

**Town of Granite Quarry  
Granite Quarry, North Carolina  
For the year ended  
June 30, 2021**

**Independent Auditor's Reports  
Basic Financial Statements  
And  
Information Accompanying the  
Basic Financial Statements**

## **Board of Governance**

<b>Mayor</b>	<b>William Feather</b>
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<b>Mayor Pro-tem</b>	<b>John Linker</b>
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<b>Alderman</b>	<b>Doug Shelton</b>
<b>Alderman</b>	<b>Jim Costantino</b>
<b>Alderman</b>	<b>Kim Cress</b>

## **Administration**

<b>Town Manager</b>	<b>Larry Smith</b>
<b>Town Clerk</b>	<b>Aubrey Smith</b>
<b>Finance Officer</b>	<b>Shelly Shockley</b>

**Town of Granite Quarry**

**Table of Contents**  
**June 30, 2021**

<b>Independent Auditor's Report</b>	1-2
<b>Management's Discussion and Analysis</b>	3-13
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements:	
Exhibit 1           Statement of Net Position	14
Exhibit 2           Statement of Activities	15
Fund Financial Statements	
Exhibit 3           Balance Sheet – Governmental Funds	16
Exhibit 4           Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	17
Exhibit 4(cont)    Reconciliation of the Statement of Revenues, Expenditures And Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Exhibit 5           Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	19
Notes to the Financial Statements	20-41
<b>Required Supplemental Information</b>	
LEO - Schedule of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll	42
LGRS – Schedule of Contributions and Proportionate Share of Net Pension Liability (Asset)	43
<b>Combining and Individual Funds Statements and Schedules:</b>	
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	44-48
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – From Inception – Granite Lake Capital Project	49
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – From Inception – Streets Capital Project	50
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – From Inception – Industrial Development Capital Project	51

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – From Inception – Town Hall Capital Project	52
<b>Other Schedules:</b>	
Schedule of Ad Valorem Taxes Receivable	53
Analysis of Current Tax Levy	54
<b>Compliance Section:</b>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	55-56

# EDDIE CARRICK, CPA, PC

Certified Public Accountant

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Board of Aldermen  
Town of Granite Quarry  
Granite Quarry, North Carolina

### **Report on the Financial Statements**

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Granite Quarry, North Carolina as of June 30, 2021, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 13, the Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress and Schedule of Employer Contributions on page 42, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions, on pages 43,

respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary and Other Information*

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

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

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2021 on our consideration of the Town of Granite Quarry's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Granite Quarry's internal control over financial reporting and compliance.

#### **Emphasis of Matter**

As discussed in Note VI to the financial statements, in January 2020, the World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern." Given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Eddie Carrick CPA, PC

Handwritten signature of Eddie Carrick in black ink.

Lexington, North Carolina  
September 24, 2021



## Management's Discussion and Analysis

As management of the Town of Granite Quarry, we offer the readers of the Town of Granite Quarry's financial statements this narrative overview and analysis of the financial activities of the Town of Granite Quarry 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.

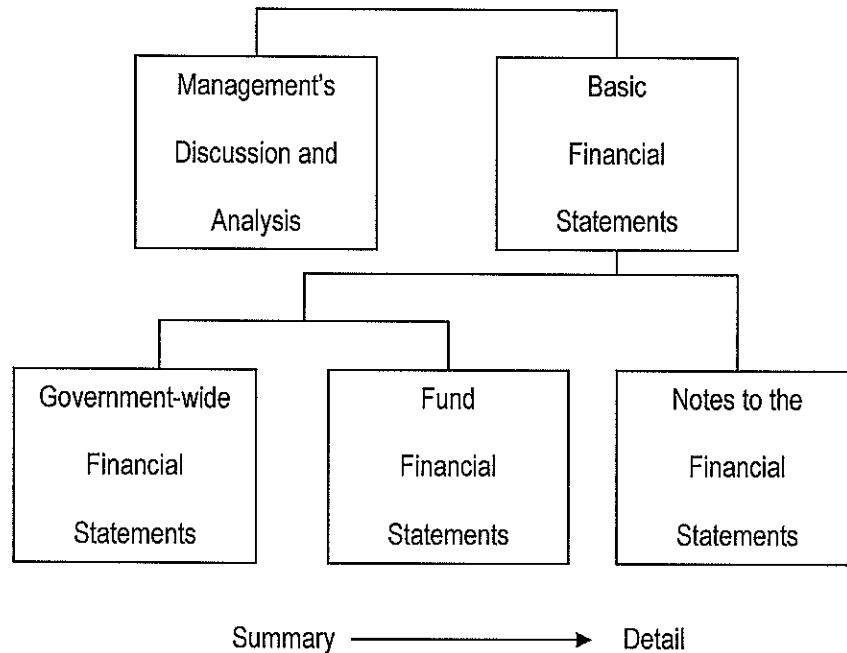
### Financial highlights

- The assets and deferred outflows of resources of the Town of Granite Quarry exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$5,146,343 (*net position*).
- The government's total net position increased by \$9,663 primarily due to increases in revenues.
- As of the close of the current fiscal year, the Town of Granite Quarry's governmental funds reported combined ending fund balances of \$2,124,876, with a net decrease of \$316,540 in fund balance. Approximately 22% of this total amount, or \$471,870, is nonspendable, restricted or assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,653,004 or 66 percent of total general fund expenditures for the fiscal year.
- The Town of Granite Quarry's total debt increased by \$182,267 during the current fiscal year. The key factors in this increase was principal payments of \$100,000, an increase in compensated absences of \$4,233, an increase in net pension liability (LGERS) of \$127,504, and increase in pension obligation (LEO) of \$150,530.

### Overview of the Financial Statements

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

**Required Components of Annual Financial Report**  
**Figure 1**



**Basic Financial Statements**

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

The next statements (Exhibit 3 through 5) 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 two parts to the Fund Financial Statements: 1) the governmental fund statements; and 2) the budgetary comparison 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 and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements include one category: governmental activities. The governmental activities include most of the Town's basic services such as safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities.

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

### **Fund Financial Statements**

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Granite Quarry, 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 General Statutes or the Town's budget ordinance. All of the funds of the Town of Granite Quarry are included in one category: governmental funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him 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 part of the fund financial statements.

## Management Discussion and Analysis

### Town of Granite Quarry

The Town of Granite Quarry adopts an annual budget for the 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 the 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 in 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 differences or variance between the final budget and actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

**Notes to the Financial Statements** – The notes provide additional information that is essential to the full understanding of data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 20 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain supplemental information detailing the information provided in the basic financial statements and is presented to allow the reader to gain an in-depth understanding of the financial information presented.

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

**Town of Granite Quarry's Net Position (Figure 2)**

	<i>Governmental Activities</i>		<i>Total</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Current and other assets	\$ 2,243,611	\$ 2,804,819	\$ 2,243,611	\$ 2,804,819
Noncurrent assets	3,703,643	3,357,140	3,703,643	3,357,140
Deferred outflow of resources	381,832	219,829	381,832	219,829
Total assets and deferred outflow of resources	6,329,086	6,381,788	6,329,086	6,381,788
Long-term liabilities	400,000	500,000	400,000	500,000
Other Liabilities	765,255	718,043	765,255	718,043
Deferred inflow of resources	17,489	27,066	17,489	27,066
Total liabilities	1,182,744	1,245,109	1,182,744	1,245,109
Net position:				
Net investment in capital assets	3,165,869	2,673,557	3,165,869	2,673,557
Restricted for:				
Stabilization by State Statute	346,710	344,512	346,710	344,512
Streets	118,761	104,543	118,761	104,543
Capital projects	(8,271)	23,928	(8,271)	23,928
Unrestricted	1,523,273	1,990,139	1,523,273	1,990,139
Total net position	\$ 5,146,343	\$ 5,136,680	\$ 5,146,343	\$ 5,136,680

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town exceeded liabilities and deferred inflows of resources by \$5,146,343 as of June 30, 2021. The Town's net position increased by \$9,663 for the fiscal year ended June 30, 2021. However, the largest portion, \$3,165,869, or 62%, reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in capital assets is reported net of the outstanding debt, the resources needed to repay that debt must be provided by other sources, since capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position \$457,200, or 9%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,523,273 or 29% is unrestricted.

Management Discussion and Analysis  
Town of Granite Quarry

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.82%, which is above to the statewide average
- Increased unrestricted revenues and Ad valorem tax collections
- Conservative spending by management in other areas.

