

REVIEWED

By SLGFD at 3:46 pm, Nov 01, 2021

TOWN OF GRANITE FALLS NORTH CAROLINA

ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 2021

TOWN OF GRANITE FALLS, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2021

Mayor

Barry Hayes

Town Council

Dr. Caryl B. Burns, Mayor Pro Tem

Larry Knight

Jim Mackie

Mike Mackie

Martin D. Townsend

Tracy Townsend

Town Manager

Jerry Church

Prepared by the Town of Granite Falls Finance Department

Finance Director

Jana Williams

This page left blank intentionally.

TOWN OF GRANITE FALLS, NORTH CAROLINA
ANNUAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	Independent Auditor's Report	1-3
	Management's Discussion and Analysis	4-17
	Basic Financial Statements:	
	Government-Wide Financial Statements:	
A	Statement of Net Position	18
B	Statement of Activities	19-20
	Fund Financial Statements:	
C	Balance Sheet - Governmental Funds	21
D	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Fund	22
E	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund to the Statement of Activities	23
F	General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	24
G	Statement of Net Position - Proprietary Funds	25
H	Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	26
I	Statement of Cash Flows - Proprietary Funds	27
	Notes to the Financial Statements	28-62

TOWN OF GRANITE FALLS, NORTH CAROLINA

ANNUAL REPORT FOR THE YEAR ENDED JUNE 30, 2021

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Required Supplemental Financial Data:	
A-1	Other Post-Employment Benefits - Required Supplementary Information Last Four Fiscal Years	63
A-2	Local Governmental Employees' Retirement System - Proportionate Share of Net Pension Liability (Asset) Last Eight Fiscal Years	64-65
A-3	Local Governmental Employees' Retirement System - Contributions Last Eight Fiscal Years	66-67
A-4	Law Enforcement Officers' Special Separation Allowance - Schedule of Changes in Total Pension Liability Last Five Fiscal Years	68
A-5	Law Enforcement Officers' Special Separation Allowance - Schedule of Total Pension Liability as a Percentage of Covered Payroll Last Five Fiscal Years	69
	Supplementary Information:	
	Major Governmental Fund:	
1	General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	70-72
	Nonmajor Capital Project Fund:	
2	Redevelopment PARTF Grant Project Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	73
	Major Enterprise Funds:	
3	Electric Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	74

TOWN OF GRANITE FALLS, NORTH CAROLINA

ANNUAL REPORT FOR THE YEAR ENDED JUNE 30, 2021

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Major Enterprise Funds (continued):	
4	Enterprise Fund Capital Project Fund - Capital Reserve Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	75
5	Water and Sewer Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	76
6	Enterprise Fund Capital Project Fund - State Reserve Loan Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual	77
	Other Schedules:	
7	Schedule of Ad Valorem Taxes Receivable	78
8	Analysis of Current Year Levy	79
	Compliance Section:	
	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	80-81
	Schedule of Findings and Responses	82
	Schedule of Prior Year Audit Findings	83

This page left blank intentionally.

MARTIN STARNES & ASSOCIATES, CPAs, P.A.

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

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Granite Falls, 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 did not audit the financial statements of the Granite Falls ABC Board. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Granite Falls ABC Board is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Granite Falls ABC Board were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2021 on our consideration of the Town of Granite Falls' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Granite Falls' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Granite Falls' internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 14, 2021

This page left blank intentionally.

Management's Discussion and Analysis

As management of the Town of Granite Falls, we offer readers of the Town of Granite Falls' financial statements this narrative overview and analysis of the financial activities of the Town of Granite Falls for the fiscal year ended June 30, 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

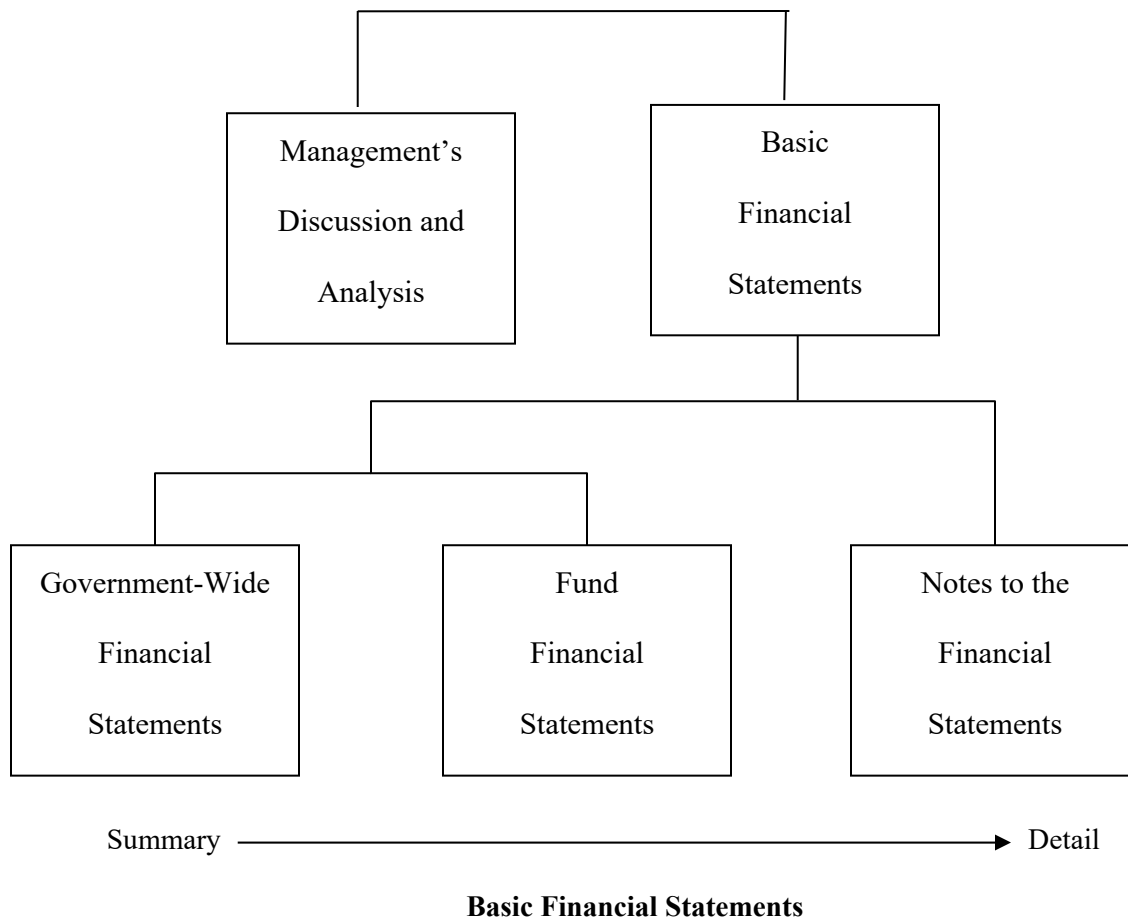
- The assets and deferred outflows of resources of the Town of Granite Falls exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$32,952,585 (*net position*).
- The government's total net position increased by \$2,073,082.
- At the close of the current fiscal year, the Town of Granite Falls' governmental funds reported combined ending fund balances of \$4,700,193, an increase of \$1,074,639 in comparison with the prior year. Approximately 11% of this total amount, or \$503,209, is restricted or non-spendable.
- At the end of the current fiscal year, available fund balance for the General Fund was \$4,354,048, or 119%, of total General Fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Granite Falls' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 63-69 of this report.

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

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

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets:						
Current and other assets	\$ 4,865,146	\$ 3,846,074	\$ 10,750,122	\$ 8,982,560	\$ 15,615,268	\$ 12,828,634
Capital assets, net	5,897,308	6,023,125	16,346,981	16,935,702	22,244,289	22,958,827
Total assets	<u>10,762,454</u>	<u>9,869,199</u>	<u>27,097,103</u>	<u>25,918,262</u>	<u>37,859,557</u>	<u>35,787,461</u>
Deferred outflows of resources	<u>654,732</u>	<u>464,046</u>	<u>318,365</u>	<u>257,470</u>	<u>973,097</u>	<u>721,516</u>
Liabilities:						
Current liabilities	103,969	150,538	1,048,856	989,547	1,152,825	1,140,085
Other liabilities	<u>1,540,761</u>	<u>1,296,431</u>	<u>3,104,983</u>	<u>3,122,712</u>	<u>4,645,744</u>	<u>4,419,143</u>
Total liabilities	<u>1,644,730</u>	<u>1,446,969</u>	<u>4,153,839</u>	<u>4,112,259</u>	<u>5,798,569</u>	<u>5,559,228</u>
Deferred inflows of resources	<u>81,500</u>	<u>70,246</u>	<u>-</u>	<u>-</u>	<u>81,500</u>	<u>70,246</u>
Net Position:						
Net investment in capital assets	5,897,308	5,989,792	13,931,877	14,369,654	19,829,185	20,359,446
Restricted	476,052	308,068	-	-	476,052	308,068
Unrestricted	<u>3,317,596</u>	<u>2,518,170</u>	<u>9,329,752</u>	<u>7,693,819</u>	<u>12,647,348</u>	<u>10,211,989</u>
Total net position	<u>\$ 9,690,956</u>	<u>\$ 8,816,030</u>	<u>\$ 23,261,629</u>	<u>\$ 22,063,473</u>	<u>\$ 32,952,585</u>	<u>\$ 30,879,503</u>

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town of Granite Falls exceeded liabilities and deferred inflows of resources by \$32,952,585 as of June 30, 2021. The Town's net position increased by \$2,073,082 for the fiscal year ended June 30, 2021. The largest portion of net position (60%) reflects the Town's net investment in capital assets (e.g. land, buildings, and equipment). The Town of Granite Falls uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Granite Falls' investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Granite Falls' net position (1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$12,647,348 is unrestricted.

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

- Increased aggressiveness in the collection of ad valorem property taxes.
- Expansion of property tax base by the opening several new businesses, including Grace Village Assisted Living Center, Mitch Motors, and Venaflux LLC,.
- Unexpected increase in sales tax collections during the pandemic.
- Utilization of the NC Debt Setoff program. Since its inception, the Town has received approximately \$197,464 in bad debt collections through this program.
- Continued aggressiveness in seeking grants to assist in funding capital projects, rate studies, and programs.
- Increased fees for services when necessary to better cover costs of providing services.
- Fiscal responsibility by tightly controlling spending during the pandemic.

