

**TOWN OF GARLAND, NORTH CAROLINA
FINANCIAL STATEMENTS
June 30, 2021**

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June 30, 2021

TOWN COUNCIL MEMBERS

Austin Brown, Mayor

Carolyn R. Melvin, Mayor Pro-Tem

Barbara A. Peterson, Commissioner

Jo Allison Strickland, Commissioner

Andy Johnson, Commissioner

Ralph Smith Jr., Commissioner

TOWN CLERK

Pamela Cashwell

TOWN OF GARLAND, NORTH CAROLINA
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Financial Section



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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Garland, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Garland, North Carolina as of June 30, 2021, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 3 through 10 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 37 and 38, respectively be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2022 on our consideration of Town of Garland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Garland's internal control over financial reporting and compliance.

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

Elizabethtown, North Carolina

February 11, 2022

Basic Financial Statements

Town of Garland

Management's Discussion and Analysis

As management of the Town of Garland (the "Town"), we offer readers of the Town of Garland's financial statements this narrative overview and analysis of the financial activities of the Town of Garland for the fiscal year ended June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

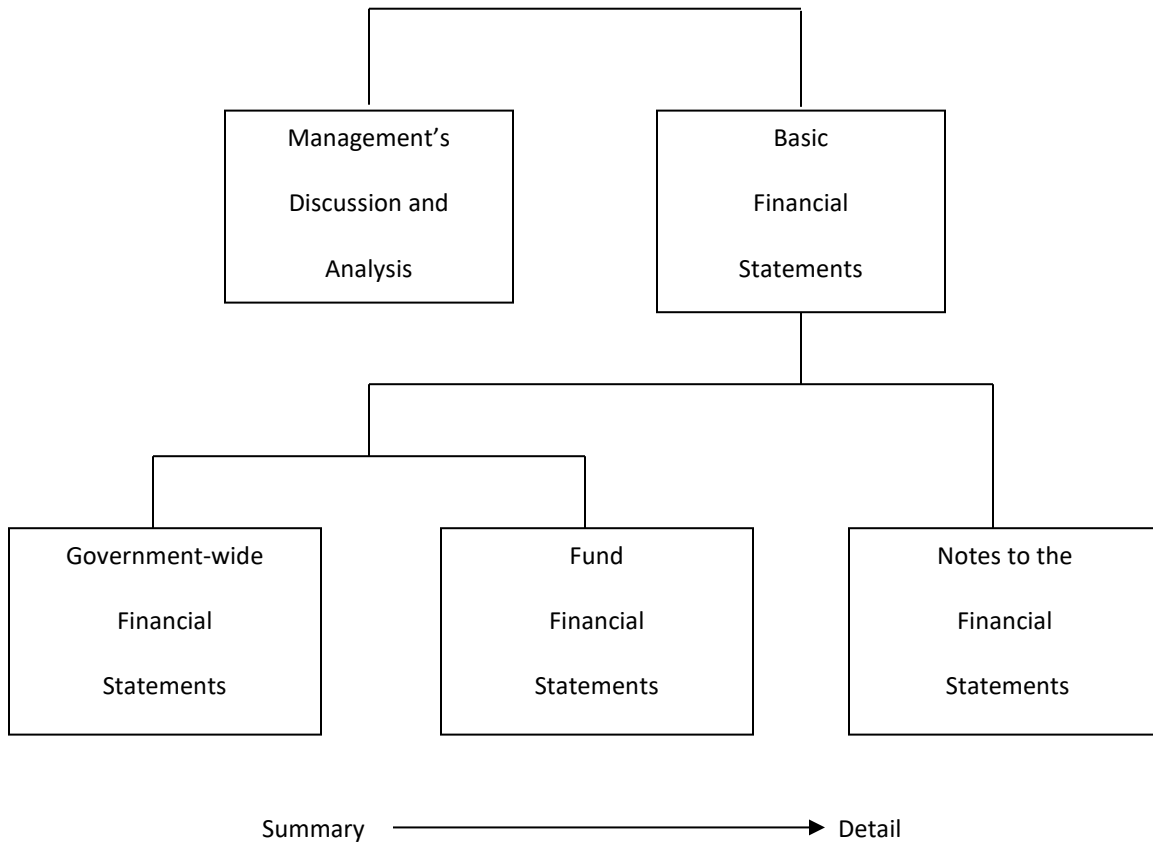
- The assets and deferred outflows of resources of the Town of Garland exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$5,186,842 (*net position*).
- The government's total net position increased by \$1,156,388, primarily due to increases in both the governmental activities and business type activity net position.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,164,816, an increase of \$235,621. Approximately 12 percent of this total amount, or \$134,949 is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was 1,028,351, or 240 percent of the total general fund expenditures for the fiscal year.
- The Town of Garland's total outstanding loan balances decreased by \$24,194 during the current fiscal year. The key factor in this change was a new installment agreement that exceeded the principal payments for outstanding loans.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-wide Financial Analysis

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

Government-Wide Financial Analysis

Town of Garland’s Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Assets						
Current and other assets	\$ 1,246,665	\$ 968,590	\$ 676,311	\$ 853,545	\$ 1,922,976	\$ 1,822,135
Capital assets	106,555	138,661	3,497,146	2,661,925	3,603,701	2,800,586
Deferred outflows of resources	18,349	19,302	3,620	12,702	21,969	32,004
Total assets and deferred outflows of resources	\$ 1,371,569	\$ 1,126,553	\$ 4,177,077	\$ 3,528,172	\$ 5,548,646	\$ 4,654,725
Liabilities						
Current and other liabilities:	\$ 57,955	\$ 13,215	\$ 48,920	\$ 328,889	\$ 106,875	\$ 342,104
Long-term liabilities:						
Due within one year	18,055	17,385	13,194	13,507	31,249	30,892
Due in more than one year	39,732	52,268	170,707	197,359	210,439	249,627
Deferred inflows of resources	11,379	994	1,862	654	13,241	1,648
Total liabilities & deferred inflows of resources	127,121	83,862	234,683	540,409	361,804	624,271
Net Position						
Net investment in capital assets	83,604	104,234	3,319,080	2,471,141	3,402,684	2,575,375
Restricted for						
Stabilization by State						
Statute	123,273	73,930	-	-	123,273	73,930
Transportation	11,676	19,348	-	-	11,676	19,348
Unrestricted	1,025,895	845,179	623,314	516,622	1,649,209	1,361,801
Total net position	\$ 1,244,448	\$ 1,042,691	\$ 3,942,394	\$ 2,987,763	\$ 5,186,842	\$ 4,030,454

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Garland exceeded liabilities and deferred inflows by \$5,186,842 as of June 30, 2021. The Town's net position increased by \$1,156,388 for the fiscal year ended June 30, 2021. However, the largest portion \$3,402,684 (66%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Garland uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$134,949 (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,649,209 (31%) is unrestricted.