**Town of Granite Quarry's Changes in Net Position (Figure 3)**

	<i>Governmental</i>		<i>Total</i>	
	<i>Activities</i>			
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Revenues				
Program revenues:				
Charges for services	\$ 146,378	\$ 168,064	\$ 146,378	\$ 168,064
Operating grants and contrib.	478,891	184,855	478,891	184,855
Capital grants and contrib.	88,113	94,800	88,113	94,800
General revenues:				
Property taxes	1,066,107	1,036,315	1,066,107	1,036,315
Investment earnings	18,964	26,250	18,964	26,250
Grants and contrib. unrestricted to specific programs	1,006,568	936,746	1,006,568	936,746
Other	70,172	65,477	70,172	65,477
Total revenues	<u>2,875,193</u>	<u>2,512,507</u>	<u>2,875,193</u>	<u>2,512,507</u>
Expenses:				
General government	661,451	582,816	661,451	582,816
Public safety	1,297,440	1,153,451	1,297,440	1,153,451
Transportation	653,927	336,201	653,927	336,201
Environmental protection	160,775	191,226	160,775	191,226
Cultural and recreational	77,502	57,266	77,502	57,266
Interest on long-term debt	14,434	5,618	14,434	5,618
Total expenses	<u>2,865,529</u>	<u>2,326,578</u>	<u>2,865,529</u>	<u>2,326,578</u>
Increase (decrease) in net position	9,663	185,928	9,663	185,928
Net position, July 1	<u>5,136,680</u>	<u>4,950,752</u>	<u>5,136,680</u>	<u>4,950,752</u>
Net position, June 30	<u>\$ 5,146,343</u>	<u>\$ 5,136,680</u>	<u>\$ 5,146,343</u>	<u>\$ 5,136,680</u>

## Management Discussion and Analysis Town of Granite Quarry

**Governmental Activities.** Governmental activities increased the Town's net position by \$9,663, thereby accounting for 100% of the total increase in net position of the Town. The increase in net position was the result of a concerted effort to control costs and manage expenditures. Town management reduced non-essential programs to a minimum and implemented cost saving strategies across Town departments. Certain nonrecurring expenses were either postponed or renegotiated in an attempt to maintain a healthy net position. Management believes healthy investment in the Town will result in additional revenues, and in that vein added to the Town's net position by investing in capital assets. Increased efforts to maximize tax collections also contributed to the favorable net position. Tax revenue did not appreciably decline in the current year. Town management acknowledges that 2021 was a successful year and plans on improving upon these approaches as a long-term strategy to realize continued fiscal health.

### Financial Analysis of the Town's Funds

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

**Governmental Funds.** The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements. Specifically, unreserved fund balance 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. At the end of the current fiscal year, the Town of Granite Quarry's fund balance available in the General Fund was \$1,653,004, while total fund balance reached \$2,164,962. The Town currently has an available fund balance of 66% of general fund expenditures, while total fund balance represents 87% of the same amount.

At June 30, 2021, the governmental funds of the Town reported a combined fund balance of \$2,124,876 with a net decrease in fund balance of \$316,540. Included in this change in fund balance are increases in fund balance in the General Fund and decreases in the Granite Lake Capital Project Fund, Streets Capital Project Fund as well as a decrease in the Industrial Development Capital Project Fund.

**General Fund Budgetary Highlights:** During the fiscal year, the Town made several revisions to the budget. 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.

There were several reasons the Town revised its budget throughout the year. Although expenditures were compliant with budgetary requirements, the Town did amend the budget in the General Fund in General Government to account for unexpected capital outlay expenditures.

Management Discussion and Analysis  
Town of Granite Quarry

**Capital Asset and Debt Administration**

**Capital Assets.** The Town's investment in capital assets for its governmental activities as of June 30, 2021, totals \$3,565,869 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year included the following additions:

- Capital projects construction in progress \$407,343
- Equipment \$38,285
- Vehicles \$136,607
- Infrastructure \$63,087

**Town of Granite Quarry's Capital Assets (net of depreciation) (Figure 4)**

	<i>Governmental</i>		<i>Total</i>	
	<i>Activities</i>			
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Land and CIP	\$ 1,667,350	\$ 1,260,007	\$ 1,667,350	\$ 1,260,007
Buildings and systems	193,321	202,189	193,321	202,189
Machinery / equipment	263,764	269,990	263,764	269,990
Infrastructure	890,405	929,461	890,405	929,461
Vehicles / motorized equip.	551,029	511,910	551,029	511,910
	<u>\$ 3,565,869</u>	<u>\$ 3,173,557</u>	<u>\$ 3,565,869</u>	<u>\$ 3,173,557</u>

Additional information on the Town's capital assets can be found in the Note III.A.5 of the Basic Financial Statements.

**Long-term Debt.** As of June 30, 2021 the Town of Granite Quarry had total debt outstanding of \$1,125,302. Of this, \$1,125,302 is debt backed by the full faith and credit of the Town.

**Town of Granite Quarry's Outstanding Debt (Figure 5)**

	<i>Governmental</i>		<i>Total</i>	
	<i>Activities</i>			
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Compensated absences	\$ 31,239	\$ 27,006	\$ 31,239	\$ 27,006
Net pension liability(LGERS)	457,399	329,895	457,399	329,895
Pension obligation (LEO)	236,664	86,134	236,664	86,134
Notes payable	400,000	500,000	400,000	500,000
	<u>\$ 1,125,302</u>	<u>\$ 943,035</u>	<u>\$ 1,125,302</u>	<u>\$ 943,035</u>

Management Discussion and Analysis  
Town of Granite Quarry

### Town of Granite Quarry's Outstanding Debt

The Town of Granite Quarry's total debt increased by \$182,267 during the current fiscal year. The key factors in this increase was principal payments of \$100,000, an increase in compensated absences of \$4,233, an increase in net pension liability (LGERS) of \$127,504, and increase in pension obligation (LEO) of \$150,530.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of property located within that government's boundaries. The legal debt margin for the Town is \$20,539,401.

Additional information regarding the Town's long-term debt can be found in the Note III.B.4 of this report.

### Economic Factors and Next Year's Budgets and Rates

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

Development activity and interest within the town has continued to be very strong.

A sewer extension to facilitate Phase 2 (and additional) growth in the Granite Industrial Park has been completed, which is helping to entice additional industrial speculative interest in the park. An Economic Development Agreement grant request for the equivalent of 2 years' taxes paid on the now-occupied Phase 1 development was approved during the FY21. If applied for in the FY22 a 3<sup>rd</sup> and final such grant payment may be authorized; but otherwise or thereafter, ad valorem collections on that industrial development's tax base will be free and clear.

Granite Quarry led single-family residential growth among all municipalities within Rowan County in 2020 by a large margin. Much of this was from the high-density Village at Granite phased development, but steady infill development, expansion, and smaller residential subdivisions have contributed significantly as well.

2020 Residential Building Permits Rowan County, NC		
Count	Type	Jurisdiction
319	New const - single family res	ROWAN COUNTY
105	New const - single family res	GRANITE QUARRY
82	New const - single family res	SALISBURY
53	New const - single family res	ROCKWELL
25	New const - single family res	CHINA GROVE
18	New const - single family res	LANDIS
7	New const - single family res	SPENCER
5	New const - single family res	CLEVELAND
3	New const - single family res	FAITH
2	New const - single family res	EAST SPENCER
<b>619</b>	<b>Total</b>	

## Management Discussion and Analysis

### Town of Granite Quarry

Buildout of Phase 1 in the Village at Granite subdivision is now completed; Phase 2 single-family residential plans that stalled in the first few quarters of FY21 are now back in active engineering / planning review; as is revision of the original Phase 3 commercial concept into multi-family townhome development. Stoneglen, a proposed 32-lot single-family residential subdivision, has completed its planning approval process and is construction-ready. The Towns at Granite Quarry, a 24-unit townhome development with units averaging 1,260ft<sup>2</sup> and starting in the low \$200Ks, is partially completed and is illustrative of the current trend of active development interest in multiple other parcels around town.

While residential growth brings an immediate benefit to tax base, it also brings an increased demand on municipal services that is typically much higher than commercial or industrial base. Planning, Administrative, Police, Fire, and Medical services have all already experienced significant increase in demand correlating to the surge in this residential development. However, except for the addition of a police officer in FY20, Granite Quarry has maintained its pre-surge staffing levels and its 41.75¢ tax rate. A full-time Planner position has been authorized for the FY22 to better facilitate workload and help professionally guide the Town's growth.

A resurgence in the coronavirus pandemic continues to affect many aspects of daily life and the daily operations of local governments (e.g., provision of services, additional regulations and reporting requirements, training). Pandemic effects along with mass retirements and other factors have created an abundance of workforce vacancies / shortage in the workforce. These are all challenges that local governments (as the frontline providers of safety and quality of life services to citizens) are adapting to and will have to continue factoring into existing work schedules and resources.

### Budget Highlights for the Fiscal Year Ending June 30, 2022

#### Governmental Activities:

The FY2021-2022 (FY22) budget reflects continued growth in the local economy, including ad valorem tax collection and state-shared revenue distribution forecasts. American Rescue Plan Act (ARPA) funding within the FY22 and FY23 budgets (estimated \$479,958 each fiscal year) will have a large positive budget impact for any potentially eligible projects or reimbursement categories for which the Town may qualify.

