Receivable - Due from Other Governments	113,368	105,344	218,712
Restricted Cash and Cash Equivalents	3,290	192,578	195,868
Total Current Assets	\$1,137,458	\$799,444	\$1,936,902
<i>Non-current Assets:</i>			
<i>Capital Assets:</i>			
Land and Construction in Progress	\$365,783	\$109,840	\$475,623
Other Capital Assets, Net of Depreciation	1,480,208	3,359,142	4,839,350
Total Capital Assets	\$1,845,991	\$3,468,982	\$5,314,973
Total Assets	\$2,983,449	\$4,268,426	\$7,251,875
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension Deferrals	\$129,123	\$33,418	\$162,541
Total Deferred Outflows of Resources	\$129,123	\$33,418	\$162,541
LIABILITIES:			
Accounts Payable and Accrued Liabilities	\$53,358	\$113,333	\$166,691
Accrued Interest Payable	33,544		33,544
Customer Deposits		117,399	117,399
Compensated Absences	34,096	5,108	39,204
Net Pension Liability	192,442	51,156	243,598
Total Pension Liability	33,526		33,526
Long-term liabilities:			
Due within one year	92,149	33,009	125,158
Due in more than one year	1,136,108	564,492	1,700,600
Total Liabilities	\$1,575,223	\$884,497	\$2,459,720
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension Deferrals	\$49,477	\$1,493	\$50,970
Total Deferred Inflows of Resources	\$49,477	\$1,493	\$50,970
Net Position:			
Net Investment in Capital Assets	\$617,734	\$2,871,481	\$3,489,215
<i>Restricted For:</i>			
Stabilization by State Statute	113,368		113,368
Cultural & Recreational	50,000		50,000
Construction & Maintenance	9,520		9,520
Trust Funds	38,983		38,983
Unrestricted	658,267	544,373	1,202,640
Total Net Position	\$1,487,872	\$3,415,854	\$4,903,726

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

TOWN OF GRIFTON, NORTH CAROLINA
STATEMENT OF ACTIVITIES
 For The Year Ended June 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$651,461	\$14,950			(\$636,511)		(\$636,511)
Public Safety	616,870		\$53,190		(563,680)		(563,680)
Transportation & Public Works	238,900		73,957		(164,943)		(164,943)
Environmental Protection	116,553	119,679	2,521		5,647		5,647
Community Development	5,135		675		(4,460)		(4,460)
Cultural and Recreational	68,110	1,300	1,406	\$50,000	(15,404)		(15,404)
Interest on long-term debt	78,818				(78,818)		(78,818)
Total Governmental Activities	\$1,775,847	\$135,929	\$131,749	\$50,000	(\$1,458,169)	\$0	(\$1,458,169)
Business-type Activities:							
Water and Sewer	\$1,178,355	\$998,952	\$103,256			(\$76,147)	(\$76,147)
Stormwater Utility	72,411	64,754	6,466			(1,191)	(1,191)
Total Business-type Activities	\$1,250,766	\$1,063,706	\$109,722	\$0	\$0	(\$77,338)	(\$77,338)
Total Primary Government	\$3,026,613	\$1,199,635	\$241,471	\$50,000	(\$1,458,169)	(\$77,338)	(\$1,535,507)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purpose					\$690,721		\$690,721
Local Option Sales Tax					548,521		548,521
Grants and contributions not restricted to specific purposes					126,808		126,808
Restricted Intergovernmental					82,346		82,346
Investment earnings, unrestricted					344	\$285	629
Miscellaneous, unrestricted					36,657		36,657
Total general revenues					\$1,485,397	\$285	\$1,485,682
Change in Net Position					\$27,228	(\$77,053)	(\$49,825)
<i>Net Position, Beginning of Year</i>					1,460,644	3,492,907	4,953,551
NET POSITION, End of Year					\$1,487,872	\$3,415,854	\$4,903,726

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

TOWN OF GRIFTON, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	<u>Major Funds</u>	<u>Non-Major</u>	<u>Total</u>
	<u>General</u>	<u>Other Governmental Funds</u>	<u>Governmental Funds</u>
ASSETS:			
Cash and Cash Equivalents	\$832,311	\$98,503	\$930,814
Prepaid Expenses	32,741		32,741
Receivables:			
Property Taxes	48,586		48,586
Accounts	125,501		125,501
Restricted Cash and Cash Equivalents	3,290		3,290
Total Assets	<u>\$1,042,429</u>	<u>\$98,503</u>	<u>\$1,140,932</u>
LIABILITIES:			
Accounts Payable and Accrued Liabilities	\$53,358		\$53,358
Total Liabilities	<u>\$53,358</u>	<u>\$0</u>	<u>\$53,358</u>
DEFERRED INFLOWS OF RESOURCES:			
Property Taxes Receivable	\$48,586		\$48,586
Other Receivables	12,133		12,133
Total Deferred Inflows of Resources	<u>\$60,719</u>	<u>\$0</u>	<u>\$60,719</u>
FUND BALANCES:			
Nonspendable:			
Prepaid Expenses	\$32,741		\$32,741
Restricted:			
Stabilization by State Statute	113,368		113,368
Cultural & Recreational		\$50,000	50,000
Construction and Maintenance		9,520	9,520
Trust Funds		38,983	38,983
Unassigned	782,243		782,243
Total Fund Balances	<u>\$928,352</u>	<u>\$98,503</u>	<u>\$1,026,855</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$1,042,429</u>	<u>\$98,503</u>	

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

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

Total Fund Balance, Governmental Funds	\$1,026,855
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,845,991
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds	8,659
Deferred outflows of resources related to pensions are not reported in the funds.	129,123
Earned revenues considered deferred inflows of resources in fund statements.	48,586
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.	
Compensated Absences	(34,096)
General Obligation Bonds	(1,155,000)
Installment Purchases	(73,257)
Net Pension Liability	(192,442)
Total Pension Liability	(33,526)
Deferred inflows of resources related to pensions are not reported in the funds.	(49,477)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.	(33,544)
Net Position of Governmental Activities	<u>\$1,487,872</u>

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

TOWN OF GRIFTON, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2020

	<u>Major</u>	<u>Non-Major</u>	
	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:			
Ad Valorem Taxes	\$671,106		\$671,106
Local Option Sales Tax	548,521		548,521
Unrestricted Intergovernmental	126,808		126,808
Restricted Intergovernmental	212,014	\$52,081	264,095
Permits and Fees	20,159		20,159
Sales and Services	124,704	14,950	139,654
Investment Earnings	332	12	344
Miscellaneous	12,773		12,773
TOTAL REVENUES	\$1,716,417	\$67,043	\$1,783,460
EXPENDITURES:			
General Government	\$606,690	\$17,217	\$623,907
Public Safety	574,088		574,088
Transportation & Public Works	150,140		150,140
Environmental Protection	116,553		116,553
Cultural & Recreational	61,746	2,500	64,246
Community Development	5,135		5,135
Debt Service:			
Principal	78,746		78,746
Interest	45,274		45,274
TOTAL EXPENDITURES	\$1,638,372	\$19,717	\$1,658,089
Net change in fund balance	\$78,045	\$47,326	\$125,371
OTHER FINANCING SOURCES (USES):			
Proceeds from Issuance of Debt	\$41,750		\$41,750
TOTAL OTHER FINANCING SOURCES (USES)	\$41,750	\$0	\$41,750
Revenues and other financing sources over (under) expenditures and other financing uses	\$119,795	\$47,326	\$167,121
<i>Fund Balance, Beginning of year</i>	808,557	51,177	859,734
FUND BALANCE, END OF YEAR	\$928,352	\$98,503	\$1,026,855

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

TOWN OF GRIFTON, NORTH CAROLINA
STATEMENT REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2020

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

Net changes in fund balances - total governmental funds		\$167,121
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay expenditures that were capitalized	89,787	
Depreciation expense for governmental assets	<u>(189,483)</u>	(99,696)
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>		
		47,093
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues		19,615
<p>The Issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items</p>		
New long-term debt issued	(41,750)	
Principal payments on long-term debt	78,746	
Increase in Accrued Interest Payable	<u>(33,544)</u>	3,452
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds</p>		
Compensated absences	(9,621)	
Pension expense	<u>(100,736)</u>	(110,357)
Total Changes in Net Position of Governmental Activities		<u><u>\$27,228</u></u>

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

TOWN OF GRIFTON, NORTH CAROLINA
GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For The Year Ended June 30, 2020

	General Fund			Variance Favorable/ (Unfavorable)
	Original Budget	Final Budget	Actual Amounts	
Revenues:				
Ad Valorem Taxes	\$665,301	\$665,301	\$671,106	\$5,805
Local Option Sales Tax	553,000	564,200	548,521	(15,679)
Unrestricted Intergovernmental	130,000	130,000	126,808	(3,192)
Restricted Intergovernmental	115,880	186,030	212,014	25,984
Permits and Fees	12,000	12,000	20,159	8,159
Sales and Services	120,550	120,550	124,704	4,154
Investment Earnings	300	300	332	32
Miscellaneous	10,300	57,675	12,773	(44,902)
Total Revenues	\$1,607,331	\$1,736,056	\$1,716,417	(\$19,639)
Expenditures:				
General Government	\$588,977	\$651,052	\$606,690	\$44,362
Public Safety	544,628	590,428	574,088	16,340
Transportation & Public Works	149,026	161,726	150,140	11,586
Environmental Protection	115,000	126,200	116,553	9,647
Cultural & Recreational	75,680	73,130	61,746	11,384
Community Development	10,000	8,000	5,135	2,865
Debt Service:				
Principal	78,746	78,746	78,746	
Interest	45,274	45,274	45,274	
Total Expenditures	\$1,607,331	\$1,734,556	\$1,638,372	\$96,184
Revenues Over (Under) Expenditures	\$0	\$1,500	\$78,045	\$76,545
Other Financing Sources (Uses):				
Transfers from (to) Other Funds		(\$1,500)		\$1,500
Proceeds from Issuance of Debt			\$41,750	41,750
Total Other Financing Sources (Uses)	\$0	(\$1,500)	\$41,750	\$43,250
Net Change in Fund Balance	\$0	\$0	\$119,795	\$119,795
Fund Balances:				
Beginning of Year, July 1			808,557	
End of Year, June 30			\$928,352	

