

City of Graham, North Carolina
Audited Financial Statements
Year Ended June 30, 2021

City of Graham, North Carolina

Year Ended June 30, 2021

City Council Members

Jerry Peterman – Mayor

Chip Turner - Mayor Pro Tem

Melody Wiggins

Jennifer Talley

Ricky Hall

Administrative and Financial Staff

Aaron Holland – Interim City Manager

Julianne Cordon – Finance Officer

Sandy Callahan – Tax Collector

City of Graham, North Carolina
June 30, 2021
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INDEPENDENT AUDITOR'S REPORT

To The Honorable Mayor and
Members of the City Council
City of Graham
Graham, North Carolina

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based upon our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Graham, North Carolina as of June 30, 2021, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity 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 4 through 14, the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, on page 61, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 56 and 57, respectively, the Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of the Proportionate Share of Net Pension Liability on page 58, and the Law Enforcement Officer's Special Separation Allowance Schedules of Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 59 and 60, 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 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 general accepted in the United State of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge

we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2021 on our consideration of the City of Graham's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of 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 the 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 City of Graham's internal control over financial reporting and compliance.

STOUT STUART MCGOWEN & KINGS LLP

Burlington, North Carolina
November 3, 2021

Management's Discussion and Analysis

As management of the City of Graham, we offer readers of the City of Graham's financial statements this narrative overview and analysis of the financial activities of the City of Graham 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 City's financial statements, which follow this narrative.

Financial Highlights

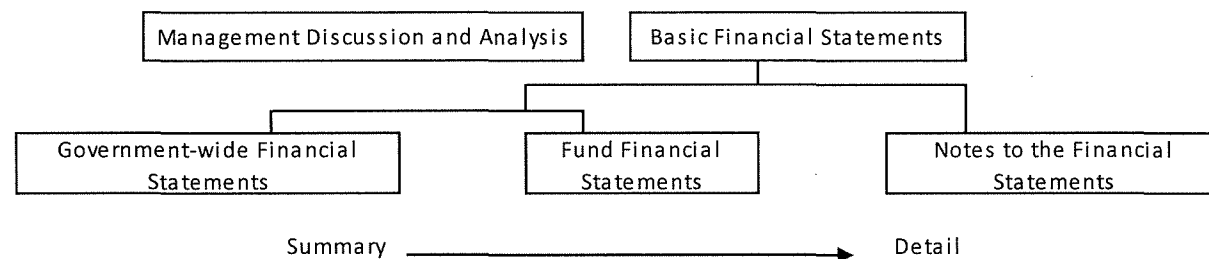
- The assets and deferred outflows of resources of the City of Graham exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$71,490,828 (*net position*).
- The government's total net position increased by \$2,360,930, due to an increase in the business type activities' net position of \$2,538,057 and a decrease in the government type activities' net position of \$177,127.
- As of the close of the current fiscal year, the City of Graham's governmental funds reported combined ending fund balances of \$14,818,184 an increase of \$858,832. Approximately 28% of this total amount, or \$4,209,867, is non-spendable or restricted.
- At the end of the current fiscal year, available fund balance for the General Fund was \$9,138,317 or 66% of total general fund expenditures for the fiscal year.
- The City of Graham's total debt increased by \$1,601,274 or 40% during the current fiscal year.
- The water and sewer fund produced an excess of revenue over expenditures in the amount of \$685,344 under budgetary reporting.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to City of Graham's basic financial statements. The city'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 City 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 City of Graham.

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 City's financial status.

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

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is

provided to show details about the City's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City'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 City's financial status as a whole.

The two government-wide statements report the City's net position and how they have changed. Net position is the difference between the City'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 City's financial condition.

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

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

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City'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* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

Management Discussion and Analysis
City of Graham

the Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The City of Graham has two different kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of the City of Graham. The City uses an internal service fund to account for one activity – its central garage operations. Because this operation benefits predominantly governmental rather than business-type activities, the internal service fund has been included within the governmental activities in the government-wide financial statements.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 26 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Graham's progress in funding its obligation to provide pension benefits and Other Post Employment Benefits (OPEB) to its employees. Required supplementary information can be found beginning on page 53 of this report.