Town of Granite Falls' Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 456,810	\$ 415,622	\$ 9,308,495	\$ 9,048,737	\$ 9,765,305	\$ 9,464,359
Operating grants and contributions	294,482	33,987	21,926	108,631	316,408	142,618
Capital grants and contributions	138,034	145,142	-	-	138,034	145,142
General revenues:						
Property taxes	2,049,104	1,943,322	-	-	2,049,104	1,943,322
Other taxes and licenses	1,320,211	1,142,362	1,303,569	853,284	2,623,780	1,995,646
Unrestricted intergovernmental revenues	501,039	511,199	-	-	501,039	511,199
Investment earnings, unrestricted	16,002	58,006	32,138	115,613	48,140	173,619
Total revenues	<u>4,775,682</u>	<u>4,249,640</u>	<u>10,666,128</u>	<u>10,126,265</u>	<u>15,441,810</u>	<u>14,375,905</u>
Expenses:						
General government	480,170	289,259	-	-	480,170	289,259
Public safety	2,177,040	2,081,158	-	-	2,177,040	2,081,158
Streets and public works	547,596	644,060	-	-	547,596	644,060
Sanitation	206,214	196,573	-	-	206,214	196,573
Cultural and recreation	486,796	531,489	-	-	486,796	531,489
Interest on long-term debt	2,940	6,233	-	-	2,940	6,233
Electric	-	-	6,800,455	6,775,013	6,800,455	6,775,013
Water and sewer	-	-	2,667,517	2,665,655	2,667,517	2,665,655
Transfers	-	(20,825)	-	20,825	-	-
Total expenses	<u>3,900,756</u>	<u>3,727,946</u>	<u>9,467,972</u>	<u>9,461,493</u>	<u>13,368,728</u>	<u>13,189,439</u>
Change in net position	874,926	521,694	1,198,156	664,772	2,073,082	1,186,466
Net Position:						
Beginning of year - July 1	<u>8,816,030</u>	<u>8,294,336</u>	<u>22,063,473</u>	<u>21,398,701</u>	<u>30,879,503</u>	<u>29,693,037</u>
End of year - June 30	<u>\$ 9,690,956</u>	<u>\$ 8,816,030</u>	<u>\$ 23,261,629</u>	<u>\$ 22,063,473</u>	<u>\$ 32,952,585</u>	<u>\$ 30,879,503</u>

Governmental Activities. Governmental activities' net position increased by \$874,926. Key elements of this increase are as follows:

- Increased property tax collections, sales tax distributions, and special assessments revenues.
- Replacement of town-wide phone system, upgrading all departments to VoIP phones.
- Completed a Network Remote Access Upgrade project at the Town Office, Police & Fire Departments, Wastewater Treatment Plant, and Electric Services/Public Works facility.
- Upgraded all (31) Police & Fire Portable Radios to the Viking system.
- Purchased Phalanx Shields, Radar Speed Signs, a Network Server, and a new Heat Pump for the Police Dept.
- Purchased a Rescue Spreader (extrication device) and replaced the Drone for the Fire Department.
- Purchased & installed playground equipment, a pool slide, and batting cages at the Recreation Center, all funded by a portion of the Town's matching funds for a PARTF grant that was awarded in October 2020.
- The Granite Falls Town Council amended (increased) the 2020-2021 General Fund budget to include the following items:
 - a. \$45,000 to complete prior year capital projects from Fund Balance.
 - b. \$46,528 for CARES Act reimbursement in Administration
 - c. \$220,500 for the Grace Village Assisted Living Center HOPE grant.
 - d. \$1,210 for State Drug Tax in the Police Department.
 - e. \$2,260 for Federal Drug Tax in the Police Department.
 - f. \$2,000 for a WalMart Community Grant received for the Police Department.
 - g. \$9,357 to account for insurance proceeds received to replace the Drone at the Fire Department.
 - h. \$99,000 for increases in ABC, Special Assessments, 2020 Ad Valorem Taxes, and Cemetery Revenues.
 - i. \$8,610 for a COVID-19 Grant from FEMA for the Fire Department.
 - j. \$31,657 for ABC Distributions to the local schools
- Department heads were conservative with spending, taking into consideration the effects of the COVID-19 pandemic that has continued to impact the Town since March 2020.
- Town departments implemented increased fees for services where necessary to better cover costs of providing these services.

Business-Type Activities. Business-type activities increased the Town of Granite Falls' net position by \$1,198,156. Key elements of this increase are as follows:

- Higher than expected utility revenue collections for water, sewer, and electric sales.
- The Town Council approved an across-the-board increase of 3.4% in the water and sewer rates to offset rising chemical costs and address aging system infrastructure issues.
- Replaced seven turbidimeters at the Water Treatment Plant.
- The Electric Department installed an electrical underground distribution Line in Riverbend subdivision and purchased two automatic transfer switches for the Deerfield Pump Station and Public Works building.
- The Water & Sewer Fund budget was amended for the following items:
 - a. \$240,000 increase to complete prior year capital projects from Fund Balance.
 - b. \$9,478 increase for CARES Act reimbursement.
 - c. \$500,000 decrease for DWSRP Loan Proceeds.

- The Electric Fund budgets were amended (increased) for the following items:
 - a. \$7,448 for CARES Act reimbursement.
 - b. \$1,102,791 for the Town's contribution to Electric Capital Reserve Fund for working capital refunded by NCMPI.
 - c. \$226,000 for increased Electric Revenue & Power Purchase Expense.

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town of Granite Falls. At the end of the current fiscal year, available fund balance of the General Fund was \$4,354,048, while total fund balance reached \$4,700,193. The Town currently has an available fund balance of 119% of General Fund expenditures while total fund balance represents 129% of the same amount.

At June 30, 2021, the governmental funds of the Town of Granite Falls reported a fund balance of \$4,700,193, a 30% increase over last year.

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

Total amendments to the General Fund budget increased revenues by \$466,122. Amendments were necessary to complete prior year capital projects, for CARES Act funds received, for the Grace Village Assisted Living Center HOPE grant, for Federal & State Drug Taxes, miscellaneous grants, insurance proceeds, increased revenues, and ABC distributions to local schools.

Proprietary Funds. The Town of Granite Falls' proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Water and Sewer Fund totaled \$2,590,262 and for the Electric Fund totaled \$6,739,490 for the year ended June 30, 2021. The decrease in net position for the Water and Sewer Fund was \$281,145 while the increase in net position for the Electric Fund was \$1,479,301.

Total amendments to the Water & Sewer Fund increased revenues by \$240,000 to complete prior year capital projects and \$9,478 for CARES Act funds received; the budget was decreased by \$500,000 to remove DWSRP Loan Proceeds, leading to an overall decrease of \$250,522 in the Water & Sewer Fund 2020-2021 budget.

Total amendments to the Electric Fund budgets increased revenues by \$1,336,239. Amendments were necessary to account for CARES Act funds received, increased electricity sales, and in the Capital Reserve Fund for capital credits received from NCMPI.

Capital Asset and Debt Administration

Capital Assets. The Town of Granite Falls' capital assets for its governmental and business-type activities as of June 30, 2021 totals \$22,244,289 (net of accumulated depreciation). These assets include buildings, land, improvements, and machinery and equipment.

Major capital asset transactions during the year include:

- Completed a Network Remote Access Upgrade project at the Town Office, Police Department, Fire Department, Public Works, and Electric Services facilities.
- Replacement of town-wide phone system, upgrading to VoIP Phones from analog phones in the Administration Department.
- Purchased 12 portable radios, a Network Server, Radar Speed Signs, and Phalanx Shields for the Police Department.
- Purchased 19 portable radios, a rescue spreader, and replaced the Drone at the Fire Department.
- Completed a portion of projects at the Recreation Center that were funded by the Town's portion of a PARTF grant awarded in fiscal 2021: installation of a batting cage, 2 sets of playground equipment, and a pool slide.
- Purchased 7 turbidimeters for the Water Treatment Plant.
- The Electric Department installed an Electrical Underground Distribution Line in the Riverbend subdivision and purchased 2 automatic transfer switches.

Debt Administration

- General Fund debt was paid in full during fiscal year 2021.
- The 2021 Water & Sewer Fund budget included \$198,000 for debt service on the three Clean Water State Revolving Fund (CWSRF) loans.
- The Electric Fund currently has no debt.

Town of Granite Falls' Capital Assets

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 1,582,263	\$ 1,582,263	\$ 213,140	\$ 213,140	\$ 1,795,403	\$ 1,795,403
Construction in progress	-	-	345,069	47,147	345,069	47,147
Buildings	2,359,085	2,359,085	-	-	2,359,085	2,359,085
Land improvements	195,500	195,500	-	-	195,500	195,500
Infrastructure	1,373,081	1,373,081	-	-	1,373,081	1,373,081
Plant and distribution systems	-	-	31,575,036	31,541,284	31,575,036	31,541,284
Equipment and vehicles	4,224,663	3,985,752	3,996,350	3,951,168	8,221,013	7,936,920
Total	9,734,592	9,495,681	36,129,595	35,752,739	45,864,187	45,248,420
Accumulated depreciation	(3,837,284)	(3,472,556)	(19,782,614)	(18,817,037)	(23,619,898)	(22,289,593)
Capital assets, net	<u>\$ 5,897,308</u>	<u>\$ 6,023,125</u>	<u>\$ 16,346,981</u>	<u>\$ 16,935,702</u>	<u>\$ 22,244,289</u>	<u>\$ 22,958,827</u>

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

Long-Term Debt. As of June 30, 2021, the Town of Granite Falls had total notes payable outstanding of \$2,415,104.

Town of Granite Falls' Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Notes payable	<u>\$ -</u>	<u>\$ 82,291</u>	<u>\$ 2,415,104</u>	<u>\$ 2,566,048</u>	<u>\$ 2,415,104</u>	<u>\$ 2,648,339</u>

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Granite Falls is approximately \$35,849,723.

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

Economic Factors and Next Year's Budgets and Rates

The following are economic indicators affecting the Town:

- Caldwell County experienced some of the highest unemployment rates in North Carolina during the years 2008 through 2014 and reached an all-time high of 17.1% in February 2010. The unemployment rate has dropped gradually since 2014 but rose in early 2020 at the onslaught of the COVID-19 pandemic. It has been steadily decreasing since July 2020 and in July 2021, the unemployment rate was 4.4%, compared to 8.8% in July 2020.
- In late 2008, the United States, especially North Carolina and the Unifour region, experienced one of the sharpest downturns in the economy since the Great Depression. Caldwell County and Granite Falls were hit extremely hard due to the area's large manufacturing job base. The NC Department of Commerce designated Caldwell County as a 21st Century Community in July 2008 and in 2020, Caldwell County dropped from a Tier II County to Tier I, indicating a higher level of distress.
- The Town Council approved the 2021-2022 property tax rate to remain at \$.4485 per \$100 valuation. Caldwell County conducted a reappraisal with new property values effective January 1, 2021, and Granite Falls' total property values increased by more than \$60 million. Granite Falls' tax levy for 2021 ad valorem taxes is \$2,078,642 which represents an increase of \$273,079 or 15.1% from the 2020 tax levy of \$1,805,563.
- In 2009, the Town, in cooperation with Caldwell County, purchased 66 acres from Edward Wayne Whisenant off New Farm Road. The property was officially purchased in the name of Caldwell EDC Properties, LLC. Caldwell County and Granite Falls negotiated three-year interest-only payments with Parkway Bank with anticipation the property would be sold for economic development within that time period. As part of the intergovernmental agreement, Caldwell County agreed to pay the monthly interest payments, and Granite Falls will make one annual reimbursement in July. If the property was not sold within three years, the loan would have reverted to interest and principal payments. On May 2, 2011, the Town Council approved an amended Interlocal Agreement between Caldwell County, Caldwell County EDC, LLC, and the Town of Granite Falls, which converted the loan to a 10-year fixed interest rate loan under which the Town would pay both principal and interest, with the first payment due date of July 15, 2011. This parcel was annexed into the Town limits on December 1, 2009. In fiscal year 2021, the debt on this property was paid in full and Caldwell County EDC currently has it listed for sale.
- In 2007, the Town financed renovations on the Town Office. The loan amount was \$500,000, with principal and interest payments being made semiannually. The final payment on this loan was made in fiscal year 2021 and the General Fund does not currently have any debt.
- The Town participated in the NC Department of Commerce Small Town Main Street program through June 2018. The program uses the "Four Point Approach" to downtown revitalization that includes organization, promotions, design, and economic restructuring. A Facade Grant program was identified as a need by local participants in the program. While the Town no longer participates in this program, the Council approved continuing the Facade Grant program and approved \$5,000 in the fiscal year 2021-2022 budget to continue the Facade Grant program.
- The Town partnered with downtown merchants to begin the Granite Falls Merchants Association in early 2008. The Merchants Association held their first annual "Festival On Main" in September 2009. This event was so successful, the merchants voted to make this an annual event and the eleventh annual festival was held in September 2019. Due to the ongoing COVID-19 pandemic, the festival has been canceled for both years 2020 and 2021 but may be held again in the future.