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

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

Town of Garland's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Revenues						
Program Revenues						
Charges for Services	\$ 135,526	\$ 132,845	\$ 301,816	\$ 307,738	\$ 437,342	\$ 440,583
Grants and Entitlements	98,069	63,561	916,797	422,411	1,014,866	485,972
General Revenue						
Property Taxes	218,853	213,594	-	-	218,853	213,594
Grants and contributions not restricted to specific programs	249,911	225,926	-	-	249,911	225,926
Other Taxes	4,833	4,144	-	-	4,833	4,144
Investment Earnings	1,058	3,619	-	-	1,058	3,619
Other	2,046	36,214	-	-	2,046	36,214
Total Revenues	<u>710,296</u>	<u>679,903</u>	<u>1,218,613</u>	<u>730,149</u>	<u>1,928,909</u>	<u>1,410,052</u>
Expenses						
General Government	254,049	252,772	-	-	254,049	252,772
Transportation	136,482	185,061	-	-	136,482	185,061
Environmental Protection	97,940	106,649	-	-	97,940	106,649
Cultural and Recreation	18,834	27,370	-	-	18,834	27,370
Interest on Long-Term Debt	1,234	1,857	-	-	1,234	1,857
Water District	-	-	263,982	277,314	263,982	277,314
Total Expenses	<u>508,539</u>	<u>573,709</u>	<u>263,982</u>	<u>277,314</u>	<u>772,521</u>	<u>851,023</u>
Increase(Decrease) in Net Position	201,757	106,194	954,631	452,835	1,156,388	559,029
Net Position, beginning	<u>1,042,691</u>	<u>936,497</u>	<u>2,987,763</u>	<u>2,534,928</u>	<u>4,030,454</u>	<u>3,471,425</u>
Net Position, ending	<u>\$ 1,244,448</u>	<u>\$ 1,042,691</u>	<u>\$ 3,942,394</u>	<u>\$ 2,987,763</u>	<u>\$ 5,186,842</u>	<u>\$ 4,030,454</u>

Governmental activities: Governmental activities increased the Town's net position by \$201,757.

Business-type activities: Business-type activities displayed in this audit refer to the Water/Sewer Fund and increased the Town of Garland's net position by \$954,631.

Financial Analysis of the Town of Garland's Funds

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

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

The general fund is the chief operating fund of the Town of Garland. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,028,351 while total fund balance reached \$1,157,157. As a measure of the general fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents approximately 240% of the total General Fund expenditures. Total fund balance represents 270% of that same amount.

At June 30, 2021, the governmental funds of the Town reported a combined fund balance of \$1,164,816 with a 25% increase over last year. Included in this change in fund balance is an increase in fund balance in the General Fund.

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

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

Proprietary Funds. The Town of Garland's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer fund at the end of the fiscal year amounted to \$623,314. The increase in net position for this fund was \$954,631. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Garland's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Garland's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$3,603,701 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, park facilities, and vehicles.

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

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

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land and Construction in Progress	\$ 13,395	\$ 13,395	\$ 97,938	\$ 473,524	\$ 111,333	\$ 486,919
Buildings and Other Improvements	27,180	33,752	-	-	27,180	33,752
Plant and Distribution	-	-	3,277,321	2,054,958	3,277,321	2,054,958
Equipment	57,895	73,970	121,200	132,756	179,095	206,726
Vehicles	8,085	17,544	687	687	8,772	18,231
	<u>\$ 106,555</u>	<u>\$ 138,661</u>	<u>\$ 3,497,146</u>	<u>\$ 2,661,925</u>	<u>\$ 3,603,701</u>	<u>\$ 2,800,586</u>

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

Long-term Debt. As of June 30, 2021, the Town of Garland had no bonded debt outstanding.

Town of Garland's Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Direct Placement						
Installment Contracts	\$ 22,951	\$ 34,427	\$ -	\$ -	\$ 22,951	\$ 34,427
Direct Borrowing Loan						
Agreements	-	-	178,066	190,784	178,066	190,784
	<u>\$ 22,951</u>	<u>\$ 34,427</u>	<u>\$ 178,066</u>	<u>\$ 190,784</u>	<u>\$ 201,017</u>	<u>\$ 225,211</u>

The Town of Garland's loan balances decreased by \$24,194 during the past fiscal year, primarily due to making the scheduled debt payments.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The Town of Garland's legal debt margin is \$2,388,493.

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

Economic Factors and Next Year's Budgets and Rates

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

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

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

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: Property taxes will remain the same for 2021-2022. General Fund revenues are expected to remain the same. General Fund expenditures have been budgeted accordingly with only a small increase from the 2021-2022 Budget. The Town will continue its commitment to reducing the cost of delivering services.

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

Requests for Information

This report is designed to provide an overview of the Town of Garland's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the attention of the Finance Officer, Town of Garland, P.O. Box 207, N.C. 28441. You may also call 910-529-4141.

Town of Garland, North Carolina
Statement of Net Position
June 30, 2021

Exhibit 1

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets:			
Cash & Cash Equivalents	\$ 1,065,550	\$ 598,233	\$ 1,663,783
Restricted Assets:			
Restricted Cash	35,892	43,324	79,216
Accounts Receivable	27,300	-	27,300
Taxes Receivable (Net)	21,950	-	21,950
Accounts Receivable (Net)	15,633	30,254	45,887
Inventories	-	4,500	4,500
Due from Other Governments	80,340	-	80,340
Total Current Assets	<u>1,246,665</u>	<u>676,311</u>	<u>1,922,976</u>
Non-Current Assets:			
Capital Assets (Note 3):			
Land and Nondepreciable Improvements	13,395	97,938	111,333
Other Capital Assets, Net of Depreciation	<u>93,160</u>	<u>3,399,208</u>	<u>3,492,368</u>
Total Capital Assets	<u>106,555</u>	<u>3,497,146</u>	<u>3,603,701</u>
Total Assets	<u>1,353,220</u>	<u>4,173,457</u>	<u>5,526,677</u>
Deferred Outflows of Resources	<u>18,349</u>	<u>3,620</u>	<u>21,969</u>
Liabilities			
Current liabilities:			
Accounts Payable and Accrued Liabilities	57,955	5,596	63,551
Due Within One Year	18,055	13,194	31,249
Payable from restricted assets			
Customer deposits	-	43,324	43,324
Long-term Liabilities:			
Net Pension Liability	27,159	5,359	32,518
Due in More Than One Year	<u>12,573</u>	<u>165,348</u>	<u>177,921</u>
Total Liabilities	<u>115,742</u>	<u>232,821</u>	<u>348,563</u>
Deferred Inflows of Resources			
Advance from other government	1,944	-	1,944
Pension Deferrals	<u>9,435</u>	<u>1,862</u>	<u>11,297</u>
Total Deferred Inflows of Resources	<u>11,379</u>	<u>1,862</u>	<u>13,241</u>
Net Position			
Net Investment in Capital Assets	83,604	3,319,080	3,402,684
Restricted for:			
Stabilization by State Statute	123,273	-	123,273
Transportation	11,676	-	11,676
Unrestricted	<u>1,025,895</u>	<u>623,314</u>	<u>1,649,209</u>
Total Net Position	<u>\$ 1,244,448</u>	<u>\$ 3,942,394</u>	<u>\$ 5,186,842</u>