Interdependence with Other Entities – The City depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the City 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 governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

The City of Graham's Net Position
Figure 2

	Governmental Activities			Business-Type Activities			Total		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Current and other									
assets	\$ 16,319,586	\$ 15,774,811	\$ 14,895,449	\$ 18,107,937	\$ 16,928,322	\$ 16,668,633	\$ 34,427,523	\$ 32,703,133	\$ 31,564,082
Capital assets	19,110,606	18,996,346	19,032,710	43,883,056	40,398,430	40,567,610	62,993,662	59,394,776	59,600,320
Deferred outflows									
of resources	4,665,538	1,814,374	1,871,610	1,053,832	437,619	468,934	5,719,370	2,251,993	2,340,544
Total assets	40,095,730	36,585,531	35,799,769	63,044,825	57,764,371	57,705,177	103,140,555	94,349,902	93,504,946
Long-term liabilities									
outstanding	529,261	410,658	398,250	5,294,840	3,570,853	4,094,301	5,824,101	3,981,511	4,492,551
Other liabilities	18,316,505	14,449,252	12,872,070	5,803,820	4,716,082	4,280,339	24,120,325	19,165,334	17,152,409
Deferred inflows of									
resources	1,418,742	1,717,272	1,754,933	286,559	355,887	354,282	1,705,301	2,073,159	2,109,215
Total liabilities	20,264,508	16,577,182	15,025,253	11,385,219	8,642,822	8,728,922	31,649,727	25,220,004	23,754,175
Net Position:									
Net invested in									
capital assets	19,110,606	18,996,346	19,032,710	39,134,631	36,447,762	36,130,791	58,245,237	55,444,108	55,163,501
Restricted	4,209,867	4,370,234	4,683,579	1,269,250	695,944	557,049	5,479,117	5,066,178	5,240,628
Unrestricted	(3,489,251)	(3,358,231)	(2,941,773)	11,255,725	11,977,843	12,288,415	7,766,474	8,619,612	9,346,642
Total net position	\$ 19,831,222	\$ 20,008,349	\$ 20,774,516	\$ 51,659,606	\$ 49,121,549	\$ 48,976,255	\$ 71,490,828	\$ 69,129,898	\$ 69,750,771

Management Discussion and Analysis

City of Graham

As noted earlier, the net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Graham exceeded liabilities and deferred inflows by \$71,490,828 as of June 30, 2021. The City's net position increased by \$2,360,930 in the fiscal year ended June 30, 2021. However, the largest portion (81%) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City of Graham uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Graham's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Graham's net position, 8% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,766,474 is unrestricted.

Several particular aspects of the City's financial operations influenced the total unrestricted governmental net position:

- There were increases in the Ad valorem taxes; due to continued collection diligence, and in the Local Option Sales Tax.
- There was an increase in water and sewer charges, including connections, despite the impact of the coronavirus pandemic.
- There were also grants received during the year supporting the capital projects.
- There was a large increase in the liability for Local Governmental Employees Retirement System benefits and the Other Post Employment benefits.