In 2020 the Town Board commissioned a professional pay study and personnel policy rewrite to bring the Town's employment policies into compliance and develop a professional and equitable pay classification schedule for the Town, all as part of the Town's efforts to address the challenges of recruiting and retaining professional, experienced staff. Funding to implement some of the recommendations from that study was included in the FY22 budget, as was: increased park maintenance; remaining Fire Engine 572 refurbishment items (postponed from FY21 due to higher-priority needs); and a ½-ton Public Works supervisor / Fire Chief response truck that concluded a 2019-2021 Public Works and Fire Fleet Efficiency Plan that nets 1 eliminated vehicle from the Town's fleet. To prioritize keeping the tax rate the same, other priority goals and capital purchases were cut from the budget.



Management Discussion and Analysis  
Town of Granite Quarry

This maintained the Town's .4175 tax rate for the FY22 budget. Out of the 11 units of local government in Rowan County, this continues to comfortably retain Granite Quarry as the third lowest municipal tax rate within the county by a 4.25-cent margin under the fourth lowest, and remarkably only 0.0075 higher than the second lowest.

<u>Unit of Government</u>	<u>Cert Pop (9/2020)</u>	<u>Tax Rate</u>
<i>Rowan County</i>		<i>0.6575</i>
Salisbury	34,973	0.7196
East Spencer	1,512	0.66
Spencer	3,282	0.655
Kannapolis	49,324	0.63
China Grove	4,324	0.54
Landis	3,194	0.53
Rockwell	2,179	0.46
<b>Granite Quarry</b>	<b>3,148</b>	<b>0.4175</b>
Faith	835	0.41
Cleveland	898	0.3736 (0.28 city + 0.0936 community fire dept rate)

Management believes that increased revenues and continued restrictions on spending will maintain the Town's financial position. As the Town considers future revenue sources, it has determined that a \$0.01 increase in the property tax rate will result in additional revenues of approximately \$25,371 at current values and collection rate. Though management believes current growth will generate enough revenue to support Town operations, a careful analysis of property tax revenue will be considered in future years' budgets.

**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 Clerk, Town of Granite Quarry, P.O. Box 351, Granite Quarry, NC 28072.

**Town of Granite Quarry, North Carolina**  
**Statement of Net Position**  
**June 30, 2021**

	<b>Governmental Activities</b>	<b>Total</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents - unrestricted	\$ 1,684,687	\$ 1,684,687
Receivables, net:		
Taxes	28,784	28,784
Accounts receivable - county	16,860	16,860
Sales and use taxes	19,480	19,480
Accounts	45,114	45,114
Accounts - Salisbury current portion	50,000	50,000
Prepays	46,486	46,486
Due from other governments	225,167	225,167
Restricted cash and cash equivalents	127,032	127,032
Total current assets	<u>2,243,611</u>	<u>2,243,611</u>
Noncurrent assets:		
Accounts - Salisbury noncurrent portion	137,774	137,774
Capital Assets:		
Land, non-depreciable improvements	1,654,251	1,654,251
Other capital assets, net of depreciation	1,911,618	1,911,618
Total capital assets	<u>3,565,869</u>	<u>3,565,869</u>
Total noncurrent assets	<u>3,703,643</u>	<u>3,703,643</u>
Total assets	<u>5,947,254</u>	<u>5,947,254</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
LGERS pension deferrals	249,355	249,355
LEO deferrals	132,477	132,477
Total deferred outflows of resources	<u>381,832</u>	<u>381,832</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued liabilities	39,953	39,953
Current portion of long-term liabilities	100,000	100,000
Long-term liabilities:		
LGERS pension liability	457,399	457,399
LEO separation allowance	236,664	236,664
Compensated absences	31,239	31,239
Due in more than one year	300,000	300,000
Total liabilities	<u>1,165,255</u>	<u>1,165,255</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
LGERS pension deferrals	12,055	12,055
LEO deferrals	5,434	5,434
Total deferred inflows of resources	<u>17,489</u>	<u>17,489</u>
<b>NET POSITION</b>		
Net investment in capital assets	3,165,869	3,165,869
Restricted for:		
Stabilization by State Statute	346,710	346,710
Streets	118,761	118,761
Capital projects	(8,271)	(8,271)
Unrestricted	<u>1,523,273</u>	<u>1,523,273</u>
Total net position	<u>\$ 5,146,343</u>	<u>\$ 5,146,343</u>

Notes to financial statements are an integral part of this statement

**Town of Granite Quarry, North Carolina**  
**Statement of Activities**  
**For the Year Ended June 30, 2021**

**EXHIBIT 2**

					Net (Expense) Revenue and Changes in Net Position	
Function / Programs	Expenses	Program Revenues			Governmental Activities	Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
<b>Primary government:</b>						
Governmental Activities:						
General government	\$ 661,451	\$ -	\$ 342,891	\$ -	\$ (318,560)	\$ (318,560)
Public Safety	1,297,440	-	136,000	8,283	(1,153,157)	(1,153,157)
Transportation	653,927	-	-	79,830	(574,097)	(574,097)
Environmental protection	160,775	146,378	-	-	(14,397)	(14,397)
Culture and recreation	77,502	-	-	-	(77,502)	(77,502)
Interest on long-term debt	14,434	-	-	-	(14,434)	(14,434)
Total governmental activities (see Note 1)	<u>\$ 2,865,529</u>	<u>\$ 146,378</u>	<u>\$ 478,891</u>	<u>\$ 88,113</u>	(2,152,147)	(2,152,147)
General revenues:						
Taxes:						
Property taxes levied for general purposes					1,066,107	1,066,107
Grants and contributions not restricted to specific programs					1,006,568	1,006,568
Unrestricted investment earnings					18,964	18,964
Gain on disposal of assets					-	-
Miscellaneous					70,172	70,172
Total general revenues and transfers					<u>2,161,811</u>	<u>2,161,811</u>
Change in net position					9,663	9,663
Net position-beginning					<u>5,136,680</u>	<u>5,136,680</u>
Net position-ending					<u>\$ 5,146,343</u>	<u>\$ 5,146,343</u>

Notes to financial statements are an integral part of this statement

**Town of Granite Quarry, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2021**

	Major Funds				Non-Major	Total
	General Fund	Granite Lake Capital Project	Streets Capital Project	Industrial Development Capital Project	Town Hall Capital Project	Governmental Fund
<b>Assets</b>						
Cash and cash equivalents - unrestricted	\$ 1,684,687	\$ -	\$ -	\$ -	\$ -	\$ 1,684,687
Cash and cash equivalents - restricted	118,761	8,271	-	-	-	127,032
Receivables, net:						
Taxes Ad Valorem	28,784	-	-	-	-	28,784
Accounts receivable - county	16,860	-	-	-	-	16,860
Sales and use taxes	19,480	-	-	-	-	19,480
Accounts	4,879	-	-	40,236	-	45,114
Prepays	46,486	-	-	-	-	46,486
Due (to) from other funds	80,323	(8,271)	-	(72,051)	-	-
Due from other governments	225,167	-	-	-	-	225,167
Total assets	<u>\$ 2,225,427</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (31,816)</u>	<u>\$ -</u>	<u>\$ 2,193,611</u>
<b>LIABILITIES AND FUND BALANCE</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 31,682	\$ 8,271	\$ -	\$ -	\$ -	\$ 39,953
Total liabilities	<u>31,682</u>	<u>8,271</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,953</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Property taxes receivable	28,784	-	-	-	-	28,784
Total deferred inflows of resources	<u>28,784</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,784</u>
<b>Fund balance:</b>						
Nonspendable:						
Prepays	46,486	-	-	-	-	46,486
Restricted:						
Stabilization by State Statute	346,710	-	-	-	-	346,710
Streets	118,761	-	-	-	-	118,761
Capital projects	-	(8,271)	-	-	-	(8,271)
Assigned for capital projects	-	-	-	(31,816)	-	(31,816)
Unassigned	1,653,004	-	-	-	-	1,653,004
Total fund balance	<u>2,164,962</u>	<u>(8,271)</u>	<u>-</u>	<u>(31,816)</u>	<u>-</u>	<u>2,124,876</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 2,225,427</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (31,816)</u>	<u>\$ -</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Gross capital assets at historical cost	\$ 6,420,856
Accumulated depreciation	(2,854,987)

Long-term accounts receivable - Salisbury	187,774
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Deferred outflows of resources related to LGERS pensions are not reported in the funds	249,355
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Deferred outflows of resources related to LEO are not reported in the funds	132,477
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Liabilities for earned revenues considered deferred inflows of resources in fund statements	28,784
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Deferred inflows of resources related to LGERS pensions are not reported in the funds	(12,055)
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Deferred inflows of resources related to LEO are not reported in the funds	(5,434)
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Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.