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

TOWN OF GRIFTON, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2020

<u>Assets</u>	<u>Major Enterprise Funds</u>		
	<u>Water & Sewer Fund</u>	<u>Stormwater Utility Fund</u>	<u>Total</u>
Current Assets:			
Cash and Cash Equivalents	\$439,619	\$61,903	\$501,522
Restricted Cash and Cash Equivalents	192,578		192,578
Accounts Receivable (Net)	98,433	6,911	105,344
Total Current Assets	\$730,630	\$68,814	\$799,444
Noncurrent Assets:			
Capital Assets:			
Construction in Progress	\$109,840		\$109,840
Other Capital Assets, Net of Depreciation	3,359,142		3,359,142
Total Noncurrent Assets	\$3,468,982	\$0	\$3,468,982
Total Assets	\$4,199,612	\$68,814	\$4,268,426
<u>Deferred Outflows of Resources</u>			
Pension Deferrals	\$28,644	\$4,774	\$33,418
Total Deferred Outflows of Resources	\$28,644	\$4,774	\$33,418
<u>Liabilities</u>			
Current Liabilities:			
Accounts Payable & Accrued Liabilities	\$112,784	\$549	\$113,333
Customer Deposits	117,399		117,399
Compensated Absences - Current	4,000		4,000
Installment Purchases - Current	24,009		24,009
General Obligation Bonds Payable - Current	9,000		9,000
Total Current Liabilities	\$267,192	\$549	\$267,741
Noncurrent Liabilities:			
Compensated Absences	\$816	\$292	\$1,108
Net Pension Liability	43,848	7,308	51,156
Installment Purchases - Noncurrent	48,492		48,492
General Obligation Bonds Payable - Noncurrent	516,000		516,000
Total Noncurrent Liabilities	\$609,156	\$7,600	\$616,756
Total Liabilities	\$876,348	\$8,149	\$884,497
<u>Deferred Inflows of Resources</u>			
Pension Deferrals	\$1,280	\$213	\$1,493
Total Deferred Inflows of Resources	\$1,280	\$213	\$1,493
<u>Net Position</u>			
Net Investment in Capital Assets	\$2,871,481		\$2,871,481
Unrestricted	479,147	\$65,226	544,373
Total Net Position	\$3,350,628	\$65,226	\$3,415,854

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

TOWN OF GRIFTON, NORTH CAROLINA
STATEMENT REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For The Year Ended June 30, 2020

	Major Enterprise Funds		
	Water & Sewer Fund	Stormwater Utility Fund	Total
OPERATING REVENUES:			
Charges for Services	\$961,806	\$64,754	\$1,026,560
Other Operating Revenues	37,146		37,146
Total Operating Revenues	\$998,952	\$64,754	\$1,063,706
OPERATING EXPENSES:			
General Operations	\$102,501		\$102,501
Water Operations	338,505		338,505
Sewer Operations	553,100		553,100
Stormwater Operations		\$72,411	72,411
Depreciation	166,226		166,226
Total Operating Expenses	\$1,160,332	\$72,411	\$1,232,743
Operating Income (Loss)	(\$161,380)	(\$7,657)	(\$169,037)
NONOPERATING REVENUES (EXPENSES):			
Investment Earnings	\$261	\$24	\$285
Grants and Donations	103,256	6,466	109,722
Interest and Other Charges	(18,023)		(18,023)
Total Nonoperating Revenues (Expenses)	\$85,494	\$6,490	\$91,984
Change in Net Position	(\$75,886)	(\$1,167)	(\$77,053)
Total Net Position, Beginning	3,426,514	66,393	3,492,907
Total Net Position, Ending	\$3,350,628	\$65,226	\$3,415,854

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

TOWN OF GRIFTON, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Fiscal Year Ended June 30, 2020

	Major Enterprise Funds		
	Water and Sewer Fund	Stormwater Utility Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received From Customers	\$955,525	\$65,312	\$1,020,837
Cash Paid for Goods and Services	(682,457)	(36,772)	(719,229)
Cash Paid to or on Behalf of Employees for Services	(182,308)	(35,233)	(217,541)
Customer Deposits Received	31,800		31,800
Customer Deposits Returned	(19,955)		(19,955)
Other Operating Revenues	37,146		37,146
Net Cash Provided (Used) by Operating Activities	\$139,751	(\$6,693)	\$133,058
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Federal and State Grants		\$6,466	\$6,466
Net Cash Provided (Used) by Noncapital Financing Activities	\$0	\$6,466	\$6,466
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital Contributions	\$103,256		\$103,256
Proceeds of Long-Term Debt	28,251		28,251
Acquisition and Construction of Capital Assets	(138,594)		(138,594)
Principal Paid on Debt	(23,750)		(23,750)
Interest Paid on Debt	(18,023)		(18,023)
Net Cash Provided (Used) by Capital and Related Financing Activities	(\$48,860)	\$0	(\$48,860)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on Investments	\$261	\$24	\$285
Net Increase (Decrease) in Cash and Cash Equivalents	\$91,152	(\$203)	\$90,949
Cash and Cash Equivalents, July 1	541,045	62,106	603,151
Cash and Cash Equivalents, June 30	\$632,197	\$61,903	\$694,100
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	(\$161,380)	(\$7,657)	(\$169,037)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	\$166,226		\$166,226
Changes in Assets, Deferred Inflows and Outflows and Liabilities:			
(Increase) Decrease in Accounts Receivable	10,816	\$558	11,374
(Increase) Decrease in Deferred Outflows of Resources for Pensions	12,096	3,272	15,368
Increase (Decrease) in Accounts Payable and Accrued Expenses	105,699	(729)	104,970
Increase (Decrease) in Customer Deposits	10,904		10,904
Increase (Decrease) in Net Pension Liability	(4,259)	(2,193)	(6,452)
Increase (Decrease) in Deferred Inflows of Resources for Pension	1,031	164	1,195
Increase (Decrease) in Compensated Absences	(1,382)	(108)	(1,490)
Total Adjustments	\$301,131	\$964	\$302,095
Net Cash Provided by (Used by) Operating Activities	\$139,751	(\$6,693)	\$133,058

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

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF GRIFTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a specific 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 specific program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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

The Town reports the following major governmental funds:

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

The Town reports the following non-major governmental funds:

Depot Fund. This fund accounts for the operations of the Depot building.

Duke Energy Emergency Grant Fund. This fund accounts for the Duke Energy Grant and related expenses.

Library Trust Fund. This fund accounts for the library trust.

Cemetery Trust Fund. This fund accounts for the cemetery trust.

TOWN OF GRIFTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

B. Basis of Presentation (Continued)

Civic Center Trust Fund. This fund accounts for the Civic Center.

Police State Revenue Trust Fund. This fund accounts for the Police State Revenues.

Parks Trust Fund. This fund accounts for the Park.

The Town reports the following major enterprise funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered

TOWN OF GRIFTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

C. Measurement Focus and Basis of Accounting (Continued)

motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Capital Reserve Fund, the Depot Fund, the Enterprise Funds, and all of the governmental permanent trust funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Sewer Rehab Fund, the Sewer System Project Fund, and the Well #2 Rehab Project Fund. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds. The Budget officer is authorized to transfer appropriations within a fund in amounts not to exceed 10% of the appropriated monies for the Department whose allocation is reduced; however, any revisions that alter the total expenditures of any fund must be approved by the governing board. During the year, several amendments to the original budget were necessary. Total budget amendments to the General fund increased revenues and expenses by \$128,725.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high-quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2020, the Term Portfolio has a duration of .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. The Town had no such investments at June 30, 2020.

TOWN OF GRIFTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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

2. Cash and Cash Equivalents

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

3. Restricted Assets

The restricted cash in the General Fund is required by the USDA loan agreement for the Town Hall renovations. In the Water and Sewer fund for the Sewer Rehab Project, restricted cash represents unexpended loan funds. Powell Bill funds are also classified as restricted cash because they can be expended only for purposes of maintaining, repairing, construction, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. The following table outlines the Town's restricted cash at June 30, 2020.

<u>Town of Grifton Restricted Cash</u>	
<i>Governmental Activities:</i>	
General Fund - USDA	\$3,290
Total Governmental Activities	<u>\$3,290</u>
 <i>Business-type Activities:</i>	
Customer Deposits	\$117,399
Sewer Rehab Fund	75,179
Total Business-type Activities	<u>\$192,578</u>
 Total Restricted Cash	 <u><u>\$195,868</u></u>

4. Ad Valorem Taxes Receivable

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

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

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

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

TOWN OF GRIFTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. The Town does not have a written capitalization policy but typically capitalize assets with a minimum cost of \$1,000. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Building and Improvements	20 - 40 years
Water and Sewer System	20 - 40 years
Machinery and Equipment	5 - 10 years
Automobiles and Light Trucks	5 years

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, pension deferrals for the 2020 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category - property taxes receivable, other receivable for garbage services, and pension deferrals.