City of Graham's Change in Net Position

Figure 3

	Governmental Activities			Business-type Activities			Total		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Revenues:									
Program revenues:									
Charges for services	\$ 1,466,200	\$ 1,107,057	\$ 1,204,718	\$ 8,050,593	\$ 7,140,864	\$ 7,524,535	\$ 9,516,793	\$ 8,247,921	\$ 8,729,253
Grants and contributions									
Operating	1,259,860	1,060,233	1,113,984	-	-	-	1,259,860	1,060,233	1,113,984
Capital	193,869	252,128	329,586	1,592,653	68,194	(12,220)	1,786,522	320,322	317,366
General revenues:									
Property taxes	6,003,313	5,742,231	5,505,751	-	-	-	6,003,313	5,742,231	5,505,751
Other taxes	5,908,032	5,071,288	5,078,501	-	-	-	5,908,032	5,071,288	5,078,501
Grants and contributions not restricted to specific program	281,807	230,088	213,174	-	-	-	281,807	230,088	213,174
Unrestricted investment earnings	38,299	118,923	108,117	46,082	116,529	117,253	84,381	235,452	225,370
Transfers	-	-	-	-	-	-	-	-	-
Other	120,042	10,320	(22,771)	(1,235)	1,636	-	118,807	11,956	(22,771)
Total revenues	15,271,422	13,592,268	13,531,060	9,688,093	7,327,223	7,629,568	24,959,515	20,919,491	21,160,628
Expenses:									
General government	3,674,226	3,213,239	3,050,248	-	-	-	3,674,226	3,213,239	3,050,248
Public safety	6,850,274	6,571,981	5,762,804	-	-	-	6,850,274	6,571,981	5,762,804
Transportation	1,824,827	1,608,852	1,432,656	-	-	-	1,824,827	1,608,852	1,432,656
Economic protection	949,150	929,485	852,723	-	-	-	949,150	929,485	852,723
Culture and recreation	2,150,072	2,034,878	1,925,013	-	-	-	2,150,072	2,034,878	1,925,013
Water and sewer	-	-	-	7,150,036	7,181,929	6,628,864	7,150,036	7,181,929	6,628,864
Total expenses	15,448,549	14,358,435	13,023,444	7,150,036	7,181,929	6,628,864	22,558,585	21,540,364	19,652,308
Increase (decrease) in net position	(177,127)	(766,167)	507,616	2,538,057	145,294	1,000,704	2,360,930	(620,873)	1,508,320
Net position, July 1	20,008,349	20,774,516	20,266,900	49,121,549	48,976,255	47,975,551	69,129,898	69,750,771	68,242,451
Net position-July 1-Restated	20,008,349	20,774,516	20,266,900	49,121,549	48,976,255	47,975,551	69,129,898	69,750,771	68,242,451
Net position, June 30	\$ 19,831,222	\$ 20,008,349	\$ 20,774,516	\$ 51,659,606	\$ 49,121,549	\$ 48,976,255	\$ 71,490,828	\$ 69,129,898	\$ 69,750,771

Governmental activities: Governmental activities decreased the City's net position by \$177,127, accounting for (7%) of the total increase in the net position of the City of Graham. Key elements of this change in net position are as follows:

- There was an increase in the Ad valorem taxes in the amount of \$261,082.
- There was an increase in charges for services in the amount of \$359,143.
- There was also an increase in the Local Option Sales Tax of \$735,647.
- These increases were offset by large increases in the LGERS, LEO, and OPEB liabilities in the amount of \$684,626, \$516,144, and \$2,942,910 respectively, due to the expectation of increased cost to provide these benefits.

Business-type activities: Business-type activities increased the City of Graham's net position by \$2,538,057 accounting for 107% of the total growth in the government's net position. Key elements of this increase are as follows:

- There were increases in charges for services of \$909,729 and connections fees of \$652,792.
- There was a large increase in the LGERS and OPEB liabilities in the amount of \$171,156 and \$742,351, respectively, due to the expectation of increased cost to provide these benefits.
- There was an increase in grant funding for the capital projects in the amount of \$1,524,459.

Financial Analysis of the City's Funds

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

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

The general fund is the chief operating fund of the City of Graham. At the end of the current fiscal year, the City of Graham's fund balance available in the General Funds was \$10,608,317 while total fund balance reached \$12,219,643. The Governing Body of the City of Graham has determined that the City should maintain an available fund balance of 30% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting cash flow needs of the City. The City currently has an available fund balance of 77% of general fund expenditures, while total fund balance represents 88% of the same amount.

At June 30, 2021, the governmental funds of the City of Graham reported a combined fund balance of \$14,818,184, with a net increase in fund balance of \$858,832. Included in this change in fund balance is an increase of \$767,671 in the general fund and an increase in the non-major funds of \$91,161.