LGERS pension liability	(457,399)
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LEO separation allowance	(236,664)
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Long-term debt	(400,000)
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Accrued vacation	(31,239)
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Net position of governmental activities	<u>\$ 5,146,343</u>
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Notes to financial statements are an integral part of this statement

**Town of Granite Quarry, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2021**

	Major Funds				Non-Major	Total
	General Fund	Granite Lake Capital Project	Streets Capital Project	Industrial Development Capital Project	Town Hall Capital Project	Governmental Fund
<b>Revenues:</b>						
Ad valorem taxes	\$ 1,075,720	\$ -	\$ -	\$ -	\$ -	\$ 1,075,720
Other taxes and licenses	1,175	-	-	-	-	1,175
Unrestricted intergovernmental revenues	1,006,568	-	-	-	-	1,006,568
Restricted intergovernmental revenues	364,755	60,020	-	192,230	-	617,004
Sales and services	146,378	-	-	-	-	146,378
Investment earnings	14,773	-	-	-	-	14,773
Other general revenues	68,997	-	-	-	-	68,997
Total revenues	<u>2,678,365</u>	<u>60,020</u>	<u>-</u>	<u>192,230</u>	<u>-</u>	<u>2,930,614</u>
<b>Expenditures:</b>						
Current:						
General government	567,305	68,291	-	253,735	85,317	974,649
Public Safety	1,270,114	-	-	-	-	1,270,114
Transportation	268,742	-	343,006	-	-	611,748
Environmental protection	160,775	-	-	-	-	160,775
Culture and recreation	115,435	-	-	-	-	115,435
Debt service:						
Principal retirement	100,000	-	-	-	-	100,000
Interest and other charges	14,434	-	-	-	-	14,434
Total expenditures	<u>2,496,805</u>	<u>68,291</u>	<u>343,006</u>	<u>253,735</u>	<u>85,317</u>	<u>3,247,154</u>
Revenues over expenditures	<u>181,560</u>	<u>(8,271)</u>	<u>(343,006)</u>	<u>(61,505)</u>	<u>(85,317)</u>	<u>(316,540)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers to capital projects	(86,029)	-	(5,051)	5,762	85,317	-
Proceeds from long-term debt	-	-	-	-	-	-
Fund balance appropriated	-	-	-	-	-	-
Total other financing sources (uses)	<u>(86,029)</u>	<u>-</u>	<u>(5,051)</u>	<u>5,762</u>	<u>85,317</u>	<u>-</u>
Net change in fund balance	95,531	(8,271)	(348,057)	(55,743)	-	(316,540)
Fund balance - beginning of year	<u>2,069,431</u>	<u>-</u>	<u>348,057</u>	<u>23,928</u>	<u>-</u>	<u>2,441,416</u>
Fund balance - end of year	<u>\$ 2,164,962</u>	<u>\$ (8,271)</u>	<u>\$ -</u>	<u>\$ (31,816)</u>	<u>\$ -</u>	<u>\$ 2,124,876</u>

Notes to financial statements are an integral part of this statement

**Town of Granite Quarry, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2021**

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

Net changes in fund balances - total governmental funds		\$	(316,540)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period			
Capital outlay	\$	237,979	
Construction in progress		407,343	
Depreciation		<u>(253,010)</u>	392,312
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.			
Change in unavailable revenue for tax revenues			(9,613)
Change in accounts receivable - Salisbury:			
Payments received		(50,000)	
Interest added		<u>4,191</u>	(45,809)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.			
New long-term debt issue			-
Payment on long-term debt			100,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.			
Changes in compensated absences			(4,233)
Change in pension expense:			
Changes in net pension assets		-	
Changes in deferred outflows		52,692	
Changes in net pension liability		(127,504)	
Changes in deferred inflows		<u>7,929</u>	(66,883)
Change in LEO separation allowance expense:			
Changes in net pension assets		-	
Changes in deferred outflows		109,311	
Changes in net pension liability		(150,530)	
Changes in deferred inflows		<u>1,648</u>	(39,571)
Total changes in net position of governmental activities		\$	<u>9,663</u>

Notes to financial statements are an integral part of this statement

## Town of Granite Quarry, North Carolina

## General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2021

	Original	Final	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 1,038,604	\$ 1,038,604	\$ 1,075,720	\$ 37,116
Other taxes and licenses	2,500	2,500	1,175	(1,325)
Unrestricted intergovernmental	889,496	889,496	1,006,568	117,072
Restricted intergovernmental	511,799	359,365	364,755	5,390
Sales and services	138,500	138,500	146,378	7,878
Investment earnings	10,000	10,000	14,773	4,773
Other general revenues	84,070	104,488	68,997	(35,491)
Total revenues	<u>2,674,969</u>	<u>2,542,953</u>	<u>2,678,365</u>	<u>135,412</u>
Expenditures:				
Current:				
General government	599,864	692,700	567,305	125,395
Public Safety	1,206,807	1,341,484	1,270,114	71,370
Transportation	296,087	298,572	268,742	29,830
Environmental protection	169,693	169,693	160,775	8,918
Culture and recreation	45,000	138,675	115,435	23,240
Debt service:				
Principal retirement	100,000	100,000	100,000	-
Interest and other charges	14,443	14,443	14,434	9
Total expenditures	<u>2,431,894</u>	<u>2,755,567</u>	<u>2,496,805</u>	<u>258,762</u>
Revenues over (under) expenditures	<u>243,075</u>	<u>(212,614)</u>	<u>181,560</u>	<u>394,174</u>
Other financing sources (uses):				
Operating transfers to capital projects	(243,075)	(16,687)	(91,079)	(74,392)
Operating transfers from capital projects	-	-	5,051	5,051
Proceeds from long-term debt	-	-	-	-
Appropriated Fund Balance	-	229,301	-	(229,301)
Total other financing sources (uses)	<u>(243,075)</u>	<u>212,614</u>	<u>(86,029)</u>	<u>(298,643)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>95,531</u>	<u>\$ 95,531</u>
Fund balance, beginning of year			<u>2,069,431</u>	
Fund balance, end of year			<u>\$ 2,164,962</u>	

Notes to financial statements are an integral part of this statement

***Town of Granite Quarry, North Carolina***

***NOTES TO FINANCIAL STATEMENTS  
As of or for the Year Ended June 30, 2021***

***Description of the Unit***

The Town of Granite Quarry is located in Rowan County, which is in the Piedmont area of North Carolina. The Town has a population of approximately 3,148.

***I. Summary of Significant Accounting Policies***

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

***A. Reporting entity***

The Town of Granite Quarry is a municipal corporation governed by an elected mayor and a four member Board of Aldermen. As required by generally accepted accounting principles, these financial statements present the Town, a single entity with no other legally separate entities for which the Town is financially accountable.

***B. Basis of presentation***

*Government-wide Statements:* The statement of net position and the statement of activities display the information about the primary government. These statements include the activities of the overall government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues 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 and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational and capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the Town's fund. A separate statement for each fund category – governmental – is presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. The Town of Granite Quarry, North Carolina, only has one fund, the general fund, and is presented as a major fund.

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. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.



## **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

### **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 basis of accounting.

*Government-wide Financial Statements:* The government-wide is reported using the economic resources measurement focus. The government-wide financial statement is reported using the accrual basis of accounting. Revenues are recorded when earned and expenses 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, includes property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered shared revenue for the Town of Granite Quarry because the tax is levied by Rowan 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.

## **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

### **C. Measurement Focus and Basis of Accounting (continued)**

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

### **D. Budgetary data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal-year end. 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. Amendments are required for any revisions that alter total expenditures of any fund. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

#### **1. Deposits and Investments**

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. 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. The Town does not have a formal investment or credit risk policy.

#### **2. Cash and Cash Equivalents**

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 3. Restricted Assets

Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Capital project funds are classified as restricted cash because it can be expended only for the purposes issued.

#### Town of Granite Quarry Restricted Cash

Governmental Activities		
General Fund	Streets	\$118,761
	Capital project	<u>8,271</u>
Total Restricted Cash		<u>\$127,032</u>

### 4. Ad Valorem Taxes Receivable

In accordance with State law (G.S. 105-347 and G.S. 159-13(a)), the Town levies ad valorem taxes on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2020. As allowed by State law, the Town has established a schedule of discounts that apply to taxes, which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

### 5. Prepaid Items

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

### 6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life of more than two years. Minimum capitalization costs are for purchases or construction in excess of \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Infrastructure	30 years
Buildings	40
Improvements	20
Vehicles	10-20
Furniture and equipment	5-10
Computer equipment	5

## **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

### **7. Deferred Outflows / Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meet this criterion, contributions made to the pension plan in the 2021 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category – property taxes receivable, and deferrals of pension expense that result from the implementation of GASB Statement 68.

### **8. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position.

### **9. Compensated Absences**

The compensated absences policy of the Town provides for the accumulation of up to 80 hours earned accrued compensated leave with a maximum payout of 240 hours accrued. For the Town's government-wide fund, an expense and a liability for compensated absences and the salary-related payments is recorded. Since the accrued compensated leave time may be carried over into the following year, the liability has been designed as a current and a noncurrent liability in the government-wide financial statements.