9. Long-Term Obligations

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

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

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to twenty-three (23) days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated 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 GRIFTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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

11. Net Position/Fund Balances

Net Position

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

Fund Balances

In the governmental fund financial statements, fund balance is composed of 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.

Prepaid Expenses – portion of fund balance that is not an available resource because it represents the costs applicable to a future accounting period, which is not a spendable resource.

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

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

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

Restricted for Construction and Maintenance - portion of fund balance set aside by the Council for repairs and maintenance of the Town's streets and the Train Depot.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Grifton's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned Fund Balance – This classification includes portion of fund balance that the Town of Grifton intends to use for specific purposes.

TOWN OF GRIFTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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

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

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

12. Defined Benefit Cost-Sharing Plans

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Significant Violations of Finance-Related Legal and Contractual Provisions

None Noted.

B. Deficit in Fund Balance of Individual Funds not appropriated in subsequent year's budget ordinance

None Noted.

C. Excess of Expenditures over Appropriations

None Noted.

III. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

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

TOWN OF GRIFTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

A. Assets (Continued)

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

At June 30, 2020, the Town's deposits had a carrying amount of \$1,627,904 and a bank balance of \$1,546,480. Of the bank balance \$250,000 was covered by federal depository insurance, and the remainder covered by collateral held under the Pooling Method. At June 30, 2020, the Town's petty cash totaled \$300.

2. Receivables - Allowance for Doubtful Accounts

Receivables at the Government-wide level at June 30, 2020, were as follows:

	Taxes & Related Interest	Other	Accounts	Due from Other Governments	Totals
Governmental Activities:					
General	\$55,949	\$8,659		\$113,368	\$177,976
Total Receivables	\$55,949	\$8,659	\$0	\$113,368	\$177,976
Allowance for Doubtful Accounts	7,363				7,363
Total Governmental Activities	\$48,586	\$8,659	\$0	\$113,368	\$170,613
Business Type Activities:					
Water and Sewer Fund			\$98,433		\$98,433
Stormwater Utility Fund			6,911		6,911
Total Receivables	\$0	\$0	\$105,344	\$0	\$105,344
Allowance for Doubtful Accounts					
Total Business Type Activities	\$0	\$0	\$105,344	\$0	\$105,344

The due from other governments that is owed to the Town consists of the following:

Utility Franchise	\$20,807
Local Government Sales Tax	83,692
Solid Waste Disposal Tax	483
Pitt County Property Tax	8,386
Total Due	\$113,368

TOWN OF GRIFTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

A. Assets (Continued)

3. Capital Assets

Primary Government

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$365,783			\$365,783
Total Capital Assets Not Being Depreciated	\$365,783	\$0	\$0	\$365,783
Capital Assets Being Depreciated:				
Buildings	\$1,203,198	\$3,500		\$1,206,698
Improvements	243,846			243,846
Equipment	236,887	40,359	\$11,442	265,804
Vehicles	652,043	45,928		697,971
Infrastructure	6,124,864			6,124,864
Total Capital Assets Being Depreciated	\$8,460,838	\$89,787	\$11,442	\$8,539,183
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$745,336	\$44,416		\$789,752
Improvements	124,286	6,395		130,681
Equipment	160,643	16,126	\$11,442	165,327
Vehicles	538,503	39,634		578,137
Infrastructure	5,312,166	82,912		5,395,078
Total Accumulated Depreciation	\$6,880,934	\$189,483	\$11,442	\$7,058,975
<i>Total Capital Assets Being Depreciated, Net</i>	<i>\$1,579,904</i>			<i>\$1,480,208</i>
Governmental Activity Capital Assets, Net	\$1,945,687			\$1,845,991

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

General Government	\$36,567
Public Safety	46,792
Transportation	88,760
Cultural and Recreational	17,364
Total Depreciation Expense	\$189,483

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TOWN OF GRIFTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

A. Assets (Continued)

Enterprise Fund

Capital asset activity for the Enterprise Fund for the year ended June 30, 2020, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type Activity:				
Capital Assets Not Being Depreciated:				
Construction in Progress	\$7,085	\$102,755		\$109,840
Total Capital Assets Not Being Depreciated	<u>\$7,085</u>	<u>\$102,755</u>	<u>\$0</u>	<u>\$109,840</u>
Capital Assets Being Depreciated:				
Plant and Distribution Systems	\$6,758,148	\$1,550		\$6,759,698
Equipment	119,999	12,055		132,054
Vehicles	156,295	22,234		178,529
Total Assets Being Depreciated	<u>\$7,034,442</u>	<u>\$35,839</u>	<u>\$0</u>	<u>\$7,070,281</u>
<i>Less Accumulated Depreciation for:</i>				
Plant and Distribution Systems	\$3,390,272	\$124,405		\$3,514,677
Equipment	75,206	7,406		82,612
Vehicles	79,435	34,415		113,850
Total Accumulated Depreciation	<u>\$3,544,913</u>	<u>\$166,226</u>	<u>\$0</u>	<u>\$3,711,139</u>
<i>Total Capital Assets Being Depreciated, Net</i>	\$3,489,529			\$3,359,142
Business-type Activities Capital Assets, Net	<u>\$3,496,614</u>			<u>\$3,468,982</u>

Construction Commitments

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

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Governmental Project:		
Duke Energy Emergency Grant		\$50,000
Water and Sewer Projects:		
Well #2 Rehab Project	\$18,075	60,352
Sewer System Project	91,765	1,473,635
Total	<u>\$109,840</u>	<u>\$1,583,987</u>

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TOWN OF GRIFTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2020, were as follows:

	Vendors	Accrued Liabilities	Accrued Interest Payable	Total
Governmental Activities:				
General:	\$42,208	\$11,150	\$33,544	\$86,902
Total Governmental Activities	\$42,208	\$11,150	\$33,544	\$86,902
Business Type Activities:				
Water and Sewer Fund	\$663	\$112,121		\$112,784
Stormwater Utility Fund		549		549
Total Business Type Activities	\$663	\$112,670	\$0	\$113,333

2. Pension Plan Obligations

a. Local Government Employee's Retirement System

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

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

TOWN OF GRIFTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

B. Liabilities (Continued)

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2020, was 9.7% of compensation for law enforcement officers and 8.95% 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 \$59,611 for the year ended June 30, 2020.

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

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

At June 30, 2020, the Town reported a liability of \$243,598 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 (measurement date), the Town's proportion was 0.00892%, which was a decrease of 0.00143% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$112,306. 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	\$41,710	
Changes of assumptions	39,702	
Net difference between projected and actual earnings on pension plan investments	5,942	
Change in proportion and differences between employer contributions and proportionate share of contributions	12,171	\$7,107
Town contributions subsequent to the measurement date	59,611	
Total	\$159,136	\$7,107

TOWN OF GRIFTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

B. Liabilities (Continued)

\$59,611 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 ended 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,	
2021	\$46,384
2022	16,011
2023	25,052
2024	4,971
2025	
Thereafter	
Total	\$92,418

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

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

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

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

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TOWN OF GRIFTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

B. Liabilities (Continued)

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 weighing the expected future real rates of return by the target class allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

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

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

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

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00 percent) or 1-percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$557,154	\$243,598	(\$17,030)

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.

TOWN OF GRIFTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

B. Liabilities (Continued)

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description*

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

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

Inactive Member Currently Receiving Benefits	0
Active Members	5
Total	<u>5</u>

2. *Summary of Significant Accounting Policies*

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

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

3. *Actuarial Assumptions*

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

Inflation	2.5 percent
Salary Increases	3.5 to 7.35 percent, including inflations and productivity factor
Discount Rate	3.26 percent

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

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

TOWN OF GRIFTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

B. Liabilities (Continued)

4. Contributions

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

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 pension liability of \$33,526. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020 the Town recognized pension income of \$826.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience		\$41,967
Change of Assumptions	\$3,405	1,896
Benefit Payments and Administrative Expenses Subsequent to the Measurement Date		
Total	\$3,405	\$43,863

For the year ended June 30, 2020, the Town did not incur any amounts related to pensions resulting from benefit payments made and administrative expenses subsequent to the measurement date that would be reported as deferred outflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	
2021	(\$8,880)
2022	(8,786)
2023	(8,462)
2024	(8,434)
2025	(5,135)
Thereafter	(761)
Total	(\$40,458)

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 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26%) 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	\$38,127	\$33,526	\$29,545

TOWN OF GRIFTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

B. Liabilities (Continued)

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

	2020
Total Pension Liability as of December 31, 2018	\$34,717
Changes for the year:	
Service Cost at end of year	6,790
Interest	1,264
Change in benefit terms	
Difference between expected and actual experience	(10,828)
Changes in Assumptions or Other Inputs	1,583
Benefit Payments	
Other	
Net Changes	(\$1,191)
Total Pension Liability as of December 31, 2019	\$33,526