- The Granite Falls History and Transportation Museum continues to be open on weekends and is staffed by volunteers. The museum is opened other times by appointment. The museum, located at 107 Falls Avenue, was renovated with a \$335,000 grant from DOT enhancement funds, along with the Town's local contribution of \$92,538. The Town pays the ongoing operating costs of the museum.
- The Town developed a comprehensive Capital Improvement Plan (CIP) in fiscal 2012. Town staff continue to schedule and complete CIP projects each year. The fiscal 2022 capital outlay budget is \$1,134,500, which represents an increase of \$187,783 over the fiscal 2021 capital outlay budget as amended.
- On March 11, 2021, the American Rescue Plan Act (ARPA) was signed into law by the U.S. Department of the Treasury and includes Coronavirus State and Local Fiscal Recovery Funds. Most counties and "metropolitan municipalities" will receive funds directly from the federal government. Smaller, "non-entitlement units," including Granite Falls will receive funds from the State. These funds are expected to be distributed beginning July 2021. Final rules on how these funds may be spent have not yet been issued.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities. General Fund revenues budgeted for the fiscal year 2022 are \$4,992,750, or approximately 5% less than 2021 actual revenues. The tax rate for fiscal 2022 remains at \$.4485 per \$100 valuation. The Town's General Fund personnel budget increased by 8.55% due to the following:

- addition of two new full-time positions: an Athletic Program Specialist and a Human Resources Director
- hiring of part-time firefighters
- COLA increase for all employees
- increase in health insurance and retirement expenses

On July 1, 2021, the 24-hour Telecommunications division at the Police Department closed, and those personnel expenses were repurposed to hire two additional patrol officers. Major capital projects include new patrol cars and radios for the added patrol officers and an ADA restroom remodel at the Police Department, a new Ford truck for the Fire Department, and street maintenance/repairs in the Street Department. The Recreation Department was awarded a PARTF grant in October 2020 and will use a combination of grant funds and the required Town match to build two ADA-compliant outdoor restrooms and a new picnic shelter at the Recreation Center during fiscal year 2022. The PARTF grant includes funds for other projects that are scheduled to be complete in fiscal year 2023. The General Fund budget for fiscal year 2022 does not include debt service. General Fund debt was paid in full during fiscal 2021.

Business-Type Activities. Granite Falls' electric department received the prestigious Reliable Public Power Provider (RP3) Diamond designation from American Public Power for the three-year period 2021-2024. The Town has received the RP3 designation on six separate occasions. In 2021, the Town of Granite Falls was one of only 275 of 2,000 Public Power systems to receive this honor in the United States. The Town received three Public Power Awards of Excellence. These awards are for the Value of Public Power, Continuous Improvement, and Wholesale Power Cost.

The retail electric rate for fiscal 2022 budget remains flat with fiscal 2021 rates. The NC Municipal Power Agency #1 increased the Renewable Energy Portfolio Standards (REPS) charge that averages one-half percent of each customer's electric bill.

RENEWABLE ENERGY PORTFOLIO STANDARDS – SENATE BILL 3

2021 - 2022		
Customer	Monthly Cost	Annual Cost
Residential	0.81	9.72
Commercial	4.41	52.92
Industrial	45.45	545.40

The fiscal year 2022 budget requires \$408,600 from Electric Fund Unrestricted Net Position. The Electric Fund does not have any debt.

In fiscal year 2022, the Town will continue its commitment to green power and energy efficiency initiatives through rebate programs to customers for installing energy efficient water heaters and heat pumps. The Council recently approved three energy efficiency programs for Town customers. The fiscal year 2022 Electric Fund budget includes \$542,500 in Capital Outlay purchases, of which \$420,000 addresses items from the Town's Capital Improvement Plan (CIP).

The Town has historically operated in a deficit in the Water and Sewer Fund as water and sewer sales have been sluggish as a direct result of loss of local industry coupled with customer's usage being less due to conservation measures caused by previous drought conditions. The 2021-2022 budget includes a water rate increase on the 3,000-gallon minimum monthly charge from \$27.00 to \$27.93 or \$.93, and an increase on the monthly base sewer rate of \$.58 from \$16.75 to \$17.33. In addition to the base rate increases, the Town implemented small block usage rate increases. Rate increases were also implemented for County customers on Town-owned lines, large commercial and industrial users, and wholesale customers. The Town rate structure and metering practices are in compliance with the state mandates of "the more a user consumes the more they pay" and separate meters are required for irrigation systems.

At the close of fiscal year 2021, construction was still in progress for the Laurel Street Waterline Replacement project, which is being funded by a loan from the Drinking Water State Revolving Fund and is scheduled to be completed in September 2021. The fiscal year 2022 Water and Sewer Fund budget includes \$226,350 for Water and Sewer Fund debt service payments for three Clean Water State Revolving Fund loans and one Drinking Water State Revolving Fund loan. The budget does not require any use of Water & Sewer Fund Unrestricted Net Position.

Requests for Information

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Granite Falls ABC Board
Assets:				
Current assets:				
Cash and investments	\$ 4,306,421	\$ 8,100,084	\$ 12,406,505	\$ 149,299
Taxes receivable, net	45,428	-	45,428	-
Accounts receivable, net	314,771	1,427,741	1,742,512	-
Due from component unit	17,047	-	17,047	-
Inventory	-	760,581	760,581	298,595
Prepaid items	27,157	15,504	42,661	5,726
Restricted assets:				
Cash and investments, restricted	154,322	446,212	600,534	-
Total current assets	4,865,146	10,750,122	15,615,268	453,620
Non-current assets:				
Capital assets:				
Land and construction in progress	1,582,263	558,209	2,140,472	79,509
Other capital assets, net of depreciation	4,315,045	15,788,772	20,103,817	12,259
Total non-current assets	5,897,308	16,346,981	22,244,289	91,768
Total assets	10,762,454	27,097,103	37,859,557	545,388
Deferred Outflows of Resources:				
Pension deferrals	638,364	308,333	946,697	20,777
OPEB deferrals	16,368	10,032	26,400	-
Total deferred outflows of resources	654,732	318,365	973,097	20,777
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	103,969	602,644	706,613	135,214
Due to primary government	-	-	-	17,047
Liabilities payable from restricted assets:				
Customer deposits	-	446,212	446,212	-
Total current liabilities	103,969	1,048,856	1,152,825	152,261
Long-term liabilities:				
Due within one year	87,177	215,550	302,727	-
Net pension liability (LGERS)	888,204	544,383	1,432,587	21,798
Total pension liability (LEOSSA)	441,595	-	441,595	-
Total OPEB liability	84,619	51,864	136,483	-
Due in more than one year	39,166	2,293,186	2,332,352	-
Total long-term liabilities	1,540,761	3,104,983	4,645,744	21,798
Total liabilities	1,644,730	4,153,839	5,798,569	174,059
Deferred Inflows of Resources:				
Prepaid taxes	2,726	-	2,726	-
Pension deferrals	78,774	-	78,774	-
Total deferred inflows of resources	81,500	-	81,500	-
Net Position:				
Net investment in capital assets	5,897,308	13,931,877	19,829,185	91,768
Restricted for:				
Stabilization by state statute	318,988	-	318,988	-
Public safety	2,742	-	2,742	-
Streets - Powell Bill	138,034	-	138,034	-
Cultural and recreation	16,288	-	16,288	-
Working capital	-	-	-	55,608
Unrestricted	3,317,596	9,329,752	12,647,348	244,730
Total net position	\$ 9,690,956	\$ 23,261,629	\$ 32,952,585	\$ 392,106

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 480,170	\$ 156,345	\$ 288,899	\$ -
Public safety	2,177,040	104,963	5,583	-
Streets and public works	547,596	159,985	-	138,034
Sanitation	206,214	-	-	-
Cultural and recreation	486,796	35,517	-	-
Interest on long-term debt	2,940	-	-	-
Total governmental activities	<u>3,900,756</u>	<u>456,810</u>	<u>294,482</u>	<u>138,034</u>
Business-Type Activities:				
Water and Sewer	2,667,517	2,364,898	21,926	-
Electric	<u>6,800,455</u>	<u>6,943,597</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>9,467,972</u>	<u>9,308,495</u>	<u>21,926</u>	<u>-</u>
Total primary government	<u>\$ 13,368,728</u>	<u>\$ 9,765,305</u>	<u>\$ 316,408</u>	<u>\$ 138,034</u>
Component Unit:				
ABC Board	<u>\$ 1,821,254</u>	<u>\$ 1,870,264</u>	<u>\$ -</u>	<u>\$ -</u>

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Granite Falls ABC Board
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ (34,926)	\$ -	\$ (34,926)	\$ -
Public safety	(2,066,494)	-	(2,066,494)	-
Streets and public works	(249,577)	-	(249,577)	-
Sanitation	(206,214)	-	(206,214)	-
Cultural and recreation	(451,279)	-	(451,279)	-
Interest on long-term debt	(2,940)	-	(2,940)	-
Total governmental activities	(3,011,430)	-	(3,011,430)	-
Business-Type Activities:				
Water and sewer	-	(280,693)	(280,693)	-
Electric	-	143,142	143,142	-
Total business-type activities	-	(137,551)	(137,551)	-
Total primary government	(3,011,430)	(137,551)	(3,148,981)	-
Component Unit:				
ABC Board				49,010
General Revenues:				
Taxes:				
Ad valorem taxes	2,049,104	-	2,049,104	-
Local option sales tax	1,289,860	-	1,289,860	-
Other taxes and licenses	30,351	1,303,569	1,333,920	-
Unrestricted intergovernmental revenues	501,039	-	501,039	-
Investment earnings	16,002	32,138	48,140	68
Total general revenues	3,886,356	1,335,707	5,222,063	68
Change in net position	874,926	1,198,156	2,073,082	49,078
Net Position:				
Beginning of year - July 1	8,816,030	22,063,473	30,879,503	343,028
End of year - June 30	\$ 9,690,956	\$ 23,261,629	\$ 32,952,585	\$ 392,106