### **10. Net position / Fund Balances**

#### Net position

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

#### Fund Balances

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

The governmental fund types classify fund balances as follows:

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

## **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

### **10. Net position / Fund Balances (continued)**

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

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

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

*Restricted for Capital Project* - Portion of fund balance that is restricted by revenue source for capital project construction expenditures.

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

**Assigned fund balance** – portion of fund balance that the Town of Granite Quarry intends to use for specific purposes.

*Subsequent year's expenditures* – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource.

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

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

## **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

### **11. Pensions**

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

### **II. Stewardship, Compliance, and Accountability:**

#### **A. Material Violations of Finance-Related Legal and Contractual Provisions:**

1. *Noncompliance with North Carolina General Statutes:* None
2. *Contractual Violations:* None

#### **B. Deficit Fund Balance or Retained Earnings of Individual Funds:** None

#### **C. Excess of Expenditures over Appropriations:** None

### **III. Detail Notes on All Funds and Account Groups:**

#### **A. Assets:**

##### **1. Deposits**

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in the Town's name. The amount of the pledged collateral is based on an approval 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 to undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no 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 designation official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$1,660,607 and a bank balance of \$1,801,122 which \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2021, the Town's petty cash fund totaled \$150.

##### **2. Investments**

At June 30, 2021, the Town had \$150,962 invested with the North Carolina Capital Management Trust Cash Portfolio which carried a credit rating of AAAm by Standard and Poor's. The Town has no policy regarding credit risk.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 3. Accounts Receivable - SRU

In 2016, the Town entered into an agreement with the City of Salisbury to extend a water line to a recently annexed area in Granite Quarry. The City of Salisbury owns and maintains all the water and sewer lines in the Town. The Town of Granite Quarry constructed a waterline extension in the amount of \$436,376. The \$436,376, plus loan interest, will be repaid by the City of Salisbury to the Town \$50,000 per year starting June 2017 and annually thereafter until the waterline extension expenditures are repaid. During 2021, the City of Salisbury paid the Town \$50,000. This payment plus the accrued interest amount of \$4,191 results in a receivable of \$187,774.

### 4. Due from Other Governments

There are currently no outstanding amounts due from other governments other than normal state and county distributions.

### 5. Capital assets

#### Primary Government

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

	Beginning Balances	Increases	(Decreases)	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 908,555	\$ -	\$ -	\$ 908,555
Construction in progress - Town Hall	301,798	85,317	-	387,115
Construction in progress - Granite Lake	22,735	68,291	-	91,026
Construction in progress - Industrial Development	26,918	253,735	-	280,653
Total capital assets not being depreciated:	1,260,007	407,343	-	1,667,350
Capital assets being depreciated:				
Buildings	574,362	-		574,362
Equipment	866,014	38,285	(53,694)	850,605
Vehicles and motorized equipment	1,436,364	136,607	(49,773)	1,523,198
Infrastructure	1,742,256	63,087	-	1,805,343
Total capital assets being depreciated:	4,618,996	237,979	(103,467)	4,753,508
Less, accumulated depreciation for:				
Buildings	372,171	8,870	-	381,041
Equipment	596,024	44,511	(53,694)	586,841
Vehicles and motorized equipment	924,455	97,487	(49,773)	972,169
Infrastructure	812,796	102,142	-	914,938
Total accumulated depreciation	2,705,446	253,010	(103,467)	2,854,989
Total capital assets being depreciated, net	1,913,550			1,898,519
Governmental activity capital assets, net	\$ 3,173,557			\$ 3,565,869

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 5. Capital assets (continued)

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

General government	\$ 74,556
Public safety	120,888
Transportation	32,411
Cultural and recreational	<u>25,154</u>
	<u>\$253,010</u>

### Construction commitments

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

Project	Spent-to-date	Remaining Commitment
Town Hall	\$ 387,116	\$ -
Streets	344,949	-
Granite Lake	91,026	677,355
Industrial Development	280,653	43,239
Total	<u>\$ 1,103,744</u>	<u>\$ 720,594</u>

### B. Liabilities:

#### 1. Pension Plan Obligations:

##### a. Local Governmental Employees' Retirement System

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



## **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

### ***a. Local Governmental Employees' Retirement System (continued)***

*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.

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2021, was 12.100% of compensation for law enforcement officers and 11.350% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were 86,485 for the year ended June 30, 2021.

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

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

At June 30, 2021, the Town reported a liability of \$457,399 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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### **a. Local Governmental Employees' Retirement System (continued)**

covered by the pension plan of all participating LGERS employers actuarially determined. At June 30, 2021, the Town's proportion was 0.01208% (measured as of June 30, 2020), which was a decrease of 0.000% from its proportion as of June 30, 2020 (measured as of June 30, 2019).

For the year ended June 30, 2021, the Town recognized pension expense of \$153,367. 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	\$ 57,761	\$ -
Changes of assumptions	34,039	-
Net difference between projected and actual earnings on pension plan investments	64,366	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	6,704	12,055
Town contributions subsequent to the measurement date	86,485	-
Total	\$ 249,355	\$ 12,055

\$86,485 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

#### **Year ended June 30:**

2022	\$ 43,857
2023	57,477
2024	30,432
2025	19,049
2026	-
Thereafter	-
	\$ 150,815

**Actuarial Assumptions.** The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

## **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

### **a. Local Governmental Employees' Retirement System (continued)**

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### **a. Local Governmental Employees' Retirement System (continued)**

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 928,012	\$ 457,399	\$ 66,286

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

### **b. Law Enforcement Officers Special Allowance**

**1. 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 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers are covered by the Separation Allowance. At December 31, 2020, the Separation Allowance's membership consisted of:

Retirees receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	9
Total	9

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### **b. Law Enforcement Officers Special Allowance (continued)**

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

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

**3. Actuarial Assumptions.** The entry age actuarial cost method was used in the December 31, 2019 valuation. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2019.

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

**4. Contributions.** The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. 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 \$236,664. The total pension liability was measured as of 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 \$39,571.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 20,774	\$ 761
Changes of assumptions	111,703	4,673
County benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 132,477</u>	<u>\$ 5,434</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### **b. Law Enforcement Officers Special Allowance (continued)**

\$ 0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

#### **Year ended June 30:**

2022	\$	1,648
2023		1,648
2024		1,268
2025		801
2026		69
Thereafter		-

\$ 0 paid as benefits came due and \$ 0 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

*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 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 256,269	\$ 236,664	\$ 218,463

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

	2021
Beginning balance	\$ 86,134
Service Cost	10,184
Interest on the total pension liability	6,253
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	11,941
Changes of assumptions or other inputs	122,152
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 236,664</u>

## **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

### ***b. Law Enforcement Officers Special Allowance (continued)***

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 153,367	\$ 39,571	\$ 192,938
Pension Liability	457,399	236,664	694,063
Proportionate share of the net pension liability	0.01208%	n/a	
<b>Deferred of Outflows of Resources</b>			
Differences between expected and actual experience	57,761	20,774	78,535
Changes of assumptions	34,039	111,703	145,742
Net difference between projected and actual earnings on plan investments	64,366	-	64,366
Changes in proportion and differences between contributions and proportionate share of contributions	6,704	-	6,704
Benefit payments and administrative costs paid subsequent to the measurement date	86,485	-	86,485
<b>Deferred of Inflows of Resources</b>			
Differences between expected and actual experience	-	761	761
Changes of assumptions	-	4,673	4,673
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	12,055	-	12,055

### ***c. Supplemental Retirement Income Plan for Law Enforcement Officers and Other Employees***

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

## **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

### **c. Supplemental Retirement Income Plan for Law Enforcement Officers and Other Employees (continued)**

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

The Town also contributes each month an amount equal to five percent of each other employee's salary, and all amounts contributed are vested immediately. Also, the other employees may make voluntary contributions to the plan. The Town made contributions of \$41,261 for the reporting year. No amounts were forfeited.

### **d. Other Employment Benefits**

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

## **2. Deferred Outflows and Inflows of Resources**

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

Source	Amount
Differences between expected and actual experience	\$ 78,535
Changes in assumptions	145,742
Net difference between projected and actual earnings on pension plan investments	64,366
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,704
Town contribution subsequent to the measurement date	86,485
Total	<u>\$ 381,832</u>



## **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

### **2. Deferred Outflows and Inflows of Resources (continued)**

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

	Statement of Net Position	General Fund Balance Sheet
Taxes Receivable, less penalties (General Fund)	\$ -	\$ 28,784
Changes in assumptions	761	-
Differences between expected and actual experience	4,673	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	12,055	-
Total	\$ 17,489	\$ 28,784

### **3. Risk Management**

The Town is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$2 million per occurrence, property coverage up to the total insurance values of the property policy, worker's compensation coverage up to the statutory limits, and employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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 no flood insurance for the year because the Town of Granite Quarry is not considered to be in a flood area, therefore the cost of this type insurance would outweigh the benefit.