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

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

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$112,306	(\$826)	\$111,480
Pension Liability	243,598	33,526	277,124
Proportionate Share of the Net Pension Liability	0.00892%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	\$41,710		\$41,710
Changes of Assumptions	39,702	\$3,405	43,107
Net Difference Between Projected and Actual Earnings on Plan Investments	5,942		5,942
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	12,171		12,171
Benefit Payments and Administrative Costs Paid Subsequent to the Measurement Date	59,611		59,611
Total Deferred Outflows of Resources	\$159,136	\$3,405	\$162,541
Deferred Inflows of Resources			
Differences Between Expected and Actual Experience		\$41,967	\$41,967
Changes of Assumptions		1,896	1,896
Net Differences Between Projected and Actual Earnings on Plan Investments			
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	\$7,107		7,107
Total Deferred Inflows of Resources	\$7,107	\$43,863	\$50,970

TOWN OF GRIFTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

B. Liabilities (Continued)

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

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

The town made contributions of \$26,408 for the reporting year. These contributions consisted of \$17,162 from the Town and \$9,246 from the law enforcement officers. No amounts were forfeited.

d. Deferred Compensation Plan

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

3. Other Employment Benefits

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

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TOWN OF GRIFTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

B. Liabilities (Continued)

4. Deferred Outflows and Inflows of Resources

Deferred outflows of resources reported on the Statement of Net Position is comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	\$59,611
Differences between expected and actual experience	41,710
Changes of Assumptions	43,107
Net difference between projected and actual	5,942
Changes in proportion and differences between employer contributions and proportionate share of contributions	12,171
	\$162,541

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

Source	Statement of Net Position	General Fund Balance Sheet
Taxes Receivables, less penalties (General Fund)		\$48,586
Changes in Assumptions	\$1,896	
Differences between expected and actual experience	41,967	
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,107	
	\$50,970	\$48,586
Total		

5. Risk Management

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

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

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

In accordance with G.S.159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Town Manager and Tax Collector are each individually bonded for \$10,000 each and the Finance Director is individually bonded for \$50,000.

TOWN OF GRIFTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

B. Liabilities (Continued)

6. Claims, Judgments and Contingent Liabilities

At June 30, 2020, the Town was not a defendant to any lawsuits.

7. Long-Term Obligations

a. Installment Purchases

In December 2002, the Town entered into an installment agreement to finance town hall renovations totaling \$57,200. The agreement requires annual payments of \$3,284, including interest computed at 4.625% per annum through 2032. The balance at June 30, 2020 was \$31,508.

In November 2018, the Town entered into an installment agreement to finance the purchase of Vac Con Sewer Truck totaling \$82,500. The agreement requires annual payments of \$14,750, at no interest through 2023. The balance at June 30, 2020 was \$44,250.

In September 2019, the Town entered into an installment agreement to finance the purchase of 2 police cars and 1 Ram Sewer Truck totaling \$70,000. The agreement requires annual payments of \$24,885, including interest computed at 3.29% per annum through 2022. The balance at June 30, 2020 was \$70,000.

Annual debt service payments of all installment purchases as of June 30, 2020, including interest of \$1,909 on the water and sewer obligations and \$13,933 on the obligations of governmental activities are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-Type</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$15,149	\$2,817	\$24,009	\$944
2022	15,672	2,294	24,313	640
2023	16,663	1,753	24,179	325
2024	2,091	1,193		
2025	2,188	1,096		
2026-2030	12,555	3,866		
2031-2033	8,939	914		
Total	\$73,257	\$13,933	\$72,501	\$1,909

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TOWN OF GRIFTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

B. Liabilities (Continued)

b. General Obligation Indebtedness

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

Bonds payable at June 30, 2020 are comprised of the following individual issues:

General Obligation Bonds

Serviced by the General Fund:

\$1,540,000, 2014 Southern Bank and Trust Company - General Infrastructure series bonds due in annual installments of \$77,000 plus interest from September 23, 2015 through September 23, 2034; interest is at 3.55%. The balance at June 30, 2020 was \$1,155,000.

Serviced by the Water and Sewer Fund:

\$573,000, 2013 USDA - Water and Sewer series bonds due in annual installments of up to \$25,000 plus interest from June 1, 2015 through June 1, 2053; interest is at 3.375%. The balance at June 30, 2020 was \$525,000.

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

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-Type</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$77,000	\$41,003	\$9,000	\$17,719
2022	77,000	38,269	9,000	17,415
2023	77,000	35,536	10,000	17,111
2024	77,000	32,802	10,000	16,774
2025	77,000	30,069	10,000	16,436
2026-2030	385,000	109,340	57,000	76,748
2031-2035	385,000	41,003	66,000	66,589
2036-2040			79,000	54,574
2041-2045			93,000	40,365
2046-2050			109,000	23,625
2051-2054			73,000	4,961
Total	\$1,155,000	\$328,022	\$525,000	\$352,317

At June 30, 2020, the Town of Grifton had a legal debt margin of \$7,343,377.

TOWN OF GRIFTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

B. Liabilities (Continued)

c. Changes in Long-Term Liabilities

	<u>Balance</u> <u>June 30, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Current</u> <u>Portion of</u> <u>Balance</u>
Governmental Activities:					
Installment Purchases	\$33,253	\$41,750	\$1,746	\$73,257	\$15,149
General Obligation Bonds	1,232,000		77,000	1,155,000	77,000
Compensated Absences	24,475	21,446	11,825	34,096	21,000
Net Pension Liability (LGRS)	187,930	4,512		192,442	
Total Pension Liability (LEOSSA)	34,717		1,191	33,526	
Governmental Activity Long-Term Liabilities	<u>\$1,512,375</u>	<u>\$67,708</u>	<u>\$91,762</u>	<u>\$1,488,321</u>	<u>\$113,149</u>
	<u>Balance</u> <u>June 30, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Current</u> <u>Portion of</u> <u>Balance</u>
Business-type Activities:					
Water & Sewer Fund:					
Installment Purchases	\$59,000	\$28,251	\$14,750	\$72,501	\$24,009
General Obligation Bonds	534,000		9,000	525,000	9,000
Compensated Absences	6,198	4,456	5,838	4,816	4,000
Net Pension Liability (LGRS)	48,107		4,259	43,848	
Total Water & Sewer Fund	<u>\$647,305</u>	<u>\$32,707</u>	<u>\$33,847</u>	<u>\$646,165</u>	<u>\$37,009</u>
Stormwater Utility Fund:					
Compensated Absences	\$400	\$545	\$653	\$292	
Net Pension Liability (LGRS)	9,501		2,193	7,308	
Total Stormwater Utility Fund	<u>\$9,901</u>	<u>\$33,252</u>	<u>\$36,693</u>	<u>\$7,600</u>	<u>\$0</u>
Business-Type Activity Long-Term Liabilities	<u>\$657,206</u>	<u>\$65,959</u>	<u>\$70,540</u>	<u>\$653,765</u>	<u>\$37,009</u>

d. Interfund Balances and Activity

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

Transfer to:	
General Fund	\$19,657
Water and Sewer Fund	75,179
Total Transfers to Other Funds	<u>\$94,836</u>
Transfer from:	
Capital Improvement Fund	\$19,657
Sewer Rehab Fund	75,179
Total Transfers From Other Funds	<u>\$94,836</u>

TOWN OF GRIFTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

B. Liabilities (Continued)

e. Net Investment in Capital Assets

	Governmental Activities	Business-type Activities
Capital Assets	\$1,845,991	\$3,468,982
<i>Less: Long-Term Debt</i>	<i>(1,228,257)</i>	<i>(597,501)</i>
Net Investment in Capital Assets	\$617,734	\$2,871,481

f. Fund Balance

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

Total Fund Balance - General Fund	\$928,352
Less:	
Prepays	32,741
Stabilization by State Statute	113,368
Remaining Fund Balance	782,243

IV. JOINT VENTURES

The Town, in conjunction with the Town of Ayden and the Town of Winterville, participates in the Contentnea Metropolitan Sewer District. Each Town appoints two members to the seven-member board with one at-large member. The District is a joint venture established to provide sewage treatment services to the local governments. The participating governments are bound by purchase of service contracts with the District, and the District has the responsibility to determine and levy sewer use charges on the municipalities to apportion all operation and maintenance costs associated with treatment operations. This District has a bonded indebtedness of \$14,711,000 and the three towns are assessed with their pro-rata share of the operating expenses and debt service requirements. Grifton's assessed share of operation expenses for the year ended June 30, 2019 was \$447,166, or 19.32% of total operation expenses of the District.

V. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

VI. SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 30, 2020, the date on which the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen. The extent of the impact of COVID-19 on the Town's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the company's financial condition is uncertain.

REQUIRED SUPPLEMENTARY INFORMATION

**Schedule of Proportionate Share of Net Pension Liability
(Asset) for Local Government Employees' Retirement
System**

**Schedule of Contributions to Local Government
Employees' Retirement System**

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

**Schedule of Changes in Total Pension Liability as a
Percentage of Covered Payroll – Law Enforcement
Officers' Special Separation Allowance**

TOWN OF GRIFTON, NORTH CAROLINA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
FOR LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
LAST SEVEN FISCAL YEARS*

	2020	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.0089%	0.01035%	0.00856%	0.00852%	0.00877%	0.00888%	0.00920%
Town's portion of the net pension liability (asset) (\$)	\$243,598	\$245,538	\$130,775	\$180,823	\$39,359	(\$52,369)	\$110,895
Town's covered-employee payroll	\$665,351	\$662,820	\$638,798	\$607,684	\$587,797	\$593,649	\$523,429
Town's proportionate share of the net pension liability (asset) as a percentage of it's covered-employee payroll	36.61%	37.04%	20.47%	29.76%	6.70%	(8.82%)	21.19%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	99.07%	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 employees in the LGERS plan.