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

Town of Garland, North Carolina
Statement of Activities
For the Year Ended June 30, 2021

Exhibit 2

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 254,049	\$ 19,872	69,866	\$ -
Transportation	136,482	-	27,736	-
Environmental Protection	97,940	115,654	467	-
Cultural and Recreation	18,834	-	-	-
Interest on Long-Term Debt	1,234	-	-	-
Total Governmental Activities	<u>508,539</u>	<u>135,526</u>	<u>98,069</u>	<u>-</u>
Business-Type Activities:				
Water and Sewer Fund	<u>263,982</u>	<u>301,816</u>	<u>-</u>	<u>916,797</u>
Total Business-Type Activities	<u>263,982</u>	<u>301,816</u>	<u>-</u>	<u>916,797</u>
Total Primary Government	<u>\$ 772,521</u>	<u>\$ 437,342</u>	<u>\$ 98,069</u>	<u>\$ 916,797</u>

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

Town of Garland, North Carolina
Statement of Activities
For the Year Ended June 30, 2021

Exhibit 2

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
Primary Government:			
Governmental Activities:			
General Government	\$ (164,311)	\$ -	\$ (164,311)
Transportation	(108,746)	-	(108,746)
Environmental Protection	18,181	-	18,181
Cultural and Recreation	(18,834)	-	(18,834)
Interest on Long-Term Debt	(1,234)	-	(1,234)
Total Governmental Activities	<u>(274,944)</u>	<u>-</u>	<u>(274,944)</u>
Business-Type Activities:			
Water and Sewer Fund	<u>-</u>	<u>954,631</u>	<u>954,631</u>
Total Business-Type Activities	<u>-</u>	<u>954,631</u>	<u>954,631</u>
Total Primary Government	<u>(274,944)</u>	<u>954,631</u>	<u>679,687</u>
Taxes:			
Property taxes, levied for general purpose	218,853	-	218,853
Other taxes and licenses	4,833	-	4,833
Grants and contributions not restricted to specific programs	249,911	-	249,911
Investment earnings, unrestricted	1,058	-	1,058
Miscellaneous, unrestricted	2,046	-	2,046
Total general revenues not including transfers	<u>476,701</u>	<u>-</u>	<u>476,701</u>
Transfers	<u>-</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>476,701</u>	<u>-</u>	<u>476,701</u>
Change in net position	201,757	954,631	1,156,388
Net Position - Beginning	1,042,691	2,987,763	4,030,454
Net Position - Ending	<u>\$ 1,244,448</u>	<u>\$ 3,942,394</u>	<u>\$ 5,186,842</u>

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

Balance Sheet
Governmental Funds
June 30, 2021

	Major Funds			Total
	General	2019 CDBG Rehab	CARES Act	Governmental
	Fund	Project 18-C-3060	Fund	Funds
Assets				
Cash and cash equivalents	\$ 1,057,891	\$ 7,659	\$ -	\$ 1,065,550
Restricted cash	11,676	-	24,216	35,892
Receivables (net):				
Taxes	19,913	-	-	19,913
Motor vehicle tags	187	-	-	187
Accounts	15,633	-	-	15,633
Due from other governments	83,940	23,700	-	107,640
Total assets and other debits	<u>\$ 1,189,240</u>	<u>\$ 31,359</u>	<u>\$ 24,216</u>	<u>\$ 1,244,815</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 11,983	\$ 23,700	\$ 22,272	\$ 57,955
Total liabilities	<u>11,983</u>	<u>23,700</u>	<u>22,272</u>	<u>57,955</u>
Deferred inflows of resources				
Property tax receivable	19,913	-	-	19,913
Motor vehicle tags	187	-	-	187
Advance from other government	-	-	1,944	1,944
Total deferred inflows of resources	<u>20,100</u>	<u>-</u>	<u>1,944</u>	<u>22,044</u>
Fund balances:				
Restricted				
Stabilization by State Statute	99,573	23,700	-	123,273
Streets	11,676	-	-	11,676
Assigned				
Subsequent Years Expenditures	17,557	7,659	-	25,216
Unassigned	1,028,351	(23,700)	-	1,004,651
Total fund balances	<u>1,157,157</u>	<u>7,659</u>	<u>-</u>	<u>1,164,816</u>
Total liabilities, deferred inflows of resources & fund balances	<u>\$ 1,189,240</u>	<u>\$ 31,359</u>	<u>\$ 24,216</u>	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	106,555
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	18,349
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred.	1,850
Liabilities for earned revenues considered deferred inflows in the fund statements.	20,100
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year).	(57,787)
Pension related deferrals.	(9,435)
Net position of governmental activities	<u>\$ 1,244,448</u>

Town of Garland, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

Exhibit 4

	Major Funds			Total Governmental Funds
	General Fund	2019 CDBG Rehab Project 18-C-3060	CARES Act Fund	
Revenues:				
Ad valorem taxes	\$ 223,083	\$ -	\$ -	\$ 223,083
Other taxes and licenses	4,833	-	-	4,833
Unrestricted intergovernmental	249,911	-	-	249,911
Restricted intergovernmental	28,203	23,700	26,604	78,507
Sales and services	132,741	-	-	132,741
Permits and Fees	2,785	-	-	2,785
Investment earnings	1,058	-	-	1,058
Miscellaneous	21,608	-	-	21,608
Total revenues	<u>664,222</u>	<u>23,700</u>	<u>26,604</u>	<u>714,526</u>
Expenditures:				
Current:				
General government	177,588	23,700	26,604	227,892
Transportation	121,529	-	-	121,529
Sanitation	97,940	-	-	97,940
Cultural and Recreational	18,834	-	-	18,834
Debt Service:				
Principle	11,476	-	-	11,476
Interest	1,234	-	-	1,234
Total expenditures	<u>428,601</u>	<u>23,700</u>	<u>26,604</u>	<u>478,905</u>
Net change in fund balance	235,621	-	-	235,621
Fund Balances, beginning	921,536	7,659	-	929,195
Fund Balance, ending	<u>\$ 1,157,157</u>	<u>\$ 7,659</u>	<u>\$ -</u>	<u>\$ 1,164,816</u>