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2021

	<u>Major Fund</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Redevelopment</u>	<u>Governmental</u>
	<u>Fund</u>	<u>PARTF Grant</u>	<u>Funds</u>
	<u>Project Fund</u>		
Assets:			
Cash and investments	\$ 4,306,421	\$ -	\$ 4,306,421
Taxes receivable, net	45,428	-	45,428
Accounts receivable, net	314,771	-	314,771
Due from component unit	17,047	-	17,047
Prepays	27,157	-	27,157
Restricted cash	154,322	-	154,322
Total assets	<u>\$ 4,865,146</u>	<u>\$ -</u>	<u>\$ 4,865,146</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable	\$ 103,969	\$ -	\$ 103,969
Deferred Inflows of Resources:			
Property taxes receivable	45,428	-	45,428
Prepaid taxes	2,726	-	2,726
Other receivables	12,830	-	12,830
Total deferred inflow of resources	<u>60,984</u>	<u>-</u>	<u>60,984</u>
Fund Balances:			
Non-spendable:			
Prepays	27,157	-	27,157
Restricted:			
Stabilization by state statute	318,988	-	318,988
Public safety	2,742	-	2,742
Streets	138,034	-	138,034
Cultural and recreation	16,288	-	16,288
Committed:			
Sidewalk construction	16,145	-	16,145
Assigned:			
Sesquicentennial celebration	26,570	-	26,570
Unassigned	4,154,269	-	4,154,269
Total fund balances	<u>4,700,193</u>	<u>-</u>	<u>4,700,193</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,865,146</u>	<u>\$ -</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,897,308
Net pension liability - LGERS	(888,204)
Total pension liability - LEOSSA	(441,595)
Total OPEB liability	(84,619)
Deferred outflows of resources related to pensions are not reported in the funds.	638,364
Deferred outflows of resources related to OPEB are not reported in the funds.	16,368
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, not reported in the funds.	(126,343)
Deferred inflows in the governmental funds are used to offset accounts receivable not expected to be available within 60 days of year-end. These receivables are a component of net position in the Statement of Net Position.	58,258
Pension related deferrals	(78,774)
Net position of governmental activities	<u>\$ 9,690,956</u>

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Major Fund</u>	<u>Nonmajor</u>	
	<u>General</u>	<u>Redevelopment</u>	<u>Total</u>
	<u>Fund</u>	<u>PARTF Grant</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Project Fund</u>	<u>Funds</u>
Revenues:			
Ad valorem taxes	\$ 2,057,853	\$ -	\$ 2,057,853
Other taxes and licenses	1,320,211	-	1,320,211
Unrestricted intergovernmental revenues	501,039	-	501,039
Restricted intergovernmental revenues	430,202	-	430,202
Sales and services	125,511	-	125,511
Investment earnings	16,002	-	16,002
Miscellaneous	332,105	-	332,105
Total revenues	<u>4,782,923</u>	<u>-</u>	<u>4,782,923</u>
Expenditures:			
Current:			
General government	418,277	-	418,277
Public safety - police	1,359,487	-	1,359,487
Public safety - fire	730,363	-	730,363
Street and public works	466,689	-	466,689
Sanitation	206,214	-	206,214
Cultural and recreation	377,960	64,063	442,023
Debt service:			
Principal	82,291	-	82,291
Interest	2,940	-	2,940
Total expenditures	<u>3,644,221</u>	<u>64,063</u>	<u>3,708,284</u>
Revenues over (under) expenditures	<u>1,138,702</u>	<u>(64,063)</u>	<u>1,074,639</u>
Other Financing Sources (Uses):			
Transfers in	-	64,063	64,063
Transfers out	(64,063)	-	(64,063)
Total other financing sources (uses)	<u>(64,063)</u>	<u>64,063</u>	<u>-</u>
Net change in fund balances	1,074,639	-	1,074,639
Fund Balances:			
Beginning of year - July 1	<u>3,625,554</u>	<u>-</u>	<u>3,625,554</u>
End of year - June 30	<u>\$ 4,700,193</u>	<u>\$ -</u>	<u>\$ 4,700,193</u>

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

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

Net change in fund balances - total governmental funds	\$ 1,074,639
Property tax revenues and assessments in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement.	(7,241)
Capital assets disposed of during the year not recognized on the modified accrual basis	(11,016)
Capital outlay is reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	247,282
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(362,083)
Pension expense - LGERS	(117,672)
Pension expense - LEOSSA	(36,589)
OPEB plan expense	8,486
Expenses related to compensated absences that do not require current financial resources, are not reported as expenditures in the governmental funds statement.	(3,171)
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	<u>82,291</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ 874,926</u>

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Over/Under
Revenues:				
Ad valorem taxes	\$ 1,898,300	\$ 1,913,300	\$ 2,057,853	\$ 144,553
Other taxes and licenses	832,100	832,100	1,320,211	488,111
Unrestricted intergovernmental revenues	388,500	447,557	501,039	53,482
Restricted intergovernmental revenues	144,700	433,545	430,202	(3,343)
Sales and services	113,600	133,600	125,511	(8,089)
Investment earnings	15,000	15,000	16,002	1,002
Miscellaneous	246,400	283,000	332,105	49,105
Total revenues	<u>3,638,600</u>	<u>4,058,102</u>	<u>4,782,923</u>	<u>724,821</u>
Expenditures:				
Current:				
General government	237,800	581,485	418,277	163,208
Public safety - police	1,418,500	1,460,435	1,359,487	100,948
Public safety - fire	671,400	751,902	730,363	21,539
Street and public works	693,300	693,300	466,689	226,611
Sanitation	218,000	218,000	206,214	11,786
Cultural and recreational	479,800	479,800	377,960	101,840
Debt service:				
Principal retirement	84,400	82,451	82,291	160
Interest and fees	1,100	3,049	2,940	109
Total expenditures	<u>3,804,300</u>	<u>4,270,422</u>	<u>3,644,221</u>	<u>626,201</u>
Revenues over (under) expenditures	<u>(165,700)</u>	<u>(212,320)</u>	<u>1,138,702</u>	<u>1,351,022</u>
Other Financing Sources (Uses):				
Transfers out	-	(64,063)	(64,063)	-
Fund balance appropriated	165,700	276,383	-	(276,383)
Total other financing sources (uses)	<u>165,700</u>	<u>212,320</u>	<u>(64,063)</u>	<u>(276,383)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,074,639	<u>\$ 1,074,639</u>
Fund Balance:				
Beginning of year - July 1			<u>3,625,554</u>	
End of year - June 30			<u>\$ 4,700,193</u>	

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

	Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
Assets:			
Current assets:			
Cash and investments	\$ 5,781,718	\$ 2,318,366	\$ 8,100,084
Accounts receivable, net	1,080,991	346,750	1,427,741
Inventory	567,298	193,283	760,581
Prepays	5,544	9,960	15,504
Cash and investments, restricted	328,826	117,386	446,212
Total current assets	<u>7,764,377</u>	<u>2,985,745</u>	<u>10,750,122</u>
Non-current assets:			
Capital assets:			
Land and construction in progress	47,400	510,809	558,209
Other capital assets, net of depreciation	<u>3,210,520</u>	<u>12,578,252</u>	<u>15,788,772</u>
Total capital assets	<u>3,257,920</u>	<u>13,089,061</u>	<u>16,346,981</u>
Total assets	<u>11,022,297</u>	<u>16,074,806</u>	<u>27,097,103</u>
Deferred Outflows of Resources:			
OPEB deferrals	6,072	3,960	10,032
Pension deferrals	<u>186,622</u>	<u>121,711</u>	<u>308,333</u>
Total deferred outflows of resources	<u>192,694</u>	<u>125,671</u>	<u>318,365</u>
Liabilities:			
Current liabilities:			
Accounts payable	487,615	115,029	602,644
Current portion of long-term obligations	<u>27,775</u>	<u>187,775</u>	<u>215,550</u>
Liabilities payable from restricted assets:			
Customer deposits	<u>328,826</u>	<u>117,386</u>	<u>446,212</u>
Total current liabilities	<u>844,216</u>	<u>420,190</u>	<u>1,264,406</u>
Non-current liabilities:			
Net pension liability	329,495	214,888	544,383
Total OPEB liability	<u>31,391</u>	<u>20,473</u>	<u>51,864</u>
Non-current portion of long-term obligations	<u>12,479</u>	<u>2,280,707</u>	<u>2,293,186</u>
Total non-current liabilities	<u>373,365</u>	<u>2,516,068</u>	<u>2,889,433</u>
Total liabilities	<u>1,217,581</u>	<u>2,936,258</u>	<u>4,153,839</u>
Net Position:			
Net investment in capital assets	3,257,920	10,673,957	13,931,877
Unrestricted	<u>6,739,490</u>	<u>2,590,262</u>	<u>9,329,752</u>
Total net position	<u>\$ 9,997,410</u>	<u>\$ 13,264,219</u>	<u>\$ 23,261,629</u>

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
Operating Revenues:			
Charges for services	\$ 6,779,632	\$ 2,305,016	\$ 9,084,648
Other operating revenue	163,965	59,882	223,847
Total operating revenues	<u>6,943,597</u>	<u>2,364,898</u>	<u>9,308,495</u>
Operating Expenses:			
Electrical operations	2,008,225	-	2,008,225
Electrical purchases	4,506,479	-	4,506,479
Water and sewer operations	-	1,919,785	1,919,785
Depreciation	285,751	691,523	977,274
Total operating expenses	<u>6,800,455</u>	<u>2,611,308</u>	<u>9,411,763</u>
Operating income (loss)	<u>143,142</u>	<u>(246,410)</u>	<u>(103,268)</u>
Non-Operating Revenues (Expenses):			
Investment earnings	21,342	10,796	32,138
Grant revenue	12,448	9,478	21,926
Other non-operating income	1,302,369	1,200	1,303,569
Interest and fees paid	-	(56,209)	(56,209)
Total non-operating revenues (expenses)	<u>1,336,159</u>	<u>(34,735)</u>	<u>1,301,424</u>
Change in net position	1,479,301	(281,145)	1,198,156
Net Position:			
Beginning of year - July 1	<u>8,518,109</u>	<u>13,545,364</u>	<u>22,063,473</u>
End of year - June 30	<u>\$ 9,997,410</u>	<u>\$ 13,264,219</u>	<u>\$ 23,261,629</u>

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
Cash Flows from Operating Activities:			
Cash received from customers	\$ 6,574,399	\$ 2,019,386	\$ 8,593,785
Cash paid for goods and services	(5,735,829)	(935,766)	(6,671,595)
Cash paid to employees for services	(734,052)	(930,016)	(1,664,068)
Other operating revenues	163,965	59,882	223,847
Net cash provided (used) by operating activities	<u>268,483</u>	<u>213,486</u>	<u>481,969</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of capital assets and construction	(54,500)	(334,053)	(388,553)
Principal paid on debt	-	(150,944)	(150,944)
Other non-operating revenues	1,314,817	10,678	1,325,495
Interest and fees paid on bonds and notes	-	(56,209)	(56,209)
Net cash provided (used) by capital and related financing activities	<u>1,260,317</u>	<u>(530,528)</u>	<u>729,789</u>
Cash Flows From Non-Capital Financing Activities:			
Operating transfers out	(1,102,791)	(273,505)	(1,376,296)
Operating transfers in	1,102,791	273,505	1,376,296
Miscellaneous non-operating revenue	-	278,130	278,130
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>278,130</u>	<u>278,130</u>
Cash Flows from Investing Activities:			
Interest on investments	<u>21,342</u>	<u>10,796</u>	<u>32,138</u>
Net increase (decrease) in cash and cash equivalents	1,550,142	(28,116)	1,522,026
Cash and Cash Equivalents:			
Beginning of year - July 1	<u>4,560,402</u>	<u>2,463,868</u>	<u>7,024,270</u>
End of year - June 30	<u>\$ 6,110,544</u>	<u>\$ 2,435,752</u>	<u>\$ 8,546,296</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 143,142	\$ (246,410)	\$ (103,268)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	285,751	691,523	977,274
(Increase) decrease in:			
Accounts receivable	(205,233)	(285,630)	(490,863)
Inventory	(5,300)	(11,999)	(17,299)
Prepays	(5,544)	(9,960)	(15,504)
Deferred outflows of resources for pensions	(36,857)	(24,038)	(60,895)
Increase (decrease) in:			
Net pension liability	80,510	52,508	133,018
Other post-employment benefits	(3,148)	(2,053)	(5,201)
Accounts payable	(16,284)	43,607	27,323
Customer deposits	25,576	6,410	31,986
Accrued vacation pay	<u>5,870</u>	<u>(472)</u>	<u>5,398</u>
Net cash provided (used) by operating activities	<u>\$ 268,483</u>	<u>\$ 213,486</u>	<u>\$ 481,969</u>

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Town of Granite Falls ABC Board

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

B. Basis of Presentation

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

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 Town has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

The Town reports the following major governmental fund:

General Fund

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

The Town has the following nonmajor governmental fund:

Redevelopment PARTF Grant Project Fund. The capital project fund accounts for the revenues and expenditures of the Parks and Recreation Trust Fund (PARTF) grant received from the NC Department of Environment and Natural Resources (DENR) to construct a picnic shelter, splash pad, batting cage, and install adult outdoor exercise equipment, a pool slide, and playground equipment.