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

TOWN OF GRIFTON, NORTH CAROLINA
 SCHEDULE OF CONTRIBUTIONS TO LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION
 LAST SEVEN FISCAL YEARS*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$59,611	\$53,931	\$44,546	\$38,446	\$39,037	\$36,842	\$39,190
Contributions in relation to the contractually required contribution	59,611	53,931	44,546	38,446	39,037	36,842	39,190
Contribution deficiency (excess)	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Town's covered-employee payroll	\$640,182	\$665,351	\$662,820	\$638,798	\$607,684	\$587,797	\$593,649
Contributions as a percentage of covered-employee payroll	9.31%	8.11%	6.72%	6.02%	6.42%	6.27%	6.60%

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

TOWN OF GRIFTON, NORTH CAROLINA
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY – LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
LAST FOUR FISCAL YEARS*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>Beginning Balance</i>	\$34,717	\$69,697	\$65,877	\$66,916
Service Cost	6,790	8,659	7,034	5,451
Interest on the Total Pension Liability	1,264	2,202	2,457	2,253
Change in Benefit Terms of the Total Pension Liability				
Differences Between Expected and Actual Experience	(10,828)	(43,563)	(6,249)	
Changes in Assumptions or Other Inputs	1,583	(2,278)	5,016	(1,136)
Benefit Payments			(4,438)	(7,607)
Other Changes				
Ending Balance of the Total Pension Liability	<u>\$33,526</u>	<u>\$34,717</u>	<u>\$69,697</u>	<u>\$65,877</u>

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

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

TOWN OF GRIFTON, NORTH CAROLINA
 SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
 LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 REQUIRED SUPPLEMENTARY INFORMATION
 LAST FOUR FISCAL YEARS*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total Pension Liability	\$33,526	\$34,717	\$69,697	\$65,877
Covered Payroll	243,999	266,303	276,223	253,596
Total Pension Liability as a Percentage of Covered Payroll	13.74%	13.04%	25.23%	25.98%

Notes to the schedules:

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

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

Individual Fund Statements and Schedules

GENERAL FUND

The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

The primary revenue sources are ad valorem taxes, State grants and various other taxes and licenses that are expended for services deemed not susceptible to a user charge financing method.

The Fund is accounted for on the modified accrual basis of accounting.

TOWN OF GRIFTON, NORTH CAROLINA
GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2020 (With Comparative Totals for the Fiscal Year Ended June 30, 2019)

	2020		Variance Favorable (Unfavorable)	2019
	Budget	Actual		Actual
Revenues:				
<i>Ad Valorem Taxes:</i>				
Taxes	\$659,301	\$666,555	\$7,254	\$571,384
Penalties and Interest	6,000	4,551	(1,449)	7,790
Total	\$665,301	\$671,106	\$5,805	\$579,174
<i>Local Option Sales Taxes:</i>				
Local Option Sales Taxes	\$556,200	\$537,857	(\$18,343)	\$585,427
Sales Tax Refunds	8,000	10,664	2,664	8,850
Total	\$564,200	\$548,521	(\$15,679)	\$594,277
<i>Unrestricted Intergovernmental:</i>				
Franchise Taxes	\$112,000	\$106,289	(\$5,711)	\$112,349
Beer and Wine Taxes	11,500	11,505	5	11,597
Payment in Lieu of Tax	500	2,341	1,841	2,652
Other Reimbursements	6,000	6,673	673	7,000
Total	\$130,000	\$126,808	(\$3,192)	\$133,598
<i>Restricted Intergovernmental:</i>				
Powell Bill Allocation	\$75,000	\$73,957	(\$1,043)	\$74,815
Federal and State Grants	49,750	49,750		17,135
Solid Waste Disposal Tax		2,521	2,521	1,874
School Resource Officer Grant	51,280	65,786	14,506	40,938
Other Grants	10,000	20,000	10,000	10,000
Total	\$186,030	\$212,014	\$25,984	\$144,762
<i>Permits and Fees:</i>				
Auto Tags	\$9,000	\$9,935	\$935	\$9,085
Officer Fees		1,339	1,339	1,517
Planning Fees	500	465	(35)	850
Park Rentals	2,500	8,420	5,920	3,345
Total	\$12,000	\$20,159	\$8,159	\$14,797
<i>Sales and Services:</i>				
E-911 Fees	\$4,300	\$3,440	(\$860)	\$5,078
Garbage Fees	115,000	119,679	4,679	111,797
Grave Digging	1,000	1,300	300	1,800
Cutting Lots	250	285	35	
Total	\$120,550	\$124,704	\$4,154	\$118,675
<i>Investment Earnings</i>	\$300	\$332	\$32	\$296
<i>Miscellaneous</i>	\$56,425	\$12,773	(\$43,652)	\$41,466
Total Revenues	\$1,734,806	\$1,716,417	(\$18,389)	\$1,627,045

TOWN OF GRIFTON, NORTH CAROLINA
GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2020 (With Comparative Totals for the Fiscal Year Ended June 30, 2019)

	2020		Variance Favorable (Unfavorable)	2019
	Budget	Actual		Actual
Expenditures:				
<i>General Government:</i>				
Governing Body:				
Salaries and Employee Benefits	\$13,600	\$13,564	\$36	\$13,564
Other Operating Expenditures				913
Total	\$13,600	\$13,564	\$36	\$14,477
<i>Administration:</i>				
Salaries and Employee Benefits	\$181,410	\$179,716	\$1,694	\$188,857
Other Operating Expenditures	132,000	150,266	(18,266)	112,707
Insurance and Bonding	72,600	40,077	32,523	68,106
Capital Outlay	17,300	13,735	3,565	
Total	\$403,310	\$383,794	\$19,516	\$369,670
<i>Tax Listings:</i>				
Contracted Services	\$6,700	\$6,565	\$135	\$5,798
<i>Buildings and Grounds:</i>				
Salaries and Employee Benefits	\$82,870	\$81,160	\$1,710	\$78,752
Other Operating Expenditures	126,622	91,483	35,139	81,082
Capital Outlay	16,700	30,124	(13,424)	4,500
Total	\$226,192	\$202,767	\$23,425	\$164,334
Total General Government	\$649,802	\$606,690	\$43,112	\$554,279
<i>Public Safety:</i>				
<i>Police:</i>				
Salaries and Benefits	\$422,676	\$411,882	\$10,794	\$420,710
Other Operating Expenditures	101,750	50,278	51,472	55,396
Capital Outlay		45,928	(45,928)	48,776
Total	\$524,426	\$508,088	\$16,338	\$524,882
<i>Fire:</i>				
Other Operating Expenditures	\$66,002	\$66,000	\$2	\$66,000
Total Public Safety	\$590,428	\$574,088	\$16,340	\$590,882

TOWN OF GRIFTON, NORTH CAROLINA
GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2020 (With Comparative Totals for the Fiscal Year Ended June 30, 2019)

	2020		Variance Favorable (Unfavorable)	2019
	Budget	Actual		Actual
Expenditures:				
<i>Transportation and Public Works:</i>				
<i>Street Maintenance:</i>				
Other Operating Expenditures	\$66,400	\$64,591	\$1,809	\$71,972
Total	\$66,400	\$64,591	\$1,809	\$71,972
<i>Workshop:</i>				
Other Operating Expenditures	\$95,326	\$85,549	\$9,777	\$90,045
Total	\$95,326	\$85,549	\$9,777	\$90,045
Total Transportation and Public Works	\$161,726	\$150,140	\$11,586	\$162,017
<i>Environmental Protection:</i>				
<i>Sanitation:</i>				
Contracted Services	\$126,200	\$116,553	\$9,647	\$111,466
<i>Cultural and Recreational:</i>				
Arts and Crafts	\$17,125	\$15,299	\$1,826	\$18,865
Recreation	13,400	8,792	4,608	11,434
<i>Library:</i>				
Salaries and Benefits	28,455	27,101	1,354	25,715
Other Operating Expenses	14,150	10,554	3,596	11,915
Total Cultural and Recreational	\$73,130	\$61,746	\$11,384	\$67,929
<i>Community Development:</i>				
Other Operating Expenditures	\$8,000	\$5,135	\$2,865	\$5,157
<i>Debt Service:</i>				
Principal	\$78,746	\$78,746		\$94,545
Interest and Fees	45,274	45,274		48,314
Total Debt Service	\$124,020	\$124,020	\$0	\$142,859
Total Expenditures	\$1,733,306	\$1,638,372	\$94,934	\$1,634,589

TOWN OF GRIFTON, NORTH CAROLINA
GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2020 (With Comparative Totals for the Fiscal Year Ended June 30, 2019)

	<u>2020</u>		Variance Favorable (Unfavorable)	<u>2019</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues Over (Under) Expenditures	\$1,500	\$78,045	\$76,545	(\$7,544)
Other Financing Sources (Uses):				
Transfers From (To) Other Funds	(\$1,500)	\$19,657	\$21,157	\$8,420
Proceeds from Issuance of Debt		41,750	41,750	
Sale of Fixed Assets				1,720
Total Other Financing Sources (Uses)	(\$1,500)	\$61,407	\$62,907	\$10,140
Revenues and Other Financing Sources Over Expenditures	\$0	\$139,452	\$139,452	\$2,596
Fund Balances:				
Beginning of Year, July 1		788,900		786,304
End of Year, June 30		\$928,352		\$788,900

TOWN OF GRIFTON, NORTH CAROLINA
CAPITAL IMPROVEMENT FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
From Inception and for the Fiscal Year Ended June 30, 2020