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

Revenues received were more than the original budgeted amounts during the year, keeping pace with expenditures resulting in revenue over expenditures of \$767,671.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer fund at the end of the fiscal year amounted to \$11,255,725. The total increase in unrestricted net position was \$2,538,057.

Capital Asset and Debt Administration

Capital assets. The City of Graham's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$62,993,662 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following additions and disposals:

- Several infrastructure projects were completed in addition to new vehicles, trucks and equipment.

City of Graham's Capital Assets (net of depreciation)
Figure 4

	Governmental Activities			Business-type Activities			Total		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Land	\$ 2,956,005	\$ 2,731,504	\$ 2,782,911	\$ 1,281,547	\$ 1,281,547	\$ 1,281,547	\$ 4,237,552	\$ 4,013,051	\$ 4,064,458
Art Collection	62,100	62,100	62,100	-	-	-	62,100	62,100	62,100
Building and systems	1,656,935	1,711,614	1,766,293	9,743,131	9,978,332	10,213,533	11,400,066	11,689,946	11,979,826
Water and sewer systems	-	-	-	14,692,100	15,047,531	15,402,962	14,692,100	15,047,531	15,402,962
Improvements other than buildings	3,661,501	2,776,011	2,809,383	11,969,491	11,966,638	11,816,417	15,630,992	14,742,649	14,625,800
Infrastructure	7,218,042	7,371,888	6,538,832	-	-	-	7,218,042	7,371,888	6,538,832
Vehicles and equipment	3,556,023	3,619,429	3,563,263	1,671,077	1,408,162	1,210,799	5,227,100	5,027,591	4,774,062
Construction in progress	-	723,800	1,509,928	4,525,710	716,220	642,352	4,525,710	1,440,020	2,152,280
Total Capital Assets	\$ 19,110,606	\$ 18,996,346	\$ 19,032,710	\$ 43,883,056	\$ 40,398,430	\$ 40,567,610	\$ 62,993,662	\$ 59,394,776	\$ 59,600,320

Additional information on the city's capital assets can be found in note II.A.4. of the Basic Financial Statements.

Long-term Debt

As of June 30, 2021, the City of Graham had no bonded debt outstanding.

City of Graham's Outstanding Debt

The City of Graham's total debt increased by 40% during the past fiscal year, this increase is due to the new loan for the Boyd Creek Pump Station capital project for \$2,149,074 offset by payments on debt which totaled \$539,800. North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Graham is \$97,405,262. Additional information regarding the City of Graham's long-term debt can be found in note II.B.5.

Economic Factors and Next Year's Budgets and Rates

In fiscal year 2020-2021, the City of Graham and our citizens withstood the worst of Covid 19. Now, as we come out of that test, we must prepare to move forward as the economy continues to improve.

Within the following document you will find the recommended budget for Fiscal Year 2021-2022, which begins our journey forward. The budget is balanced and meets all the applicable requirements of the North Carolina Local Government Budget and Fiscal Control Act. Per General Statutes, a public hearing will be scheduled for the June 8, 2021 City Council meeting and Council may consider adoption at this meeting.

In FY 2020-2021, we moved forward conservatively. It appears the city will come through Covid 19 with very few scars. The sales tax has held steady, the property tax base is increased slightly, hundreds of new residents are now calling Graham home, economic development interest is high, and new housing starts are steady.

The FY 2022 budget is much like previous budgets. We continue to invest in city infrastructure and employees, so we can meet the future. It also positions us to take advantage of any infrastructure funding that may become available from federal sources.

Budget Highlights for the Fiscal Year Ending June 30, 2022

The proposed annual budget totals \$24,645,800 a 12.09% decrease below FY 2020- 2021. This is mainly due to the closing of the Boyd Creek Pump Station Project Fund. Appropriations across ten (10) different funds include operating, internal service and capital projects.

Governmental Activities: Some of the highlights for the FY 2021-2022 General Fund Budget are:

The City's General Fund revenues are most affected by fluctuations in the economy. The sales and use tax, the City's second largest revenue, is particularly elastic as it's impacted by the economy and consumer consumption. Growth in recent years has fueled an increase in the taxable valuation of property in the City. It is estimated that the tax base will continue to grow and outpace inflation for the coming year. For FY 2021-2022, the General Fund has a total budget of \$14,740,500.