The Town reports the following major enterprise funds:

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

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

The Town considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem property taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, state

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the state at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town because the tax is levied by Caldwell County and then remitted to and distributed by the state. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues.

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

D. Budgetary Data

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

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

E. Estimates

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

Deposits and Investments

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

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

The Town's investments are reported at fair value. The NCCMT Government Portfolio, a SEC registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

Cash and Cash Equivalents

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

Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the purpose for which the deposit was collected. Donations for the Veterans Memorial are restricted to the purpose of making additions to, or general upkeep of, the existing memorial. Powell Bill Funds are also classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4.

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The Town's restricted cash at June 30, 2021 is as follows:

Governmental Activities:

General Fund:

Streets - Powell Bill	\$ 138,034
Cultural and recreation - Veterans Memorial	16,288
Total General Fund	<u>154,322</u>

Business-Type Activities:

Electric Fund:

Customer deposits	328,826
-------------------	---------

Water and Sewer Fund:

Customer deposits	117,386
Total business-type activities	<u>446,212</u>

Total restricted cash	<u>\$ 600,534</u>
-----------------------	-------------------

Ad Valorem Taxes Receivable

In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2020.

Allowances for Doubtful Accounts

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

Inventory and Prepaid Items

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

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Capital Assets

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

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

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

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Deferred Outflows/Inflows of Resources

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

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

Long-Term Obligations

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

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

Compensated Absences

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

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

Non-Spendable Fund Balance

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

Prepaid Items – Portion of fund balance that is not an available resource because it represents their year-end balance of prepaids, which are not spendable resources.

Restricted Fund Balance

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

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

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 unexpended Powell Bill funds.

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

Committed Fund Balance

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

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

Assigned Fund Balance

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

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

Unassigned Fund Balance

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

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The Town has not officially adopted a fund balance policy.

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	\$ 4,700,193
Less:	
Prepays	27,157
Stabilization by state statute	318,988
Total available fund balance	<u>\$ 4,354,048</u>

Defined Benefit Cost – Sharing Plans

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

2. Detail Notes On All Funds

A. Assets

Deposits

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

At June 30, 2021, the Town's deposits had a carrying amount of \$12,995,631 and a bank balance of \$13,244,745. Of the bank balance, \$430,672 was covered by federal depository insurance and \$12,814,073 was covered by collateral held under the Pooling Method. The Town's cash on hand totaled \$900 at June 30, 2021.

Investments

As of June 30, 2021, the Town's investment balances were as follows:

Investment Type	Valuation Measurement Method	Book Value at 6/30/2021
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	\$ <u>10,508</u>

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

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

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

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

The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard and Poor's and AAA-mf Moody's Investors Service as of June 30, 2021.

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Receivables - Allowances for Doubtful Accounts

The receivables shown in Exhibit A at June 30, 2021 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Due from Component Unit</u>	<u>Total</u>
Governmental Activities:					
General	\$ 39,181	\$ 147,873	\$ 275,590	\$ 17,047	\$ 479,691
Allowance for doubtful accounts	-	(102,445)	-	-	(102,445)
Total governmental activities	<u>\$ 39,181</u>	<u>\$ 45,428</u>	<u>\$ 275,590</u>	<u>\$ 17,047</u>	<u>\$ 377,246</u>
Business-Type Activities:					
Water and Sewer Fund	\$ 295,552	\$ -	\$ 51,198	\$ -	\$ 346,750
Electric Fund	<u>1,080,991</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,080,991</u>
Total business-type activities	<u>\$ 1,376,543</u>	<u>\$ -</u>	<u>\$ 51,198</u>	<u>\$ -</u>	<u>\$ 1,427,741</u>

Due from other governments consisted of the following:

Local option sales tax	\$ 230,428
Motor vehicle taxes	16,654
Sales tax refund	<u>28,508</u>
Due from other governments	<u>\$ 275,590</u>

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Capital Assets

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

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2021</u>
By Asset Type:					
Non-Depreciable Assets:					
Land	\$ 1,582,263	\$ -	\$ -	\$ -	\$ 1,582,263
Depreciable Assets:					
Buildings	2,359,085	-	-	-	2,359,085
Land improvements	195,500	-	-	-	195,500
Infrastructure	1,373,081	-	-	-	1,373,081
Equipment and vehicles	3,985,752	247,282	(20,068)	11,697	4,224,663
Total depreciable capital assets	<u>7,913,418</u>	<u>247,282</u>	<u>(20,068)</u>	<u>11,697</u>	<u>8,152,329</u>
Less Accumulated Depreciation:					
Buildings	(899,037)	(72,760)	-	-	(971,797)
Land improvements	(4,692)	(9,775)	-	-	(14,467)
Infrastructure	(369,732)	(39,868)	-	-	(409,600)
Equipment and vehicles	(2,199,095)	(239,680)	9,052	(11,697)	(2,441,420)
Total accumulated depreciation	<u>(3,472,556)</u>	<u>\$ (362,083)</u>	<u>\$ 9,052</u>	<u>\$ (11,697)</u>	<u>(3,837,284)</u>
Total depreciable capital assets, net	<u>4,440,862</u>				<u>4,315,045</u>
Capital assets, net	<u>\$ 6,023,125</u>				<u>\$ 5,897,308</u>

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

Governmental Activities:

General government	\$ 51,000
Public safety	150,152
Public works	65,282
Cultural and recreational	95,649
Total	<u>\$ 362,083</u>

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Proprietary Capital Assets

The capital assets of the proprietary funds of the Town at June 30, 2021 are as follows:

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2021</u>
Water and Sewer Fund:					
Non-Depreciable Assets:					
Land	\$ 165,740	\$ -	\$ -	\$ -	\$ 165,740
Construction in progress	47,147	297,922	-	-	345,069
Total non-depreciable assets	<u>212,887</u>	<u>297,922</u>	<u>-</u>	<u>-</u>	<u>510,809</u>
Depreciable Assets:					
Plant and distribution systems	25,922,235	-	-	-	25,922,235
Furniture, equipment, vehicles	<u>2,309,484</u>	<u>36,131</u>	<u>-</u>	<u>(11,697)</u>	<u>2,333,918</u>
Total depreciable capital assets	<u>28,231,719</u>	<u>36,131</u>	<u>-</u>	<u>(11,697)</u>	<u>28,256,153</u>
Less Accumulated Depreciation:					
Plant and distribution systems	(13,997,685)	(554,366)	-	-	(14,552,051)
Furniture, equipment, vehicles	<u>(1,000,390)</u>	<u>(137,157)</u>	<u>-</u>	<u>11,697</u>	<u>(1,125,850)</u>
Accumulated depreciation	<u>(14,998,075)</u>	<u>\$ (691,523)</u>	<u>\$ -</u>	<u>\$ 11,697</u>	<u>(15,677,901)</u>
Depreciable capital assets, net	<u>13,233,644</u>				<u>12,578,252</u>
Capital assets, net	<u>13,446,531</u>				<u>13,089,061</u>
Electric Fund:					
Non-Depreciable Assets:					
Land	<u>47,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>47,400</u>
Depreciable Assets:					
Plant and distribution systems	5,619,049	33,752	-	-	5,652,801
Furniture, equipment, and vehicles	<u>1,641,684</u>	<u>20,748</u>	<u>-</u>	<u>-</u>	<u>1,662,432</u>
Total depreciable capital assets	<u>7,260,733</u>	<u>54,500</u>	<u>-</u>	<u>-</u>	<u>7,315,233</u>
Less Accumulated Depreciation:					
Plant and distribution systems	(3,112,654)	(179,673)	-	-	(3,292,327)
Furniture, equipment, vehicles	<u>(706,308)</u>	<u>(106,078)</u>	<u>-</u>	<u>-</u>	<u>(812,386)</u>
Accumulated depreciation	<u>(3,818,962)</u>	<u>\$ (285,751)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(4,104,713)</u>
Depreciable capital assets, net	<u>3,441,771</u>				<u>3,210,520</u>
Capital assets, net	<u>3,489,171</u>				<u>3,257,920</u>
Proprietary capital assets, net	<u>\$ 16,935,702</u>				<u>\$ 16,346,981</u>

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2021 is composed of the following elements:

	Governmental Activities	Water and Sewer Fund	Electric Fund
Capital assets	\$ 5,897,308	\$ 13,089,061	\$ 3,257,920
Less: long-term debt	-	(2,415,104)	-
Net investment in capital assets	<u>\$ 5,897,308</u>	<u>\$ 10,673,957</u>	<u>\$ 3,257,920</u>

B. Liabilities

Payables

Payables at Exhibit A at June 30, 2021 were as follows:

	Vendors	Salaries and Benefits	Utility Deposits	Total
Governmental Activities:				
General Fund	<u>\$ 97,967</u>	<u>\$ 6,002</u>	<u>\$ -</u>	<u>\$ 103,969</u>
Business-Type Activities:				
Water and Sewer Fund	\$ 112,851	\$ 2,178	\$ 117,386	\$ 232,415
Electric Fund	<u>485,987</u>	<u>1,628</u>	<u>328,826</u>	<u>816,441</u>
Total business-type activities	<u>\$ 598,838</u>	<u>\$ 3,806</u>	<u>\$ 446,212</u>	<u>\$1,048,856</u>

Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. The Town is a participating employer in the state-wide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local government entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The 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, or by calling (919) 981-5454, or at www.osc.nc.gov.

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Granite Falls employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2021, was 10.90% of compensation for law enforcement officers and 10.15% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$313,726 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.