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
Revenues:					
Federal Grants	\$4,013	\$9,011		\$9,011	\$4,998
Investment Earnings		20,104		20,104	20,104
Total Revenues	\$4,013	\$29,115	\$0	\$29,115	\$25,102
Expenditures:					
General Government:					
Operating Expenditures		\$48,264		\$48,264	(\$48,264)
Transportation:					
Operating Expenditures		9,000		9,000	(9,000)
Recreation:					
Operating Expenditures	\$4,013	36,274		36,274	(32,261)
Total Expenditures	\$4,013	\$93,538	\$0	\$93,538	(\$89,525)
Revenues Over (Under) Expenditures	\$0	(\$64,423)	\$0	(\$64,423)	(\$64,423)
Other Financing Sources (Uses):					
Operating Transfer to Sewer Rehab Fund		(\$120,164)		(\$120,164)	(\$120,164)
Operating Transfer From General Fund		204,244		204,244	204,244
Operating Transfer to General Fund			(\$19,657)	(19,657)	(19,657)
Total Other Financing Sources (Uses)	\$0	\$84,080	(\$19,657)	\$64,423	\$64,423
Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$0	\$19,657	(\$19,657)	\$0	\$0
Fund Balances:					
Beginning of year, July 1			19,657		
End of year, June 30			\$0		

Other Governmental Funds

The following comprise the Town's Other Governmental Funds:

NON-MAJOR FUNDS

Special Revenue Funds:

Depot Fund – This fund is used to account for the Depot.

Duke Energy Emergency Grant Fund – This fund is used to account for Duke Energy Grant funds.

Permanent Funds:

Library Trust Fund – This fund is used to account for the Library Trust.

Cemetery Trust Fund – This fund is used to account for the Cemetery Trust.

Civic Center Trust Fund – This fund is used to account for the Civic Center Trust.

Police State Revenue Trust Fund – This fund is used to account for Police State Revenues.

Parks Trust Funds – This fund is used to account for the Parks Trust.

TOWN OF GRIFTON, NORTH CAROLINA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
 June 30, 2020 (With Comparative Totals for June 30, 2019)

	Depot Fund	Duke Energy Emergency Grant Fund	Permanent Funds	Totals	
				2020	2019
ASSETS					
Cash and Cash Equivalents	\$9,520	\$50,000	\$38,983	\$98,503	\$51,177
Total Assets	\$9,520	\$50,000	\$38,983	\$98,503	\$51,177
LIABILITIES AND FUND BALANCE					
Fund Balance:					
Restricted for Maintenance	\$9,520			\$9,520	\$11,781
Restricted for Cultural & Recreational		\$50,000		50,000	
Restricted for Trust Funds			\$38,983	38,983	39,396
Total Fund Balance	\$9,520	\$50,000	\$38,983	\$98,503	\$51,177
Total Liabilities and Fund Balance	\$9,520	\$50,000	\$38,983	\$98,503	\$51,177

TOWN OF GRIFTON, NORTH CAROLINA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2020 (With Comparative Totals for the Fiscal Year Ended June 30, 2019)

	Depot Fund	Duke Energy Emergency Grant Fund	Permanent Funds	Totals	
				2020	2019
Revenues:					
Grants		\$50,000	\$1,406	\$51,406	\$980
Rental Fees	\$14,950			14,950	19,000
Donations			675	675	
Investment Earnings	6		6	12	24
Total Revenues	\$14,956	\$50,000	\$2,087	\$67,043	\$20,004
Expenditures:					
General Government	\$17,217			\$17,217	\$17,075
Cultural and Recreational			\$2,500	2,500	5,688
Total Expenditures	\$17,217	\$0	\$2,500	\$19,717	\$22,763
Revenues Over (Under) Expenditures	(\$2,261)	\$50,000	(\$413)	\$47,326	(\$2,759)
Other Financing Sources (Uses):					
Operating Transfers From (To) Other Funds					580
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(\$2,261)	\$50,000	(\$413)	\$47,326	(\$2,179)
Fund Balance, Beginning of Year	\$11,781		\$39,396	\$51,177	\$53,356
Fund Balance, End of Year	\$9,520	\$50,000	\$38,983	\$98,503	\$51,177

TOWN OF GRIFTON, NORTH CAROLINA
DEPOT FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2020 (With Comparative Totals for the Fiscal Year Ended June 30, 2019)

	2020		Variance Favorable (Unfavorable)	2019
	Budget	Actual		Actual
Revenues:				
Rental Fees	\$18,500	\$14,950	(\$3,550)	\$19,000
Investment Earnings		6	6	6
Total Revenues	\$18,500	\$14,956	(\$3,544)	\$19,006
Expenditures:				
General Government:				
Operating Expenditures	\$18,500	\$17,217	\$1,283	\$17,075
Total Expenditures	\$18,500	\$17,217	\$1,283	\$17,075
Revenues Over (Under) Expenditures	\$0	(\$2,261)	(\$2,261)	\$1,931
Fund Balance, Beginning of Year		11,781		9,850
Fund Balance, End of Year		\$9,520		\$11,781

TOWN OF GRIFTON, NORTH CAROLINA
DUKE ENERGY EMERGENCY GRANT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2020 (With Comparative Totals for the Fiscal Year Ended June 30, 2019)

	2020		Variance Favorable (Unfavorable)	2019
	Budget	Actual		Actual
Revenues:				
Duke Energy Grant	\$50,000	\$50,000		
Total Revenues	\$50,000	\$50,000	\$0	\$0
Expenditures:				
Cultural & Recreational:				
Planting/Ramp	\$50,000		\$50,000	
Total Expenditures	\$50,000	\$0	\$50,000	\$0
Revenues Over (Under) Expenditures	\$0	\$50,000	\$50,000	\$0
Fund Balance, Beginning of Year				
Fund Balance, End of Year		\$50,000		\$0

TOWN OF GRIFTON, NORTH CAROLINA
PERMANENT FUNDS
COMBINING BALANCE SHEET

For the Fiscal Year Ended June 30, 2020 (With Comparative Totals for the Fiscal Year Ended June 30, 2019)

	Library Trust Fund	Cemetery Trust Fund	Civic Center Trust Fund	Police State Revenue Trust Fund	Parks Trust Fund	Totals	
						2020	2019
ASSETS							
Cash and Cash Equivalents	\$14,797	\$20,367	\$1,353	\$1,106	\$1,360	\$38,983	\$39,396
Total Assets	\$14,797	\$20,367	\$1,353	\$1,106	\$1,360	\$38,983	\$39,396
LIABILITIES AND FUND BALANCE							
Fund Balance:							
Restricted for Trust Operations	\$14,797	\$20,367	\$1,353	\$1,106	\$1,360	\$38,983	\$39,396
Total Fund Balance	\$14,797	\$20,367	\$1,353	\$1,106	\$1,360	\$38,983	\$39,396
Total Liabilities and Fund Balance	\$14,797	\$20,367	\$1,353	\$1,106	\$1,360	\$38,983	\$39,396

TOWN OF GRIFTON, NORTH CAROLINA
PERMANENT FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2020 (With Comparative Totals for the Fiscal Year Ended June 30, 2019)

	Library Trust Fund	Cemetery Trust Fund	Civic Center Trust Fund	Police State Revenue Trust Fund	Parks Trust Fund	Totals	
						2020	2019
Revenues:							
Grants				\$521	\$885	\$1,406	\$980
Investment Earnings	\$3	\$3				6	18
Donations	675					675	
Total Revenues	\$678	\$3	\$0	\$521	\$885	\$2,087	\$998
Expenditures:							
Cultural and Recreational:							
Operating Expenditures		\$2,500				\$2,500	\$5,688
Total Expenditures	\$0	\$2,500	\$0	\$0	\$0	\$2,500	\$5,688
Revenues Over (Under) Expenditures	\$678	(\$2,497)	\$0	\$521	\$885	(\$413)	(\$4,690)
Other Financing Sources (Uses)							
Operating Transfers From (To) Other Funds							580
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$678	(\$2,497)	\$0	\$521	\$885	(\$413)	(\$4,110)
Fund Balance, Beginning of Year	\$14,119	\$22,864	\$1,353	\$585	\$475	\$39,396	\$43,506
Fund Balance, End of Year	\$14,797	\$20,367	\$1,353	\$1,106	\$1,360	\$38,983	\$39,396

TOWN OF GRIFTON, NORTH CAROLINA
LIBRARY TRUST FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2020 (With Comparative Totals for the Fiscal Year Ended June 30, 2019)

	2020		Variance Favorable (Unfavorable)	2019
	Budget	Actual		Actual
Revenues:				
Investment Earnings		\$3	\$3	\$6
Donations		675	675	
Total Revenues	\$0	\$678	\$678	\$6
Expenditures:				
Economic Development:				
Operating Expenditures				
Total Expenditures	\$0	\$0	\$0	\$0
Revenues Over (Under) Expenditures	\$0	\$678	\$678	\$6
Fund Balance, Beginning of Year		14,119		14,113
Fund Balance, End of Year		\$14,797		\$14,119

TOWN OF GRIFTON, NORTH CAROLINA
CEMETERY TRUST FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2020 (With Comparative Totals for the Fiscal Year Ended June 30, 2019)