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

Town of Garland, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

Exhibit 4

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

Net changes in fund balances - total governmental funds	\$ 235,621
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	
Capital outlay expenditures which were capitalized	4,040
Depreciation expense for governmental activities	(36,146)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	5,129
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(4,230)
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.	
Principal payments on long-term debt	11,476
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	(1,768)
Net pension expense	(12,365)
Total changes in net position of governmental activities	\$ <u>201,757</u>

General Fund

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

For the Year Ended June 30, 2021

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 187,780	\$ 187,780	\$ 223,083	\$ 35,303
Other taxes and licenses	3,150	3,150	4,833	1,683
Unrestricted intergovernmental	182,550	182,500	249,911	67,411
Restricted intergovernmental	51,904	28,036	28,203	167
Sales and services	108,600	112,000	132,741	20,741
Permits and Fees	400	1,050	2,785	1,735
Investment earnings	2,620	2,620	1,058	(1,562)
Miscellaneous	2,315	2,646	21,608	18,962
Total revenues	<u>539,319</u>	<u>519,782</u>	<u>664,222</u>	<u>144,440</u>
Expenditures:				
Current:				
General government	278,291	252,521	177,588	74,933
Transportation	155,463	156,200	121,529	34,671
Sanitation	97,000	105,100	97,940	7,160
Cultural and Recreation	46,614	44,010	18,834	25,176
Debt Service	13,600	13,600	12,710	890
Total expenditures	<u>590,968</u>	<u>571,431</u>	<u>428,601</u>	<u>142,830</u>
Revenues over (under) expenditures	<u>(51,649)</u>	<u>(51,649)</u>	<u>235,621</u>	<u>287,270</u>
Fund Balance Appropriated	51,649	51,649	-	(51,649)
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	235,621	<u>\$ 235,621</u>
Fund Balances, beginning			921,536	
Fund balance, ending			<u>\$ 1,157,157</u>	

Town of Garland, North Carolina
Statement of Fund Net Position
Proprietary Fund
June 30, 2021

Exhibit 6

	Major Enterprise Fund <u>Water and Sewer Fund</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 598,233
Restricted cash and cash equivalents	43,324
Accounts receivable (net) - billed	23,292
Accounts receivable (net) - unbilled	6,962
Restricted accounts receivable	-
Inventories	4,500
Total current assets	<u>676,311</u>
Noncurrent assets:	
Capital Assets	
Land and construction in progress	97,938
Other capital assets - net of depreciation	<u>3,399,208</u>
Total Capital Assets	<u>3,497,146</u>
Total Noncurrent assets:	<u>3,497,146</u>
Total Assets	<u>4,173,457</u>
Deferred Outflows of Resources	<u>3,620</u>
Liabilities	
Current liabilities:	
Accounts payable and Accrued Liabilities	5,596
Due to Other Funds	-
Compensated Absences	476
Notes Payable - Current	<u>12,718</u>
Total current liabilities:	<u>18,790</u>
Noncurrent liabilities:	
Net pension liability	5,359
Liabilities payable from restricted assets	
Customer deposits	43,324
Accounts payable	-
Notes Payable - Non-current	<u>165,348</u>
Total noncurrent liabilities:	<u>214,031</u>
Total liabilities	<u>232,821</u>
Deferred Inflows of Resources	<u>1,862</u>
Net position	
Net investment in capital assets	3,319,080
Unrestricted	<u>623,314</u>
Total net position	<u>\$ 3,942,394</u>

Town of Garland, North Carolina
**Statements of Revenues, Expenses, and
Changes in Fund Net Position**
Proprietary Fund
For the Year Ended June 30, 2021

Exhibit 7

	Major Enterprise Fund Water and Sewer Fund
Operating revenues:	
Water and Sewer Charges	\$ 285,526
Reconnection and Penalties	14,720
Other Operating Revenues	1,570
Total operating revenues	<u>301,816</u>
Operating expenses:	
Administration	5,068
Treatment and Distribution	169,838
Depreciation	89,076
Total operating expenses	<u>263,982</u>
Operating income(loss)	<u>37,834</u>
Nonoperating revenues (expenses)	
Investment earnings	-
Total nonoperating revenues(expenses)	<u>-</u>
Income before contributions	<u>37,834</u>
Capital Contributions	<u>916,797</u>
Change in net position	954,631
Net Position - Beginning	<u>2,987,763</u>
Net Position - Ending	<u>\$ 3,942,394</u>

Town of Garland, North Carolina
Statement of Cash Flows
Proprietary Fund
For The Year Ended June 30, 2021

Exhibit 8

	Major Enterprise Fund <u>Water and Sewer Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 302,742
Cash paid for goods and services	(156,270)
Cash paid to employees for services	(22,801)
Customer deposits returned	340
Other Operating revenues	<u>1,570</u>
Net cash provided by operating activities	<u>125,581</u>
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(1,204,398)
Debt Proceeds	-
Debt Reduction	(12,718)
Capital Contributions - Grants	<u>1,197,751</u>
Net cash used by capital and related financing activities	<u>(19,365)</u>
Net increase in cash and cash equivalents	106,216
Cash and cash equivalents:	
Balances, beginning	<u>535,341</u>
Balances, ending	\$ <u><u>641,557</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income (loss)	\$ <u>37,834</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	89,076
Changes in assets, deferred in/outflows of resources and liabilities:	
(Increase)/Decrease in accounts receivable	2,496
(Increase)/Decrease in deferred outflows of resources-pensions	9,082
Increase/(Decrease) in net pension liability	(13,934)
Increase/(Decrease) in deferred inflows of resources-pensions	1,208
Increase/(Decrease) in accounts payable and accrued liabilities	(208)
Increase/(Decrease) in compensated absences	(313)
Increase/(Decrease) in customer deposits	<u>340</u>
Total adjustments	<u>87,747</u>
Net cash provided by operating activities	\$ <u><u>125,581</u></u>

TOWN OF GARLAND, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category—*governmental* and *proprietary*—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. The town has no fiduciary funds to report.

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

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

CARES Act Fund – Which reports the activity of CARES Act funding received from Sampson County.

The Town reports the following non-major governmental fund: None.

TOWN OF GARLAND, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

The Town reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

TOWN OF GARLAND, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

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

D. Budgetary Data

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

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

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain nonguaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town has no investments.