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. The Town does not have a bond on the tax collector in that they have outsourced tax collection to Rowan County. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

### **4. Long-term Obligations:**

#### **a. Installment Purchase**

In June 2016, the Town entered into an installment purchase contract with F&M Bank to finance a waterline extension for the amount of \$350,000. The financing contract requires 83 monthly consecutive interest payments beginning June 30, 2016, with interest calculated on the unpaid principal balances using an interest rate of 2.740% per annum: 6 annual consecutive principal and interest payments of \$50,000 each plus interest beginning June 30, 2016 and one principal and interest payment of \$52,778 on May 30, 2023.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### **a. Installment Purchase (continued)**

The future minimum payments of the installment contract as of June 30, 2021, based on the \$100,000 balance as of that date and scheduled annual payments of principal and interest which include \$6,945 of interest, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 50,000	\$ 4,167	\$ 54,167
2023	50,000	2,778	52,778
	<u>\$ 100,000</u>	<u>\$ 6,945</u>	<u>\$ 106,945</u>

In June 2020, the Town entered into an installment purchase contract with F&M Bank to finance street repairs for the amount of \$350,000. The financing contract requires 14 semi-annual consecutive principal and interest payments beginning December 5, 2020, with interest calculated on the unpaid principal balances using an interest rate of 2.990% per annum. The installment purchase is collateralized by the full faith, credit, and taxing power of the Town.

The future minimum payments of the installment contract as of June 30, 2021, based on the \$300,000 balance as of that date and scheduled annual payments of principal and interest which include \$29,579 of interest, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 50,000	\$ 8,717	\$ 58,717
2023	50,000	7,201	57,201
2024	50,000	5,700	55,700
2025	50,000	4,169	54,169
2026	50,000	2,654	52,654
Thereafter	50,000	1,138	51,138
	<u>\$ 300,000</u>	<u>\$ 29,579</u>	<u>\$ 329,579</u>

At June 30, 2021, the Town had a legal debt margin of \$20,539,401.

### **b. Changes in Long-term Liabilities**

	Balance			Balance	Current Portion
	June 30, 2020	Increases	Decreases	June 30, 2021	of Balance
Governmental activities:					
Compensated Absences	\$ 27,006	\$ 4,233	\$ -	\$ 31,239	\$ -
Net pension liability (LGERS)	329,895	127,504	-	457,399	-
Pension obligation (LEO)	86,134	150,530	-	236,664	-
Notes payable	500,000	-	100,000	400,000	100,000
Governmental activities long-term liabilities	<u>\$ 943,035</u>	<u>\$ 282,267</u>	<u>\$ 100,000</u>	<u>\$ 1,125,302</u>	<u>\$ 100,000</u>

Compensated absences for governmental activities have typically been liquidated in the General Fund.

## **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

### **C. Interfund Balances and Activity**

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

To	General Fund	\$ 80,323
From	Granite Lake Capital Project	8,271
From	Industrial Development Capital Project	72,051

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

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

From the General Capital Projects Fund - Streets to repay the General Fund	\$ 5,051
From the General Fund to the General Capital Projects Fund - Industrial Development to fund the project	5,762
From the General Fund to the General Capital Projects Fund - Town Hall to fund the project	85,317

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

During the 2021 fiscal year, the Town made a one-time transfer from the General Fund Streets capital projects fund of \$5,051 to the General Fund as per the budget ordinance, a one-time transfer from the General Fund to the General Fund Industrial Development capital projects fund of \$5,762, and a one-time transfer from the General Fund to the General Fund Town Hall Capital Projects Fund of \$85,317 as per the budget ordinance.

### **D. On-Behalf of Payments for Fringe Benefits and Salaries**

The Town has recognized as revenue and an expenditure, on-behalf payments for fringe benefits and salaries of \$8,283 for the salary supplement and stipend benefits paid to eligible firemen by the local board of trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2021. Under State law the local board of trustees for the Fund receives an amount each year, which the board may use at its own discretion for eligible firemen or their departments.

### **E. Net Investment in Capital Assets**

	<b>Governmental</b>
Capital Assets	\$ 3,565,869
less: long-term debt	400,000
add: unexpended debt proceeds	-
Net investment in capital assets	<u><u>\$ 3,165,869</u></u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### F. Fund Balance

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

<b>Total fund balance - General Fund</b>	<b>\$ 2,164,962</b>
Less:	
Nonspendable prepaids	46,486
Stabilization by State Statute	346,710
Streets - Powell Bill	118,761
Assigned for subsequent year's expenditures	-
Remaining Fund Balance	<b>\$ 1,653,004</b>

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

<b>Encumbrances</b>	<b>General Fund</b>	<b>Non-Major Funds</b>
	\$0	

### IV. Joint Ventures

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees.

The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums which insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways. The Town obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the Town's fire department by the board of trustees. During the fiscal year ended June 30, 2021, the Town did not report any revenues and expenditures for these payments because no benefit payments were made through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2021. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at Post Office Box 188, Farmville, NC 27828.

### V. Summary Disclosure of Significant Contingencies

#### Federal and State Assisted Programs

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

## ***NOTES TO THE FINANCIAL STATEMENTS (Continued)***

### ***VI. Significant Effects of Subsequent Events***

Subsequent events occurring after the statement of financial position date have been evaluated through September 24, 2021, which is the date the financial statements were available to be issued.

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a "Public Health Emergency of International Concern", which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. The outbreak presents uncertainty and risk with respect to the Town and its ability to carry out its activities which could impact its financial results.

**Town of Granite Quarry, North Carolina**  
**Law Enforcement Officers' Special Separation Allowance**  
**Required Supplementary Information**  
**Last Four Fiscal Years**

**Schedule of Changes in Total Pension Liability**

	2021	2020	2019	2018
Beginning balance	\$ 86,134	\$ 67,565	\$ 42,449	\$ 13,677
Service Cost Interest on total pension liability	10,184	8,010	13,666	11,231
Interest	6,253	6,306	-	-
Changes of benefit terms	-	-	-	1,483
Differences between expected and actual experience in the measurement of the total pension liability	11,941	(1,107)	18,276	-
Changes of assumptions or other inputs	122,152	5,360	(6,826)	9,225
Benefit payments	-	-	-	-
Other changes	-	-	-	6,833
Ending balance of the total pension liability	<u>\$ 236,664</u>	<u>\$ 86,134</u>	<u>\$ 67,565</u>	<u>\$ 42,449</u>

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

**Schedule of Total Pension Liability as a Percentage of Covered Payroll**

	2021	2020	2019	2018
Total pension liability	\$ 236,664	\$ 86,134	\$ 67,565	\$ 42,449
Covered payroll	416,382	358,160	384,905	333,857
Total pension liability as a percentage of covered payroll	56.84%	24.05%	17.55%	12.71%

Notes to the schedules:

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

**Town of Granite Quarry, North Carolina**  
**Town of Granite Quarry's Contributions**  
**Required Supplementary Information**  
**Last Eight Fiscal Years**

**Local Government Employees' Retirement System**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 86,485	\$ 67,926	\$ 58,691	\$ 56,111	\$ 48,179	\$ 43,377	\$ 46,100	\$ 45,103
Contributions in relation to the contractually required contribution	\$ 86,485	\$ 67,926	\$ 58,691	\$ 56,111	\$ 48,179	\$ 43,377	\$ 46,100	\$ 45,103
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Granite Quarry's covered-employee payroll	\$ 825,723	\$ 729,262	\$ 721,274	\$ 710,377	\$ 628,369	\$ 622,579	\$ 637,289	\$ 629,140
Contributions as a percentage of covered-employee payroll	10.47%	9.31%	8.14%	7.90%	7.67%	6.97%	7.23%	7.14%

**Proportionate Share of Net Pension Liability (Asset)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Granite Quarry's proportion of the net pension liability (asset) (%)	0.01208%	0.01208%	0.01342%	0.01067%	0.00991%	0.01341%	0.01360%	0.01310%
Granite Quarry's proportion of the net pension liability (asset) (\$)	\$ 457,399	\$ 329,895	\$ 318,368	\$ 163,008	\$ 210,323	\$ 60,183	\$ (80,205)	\$ 153,949
Granite Quarry's covered-employee payroll	\$ 729,262	\$ 721,274	\$ 710,377	\$ 628,369	\$ 622,579	\$ 637,289	\$ 629,140	\$ 639,224
Granite Quarry's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	62.72%	45.74%	44.82%	25.94%	33.78%	9.44%	( 12.75%)	24.08%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%

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

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

**Town of Granite Quarry, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2021**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2020)**