	2020		Variance Favorable (Unfavorable)	2019
	Budget	Actual		Actual
Revenues:				
Investment Earnings		\$3	\$3	\$11
Total Revenues	\$0	\$3	\$3	\$11
Expenditures:				
Cultural & Recreational:				
Operating Expenditures	\$2,500	\$2,500		\$1,800
Total Expenditures	\$2,500	\$2,500	\$0	\$1,800
Revenues Over (Under) Expenditures	(\$2,500)	(\$2,497)	\$3	(\$1,789)
Appropriated Fund Balance	\$2,500		(\$2,500)	
Revenues and Appropriated Fund Balance Over (Under) Expenditures	\$0	(\$2,497)	(\$2,497)	(\$1,789)
Fund Balance, Beginning of Year		22,864		24,653
Fund Balance, End of Year		\$20,367		\$22,864

TOWN OF GRIFTON, NORTH CAROLINA
CIVIC CENTER TRUST FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2020 (With Comparative Totals for the Fiscal Year Ended June 30, 2019)

	2020		Variance Favorable (Unfavorable)	2019
	Budget	Actual		Actual
Revenues:				
Investment Earnings				\$1
Total Revenues	\$0	\$0	\$0	\$1
Expenditures:				
Cultural and Recreational:				
Operating Expenditures				\$3,388
Total Expenditures	\$0	\$0	\$0	\$3,388
Revenues Over (Under) Expenditures	\$0	\$0	\$0	(\$3,387)
Appropriated Fund Balance				
Revenues and Appropriated Fund Balance Over (Under) Expenditures	\$0	\$0	\$0	(\$3,387)
Fund Balance, Beginning of Year		1,353		4,740
Fund Balance, End of Year		\$1,353		\$1,353

TOWN OF GRIFTON, NORTH CAROLINA
POLICE STATE REVENUE TRUST FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2020 (With Comparative Totals for the Fiscal Year Ended June 30, 2019)

	2020		Variance Favorable (Unfavorable)	2019
	Budget	Actual		Actual
Revenues:				
Grants		\$521	\$521	\$505
Total Revenues	\$0	\$521	\$521	\$505
Expenditures:				
Cultural & Recreational:				
Supplies				\$500
Capital Outlay	\$600		\$600	
Total Expenditures	\$600	\$0	\$600	\$500
Revenues Over (Under) Expenditures	(\$600)	\$521	(\$79)	\$5
Other Financing Sources (Uses)				
Appropriated Fund Balance	\$600		\$600	\$580
Total Other Financing Sources (Uses)	\$600	\$0	\$600	\$580
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$0	\$521	\$521	\$585
Fund Balance, Beginning of Year		585		
Fund Balance, End of Year		\$1,106		\$585

TOWN OF GRIFTON, NORTH CAROLINA
PARKS TRUST FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2020 (With Comparative Totals for the Fiscal Year Ended June 30, 2019)

	2020		Variance Favorable (Unfavorable)	2019
	Budget	Actual		Actual
Revenues:				
Grants	\$1,500	\$885	(\$615)	\$475
Total Revenues	\$1,500	\$885	(\$615)	\$475
Expenditures:				
Total Expenditures	\$0	\$0	\$0	\$0
Revenues Over (Under) Expenditures	\$1,500	\$885	(\$615)	\$475
Other Financing Sources (Uses):				
Transfer from (to) other funds	(\$1,500)		\$1,500	
Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	\$0	\$885	\$885	\$475
Fund Balance, Beginning of Year		475		
Fund Balance, End of Year		\$1,360		\$475

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises -- where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

The following comprise the Town's Enterprise funds:

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

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

STATEMENT 18

TOWN OF GRIFTON, NORTH CAROLINA

PROPRIETARY FUNDS - COMBINING STATEMENT OF NET POSITION

For the Fiscal Year Ended June 30, 2020 (With Comparative Totals for the Fiscal Year Ended June 30, 2019)

ASSETS	Water and	Stormwater	Sewer System	Well #2 Rehab	Totals	
	Sewer Fund	Utility Fund	Project Fund	Project Fund	2020	2019
<i>Current Assets:</i>						
Cash and Investments	\$439,619	\$61,903			\$501,522	\$421,477
Restricted Cash	192,578				192,578	181,674
Accounts Receivable (Net)	98,433	6,911			105,344	116,718
Total Current Assets	\$730,630	\$68,814	\$0	\$0	\$799,444	\$719,869
<i>Non-Current Assets:</i>						
<i>Capital Assets:</i>						
Construction in Progress	\$109,840				\$109,840	\$7,085
Other Capital Assets, Net of Depreciation	3,359,142				3,359,142	3,489,529
Total Non-Current Assets	\$3,468,982	\$0	\$0	\$0	\$3,468,982	\$3,496,614
Total Assets	\$4,199,612	\$68,814	\$0	\$0	\$4,268,426	\$4,216,483
DEFERRED OUTFLOWS OF RESOURCES						
Pension Deferrals	\$28,644	\$4,774	\$0	\$0	\$33,418	\$48,786
LIABILITIES						
<i>Current Liabilities:</i>						
Accounts Payable and Accrued Liabilities	\$2,944	\$549	\$91,765	\$18,075	\$113,333	\$8,363
Customer Deposits	117,399				117,399	106,495
Installment Purchases - Current	24,009				24,009	14,750
General Obligation Bonds - Current	9,000				9,000	9,000
Total Current Liabilities	\$153,352	\$549	\$91,765	\$18,075	\$263,741	\$138,608
<i>Noncurrent Liabilities:</i>						
Compensated Absences	\$4,816	\$292			\$5,108	\$6,598
Net Pension Liability	43,848	7,308			51,156	57,608
Installment Purchases - Noncurrent	48,492				48,492	44,250
General Obligation Bonds - Noncurrent	516,000				516,000	525,000
Total Noncurrent Liabilities	\$613,156	\$7,600	\$0	\$0	\$620,756	\$633,456
Total Liabilities	\$766,508	\$8,149	\$91,765	\$18,075	\$884,497	\$772,064
DEFERRED INFLOWS OF RESOURCES						
Pension Deferrals	\$1,280	\$213	\$0	\$0	\$1,493	\$298
NET POSITION						
Net Investment in Capital Assets	\$2,871,481				\$2,871,481	\$2,903,614
Unrestricted	588,987	\$65,226	(\$91,765)	(\$18,075)	544,373	589,293
Total Net Position	\$3,460,468	\$65,226	(\$91,765)	(\$18,075)	\$3,415,854	\$3,492,907

TOWN OF GRIFTON, NORTH CAROLINA
WATER AND SEWER FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION-
BUDGET AND ACTUAL (Non-GAAP)

For the Fiscal Year Ended June 30, 2020 (With Comparative Totals for the Fiscal Year Ended June 30, 2019)

	2020		Variance Favorable (Unfavorable)	2019
	Budget	Actual		Actual
Revenues:				
Charges for Services:				
Water Charges	\$452,000	\$481,775	\$29,775	\$480,476
Sewer Charges	471,700	471,331	(369)	450,282
Connection Fees	2,600	8,700	6,100	2,600
Total Charges for Services	\$926,300	\$961,806	\$35,506	\$933,358
Other Operating Revenues	\$61,000	\$37,146	(\$23,854)	\$57,713
Total Operating Revenues	\$987,300	\$998,952	\$11,652	\$991,071
Nonoperating Revenues:				
Federal Grants				\$50,817
Grants and Donations	\$99,000	\$103,256	\$4,256	101,757
Investment Earnings	200	261	61	232
Total Nonoperating Revenues	\$99,200	\$103,517	\$4,317	\$152,806
Total Revenues	\$1,086,500	\$1,102,469	\$15,969	\$1,143,877
Expenditures:				
General Operations:				
Salaries and Benefits	\$84,616	\$73,910	\$10,706	\$82,510
Operating Expenses	50,004	27,259	22,745	28,140
Total	\$134,620	\$101,169	\$33,451	\$110,650
Water Operations:				
Salaries and Benefits	\$63,251	\$61,175	\$2,076	\$61,529
Operating Expenses	275,597	273,832	1,765	268,953
Total	\$338,848	\$335,007	\$3,841	\$330,482
Sewer Operations:				
Salaries and Benefits	\$51,620	\$47,223	\$4,397	\$53,276
Operating Expenses	63,507	55,930	7,577	80,758
Capital Outlay	717	683	34	
CMSD Charges	447,180	447,166	14	388,823
Total	\$563,024	\$551,002	\$12,022	\$522,857
Debt Service:				
Note Principal	\$23,750	\$23,750		\$31,500
Interest and Fees	18,669	18,023	\$646	18,292
Total	\$42,419	\$41,773	\$646	\$49,792

TOWN OF GRIFTON, NORTH CAROLINA
WATER AND SEWER FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION -
BUDGET AND ACTUAL (Non-GAAP)

For the Fiscal Year Ended June 30, 2020 (With Comparative Totals for the Fiscal Year Ended June 30, 2019)