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

TOWN OF GARLAND, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

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

<u>Town of Garland Restricted Cash</u>	
Governmental Activities	
General Fund	
CARES Act	\$ 24,216
Streets	<u>11,676</u>
Total Governmental Activities	<u>\$ 35,892</u>
Business Type Activities	
Water and Sewer Fund	
Customer Deposits	\$ <u>43,324</u>
Total Business Type Activities	<u>\$ 43,324</u>
Total Restricted Cash	<u>\$ 79,216</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 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2021. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.
5. Allowance for Doubtful Accounts – All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years. The allowance for doubtful accounts in the Governmental and Business-type activities at June 30, 2021 is \$2,100 and \$5,000, respectively.
6. Inventories and Prepaid Items – The inventories of the Town's enterprise fund consist of materials and supplies held for subsequent use. The costs of these inventories are expensed when sold or consumed.
7. Capital Assets – Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$500; buildings and improvements, \$500; infrastructure, \$500; furniture and equipment, \$500; and vehicles, \$500. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

TOWN OF GARLAND, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	40
Motor Vehicles	5
Equipment	7
Plant Assets	50

8. Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2021 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 three items that meet the criterion for this category - property taxes receivable, unspent CARES Act revenue that will be spent in the subsequent period and pension deferrals.
9. Long-Term Obligations - In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

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

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

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

11. Net Position/Fund Balances

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

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

The governmental fund types classify fund balances as follows:

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

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

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For the Fiscal Year Ended June 30, 2021

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

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

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

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

Subsequent year's expenditures – portion of fund balance that is appropriated in the 2021-2022 budget that is not already classified in restricted or committed. The governing body approves the appropriation and any modification of the original budget.

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

12. Defined Benefit Cost-Sharing Plans

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

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Significant Violations of Finance Related Legal and Contractual Provisions

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

TOWN OF GARLAND, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

B. Excess of Expenditures over Appropriations

None reported.

C. Timeliness of Audit

The audit report was issued four months after the required due date of October 31, 2021. The outside consultant contracted to assist with the year-end close out process was not able to perform those services as originally planned due to staffing turnover. Management is in the process of evaluating policies and procedures and expects this to be completed and not affect future audits.

NOTE 3: DETAIL NOTES ON ALL FUNDS

A. Assets

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

At June 30, 2021, the Town's deposits had a carrying amount of \$1,742,874 and a bank balance of \$1,176,232. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. Cash on hand for the Town as of June 30, 2021 was \$150.

2. Investments

At June 30, 2021 the Town had no investments.

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

Fund	6/30/2021
General Fund	
Taxes Receivable	\$ 2,100
Accounts Receivable	-
Total	2,100
Enterprise Funds:	5,000
Total	\$ 7,100

TOWN OF GARLAND, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets not Being Depreciated:				
Land	\$ 13,395	\$ -	\$ -	\$ 13,395
Total Capital Assets not Being Depreciated:	<u>13,395</u>	<u>-</u>	<u>-</u>	<u>13,395</u>
Capital Assets Being Depreciated:				
Buildings	288,788	-	-	288,788
Equipment	342,196	4,040	-	346,236
Vehicles	104,505	-	-	104,505
Total Capital Assets Being Depreciated:	<u>735,489</u>	<u>4,040</u>	<u>-</u>	<u>739,529</u>
Less Accumulated Depreciation for:				
Buildings	255,036	6,572	-	261,608
Equipment	268,226	20,115	-	288,341
Vehicles	86,961	9,459	-	96,420
Total Accumulated Depreciation	<u>610,223</u>	<u>\$ 36,146</u>	<u>\$ -</u>	<u>646,369</u>
Total Capital Assets Being Depreciated, net	<u>125,266</u>			<u>93,160</u>
Governmental Activity Capital Assets, net	<u>\$ 138,661</u>			<u>\$ 106,555</u>

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

General Government	\$ 20,603
Transportation	<u>15,543</u>
Total Depreciation Expense	<u>\$ 36,146</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activities:				
Water and Sewer Fund				
Capital Assets not Being Depreciated:				
Land	\$ 51,113	\$ -	\$ -	\$ 51,113
Construction in Progress	<u>422,411</u>	<u>916,797</u>	<u>1,292,383</u>	<u>46,825</u>
Total Capital Assets not Being Depreciated:	<u>473,524</u>	<u>916,797</u>	<u>1,292,383</u>	<u>97,938</u>
Capital Assets Being Depreciated:				
Plant and Distribution	3,202,988	1,292,383	-	4,495,371
Equipment	342,563	7,500	-	350,063
Vehicles	79,975	-	-	79,975
Total Capital Assets Being Depreciated:	<u>3,625,526</u>	<u>1,299,883</u>	<u>-</u>	<u>4,925,409</u>
Less Accumulated Depreciation for:				
Plant and Distribution	1,148,030	70,020	-	1,218,050
Equipment	209,807	19,056	-	228,863
Vehicles	79,288	-	-	79,288
Total Accumulated Depreciation	<u>1,437,125</u>	<u>\$ 89,076</u>	<u>\$ -</u>	<u>1,526,201</u>
Total Capital Assets Being Depreciated, net	<u>2,188,401</u>			<u>3,399,208</u>
Water and Sewer Capital Assets, net	<u>\$ 2,661,925</u>			<u>\$ 3,497,146</u>

TOWN OF GARLAND, NORTH CAROLINA
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For the Fiscal Year Ended June 30, 2021

Construction Commitments

The government has active construction projects as of June 30, 2021. At year-end, the government's commitments with contractors are as follows:

Project	Spent To Date	Remaining Commitment
Sewer Improvement	\$ 46,825	\$ 660,498
Total	<u>\$ 46,825</u>	<u>\$ 660,498</u>

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Garland 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 of

TOWN OF GARLAND, NORTH CAROLINA
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Garland's contractually required contribution rate for the year ended June 30, 2021, was 10.20% 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 of Garland were \$6,140 for the year ended June 30, 2021.

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

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

At June 30, 2021, the Town reported a liability of \$32,518 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, 2020, the Town's proportion was 0.00091%, which was an decrease of 0.00087% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$9,731. At June 30, 2021, 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	\$ 4,106	\$ -
Changes of assumptions	2,420	-
Net difference between projected and actual earnings on pension plan investments	4,576	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	4,727	11,297
Town contributions subsequent to the measurement date	6,140	-
Total	\$ 21,969	\$ 11,297

\$6,140 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ 539
2023	2,071
2024	568
2025	1,354
2026	-
Thereafter	-
	\$ 4,532

TOWN OF GARLAND, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

Actuarial Assumptions. The total pension liability in the December 31, 2019 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, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

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

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

TOWN OF GARLAND, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 65,976	\$ 32,518	\$ 4,713

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

2. Other Employment Benefits

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

TOWN OF GARLAND, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

3. Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 6,140
Differences between expected and actual experience	4,106
Changes of assumptions	2,420
Net difference between projected and actual earnings on pension plan investments	4,576
Changes in proportion and differences between Town contributions and proportionate share of contributions	4,727
	<u>\$ 21,969</u>

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

Source	Statement of Net Position	General Fund Balance Sheet
Taxes Receivable	\$ -	\$ 19,913
Motor Vehicle Licenses	-	187
Advance From Other Government	1,944	1,944
Differences between expected and actual experience	-	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	11,297	-
Total	<u>\$ 13,241</u>	<u>\$ 22,044</u>

4. Risk Management

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

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

TOWN OF GARLAND, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

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

5. Claims and Judgments

At June 30, 2021, the Town was not involved in any lawsuits.