	Budget	Actual	Variance Favorable (Unfavorable)	2020 Actual
<b>REVENUES:</b>				
Ad valorem taxes				
Current year collections		\$ 1,069,349		\$ 1,028,072
Penalties and interest		6,371		3,702
	<u>\$ 1,038,604</u>	<u>1,075,720</u>	<u>\$ 37,116</u>	<u>1,031,774</u>
Other taxes, licenses and fees				
Privilege licenses		1,175		5,750
	<u>2,500</u>	<u>1,175</u>	<u>(1,325)</u>	<u>5,750</u>
Unrestricted intergovernmental				
Local option sales tax		837,748		771,824
Telecommunications sales tax		8,736		10,646
Solid waste disposal tax		2,336		2,370
Utility franchise tax		97,154		96,316
Piped natural gas		8,669		7,493
Video franchise fee tax		23,606		24,212
Beer and wine tax		13,148		13,419
ABC profit distribution		15,171		10,467
	<u>889,496</u>	<u>1,006,568</u>	<u>117,072</u>	<u>936,746</u>
Restricted intergovernmental				
Powell Bill allocation		79,830		83,141
Covid relief funds		90,641		-
City of Salisbury - lease/debt payment		50,000		50,000
Faith police reimbursement		136,000		146,000
On-behalf of payments - Fire and Rescue		8,283		11,659
	<u>359,365</u>	<u>364,755</u>	<u>5,390</u>	<u>290,800</u>
Sales and services				
Curbside recycling		146,378		168,064
	<u>138,500</u>	<u>146,378</u>	<u>7,878</u>	<u>168,064</u>
Other general revenues				
Investment earnings		14,773		20,632
Rental income		3,885		2,645
Donations		1,200		25
Sale of assets		73,415		30,156
Prior year's unreimbursed sales tax		(40,535)		-
Other		31,031		26,901
	<u>114,488</u>	<u>83,770</u>	<u>(30,718)</u>	<u>80,359</u>
Total revenues	<u>\$ 2,542,953</u>	<u>\$ 2,678,365</u>	<u>\$ 135,412</u>	<u>\$ 2,513,493</u>



**Town of Granite Quarry, North Carolina**  
**General Fund (Continued)**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2021**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2020)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2020 Actual</u>
<b>EXPENDITURES:</b>				
General Government				
Governing body				
Salary - Mayor/Aldermen		\$ 12,575		\$ 12,431
Mayor and board expenses		14,501		3,027
Professional services		15,838		11,000
Office expenses		951		-
COVID-19 relief		23,875		-
Special projects		77,195		-
Election expense		-		-
	<u>\$ 217,402</u>	<u>144,936</u>	<u>\$ 72,466</u>	<u>26,458</u>
Administration				
Salaries and wages		249,768		272,323
Social security		18,684		20,361
Group insurance		31,006		33,139
Employee retirement		32,757		22,106
Unemployment expense		2,204		1,033
Contracted services		12,888		16,458
Professional services		25,595		25,369
Telephone		3,221		3,453
Utilities		4,282		4,148
Printing		5,000		4,960
Membership dues		3,391		12,493
Advertising		2,535		3,987
Tax collection fee		10,993		15,838
Office expense		7,373		5,363
Election expense		-		2,975
Planning supplies		86		169
Maintenance and repairs		-		491
Training and schools		2,442		3,804
Insurance and bonding		3,831		4,141
Grant expenses		5,000		-
Banquet expense		1,313		1,580
Community Appearance Commission		-		2,751
Miscellaneous		-		-
Capital outlay		-		89,618
	<u>475,298</u>	<u>422,369</u>	<u>52,929</u>	<u>546,560</u>
 Total general government	 <u>\$ 692,700</u>	 <u>\$ 567,305</u>	 <u>\$ 125,395</u>	 <u>\$ 573,018</u>

**Town of Granite Quarry, North Carolina**  
**General Fund (Continued)**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2021**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2020)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2020 Actual</u>
<b>EXPENDITURES:</b>				
Public Safety				
Police department				
Salaries		\$ 379,787		\$ 330,758
Part-time officers		13,046		9,680
Social security		30,637		26,721
Group insurance		75,103		84,508
Employee retirement		39,845		33,033
Supplemental retirement		18,483		16,927
Motor fuel		13,390		12,698
Contracted services		19,940		21,912
Printing		488		673
Telephone		7,529		7,399
Utilities		1,533		1,475
L.E. office supplies		1,340		1,441
Miscellaneous supplies and equipment		7,043		6,469
Maintenance and repairs - equipment		1,045		1,074
Maintenance and repairs - autos		6,714		8,704
Training and schools		2,388		1,422
Uniforms		8,139		2,890
Insurance		13,154		12,266
Miscellaneous		18		-
Dues and subscriptions		3,070		1,579
Capital outlay		98,754		49,547
Total police department	<u>\$ 807,048</u>	<u>741,445</u>	<u>\$ 65,603</u>	<u>631,177</u>
Public Safety - continued				
Fire department				
On-behalf of benefits		8,283		11,659
Salaries		110,917		111,693
Part-time wages		191,002		173,416
Social security		22,544		21,303
Group insurance		32,888		45,382
Employee retirement		19,169		17,141
Motor fuel		3,328		3,429
Contracted services		9,920		9,928
Printing		373		198
Telephone		4,357		3,717
Utilities		5,704		5,498
Dues and subscriptions		3,148		2,579
Office expense		160		209

**Town of Granite Quarry, North Carolina**  
**General Fund (Continued)**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2021**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2020)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2020 Actual</u>
<b>EXPENDITURES:</b>				
Public Safety - continued				
Fire department				
Maintenance and repairs - trucks		\$ 9,856		\$ 6,602
Maintenance and repairs - equipment		846		2,850
Miscellaneous supplies and equipment		18,868		23,493
Training and schools		692		860
Uniforms		3,047		2,045
Insurance		7,429		7,402
Miscellaneous		-		-
Debt service - Principal		-		-
Debt service - Interest		-		-
Capital outlay - equipment		76,138		44,765
	<u>\$ 534,436</u>	<u>528,669</u>	<u>\$ 5,767</u>	<u>494,169</u>
Total public safety	<u>1,341,484</u>	<u>1,270,114</u>	<u>71,370</u>	<u>1,125,346</u>
Transportation				
Streets and highways				
Salaries and wages		147,046		136,428
Social security		11,449		10,476
Group insurance		25,884		32,247
Employee retirement		17,552		16,273
Motor fuel		6,509		6,864
Communications		774		694
Utilities		3,069		2,989
Contracted services		13,637		14,791
Printing		19		15
Dues and subscriptions		150		-
Miscellaneous supplies and equipment		10,727		6,894
Maintenance and repairs - building		10,255		6,994
Maintenance and repairs - equipment		6,304		11,228
Maintenance and repairs - trucks		3,968		1,693
Training and schools		60		48
Uniforms		1,047		1,104
Insurance		2,923		3,151
Tools and light equipment		-		2,470
Miscellaneous		-		-
Hurricane damage		-		-
Refund Carolina Thread Trail		-		-
Capital outlay		-		32,559
Powell Bill:				
Expenses		7,370		28,975
Capital outlay		-		-
Total transportation	<u>\$ 298,572</u>	<u>\$ 268,742</u>	<u>\$ 29,830</u>	<u>\$ 315,892</u>

**Town of Granite Quarry, North Carolina**  
**General Fund (Continued)**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2021**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2020)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2020 Actual</u>
Environmental protection				
Utilities		\$ 33,970		\$ 31,073
Contract trash hauling		126,805		116,570
Recycling program		-		43,582
Total environmental protection	<u>\$ 169,693</u>	<u>160,775</u>	<u>\$ 8,918</u>	<u>191,226</u>
<b>EXPENDITURES:</b>				
Culture and Recreation				
Maintenance and repairs		20,223		13,379
Supplies and equipment		3,959		3,952
Contract services		530		596
Professional services		12,250		-
Utilities		12,962		16,289
Communities - PERC		2,424		-
Miscellaneous		-		-
Capital outlay		63,087		-
Total cultural and recreational	<u>138,675</u>	<u>115,435</u>	<u>23,240</u>	<u>34,215</u>
Debt service:				
Powell Bill:				
Principal retirement		50,000		-
Interest		10,243		-
Water line extension:				
Principal retirement		50,000		50,000
Interest		4,191		5,618
Total debt service	<u>114,443</u>	<u>114,434</u>	<u>9</u>	<u>55,618</u>
Total expenditures	<u>2,755,567</u>	<u>2,496,805</u>	<u>258,762</u>	<u>2,295,315</u>
Revenues over expenditures	<u>(212,614)</u>	<u>181,560</u>	<u>394,174</u>	<u>218,178</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers to capital projects	(16,687)	(91,079)	(74,392)	(336,523)
Operating transfers from capital projects		5,051		-
Proceeds from long-term debt	-	-	-	-
Appropriated Fund Balance	229,301	-	(229,301)	-
	<u>212,614</u>	<u>(86,029)</u>	<u>(298,643)</u>	<u>(336,523)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>95,531</u>	<u>\$ 95,531</u>	<u>(118,345)</u>
Fund balances - beginning of year		<u>2,069,431</u>		<u>2,187,777</u>
Fund balances - end of year		<u>\$ 2,164,962</u>		<u>\$ 2,069,431</u>