	2020		Variance Favorable (Unfavorable)	2019
	Budget	Actual		Actual
Capital Outlay	\$35,840	\$35,839	\$1	\$113,527
Total Expenditures	\$1,114,751	\$1,064,790	\$49,961	\$1,127,308
Revenues Over (Under) Expenditures	(\$28,251)	\$37,679	\$65,930	\$16,569
Other Financing Sources (Uses):				
Proceeds from the Issuance of Debt	\$28,251	\$28,251		\$82,500
Transfer from (to) Other Fund		75,179		(9,000)
Total Other Financing Uses	\$28,251	\$103,430	\$0	\$73,500
Revenues and Other Financing Sources Over (Under) Expenditures	\$0	\$141,109	\$65,930	\$90,069
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:				
Excess of Revenues and Other Financing Sources, Over (Under) Expenditures and Other Financing Uses		\$141,109		\$90,069
Reconciling Items:				
Capital Outlay		35,839		113,527
Proceeds from the Issuance of Debt		(28,251)		(82,500)
Transfer from Sewer Rehab Fund		(75,179)		
Increase (Decrease) in Deferred Outflows of Resources - Pensions		(12,095)		19,540
(Increase) Decrease in Net Pension Liability		4,259		(24,197)
(Increase) Decrease in Deferred Inflows of Resources - Pensions		(1,030)		428
(Increase) Decrease in Accrued Vacation Payable		1,382		(215)
(Increase) Decrease in Accrued Salaries & Taxes		556		
Payment of Debt Principal		23,750		31,500
Depreciation		(166,226)		(151,992)
Total		(\$216,995)		(\$93,909)
Change in Net Position		(\$75,886)		(\$3,840)

TOWN OF GRIFTON, NORTH CAROLINA
SEWER REHAB FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION-BUDGET AND ACTUAL
From Inception and for the Fiscal Year Ended June 30, 2020

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
Revenues:					
Restricted Intergovernmental:					
Federal Grants	\$764,883	\$764,883		\$764,883	
State Grants	500,000	500,000		500,000	
Investment Earnings		110		110	\$110
Total Revenues	\$1,264,883	\$1,264,993	\$0	\$1,264,993	\$110
Expenditures:					
Administration	\$1,725	\$1,775		\$1,775	(\$50)
Construction	1,489,961	1,489,961		1,489,961	
Engineering	163,951	148,451		148,451	15,500
Project Inspection	74,972	74,972		74,972	
Environmental Report	7,500	7,500		7,500	
Legal	18,771	18,771		18,771	
Debt Service:					
Interest	81,000	21,384		21,384	59,616
Contingencies	3				3
Total Expenditures	\$1,837,883	\$1,762,814	\$0	\$1,762,814	\$75,069
Revenues Over (Under) Expenditures	(\$573,000)	(\$497,821)	\$0	(\$497,821)	\$75,179
Other Financing Sources (Uses):					
Principal Payments	(\$573,000)	(\$573,000)		(\$573,000)	
Proceeds from Debt Service	1,146,000	1,146,000		1,146,000	
Transfer to Water and Sewer Fund			(\$75,179)	(75,179)	(\$75,179)
Total Other Financing Sources (Uses)	\$573,000	\$573,000	(\$75,179)	\$497,821	(\$75,179)
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	\$0	\$75,179	(\$75,179)	\$0	\$0
Net Position, Beginning of Year			75,179		
Net Position, End of Year			\$0		

TOWN OF GRIFTON, NORTH CAROLINA

WELL #2 REHAB PROJECT FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION-BUDGET AND ACTUAL
From Inception and for the Fiscal Year Ended June 30, 2020

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Revenues:					
DWSRF	\$78,427				(\$78,427)
Total Revenues	\$78,427	\$0	\$0	\$0	(\$78,427)
Expenditures:					
Construction	\$44,427				\$44,427
Engineering	6,000		\$8,075	\$8,075	(2,075)
Construction Observation	16,500				16,500
ER Preparation	7,500		7,500	7,500	
Environmental Doc. Prep	2,500		2,500	2,500	
Legal	1,500				1,500
Total Expenditures	\$78,427	\$0	\$18,075	\$18,075	\$60,352
Revenues Over (Under) Expenditures	\$0	\$0	(\$18,075)	(\$18,075)	(\$18,075)
Net Position, Beginning of Year					
Net Position, End of Year			(\$18,075)		

TOWN OF GRIFTON, NORTH CAROLINA
STORMWATER UTILITY FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION-BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2020 (With Comparative Totals for the Fiscal Year Ended June 30, 2019)

	2020		Variance Favorable (Unfavorable)	2019
	Budget	Actual		Actual
Revenues:				
Charges for Services:				
Stormwater Charges - Residents	\$34,000	\$36,229	\$2,229	\$36,362
Stormwater Charges - Non Residents	30,000	28,525	(1,475)	28,433
Total Charges for Services	\$64,000	\$64,754	\$754	\$64,795
Nonoperating Revenues:				
Federal Grants	\$6,466	\$6,466		\$40,305
Investment Earnings		24	\$24	18
Total Nonoperating Revenues	\$6,466	\$6,490	\$24	\$40,323
Total Revenues	\$70,466	\$71,244	\$778	\$105,118
Expenditures:				
Salaries and Benefits	\$38,100	\$35,233	\$2,867	\$39,782
Operating Expenses	5,000	3,189	1,811	3,480
Contracted Services	11,000	10,295	705	34,664
Maintenance and Repair	23,000	22,064	936	14,463
Total Expenditures	\$77,100	\$70,781	\$6,319	\$92,389
Revenues Over (Under) Expenditures	(\$6,634)	\$463	\$7,097	\$12,729
Other Financing Sources (Uses):				
Fund Balance Appropriated	\$6,634		(\$6,634)	
Total Other Financing Sources (Uses)	\$6,634	\$0	(\$6,634)	\$0
Revenues and Other Financing Sources Over (Under) Expenditures	\$0	\$463	\$463	\$12,729
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:				
Excess of Revenues and Other Financing Sources, Over (Under)				
Expenditures and Other Financing Uses		\$463		\$12,729
Reconciling Items:				
Increase (Decrease) in Deferred Outflows of Resources - Pensions		(3,272)		4,998
(Increase) Decrease in Accrued Vacation Payable		108		(278)
(Increase) Decrease in Accrued Salaries & Taxes		(495)		
(Increase) Decrease in Net Pension Liability		2,193		(6,064)
(Increase) Decrease in Deferred Inflows of Resources - Pensions		(164)		48
Total		(\$1,630)		(\$1,296)
Change in Net Position		(\$1,167)		\$11,433

TOWN OF GRIFTON, NORTH CAROLINA
SEWER SYSTEM PROJECT FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2020 (With Comparative Totals for the Fiscal Year Ended June 30, 2019)

	<u>Actual</u>			Variance Favorable (Unfavorable)
	Project Authorization	Prior Years	Current Year	
Revenues:				
Restricted Intergovernmental:				
Federal Grants	\$441,000			(\$441,000)
Total Revenues	\$441,000	\$0	\$0	(\$441,000)
Expenditures:				
Administration	\$29,000		\$480	\$28,520
Construction	1,344,400	\$2,100		1,342,300
Engineering	192,000	4,985	84,200	102,815
Debt Service:				
Interest	17,600			17,600
Contingencies	134,000			134,000
Total Expenditures	\$1,717,000	\$7,085	\$84,680	\$1,625,235
Revenues Over (Under) Expenditures	(\$1,276,000)	(\$7,085)	(\$84,680)	\$1,184,235
Other Financing Sources (Uses):				
Proceeds from Debt Issuance	\$1,276,000			\$1,276,000
Total Other Financing Sources	\$1,276,000	\$0	\$0	\$1,276,000
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$0	(\$7,085)	(\$84,680)	(\$91,765)
Net Position, Beginning of Year			(7,085)	
Net Position, End of Year			(\$91,765)	

OTHER SCHEDULES

TOWN OF GRIFTON, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2020

	Uncollected Balance June 30, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2019-20		\$675,016	\$651,351	\$23,665
2018-19	\$24,502		10,161	14,341
2017-18	8,109		3,013	5,096
2016-17	5,020		1,249	3,771
2015-16	1,924		15	1,909
2014-15	2,105		273	1,832
2013-14	1,968		298	1,670
2012-13	1,428		(149)	1,577
2011-12	1,232		53	1,179
2010-11	792		(117)	909
2009-10	1,496		1,496	
	\$48,576	\$675,016	\$667,643	\$55,949
<i>Less Allowance for Uncollectable Ad Valorem Taxes Receivable</i>				(\$7,363)
Ad Valorem Taxes Receivable - Net				\$48,586
Reconciliation With Revenues:				
<i>Taxes - Ad Valorem - General Fund</i>				\$671,106
<i>Reconciling Items:</i>				
Interest Collected				(4,532)
Recoveries of Amounts Taxes Written Off for Prior Years				1,069
Total Collections and Credits				\$667,643

TOWN OF GRIFTON, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
 For the Fiscal Year Ended June 30, 2020

	Town-Wide		Total Levy		
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property Taxed at Current Year's Rate	\$107,194,127	0.63	\$675,323	\$588,081	\$87,242
Total	\$107,194,127		\$675,323	\$588,081	\$87,242
Discoveries:					
Current Year Taxes at Current Year's Rate		0.63			
Total	\$0		\$0	\$0	\$0
Abatements:					
Current Year Taxes at Current Year's Rate	(\$48,717)		(\$307)	(\$307)	
Total	(\$48,717)		(\$307)	(\$307)	\$0
Total Property Valuation	\$107,145,410				
Net Levy			\$675,016	\$587,774	\$87,242
Uncollected Taxes at June 30, 2020			23,665	23,665	
Current Year's Taxes Collected			\$651,351	\$564,109	\$87,242
Current Levy Collection Percentage			96.49%	95.97%	100.00%

COMPLIANCE SECTION



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

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Board of Commissioners
Town of Grifton, 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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Grifton, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprises the Town of Grifton's basic financial statements and have issued our report thereon dated November 30, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Grifton's 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 Grifton's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amount. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Barrow, Parris & Davenport, P.A.

BARROW, PARRIS & DAVENPORT, P.A.

Kinston, North Carolina

November 30, 2020