6. Long-Term Obligations

Installment Purchases

General Fund

The Town obtained a direct placement agreement from Southern Bank and Trust Company dated April 24, 2019 for purchase of a dump truck. Payable in four principal payments of \$11,476 and interest at 3.59% on the remaining principal balance. The property is pledged as collateral for the debt while the debt is outstanding. Outstanding balance at year end was \$22,951. Maturity is April 2023.

Water and Sewer Fund

The Town obtained a direct borrowing contract from NC Clean Water State Revolving Loan Fund dated December 5, 2014 to finance the automated meter reading conversion project. The contract is secured with collateral of the system. Payments are due in 20 annual payments of \$12,718 with no interest stated. Balance at June 30, 2021 was \$178,066, with final payment expected May 2035.

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

Year Ending 30-Jun	<u>Governmental Activities</u>		<u>Business Type Activities</u>	
	Principal	Interest	Principal	Interest
2022	11,476	824	12,718	-
2023	11,475	412	12,718	-
2024	-	-	12,718	-
2025	-	-	12,718	-
2026	-	-	12,718	-
2027-2031	-	-	63,595	-
2032-2036	-	-	50,881	-
Total	\$ 22,951	\$ 1,236	\$ 178,066	\$ -

TOWN OF GARLAND, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

Changes in Long Term Debt - During the year ended June 30, 2021, the following changes occurred in Long Term Debt:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental Activities:					
Direct Placement Installment Contract	\$ 34,427	\$ -	\$ (11,476)	\$ 22,951	\$ 11,476
Net Pension Liability (LGERS)	29,317	-	(2,158)	27,159	-
Compensated Absences	5,909	6,579	(4,811)	7,677	6,579
Total Governmental Activities	<u>\$ 69,653</u>	<u>\$ 6,579</u>	<u>\$ (18,445)</u>	<u>\$ 57,787</u>	<u>\$ 18,055</u>
Business-Type Activities:					
Water and Sewer Fund					
Direct Borrowing Notes Payable	\$ 190,784	\$ -	\$ (12,718)	\$ 178,066	\$ 12,718
Net Pension Liability (LGERS)	19,293	-	(13,934)	5,359	-
Compensated Absences	789	408	(721)	476	476
Total Water and Sewer Fund	<u>\$ 210,866</u>	<u>\$ 408</u>	<u>\$ (27,373)</u>	<u>\$ 183,901</u>	<u>\$ 13,194</u>

The legal debt margin of the Town at June 30, 2021 was \$2,388,493.

C. Interfund Activity

None.

D. Fund Balance

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

Total fund balance-General Fund	\$1,157,157
Less:	
Stabilization by State Statute	99,573
Streets - Powell Bill	11,676
Appropriated Fund Balance in the Subsequent Year's Budget	17,557
Remaining Fund Balance	\$1,028,351

NOTE 5: SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

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

NOTE 6: SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 11, 2022, the date which the financial statements were available for issue.

Required Supplementary Financial Data

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

Schedule of Proportionate Share of Net Pension Liability (Asset)

Schedule of Contributions to Local Government Employees' Retirement System

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

Local Government Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset) (%)	0.00091%	0.00178%	0.00122%	0.00151%	0.00198%	0.00102%	0.14700%	0.08000%
Town's proportion of the net pension liability (asset) (\$)	\$ 32,518	\$ 48,610	\$ 28,943	\$ 23,069	\$ 42,021	\$ 4,578	\$ (8,669)	\$ 9,643
Town's covered-employee payroll	\$ 79,710	\$ 142,528	\$ 97,914	\$ 115,855	\$ 126,415	\$ 119,616	\$ 102,985	\$ 77,999
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	40.80%	34.11%	29.56%	19.91%	33.24%	3.83%	(8.42%)	12.36%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

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

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 6,140	\$ 7,182	\$ 11,547	\$ 7,597	\$ 8,781	\$ 8,723	\$ 8,253	\$ 7,281
Contributions in relation to the contractually required contribution	6,140	7,182	11,547	7,597	8,781	8,723	8,253	7,281
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 60,200	\$ 79,710	\$ 142,528	\$ 97,914	\$ 115,855	\$ 126,415	\$ 119,616	\$ 102,985
Contributions as a percentage of covered-employee payroll	10.20%	9.01%	8.10%	7.76%	7.58%	7.29%	6.90%	7.07%

Supplementary Statements

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

Town of Garland, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes		\$ 221,279	
Penalties and interest		1,804	
Total	\$ 187,780	223,083	\$ 35,303
Other taxes and licenses:			
Motor Vehicle Licenses		4,833	
Total	3,150	4,833	1,683
Unrestricted intergovernmental:			
Local option sales taxes		207,218	
Utility franchise tax		33,660	
Telecom Sales Tax		3,902	
Video Franchise Fee		2,508	
Beer and Wine Tax		2,623	
Total	182,500	249,911	67,411
Restricted intergovernmental:			
Powell Bill Allocation		27,736	
Solid Waste Disposal		467	
Total	28,036	28,203	167
Sales and services:			
Cemetery Plots		16,600	
Other Fees		487	
Sanitation Fees		115,654	
Total Sales and Services	112,000	132,741	20,741
Permits and Fees:			
Building Permits		2,075	
Beer and Wine Permits		70	
Business Registration Fee		640	
Total Permits and Fees	1,050	2,785	1,735
Investment earnings:			
Regular		20	
Powell Bill		1,038	
Total Other Revenues	2,620	1,058	(1,562)

Town of Garland, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Other Revenues:			
Insurance Proceeds/Sale of Fixed Assets		17,232	
Donations		2,330	
Miscellaneous		2,046	
Total Other Revenues	2,646	21,608	18,962
Total Revenues	519,782	664,222	144,440
Expenditures:			
General government:			
Governing Body:			
Salaries		16,999	
Employee Benefits		1,300	
Operating Expenses		1,730	
Total Governing Body	21,184	20,029	1,155
Administration:			
Salaries		51,198	
Employee Benefits		24,776	
Operating Expenses		33,728	
Capital Outlay		-	
Total Administration	125,050	109,702	15,348
Tax and Revaluation:			
Operating Expenses		2,989	
Total Tax and Revaluation	3,600	2,989	611
Community Events:			
Operating Expenses		2,193	
Total Community Events	8,887	2,193	6,694
Professional:			
Operating Expenses		8,000	
Total Professional	12,000	8,000	4,000
Public Buildings:			
Operating Expenses		31,225	
Capital Outlay		3,450	
Total Public Buildings	81,800	34,675	47,125
Total General Government	252,521	177,588	74,933