**Town of Granite Quarry North Carolina**  
**General Capital Projects Fund - Granite Lake**  
**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**From inception and for the fiscal year ended June 30, 2021**

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>					
Restricted intergovernmental:					
FEMA grant	\$ 576,286	\$ 17,051	\$ 45,015	\$ 62,066	\$ (514,220)
NC DEM grant	192,095	5,684	15,005	20,689	(171,406)
Total revenues	<u>768,381</u>	<u>22,735</u>	<u>60,020</u>	<u>82,755</u>	<u>(685,626)</u>
<b>Expenditures:</b>					
Engineering fees	166,000	22,735	68,241	90,976	75,024
Improvements	547,619	-	50	50	547,569
Contingency	<u>54,762</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,762</u>
Total expenditures	<u>768,381</u>	<u>22,735</u>	<u>68,291</u>	<u>91,026</u>	<u>677,355</u>
Revenues over expenditures	<u>-</u>	<u>-</u>	<u>(8,271)</u>	<u>(8,271)</u>	<u>(8,271)</u>
<b>Other financing sources (uses):</b>					
Proceeds from borrowings		-	-	-	-
Transfer from (to) operating fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(8,271)</u>	<u>\$ (8,271)</u>	<u>\$ (8,271)</u>
Fund Balance, beginning			-		
Fund Balance, ending			<u>\$ (8,271)</u>		

**Town of Granite Quarry North Carolina**  
**General Capital Projects Fund - Streets**  
**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**From inception and for the fiscal year ended June 30, 2021**

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
<b>Revenues:</b>					
Restricted intergovernmental:					
Grants	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	-	-	-	-
Total revenues	-	-	-	-	-
<b>Expenditures:</b>					
Administrative fees	10,309	1,943	8,366	10,309	-
Improvements	334,640	-	334,640	334,640	-
Capitalized interest	-	-	-	-	-
Total expenditures	344,949	1,943	343,006	344,949	-
Revenues over expenditures	(344,949)	(1,943)	(343,006)	(344,949)	-
<b>Other financing sources (uses):</b>					
Proceeds from borrowings	350,000	350,000	-	350,000	-
Transfer from (to) operating fund	(5,051)	-	(5,051)	(5,051)	-
Total other financing sources	344,949	350,000	(5,051)	344,949	-
Net change in fund balance	\$ -	\$ 348,057	(348,057)	\$ -	\$ -
Fund Balance, beginning			348,057		
Fund Balance, ending			\$ -		

**Town of Granite Quarry North Carolina**  
**General Capital Projects Fund - Industrial Development**  
**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**From inception and for the fiscal year ended June 30, 2021**

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>					
Restricted intergovernmental:					
Rural Economic Development grant	\$ 242,918	\$ 16,121	\$ 192,230	\$ 208,350	\$ (34,568)
Rowan County	40,487	-	-	-	(40,487)
Total revenues	<u>283,405</u>	<u>16,121</u>	<u>192,230</u>	<u>208,350</u>	<u>(75,055)</u>
<b>Expenditures:</b>					
Engineering fees	66,660	21,718	27,827	49,544	17,116
Improvements	237,232	200	210,908	211,108	26,124
Administrative costs	<u>20,000</u>	<u>5,000</u>	<u>15,000</u>	<u>20,000</u>	<u>-</u>
Total expenditures	<u>323,892</u>	<u>26,918</u>	<u>253,735</u>	<u>280,653</u>	<u>43,239</u>
Revenues over expenditures	<u>(40,487)</u>	<u>(10,797)</u>	<u>(61,505)</u>	<u>(72,303)</u>	<u>(31,816)</u>
<b>Other financing sources (uses):</b>					
Transfer from (to) operating fund	<u>40,487</u>	<u>34,725</u>	<u>5,762</u>	<u>40,487</u>	<u>-</u>
Total other financing sources	<u>40,487</u>	<u>34,725</u>	<u>5,762</u>	<u>40,487</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 23,928</u>	<u>(55,743)</u>	<u>\$ (31,816)</u>	<u>\$ (31,816)</u>
Fund Balance, beginning			23,928		
Fund Balance, ending			<u>\$ (31,816)</u>		

**Town of Granite Quarry North Carolina**  
**General Capital Projects Fund - Town Hall**  
**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**From inception and for the fiscal year ended June 30, 2021**

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>					
Restricted intergovernmental:					
Grants	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	-	-	-	-
Total revenues	-	-	-	-	-
<b>Expenditures:</b>					
Engineering fees	25,050	21,315	3,735	25,050	-
Improvements	362,066	280,483	81,582	362,066	-
Miscellaneous	-	-	-	-	-
Total expenditures	387,116	301,798	85,317	387,116	-
Revenues over expenditures	(387,116)	(301,798)	(85,317)	(387,116)	-
<b>Other financing sources (uses):</b>					
Transfer from (to) operating fund	387,116	301,798	85,317	387,116	-
Total other financing sources	387,116	301,798	85,317	387,116	-
Net change in fund balance	\$ -	\$ -	-	\$ -	\$ -
Fund Balance, beginning			-		
Fund Balance, ending			\$ -		



**Town of Granite Quarry, North Carolina**  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2021**

Fiscal Year	Uncollected Balance	Additions	Collections And Credits	Uncollected Balance
	June 30, 2020			June 30, 2021
2020-2021		\$ 1,071,900	\$ 1,059,208	\$ 12,692
2019-2020	\$ 15,710		11,768	3,942
2018-2019	5,594		3,121	2,473
2017-2018	4,782		2,091	2,691
2016-2017	3,172		1,284	1,888
2015-2016	3,042		875	2,167
2014-2015	2,408		1,471	937
2013-2014	1,327		751	576
2012-2013	839		268	571
2011-2012	913		66	847
2010-2011	610		610	-
	<u>\$ 38,398</u>	<u>\$ 1,071,900</u>	<u>\$ 1,081,513</u>	
Ad valorem taxes receivable-net				<u>\$ 28,784</u>
Reconciliation with revenues:				
Taxes-Ad Valorem-General				\$ 1,069,349
Adjustments & credits				<u>12,164</u>
Total collections and credits				<u>\$ 1,081,513</u>

**Town of Granite Quarry, North Carolina**  
**Analysis of Current Tax Levy**  
**Town-Wide Levy**  
**For the Year Ended June 30, 2021**

	Total Property Valuation	Rate	Amount of Levy	Total Levy	
				Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current years rate	\$ 256,742,515	0.4175	\$ 1,071,900	\$ 944,851	\$ 127,049
Property taxed at prior years rate	-		-	-	-
Penalties	-		-	-	-
Total	<u>256,742,515</u>		<u>1,071,900</u>	<u>944,851</u>	<u>127,049</u>
Discoveries:					
Current year rates	-	0.4175	-	-	-
Prior year taxes	-		-	-	-
Penalties	-		-	-	-
Total	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
Abatements	<u>-</u>	0.4175	<u>-</u>	<u>-</u>	<u>-</u>
Total property valuation	<u>\$ 256,742,515</u>				
Net levy			1,071,900	944,851	127,049
Uncollected taxes at June 30, 2021			<u>(12,692)</u>	<u>(12,692)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 1,059,208</u>	<u>\$ 932,159</u>	<u>\$ 127,049</u>
Percent current year collected			<u>98.82%</u>	<u>98.66%</u>	<u>100.00%</u>

**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 Board of Aldermen  
Town of Granite Quarry, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information the Town of Granite Quarry, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the Town of Granite Quarry's basic financial statements, and have issued our report thereon dated September 24, 2021.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the following paragraph that we consider to be significant deficiencies.

Due to the limited number of personnel in the Town of Granite Quarry's office, there are inherent limitations to segregation of duties among Town of Granite Quarry's personnel. Presently, a single individual prepares checks, reconciles bank accounts, and maintains the general ledger. A second additional professionally trained employee reviews financial activities routinely. Alternative controls should be used to compensate for any lack of segregation of duties. The Town of Granite Quarry's governing board should provide some of these controls. Management is aware of the deficiency, but cost-benefit analysis indicates that hiring more personnel to mitigate this issue is not feasible. Management will request additional participation from the board members to provide additional oversight of financial operations.

## Compliance and Other Matters

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

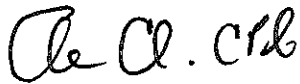
## Town of Granite Quarry's Response to Findings

The Town of Granite Quarry's responses to the findings identified in our audit are described previously. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

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

Eddie Carrick, CPA, PC

A handwritten signature in black ink, appearing to read "Eddie Carrick".

Lexington, North Carolina  
September 24, 2021