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 \$1,432,587 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 (measurement date), the Town's proportion was 0.04009%, which was an increase of 0.00045% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$503,523. 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	\$ 180,911	\$ -
Changes of assumptions	106,613	-
Net difference between projected and actual earnings on pension plan investments	201,599	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	8,558	-
Town contributions subsequent to the measurement date	313,726	-
Total	<u>\$ 811,407</u>	<u>\$ -</u>

\$313,726 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Total
2022	\$ 142,990
2023	185,587
2024	109,438
2025	59,666
2026	-
Thereafter	-
Total	<u>\$ 497,681</u>

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE 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 increase	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality rates 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, with the exception of the discount rate 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:

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The information above is based on 30-year expectations developed with the consulting actuary for the 2020 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	<u>\$ 2,906,562</u>	<u>\$ 1,432,587</u>	<u>\$ 207,609</u>

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.

Law Enforcement Officers' Special Separation Allowance

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

All full-time law enforcement officers of the Town are covered by the Separation Allowance.

At December 31, 2019, the Separation Allowance's membership consisted of:

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

A separate report was not issued for the plan.

Summary of Significant Accounting Policies

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

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

Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2019 valuation. The total pension liability in the December 31, 2019 was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25 to 7.75%, including inflation and productivity factor
Discount rate	1.93%

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

Mortality Assumption: All mortality rates use Pub-2010 amount-weighted tables.

Mortality Projection: All mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

Deaths After Retirement (Healthy): Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and set forward by one year.

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Deaths After Retirement (Disabled Members at Retirement): Mortality rates are based on the Non-Safety Mortality Table for Disabled Retirees. Rates are set back three years for all ages.

Deaths After Retirement (Survivors of Deceased Members): Mortality rates are based on the Below-Median Teachers Mortality Table for Contingent Survivors. Rates for male members are set forward three years. Rates for female members are set forward one year. Because the contingent survivor tables have no rates prior to age 45, the Below-Median Teachers Mortality Table for Employees are used for ages less than 45.

Deaths Prior To Retirement: Mortality rates are based on the Safety Mortality Table for Employees.

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

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

At June 30, 2021, the Town reported a total pension liability of \$441,595. The total pension liability was measured at December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$40,385.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,771	\$ 68,194
Changes of assumptions and other inputs	117,862	10,580
Town benefit payments and plan administrative expense made subsequent to the measurement date	2,657	-
Total	<u>\$ 135,290</u>	<u>\$ 78,774</u>

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

\$2,657 reported as deferred outflows of resources related to pensions resulting from administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
June 30	Total
2022	\$ 8,732
2023	8,732
2024	9,222
2025	3,463
2026	10,144
Thereafter	13,566
Total	<u>\$ 53,859</u>

Sensitivity of the Town's Total Pension Liability to Changes in the Discount Rate. The following presents the Town's total pension liability calculated using the discount rate of 1.93%, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.93%) or 1-percentage-point higher (2.93%) than the current rate:

	1% Decrease (.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	<u>\$ 489,659</u>	<u>\$ 441,595</u>	<u>\$ 398,383</u>

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

	2021
Beginning balance	\$ 326,690
Service cost	21,021
Interest on the total pension liability	10,632
Differences between expected and actual experience in the measurement of the total pension liability	(29,853)
Changes of assumption or other inputs	114,244
Benefit payments	(1,139)
Ending balance of the total pension liability	<u>\$ 441,595</u>

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Changes of Assumptions. Changes of assumptions and other inputs reflect a change in the Municipal Bond Index Rate from 3.26 percent at December 31, 2019 to 1.93 percent at December 31, 2020.

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2019.

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 503,523	\$ 40,385	\$ 543,908
Pension liability	1,432,587	441,595	1,874,182
Proportionate share of the net pension liability	0.04009%	NA	NA

Deferred Outflows of Resources:

Differences between expected and actual experience	\$ 180,911	\$ 14,771	\$ 195,682
Changes of assumptions	106,613	117,862	224,475
Net difference between projected and actual earnings on pension plan investments	201,599	-	201,599
Changes in proportion and differences between contributions and proportionate share of contributions	8,558	-	8,558
Benefit payments and administration costs paid subsequent to the measurement date	<u>313,726</u>	<u>2,657</u>	<u>316,383</u>
Total deferred outflows of resources	<u><u>\$ 811,407</u></u>	<u><u>\$ 135,290</u></u>	<u><u>\$ 946,697</u></u>

Deferred Inflows of Resources:

Differences between expected and actual experience	\$ -	\$ 68,194	\$ 68,194
Changes of assumptions	<u>-</u>	<u>10,580</u>	<u>10,580</u>
Total deferred inflows of resources	<u><u>\$ -</u></u>	<u><u>\$ 78,774</u></u>	<u><u>\$ 78,774</u></u>

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Supplemental Retirement Income Plan for Law Enforcement Officers

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

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

The Town made contributions of \$31,751 for the reporting year. No amounts have been forfeited.

Other Post-Employment Benefits

Healthcare Benefits

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

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

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

Total OPEB Liability

The Town's total OPEB liability of \$136,483 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2019.

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

Inflation	2.50 percent
Real wage growth	1.00 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation:	
General employees	3.50%-7.75%
Firefighters	3.50%-7.75%
Municipal Bond Index Rate:	
Prior measurement date	3.50 percent
Measurement date	2.21 percent
Healthcare cost trend rates	N/A

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2020	<u>\$ 150,170</u>
Changes for the year:	
Service cost	468
Interest	4,793
Differences between expected and actual experience	3,317
Changes of assumptions or other inputs	5,335
Benefit payments	<u>(27,600)</u>
Net changes	<u>(13,687)</u>
Balance at June 30, 2021	<u><u>\$ 136,483</u></u>

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Changes in assumptions and other inputs reflect a change in the Municipal Bond Index Rate from 3.50% to 2.21%.

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

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

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

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

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability	\$ 140,859	\$ 136,483	\$ 132,317

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

	1% Decrease	Current	1% Increase
Total OPEB liability	\$ 136,483	\$ 136,483	\$ 136,483

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

For the year ended June 30, 2021, the Town recognized OPEB expense of \$13,914. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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

\$26,400 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ending June 30, 2022.

Other Employment Benefits

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Deferred Outflows and Inflows of Resources

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

	<u>Amount</u>
Contributions to pension plan in the current fiscal year - LGERS	\$ 313,726
Differences between expected and actual experience - LGERS	180,911
Changes of assumptions - LGERS	106,613
Net difference between projected and actual earnings on pension plan investment -LGERS	201,599
Changes in proportion and differences between Town contributions and proportionate share of contributions - LGERS	8,558
Differences between expected and actual experience - LEOSSA	14,771
Changes of assumptions - LEOSSA	117,862
Plan administrative expense made subsequent to the measurement date - LEOSSA	2,657
Benefit payments and administrative expenses for OPEB made subsequent to measurement date	<u>26,400</u>
Total	<u>\$ 973,097</u>

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

	<u>Amount</u>
Taxes receivable (General Fund)	\$ 45,428
Prepaid taxes (General Fund)	2,726
Other receivables (General Fund)	12,830
Differences between expected and actual experience - LEOSSA	68,194
Changes of assumptions - LEOSSA	<u>10,580</u>
Total	<u>\$ 139,758</u>

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Risk Management

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

During the year, the Town had employee health insurance coverage through Cigna Insurance and Kemper Benefits.

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

The Town carries flood insurance through a commercial company for \$530,470 on the building and \$134,800 on the contents per occurrence at the wastewater treatment plant.

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Long-Term Obligations

Notes Payable

Notes payable at June 30, 2021 are comprised of the following individual agreements:

Business-Type Activities:

\$579,500 note payable in annual installments of \$30,500, through May 2037, including interest at 1.83% per year; this loan was approved for \$610,000 in November of 2015 and will increase based upon drawdowns during project finalization in fiscal year 2018 as CWSRF project is complete. \$ 488,000

\$1,458,346 note payable in annual installments of \$95,000, through May 2037, including interest at 1.83% per year; this loan was approved for \$1,910,000 in November of 2015 and will increase based upon drawdowns during project finalization in fiscal year 2018 as CWSRF project is complete. 1,520,000

\$508,880 note payable in annual principal installments of \$25,444 through May of 2037 including interest at 1.83% per year; this loan was approved for \$538,357 in November of 2015 and was decreased based upon drawdowns during project finalization in fiscal year 2018. The initial payment in fiscal year 2018 was based on the original approved amount of the loan. 407,104

Total business-type activities long-term debt \$ 2,415,104

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

Year Ending June 30	Principal	Interest	Total
2022	\$ 150,944	\$ 44,196	\$ 195,140
2023	150,944	41,434	192,378
2024	150,944	38,672	189,616
2025	150,944	35,910	186,854
2026	150,944	33,147	184,091
2027-2031	754,720	124,302	879,022
2032-2036	754,720	55,246	809,966
2037	150,944	2,762	153,706
Total proprietary funds	\$ 2,415,104	\$ 375,669	\$ 2,790,773

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The Town's outstanding note from direct borrowings related to business-type activities of \$488,000 is not secured by a pledge of faith and credit of the State of North Carolina or of the Town but is payable solely from the revenues of the project or benefited systems, or other available funds. The note contains provisions that an event of default would result in (1) any other monies due to the Town from the state may be withheld by the state and applied to the payment of the outstanding note.

The Town's outstanding note from direct borrowings related to business-type activities of \$1,520,000 is not secured by a pledge of faith and credit of the State of North Carolina or of the Town but is payable solely from the revenues of the project or benefited systems, or other available funds. The note contains provisions that an event of default would result in (1) any other monies due to the Town from the state may be withheld by the state and applied to the payment of the outstanding note.

The Town's outstanding note from direct borrowings related to business-type activities of \$407,104 is not secured by a pledge of faith and credit of the State of North Carolina or of the Town but is payable solely from the revenues of the project or benefited systems, or other available funds. The note contains provisions that an event of default would result in (1) any other monies due to the Town from the state may be withheld by the state and applied to the payment of the outstanding note.

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

A summary of changes in long-term obligations follows:

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2021</u>	<u>Current Portion</u>
Governmental Activities:					
Accrued vacation pay	\$ 123,172	\$ 88,160	\$ 84,989	\$ 126,343	\$ 87,177
Notes from direct placements	82,291	-	82,291	-	-
Net pension liability (LGERS)	671,173	217,031	-	888,204	-
Total pension liability (LEOSSA)	326,690	114,905	-	441,595	-
Total OPEB Liability	93,105	-	8,486	84,619	-
Total governmental activities	<u>\$ 1,296,431</u>	<u>\$ 420,096</u>	<u>\$ 175,766</u>	<u>\$ 1,540,761</u>	<u>\$ 87,177</u>
Business-Type Activities:					
Water and Sewer Fund:					
Notes from direct borrowings	\$ 2,566,048	\$ -	\$ 150,944	\$ 2,415,104	\$ 150,944
Accrued vacation pay	53,850	36,685	37,157	53,378	36,831
Net pension liability (LGERS)	162,380	52,507	-	214,887	-
Total OPEB Liability	22,526	-	2,054	20,472	-
Total Water and Sewer Fund	<u>2,804,804</u>	<u>89,192</u>	<u>190,155</u>	<u>2,703,841</u>	<u>187,775</u>
Electric Fund:					
Accrued vacation pay	34,384	29,595	23,725	40,254	27,775
Net pension liability (LGERS)	248,985	80,511	-	329,496	-
Total OPEB Liability	34,539	-	3,147	31,392	-
Total Electric Fund	<u>317,908</u>	<u>110,106</u>	<u>26,872</u>	<u>401,142</u>	<u>27,775</u>
Total Business-Type Activities:					
Notes from direct borrowings	2,566,048	-	150,944	2,415,104	150,944
Accrued vacation pay	88,234	66,280	60,882	93,632	64,606
Net pension liability (LGERS)	411,365	133,018	-	544,383	-
Total OPEB liability	57,065	-	5,201	51,864	-
Total business-type activities	<u>\$ 3,122,712</u>	<u>\$ 199,298</u>	<u>\$ 217,027</u>	<u>\$ 3,104,983</u>	<u>\$ 215,550</u>

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

At June 30, 2021, the Town had a legal debt margin of \$35,849,723.