Town of Garland, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Transportation:			
Streets:			
Salaries		25,345	
Employee Benefits		1,969	
Operating Expenses		58,198	
Capital Outlay		590	
Total Streets	109,099	86,102	22,997
Powell Bill:			
Maintenance and Repairs		35,427	
Total Powell Bill	47,101	35,427	11,674
Total Transportation	156,200	121,529	34,671
Environmental Protection:			
Sanitation:			
Contracted Services		97,940	
Miscellaneous		-	
Total Sanitation	105,100	97,940	7,160

Town of Garland, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Cultural and Recreation:			
Recreation Department:			
Operating Expenses		7,604	
Capital Outlay		-	
Total Recreation	30,010	7,604	22,406
Cemetery:			
Operating Expenses		11,230	
Total Cemetery	14,000	11,230	2,770
Total Cultural and Recreation	44,010	18,834	25,176
Debt Service:			
Principle		11,476	
Interest		1,234	
Total Debt Service	13,600	12,710	890
Total Expenditures	571,431	428,601	142,830
Revenues over (under) expenditures	(51,649)	235,621	287,270
Fund Balance Appropriated	51,649	-	(51,649)
Net Change in Fund Balance	\$ -	235,621	\$ 235,621
Fund Balances, Beginning		921,536	
Fund Balances, Ending		\$ 1,157,157	

Town of Garland, North Carolina
2019 CDBG Rehab Project 18-C-3060
Schedule of Revenues, Expenditures and
Changes in Fund Balance-Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted Intergovernmental					
CDBG	\$ 750,000	\$ -	\$ 23,700	\$ 23,700	\$ (726,300)
Total Restricted					
Intergovernmental	750,000	-	23,700	23,700	(726,300)
Expenditures:					
General Government					
Housing Rehab	758,000	341	23,700	24,041	733,959
Total Expenditures	758,000	341	23,700	24,041	733,959
Revenues Over(Under)					
Expenditures	(8,000)	(341)	-	(341)	7,659
Other Financing Sources(Uses)					
Transfers - In (Out)					
Local Match	8,000	8,000	-	8,000	-
Total Other Financing	8,000	8,000	-	8,000	-
Sources (Uses)					
Revenues and Other Sources					
Over Other Uses	\$ -	\$ 7,659	-	\$ 7,659	\$ 7,659
Fund Balance					
Fund Balances, beginning			7,659		
Fund Balances, ending			\$ 7,659		

Town of Garland, North Carolina
CARES Act Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance-Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2021

	Project	Actual		Total	Positive
	Authorization	Prior	Current	to Date	(Negative)
		Years	Year		
Revenues:					
Restricted Intergovernmental					
CARES Funding	\$ 50,820	\$ -	\$ 26,604	\$ 26,604	\$ (24,216)
Miscellaneous Income	-	-	-	-	-
Total Revenue	<u>50,820</u>	<u>-</u>	<u>26,604</u>	<u>26,604</u>	<u>(24,216)</u>
Expenditures:					
Operating Costs	50,820	-	26,604	26,604	24,216
Total Expenditures	<u>50,820</u>	<u>-</u>	<u>26,604</u>	<u>26,604</u>	<u>24,216</u>
Revenues and Other Sources					
Over Other Uses	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>

Town of Garland, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Revenues:			
Charges for services:			
Water Charges		\$ 136,268	
Sewer Charges		149,258	
Reconnection Fees		3,950	
Penalties		10,770	
Miscellaneous		1,570	
Total	\$ 285,000	301,816	\$ 16,816
Expenditures:			
Administration			
Other Operating Expenditures		5,068	
Total Administration	7,200	5,068	2,132
Treatment and Distribution			
Salaries		22,488	
Employee Benefits		16,147	
Operating Expenses		96,344	
Contracted Services		8,937	
Repairs and Maintenance		29,879	
Total	262,581	173,795	88,786
Debt Service:			
Principle		12,718	
Interest		-	
Total Debt Service	12,719	12,718	1

Town of Garland, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Capital outlay:			
Equipment		7,500	
Total capital outlay	7,500	7,500	-
Total expenditures	290,000	199,081	90,919
Capital Contributions	-	-	-
Revenues Over/(Under) Expenditures	(5,000)	102,735	107,735
Other financing sources (uses):			
Transfers to Capital Projects			-
Fund Balance Appropriated	5,000	-	(5,000)
Total other financing sources (uses)	5,000	-	(5,000)
Revenues and other sources over expenditures and other uses	\$ -	\$ 102,735	\$ 102,735
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues over expenditures		\$ 102,735	
Reconciling items:			
Capital outlay		7,500	
Principle payments		12,718	
Capital Contributions - Capital Project Funds		916,797	
(Increase)/Decrease in compensated absences payable		313	
Increase/(Decrease) in deferred outflows of resources-pensions		(9,082)	
(Increase)/Decrease in net pension liability		13,934	
(Increase)/Decrease in deferred inflows of resources-pensions		(1,208)	
Depreciation		(89,076)	
Total reconciling items		851,896	
Change in Net Position		\$ 954,631	

Town of Garland, North Carolina
2015 CDBG Sewer Project 15-I-3085
Schedule of Revenues, Expenditures and
Changes in Fund Balance-Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2021

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

Town of Garland, North Carolina
2017 CDBG Sewer Project 17-I-2963
Schedule of Revenues, Expenditures and
Changes in Fund Balance-Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2021

	<u>Project</u>		<u>Actual</u>		<u>Variance</u>
	<u>Authorization</u>	<u>Prior</u>	<u>Current</u>	<u>Total</u>	<u>Positive</u>
		<u>Years</u>	<u>Year</u>	<u>to Date</u>	<u>(Negative)</u>
Revenues:					
Restricted Intergovernmental					
CDBG	\$ 1,014,575	\$ 211,454	\$ 802,826	\$ 1,014,280	\$ (295)
Miscellaneous Income	-	-	-	-	-
Total Revenue	<u>1,014,575</u>	<u>211,454</u>	<u>802,826</u>	<u>1,014,280</u>	<u>(295)</u>
Expenditures:					
Sewer Improvements	<u>1,014,575</u>	<u>211,454</u>	<u>802,826</u>	<u>1,014,280</u>	<u>295</u>
Total Expenditures	<u>1,014,575</u>	<u>211,454</u>	<u>802,826</u>	<u>1,014,280</u>	<u>295</u>
Revenues Over(Under)					
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and Other Sources					
Over Other Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Town of Garland, North Carolina
2019 CDBG Sewer Project 19-I-3104
Schedule of Revenues, Expenditures and
Changes in Fund Balance-Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2021

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted Intergovernmental					
CDBG	\$ 707,323	\$ -	\$ 46,825	\$ 46,825	\$ (660,498)
Miscellaneous Income	-	-	-	-	-
Total Revenue	<u>707,323</u>	<u>-</u>	<u>46,825</u>	<u>46,825</u>	<u>(660,498)</u>
Expenditures:					
Sewer Improvements	<u>707,323</u>	<u>-</u>	<u>46,825</u>	<u>46,825</u>	<u>660,498</u>
Total Expenditures	<u>707,323</u>	<u>-</u>	<u>46,825</u>	<u>46,825</u>	<u>660,498</u>
Revenues Over(Under)					
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and Other Sources					
Over Other Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Town of Garland, North Carolina
Asset and Inventory Assessment Grant
Schedule of Revenues, Expenditures and
Changes in Fund Balance-Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2021

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

OTHER SCHEDULES

This section includes additional information on property taxes.

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

Town of Garland, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2021

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020 - 2021	\$ -	\$ 218,235	\$ 201,400	\$ 16,835
2019 - 2020	18,355	-	16,740	1,615
2018 - 2019	2,739	-	1,575	1,164
Previous	4,774	-	2,375	2,399
	<u>\$ 25,868</u>	<u>\$ 218,235</u>	<u>\$ 222,090</u>	<u>\$ 22,013</u>
Less: Allowance for Doubtful Accounts				<u>2,100</u>
General Fund				<u>\$ 19,913</u>

Reconciliation to revenues:

Ad valorem taxes - General Fund	\$ 223,083
Reconciling items:	
Interest collected	(1,804)
Releases	811
Subtotal	<u>(993)</u>
Total collections and credits	<u>\$ 222,090</u>

Town of Garland, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2021

				Total Levy	
	Town - Wide			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate	Total Levy		
Original levy:					
Property taxed at current year's rate	\$ 28,537,917	0.72	\$ 205,473	\$ 176,540	\$ 28,933
Penalties			1,205	1,205	-
Total	<u>28,537,917</u>		<u>206,678</u>	<u>177,745</u>	<u>28,933</u>
Discoveries:					
Current year taxes	<u>1,715,000</u>	0.72	<u>12,348</u>	<u>12,348</u>	<u>-</u>
Total	<u>1,715,000</u>		<u>12,348</u>	<u>12,348</u>	<u>-</u>
Abatements	<u>(109,861)</u>	0.72	<u>(791)</u>	<u>(791)</u>	<u>-</u>
Total property valuation	\$ <u><u>30,143,056</u></u>				
Net levy			218,235	189,302	28,933
Uncollected taxes at June 30, 2021			<u>16,835</u>	<u>16,758</u>	<u>77</u>
Current year's taxes collected			\$ <u><u>201,400</u></u>	\$ <u><u>172,544</u></u>	\$ <u><u>28,856</u></u>
Current levy collection percentage			<u><u>92.29%</u></u>	<u><u>91.15%</u></u>	<u><u>99.73%</u></u>

Compliance Section



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Gregory S. Adams, CPA
Alan W. Thompson, CPA

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregated remaining fund information of the Town of Garland, North Carolina, as of and for the year ended June 30, 2021, which collectively comprises the Town of Garland's basic financial statements, and have issued our report thereon dated February 11, 2022.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned cost that we consider to be a significant deficiency, 2021-001.

Compliance and Other Matters

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

Town of Garland's Response to Finding

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

Purpose of this Report

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

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

Elizabethtown, North Carolina

February 11, 2022



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Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; With OMB Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Garland, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Garland's major federal programs for the year ended June 30, 2021. The Town of Garland's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with Federal and State statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Town of Garland complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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

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

Elizabethtown, North Carolina

February 11, 2022

Town of Garland, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021

Section I. Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

_____yes X none reported

Federal Awards

Internal control over major federal programs:

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

Type of auditor's report issued on compliance for major federal programs: Unmodified.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____yes X no

Identification of major federal program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
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14.228	Community Development Block Grant Water Infrastructure
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Dollar threshold used to distinguish between Type A and Type B Programs:

\$750,000

Auditee qualified as low risk auditee

_____yes X no

Town of Garland, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCY

2021 – 001 Segregation of Duties

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

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

Effect: Transactions could be mishandled.

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

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2020-001.

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

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

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State Award Findings and Questioned Costs

None reported.



TOWN OF GARLAND

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910-529-4141

GARLAND, NORTH CAROLINA
FAX: 910-529-1393

Austin Brown
Mayor

Corrective Action Plan
For the Fiscal Year Ended June 30, 2021

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCY

2021 – 001 Segregation of Duties

Name of contact person: Austin Brown, Mayor

Corrective Action: The duties will be separated as much as possible and alternative controls will be used to compensate for lack of separation. The governing board will become more involved in providing some of these controls. Checklists documenting completion of certain procedures were created for the board to review during the year.

Proposed Completion Date: The Board will implement the above procedure immediately.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State Award Findings and Questioned Costs

None reported.

Town of Garland, North Carolina
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2021

Finding 2020-001
Status: Still Occurring.

Finding 2019-001
Status: Still Occurring.

Finding 2018-001
Status: Still Occurring.

Finding 2017-001
Status: Still Occurring.

Town of Garland, North Carolina
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2021

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Pass through to Subrecipients</u>
Federal Grants:					
Cash Programs					
<u>U.S. Dept. of Housing and Urban Development</u>					
Passed-through N.C. Department of Commerce:					
Division of Rural Economic Development					
2019 CDBG Rehab Project 18-C-3060	14.228	18-I-3060	\$ 23,700	\$ -	\$ -
Passed-through N.C. Department of Environmental Quality:					
Division of Water Infrastructure					
Community Development Block Grant -					
Water Infrastructure					
2015 CDBG Sewer Project 15-I-3085	14.228	15-I-3085	67,146	-	-
2017 CDBG Sewer Project 17-I-2963	14.228	17-I-2963	802,826	-	-
2019 CDBG Sewer Project 19-I-3104	14.228	19-I-3104	46,825	-	-
			<u>940,497</u>	<u>-</u>	<u>-</u>
<u>U.S. Dept. of Treasury</u>					
Passed-through the Office of State Budget and Management:					
NC Pandemic Recovery Office					
Passed through Sampson County:					
Coronavirus Relief Fund	21.019		26,604	-	-
Total Federal Assistance			<u>967,101</u>	<u>-</u>	<u>-</u>
State Grants:					
Cash Programs					
<u>N.C. Department of Transportation</u>					
Powell Bill					
			-	35,427	-
Total State Assistance			<u>-</u>	<u>35,427</u>	<u>-</u>
Total Assistance			<u>\$ 967,101</u>	<u>\$ 35,427</u>	<u>\$ -</u>

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

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Garland under the programs of the federal government and the State of North Carolina for the year ended June 30, 2021. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Garland, it is not intended Federal Awards (Uniform Guidance) and the State Single Audit to and does not present the financial position, changes in net position or cash flows of the Town of Garland.

Note 2: Summary of Significant Accounting Policies

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

Note 3: Indirect Cost Rate

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