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2021, consist of the following:

From	To	Amount	Purpose
General Fund	Granite Falls Recreation Center Project	\$ 64,063	To cover current year expenses in the project.
Water /Sewer Fund	State Reserve Project Loan Project	273,505	To cover current year expenses in the project.
Electric Fund	Capital Reserve Fund - Electric	1,102,791	To accumulate resources in the Capital Reserve Fund as approved by Governing Board

3. Jointly Governed Organization

The Town, in conjunction with four counties and 23 other municipalities, established the Western Piedmont Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council's governing board. The Town paid \$6,143 for membership fees to the Council during the year ended June 30, 2021.

The Town, in conjunction with nineteen other local governments, is a member of the North Carolina Municipal Power Agency Number 1 (Agency). The Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Agency's governing board. The nineteen members, which receive power from the Agency, have signed power sales agreements to purchase a specified share of the power generated by the Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The Town's purchases of power for the fiscal year ended June 30, 2021 were \$4,463,309. Complete financial statements for the Power Agency can be obtained from the Agency's administrative offices at P.O. Box 29513, Raleigh, NC 27626-0513.

4. Related Party Transactions

The Town and its discretely presented component unit engaged in the following transactions during the year ended June 30, 2021:

Town of Granite Falls ABC Board:

Payments to the Town for profit distributions	\$ 158,437
Payments to the Town for law enforcement	17,831
Payments to the Town for education and rehabilitation	<u>16,048</u>
Total	<u><u>\$ 192,316</u></u>

TOWN OF GRANITE FALLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

5. Summary Disclosures of Significant Commitments and Contingencies

Federal and State-Assisted Programs

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

Coronavirus Disease (COVID-19)

During the fiscal year 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19), a worldwide pandemic. The COVID-19 pandemic has had significant effects on global markets, supply chains, businesses, and communities. Specific to the Town, COVID-19 may continue to impact various parts of its fiscal year 2021-22 operations and financial results. Management believes the Town is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as events associated with the pandemic continue to develop.

6. Subsequent Events

The Town of Granite Falls was awarded \$1,484,811 from the Federal American Rescue Plan (ARP). Subsequent to year end, the Town of Granite Falls received \$742,406. The remaining amount of \$742,405 is expected to be received within the next 12 months.

The Town closed on its Drinking Water State Revolving Project Loan during September 2021 for a maximum amount of \$471,747.

This page left blank intentionally.

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

Other Post-Employment Benefits				
	2021	2020	2019	2018
Service cost	\$ 468	\$ 445	\$ 461	\$ 503
Interest	4,793	5,967	6,166	5,863
Differences between expected and actual experience	3,317	127	(1,287)	(284)
Changes of assumptions or other inputs	5,335	1,968	(2,028)	(4,231)
Benefit payments	<u>(27,600)</u>	<u>(23,222)</u>	<u>(23,015)</u>	<u>(24,000)</u>
Net change in total OPEB liability	(13,687)	(14,715)	(19,703)	(22,149)
Total OPEB liability - beginning	<u>150,170</u>	<u>164,885</u>	<u>184,588</u>	<u>206,737</u>
Total OPEB liability - ending	<u>\$ 136,483</u>	<u>\$ 150,170</u>	<u>\$ 164,885</u>	<u>\$ 184,588</u>
Covered payroll	N/A*	N/A*	N/A*	N/A*
Total OPEB liability as a percentage of covered payroll	N/A*	N/A*	N/A*	N/A*

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

Notes to the Required Schedules:

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

Fiscal Year	Rate
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

This schedule is intended to show information for ten years.

Additional years' information will be displayed as it becomes available.

TOWN OF GRANITE FALLS, NORTH CAROLINA

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

	Local Government Employees' Retirement System			
	2021	2020	2019	2018
Town's proportion of the net pension liability (asset) (%)	0.04009%	0.03964%	0.03848%	0.03783%
Town's proportion of the net pension liability (asset) (\$)	\$ 1,432,587	\$ 1,082,538	\$ 912,878	\$ 577,939
Town's covered payroll	\$ 2,747,932	\$ 2,543,823	\$ 2,445,992	\$ 2,327,239
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	52.13%	42.56%	37.32%	24.83%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	90.86%	91.63%	94.18%

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

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

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

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

	Local Government Employees' Retirement System			
	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.03538%	0.03119%	0.03193%	0.03320%
Town's proportion of the net pension liability (asset) (\$)	\$ 750,883	\$ 139,980	\$ (188,306)	\$ 400,187
Town's covered payroll	\$ 2,143,926	\$ 1,984,104	\$ 1,936,360	\$ 2,017,612
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	35.02%	7.06%	(9.72%)	19.83%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

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

	Local Government Employees' Retirement System			
	2021	2020	2019	2018
Contractually required contribution	\$ 313,726	\$ 250,110	\$ 201,177	\$ 186,499
Contributions in relation to the contractually required contribution	<u>313,726</u>	<u>250,110</u>	<u>201,177</u>	<u>186,499</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town of Granite Falls' covered payroll	\$ 3,054,209	\$ 2,747,932	\$ 2,543,823	\$ 2,445,992
Contributions as a percentage of covered payroll	10.27%	9.10%	7.91%	7.62%

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

**TOWN OF GRANITE FALLS' CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST EIGHT FISCAL YEARS**

	Local Government Employees' Retirement System			
	2017	2016	2015	2014
Contractually required contribution	\$ 171,786	\$ 144,423	\$ 139,313	\$ 134,326
Contributions in relation to the contractually required contribution	<u>171,786</u>	<u>144,423</u>	<u>139,313</u>	<u>134,326</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town of Granite Falls' covered payroll	\$ 2,327,239	\$ 2,143,926	\$ 1,984,104	\$ 1,936,360
Contributions as a percentage of covered payroll	7.38%	6.74%	7.02%	6.94%

TOWN OF GRANITE FALLS, NORTH CAROLINA

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

	Law Enforcement Officers' Special Separation Allowance				
	2021	2020	2019	2018	2017
Beginning balance	\$ 326,690	\$ 299,808	\$ 338,615	\$ 255,532	\$ 239,094
Service cost	21,021	18,956	18,154	16,432	15,732
Interest on the total pension liability	10,632	10,913	10,700	9,864	8,536
Differences between expected and actual experience					
in the measurement of the total pension liability	(29,853)	(15,555)	(53,936)	33,231	-
Changes of assumption or other inputs	114,244	12,568	(13,725)	23,556	(7,830)
Benefit payments	(1,139)	-	-	-	-
Ending balance of the total pension liability	<u>\$ 441,595</u>	<u>\$ 326,690</u>	<u>\$ 299,808</u>	<u>\$ 338,615</u>	<u>\$ 255,532</u>

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

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

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

	Law Enforcement Officers' Special Separation Allowance				
	2021	2020	2019	2018	2017
Total pension liability	\$ 441,595	\$ 326,690	\$ 299,808	\$ 338,615	\$ 255,532
Covered payroll	648,558	651,747	565,328	555,244	521,510
Total pension liability as a percentage of covered payroll	68.09%	50.13%	53.03%	60.98%	49.00%

Notes to the Schedules:

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

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

TOWN OF GRANITE FALLS, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2021

WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 1,905,800	\$ 2,030,585	\$ 124,785	\$ 1,930,974
Penalties and interest	7,500	27,268	19,768	11,214
Total	1,913,300	2,057,853	144,553	1,942,188
Other Taxes and Licenses:				
Privilege licenses	100	45	(55)	75
Cable TV franchise tax	33,000	30,306	(2,694)	30,927
Local option sales tax	799,000	1,289,860	490,860	1,111,360
Total	832,100	1,320,211	488,111	1,142,362
Unrestricted Intergovernmental Revenues:				
Franchise tax	272,000	258,994	(13,006)	270,021
Beer and wine tax	20,100	19,772	(328)	20,004
Gross receipts tax on vehicle rentals	21,000	29,357	8,357	41,778
ABC Board profit distribution	134,457	192,916	58,459	179,396
Total	447,557	501,039	53,482	511,199
Restricted Intergovernmental Revenues:				
Special State revenue - police drug tax	3,460	5,583	2,123	1,805
Powell Bill allocation	143,500	138,034	(5,466)	145,142
Miscellaneous grants	286,585	286,585	-	31,195
Total	433,545	430,202	(3,343)	178,142
Sales and Services:				
Receipt for services	1,800	-	(1,800)	1,871
Cellular One lease	27,600	28,436	836	27,608
Court costs and jail fees	1,000	1,036	36	1,020
Tipping fees	8,200	8,773	573	8,709
Cemetery plots	35,000	51,749	16,749	21,017
Recreation	60,000	35,517	(24,483)	46,676
Total	133,600	125,511	(8,089)	106,901
Investment Earnings	15,000	16,002	1,002	58,006

TOWN OF GRANITE FALLS, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2021

WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Budget	Actual	Variance Over/Under	Actual
Miscellaneous:				
South Caldwell fire district tax	95,000	100,927	5,927	104,218
Donations - Centennial celebration	1,000	2,564	1,564	987
Other	187,000	228,614	41,614	194,212
Total	283,000	332,105	49,105	299,417
 Total revenues	 4,058,102	 4,782,923	 724,821	 4,238,215
 Expenditures:				
General Government:				
Governing body	24,500	12,334	12,166	18,772
 Administration:				
Salaries and employee benefits	360,750	351,683	9,067	342,008
Operating expenses	610,035	519,635	90,400	345,157
Capital outlay	66,900	15,325	51,575	45,559
Cost redistribution	(480,700)	(480,700)	-	(487,000)
Total	581,485	418,277	163,208	264,496
 Public Safety - Police:				
Salaries and employee benefits	1,142,950	1,077,347	65,603	981,561
Operating expenses	244,485	209,173	35,312	232,572
Capital outlay	73,000	72,967	33	129,033
Total	1,460,435	1,359,487	100,948	1,343,166
 Public Safety - Fire:				
Salaries and employee benefits	524,500	517,417	7,083	491,469
Operating expenses	133,445	119,140	14,305	122,453
Capital outlay	93,957	93,806	151	148,746
Total	751,902	730,363	21,539	762,668
 Street and Public Works:				
Salaries and employee benefits	300,400	286,963	13,437	237,327
Operating expenses	175,900	118,763	57,137	155,270
Powell Bill expenditures	143,500	-	143,500	145,142
Capital outlay	73,500	60,963	12,537	148,268
Total	693,300	466,689	226,611	686,007

TOWN OF GRANITE FALLS, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020**

	2021			2020
	Budget	Actual	Variance Over/Under	Actual
Sanitation	<u>218,000</u>	<u>206,214</u>	<u>11,786</u>	<u>196,573</u>
Cultural and Recreational:				
Salaries and employee benefits	277,200	234,421	42,779	234,953
Operating expenses	178,100	139,318	38,782	185,361
Capital outlay	<u>24,500</u>	<u>4,221</u>	<u>20,279</u>	<u>32,929</u>
Total	<u>479,800</u>	<u>377,960</u>	<u>101,840</u>	<u>453,243</u>
Debt Service:				
Principal retirement	82,451	82,291	160	80,389
Interest and fees	<u>3,049</u>	<u>2,940</u>	<u>109</u>	<u>6,233</u>
Total	<u>85,500</u>	<u>85,231</u>	<u>269</u>	<u>86,622</u>
Total expenditures	<u>4,270,422</u>	<u>3,644,221</u>	<u>626,201</u>	<u>3,792,775</u>
Revenues over (under) expenditures	<u>(212,320)</u>	<u>1,138,702</u>	<u>1,351,022</u>	<u>445,440</u>
Other Financing Sources (Uses):				
Transfers out	(64,063)	(64,063)	-	-
Fund balance appropriated	<u>276,383</u>	<u>-</u>	<u>(276,383)</u>	<u>-</u>
Total other financing sources (uses)	<u>212,320</u>	<u>(64,063)</u>	<u>(276,383)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>1,074,639</u>	<u>\$ 1,074,639</u>	<u>445,440</u>
Fund Balance:				
Beginning of year - July 1		<u>3,625,554</u>		<u>3,180,114</u>
End of year - June 30		<u>\$ 4,700,193</u>		<u>\$ 3,625,554</u>

TOWN OF GRANITE FALLS, NORTH CAROLINA

CAPITAL PROJECT FUND - REDEVELOPMENT PARTF GRANT PROJECT FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental revenues:				
PARTF Grant	\$ 250,000	\$ -	\$ -	\$ -
Expenditures:				
Construction	491,700	-	64,063	64,063
Planning	26,500	-	-	-
Contingency	17,800	-	-	-
Total expenditures	536,000	-	64,063	64,063
Revenues over (under) expenditures	(286,000)	-	(64,063)	(64,063)
Other Financing Sources (Uses):				
Transfers in	286,000	-	64,063	64,063
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ -	\$ -	\$ -

TOWN OF GRANITE FALLS, NORTH CAROLINA

ELECTRIC FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2021

WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Budget	Actual	Variance Over/Under	Total
Revenues:				
Operating revenues:				
Charges for services	\$ 6,812,000	\$ 6,779,632	\$ (32,368)	\$ 6,554,419
Other operating revenue	139,000	163,965	24,965	152,782
Total operating revenues	<u>6,951,000</u>	<u>6,943,597</u>	<u>(7,403)</u>	<u>6,707,201</u>
Non-operating revenues:				
Grant revenue	7,448	12,448	5,000	2,352
Other non-operating income	1,110,791	1,302,369	191,578	821,368
Investment earnings	20,000	21,342	1,342	66,826
Total non-operating revenues	<u>1,138,239</u>	<u>1,336,159</u>	<u>197,920</u>	<u>890,546</u>
Total revenues	<u>8,089,239</u>	<u>8,279,756</u>	<u>190,517</u>	<u>7,597,747</u>
Expenditures:				
Operating expenses:				
Electrical operations	2,237,148	1,978,890	258,258	2,050,006
Electrical purchases	4,563,000	4,506,479	56,521	4,404,677
Total operating expenses	<u>6,800,148</u>	<u>6,485,369</u>	<u>314,779</u>	<u>6,454,683</u>
Capital outlay	<u>186,300</u>	<u>54,500</u>	<u>131,800</u>	<u>228,959</u>
Total expenditures	<u>6,986,448</u>	<u>6,539,869</u>	<u>446,579</u>	<u>6,683,642</u>
Revenues over (under) expenditures	1,102,791	1,739,887	637,096	914,105
Other Financing Sources (Uses):				
Transfers out	<u>(1,102,791)</u>	<u>(1,102,791)</u>	<u>-</u>	<u>(807,652)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>637,096</u>	<u>\$ 637,096</u>	<u>106,453</u>
Reconciliation from Budgetary Basis (Modified Accrual) To Full Accrual:				
Non-cash transfer of assets		-		11,875
Change in inventory		5,300		12,670
Change in deferred outflows of resources - OPEB		-		4
Change in compensated absences		5,870		8,901
Capital outlay		54,500		228,959
Intrafund transfer		1,102,791		807,652
Change in OPEB liability		3,148		3,385
Pension benefit (expense)		(43,653)		(56,153)
Depreciation		<u>(285,751)</u>		<u>(289,137)</u>
Change in net position		<u>\$ 1,479,301</u>		<u>\$ 834,609</u>

TOWN OF GRANITE FALLS, NORTH CAROLINA

ENTERPRISE FUND CAPITAL PROJECT FUND - CAPITAL RESERVE
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Other Financing Sources (Uses):			
Transfers in	\$ 1,102,791	\$ 1,102,791	\$ -
Transfers out	<u>(1,102,791)</u>	<u>-</u>	<u>1,102,791</u>
Total other financing sources (uses)	<u>\$ -</u>	<u>1,102,791</u>	<u>\$ 1,102,791</u>
Net change in fund balance		<u>1,102,791</u>	
Fund Balance:			
Beginning of year - July 1		<u>807,652</u>	
End of year - June 30		<u>\$ 1,910,443</u>	

TOWN OF GRANITE FALLS, NORTH CAROLINA

WATER AND SEWER FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2021

WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Budget	Actual	Variance Over/Under	Total
Revenues:				
Operating revenues:				
Charges for services	\$ 2,083,000	\$ 2,305,016	\$ 222,016	\$ 2,177,007
Other operating revenue	30,000	59,882	29,882	164,529
Total operating revenues	2,113,000	2,364,898	251,898	2,341,536
Non-operating revenues:				
Grant revenue	9,478	9,478	-	3,479
Investment earnings	10,000	10,796	796	48,787
Other non-operating revenue	9,000	1,200	(7,800)	31,916
Total non-operating revenues	28,478	21,474	(7,004)	84,182
Total revenues	2,141,478	2,386,372	244,894	2,425,718
Expenditures:				
Operating expenses	1,835,278	1,715,834	119,444	1,709,269
Repairs and maintenance	202,500	189,061	13,439	183,769
Capital outlay	501,700	60,548	441,152	241,497
Debt service - principal	151,000	150,944	56	150,944
Debt service - interest and fees	57,000	56,209	791	49,721
Total expenditures	2,747,478	2,172,596	574,882	2,335,200
Revenues over (under) expenditures	(606,000)	213,776	819,776	90,518
Other Financing Sources (Uses):				
Appropriated fund balance	879,505	-	(879,505)	-
Intrafund transfers out	(273,505)	(273,505)	-	(16,930)
Intrafund transfers in	-	-	-	23,700
Total other financing sources (uses)	606,000	(273,505)	(879,505)	6,770
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	(59,729)	(59,729)	97,288
Reconciliation from Budgetary Basis (Modified Accrual) To Full Accrual:				
Non-cash transfer of assets		-		(32,700)
Change in inventory		11,999		1,704
Capital outlay		60,548		241,497
Depreciation		(691,523)		(694,441)
Change in compensated absences		(472)		7,491
Change in deferred outflows of resources - OPEB		-		3
Pension benefit (expense)		(28,470)		(36,621)
Grant from Water & Sewer Capital Project		-		102,800
Water capital project intrafund transfers		273,505		(6,770)
Change in OPEB liability		2,053		2,208
Gain (loss) on disposal of capital assets		-		(3,240)
Principal repayments on long-term debt		150,944		150,944
Change in net position		\$ (281,145)		\$ (169,837)

TOWN OF GRANITE FALLS, NORTH CAROLINA

ENTERPRISE FUND CAPITAL PROJECT FUND - STATE RESERVE LOAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Expenditures:				
Contingency	\$ 10,000	\$ -	\$ -	\$ -
Construction - water line	705,252	-	239,261	239,261
Legal fees	2,000	280	300	580
Engineering costs	103,400	46,867	33,944	80,811
Total expenditures	<u>820,652</u>	<u>47,147</u>	<u>273,505</u>	<u>320,652</u>
Revenues over (under) expenditures	<u>(820,652)</u>	<u>(47,147)</u>	<u>(273,505)</u>	<u>(320,652)</u>
Other Financing Sources (Uses):				
Debt issued	500,000	-	-	-
Transfers in	<u>320,652</u>	<u>47,147</u>	<u>273,505</u>	<u>320,652</u>
Total other financing sources (uses)	<u>820,652</u>	<u>47,147</u>	<u>273,505</u>	<u>320,652</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF GRANITE FALLS, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2021

Fiscal Year	Uncollected Balance July 1, 2020	Additions	Collections and Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 2,009,825	\$ 1,974,803	\$ 35,022
2019-2020	41,091	-	13,581	27,510
2018-2019	32,366	-	11,289	21,077
2017-2018	20,917	-	6,006	14,911
2016-2017	18,901	-	5,348	13,553
2015-2016	13,066	-	5,391	7,675
2014-2015	10,578	-	3,536	7,042
2013-2014	11,020	-	3,611	7,409
2012-2013	14,479	-	5,764	8,715
2010-2011	7,335	-	2,376	4,959
2009-2010	5,863	-	5,863	-
Total	\$ 175,616	\$ 2,009,825	\$ 2,037,568	147,873
Less: Allowance for uncollectible accounts				<u>(102,445)</u>
Ad valorem taxes receivable, net				<u>\$ 45,428</u>
Reconciliation of Collections and Credits with Revenue:				
Ad valorem taxes:				
General Fund				\$ 2,057,853
Reconciling items:				
Interest and penalties collected				(27,268)
Taxes written off				5,863
Miscellaneous adjustments				<u>1,120</u>
Total collections and credits				<u>\$ 2,037,568</u>

TOWN OF GRANITE FALLS, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
FOR THE YEAR ENDED JUNE 30, 2021

				<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original Levy:					
Property taxed at current year's rate	\$ 448,278,417	\$ 0.45	\$ 2,010,529	\$ 1,805,563	\$ 204,966
Discoveries:					
Current year levy	350	0.45	2	2	-
Abatements:					
Current year levy	(157,235)		(705)	(592)	(113)
Total property valuation	<u>\$ 448,121,532</u>				
Net Levy			2,009,825	1,804,972	204,853
Uncollected taxes at June 30, 2021			(35,022)	(35,022)	-
Current Year's Taxes Collected			<u>\$ 1,974,803</u>	<u>\$ 1,769,950</u>	<u>\$ 204,853</u>
Current Levy Collection Percentage			<u>98.26%</u>	<u>98.06%</u>	<u>100.00%</u>

This page left blank intentionally.

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

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

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Town of Granite Falls, 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, and have issued our report thereon dated October 14, 2021. Our report includes a reference to other auditors who audited the financial statements of the Town of Granite Falls ABC Board, as described in our report on the Town of Granite Falls' financial statements. The financial statements of the Town of Granite Falls ABC Board were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Town of Granite Falls ABC Board.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or 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.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P. A.
Hickory, North Carolina
October 14, 2021

TOWN OF GRANITE FALLS, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2021

1. Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

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

Non-compliance material to financial statements noted? No

2. Financial Statements Findings

None reported.

TOWN OF GRANITE FALLS, NORTH CAROLINA

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

None.