While development serves as a sign for a healthy, growing city, it also brings forth challenges that we must address in the near future. With new homes and development comes increased demand and pressures on city services. That includes more calls for services for our public safety departments and our already over-extended sanitation department. This pressure to maintain expected levels of service, while also conserving cost saving measures impact the General Fund more so than any other fund. Below is a summary by department or function:

Information Technology: Staff efficiency and productivity depends upon IT maintaining and supporting over 700 devices, all software and systems for the city. The dependency and use of IT services increased tremendously during the pandemic and is expected to maintain a high need.

Total Budget: \$269,700

Prior year: \$384,000

Capital: Network Licenses, City Hall Phone System, Firewall Replacement

Police: Police services are the largest department and has the primary responsibility of providing for the maintenance of social order within carefully prescribed ethical, legal, and constitutional restrictions. The department responds to over 28,000 calls for service annually and holds a Commission on Accreditation of Law Enforcement Agencies (CALEA) Advanced Accreditation with Excellence designation. In addition to Capital items, funding for two (2) patrol officers are included in salaries.

Total budget: \$4,637,000

Prior year: \$4,385,300

Capital: HVAC Upgrades, Four Vehicles

Fire: In recent years, the department has taken a more progressive and modern approach by expanding their roles, mission, and resources, with increased training and providing emergency medical services. The Fire department provides an ISO 3 level of service to the City and staffing includes paid and volunteer firefighters working out of 1 fire station.

Total budget: \$1,770,100

Prior year: \$1,553,300

Capital: SCBA Replacement, Fire Station Financing YR1

Inspections: Despite the challenges posed by the pandemic, the activity within the Inspections and Planning department increased on a trajectory as in recent years. The City's inspections Department issued over 170 new home permits during the past 18 months and the Planning Department processed requests for 7 new subdivisions with over 1050 potential new homes.

Total budget: \$581,300

Prior year: \$550,600

Capital: None

Transportation: The Street Department and two smaller departments (Traffic Engineering & Street Lighting) constitute the City's transportation function. This department manages 63 miles of streets, sidewalks, traffic signals and all stormwater infrastructure.

Management Discussion and Analysis

City of Graham

Total budget: \$1,831,200

Prior year: \$1,738,300

Capital: Signalization Upgrades (Pine @ Melville), Truby Drive Engineering, PW parking lot repair, Dumpster project, Min St sidewalk project, Sign Retroreflector, Pickup Truck, Street Resurfacing

Garage and Warehouse: The Garage and Warehouse department administers the distribution and inventory of fuel and other materials used by the Garage and other departments.

Total budget: \$110,400

Prior year: \$95,300

Capital: Heavy Duty Tire Changer

Sanitation: The Public Works Department, sanitation in particular, was not stymied by the pandemic. In fact, services yielded an above average tonnage this year. Refuse fees increase are being proposed with an increase from \$6.25 per month to \$8.00 per month. An anticipated meteoric cost of recycling is expected with the new recycling contract coming July 2022.

Total budget: \$1,206,600

Prior year: \$872,400

Capital: Automated Garbage Truck

Business-type Activities: Ensuring the efficient delivery of services to citizens has required a commitment to making necessary investments in the system's operations and critical water and sewer infrastructure. This enterprise operation is capital intensive, requiring constant maintenance, replacement and upgrading. Couple those aspects with significant regulatory oversight and challenges compound. In FY 2020-2021, the City began to appropriate funds to cover the debt service for recent projects and look ahead towards major projects that have a significant financial impact. Continuing this practice is recommended for FY 2021-2022.

The Water and Sewer Fund is operated to account for the activities of the Water and Sewer System. It is classified as an enterprise fund rendering services on a user charge basis. As mentioned prior, water and sewer charges account for the largest source of revenue for this fund at \$7,472,000 or 83% of the total revenues for the fund. Below is a summary of our estimated revenues by category:

Non-Operating: The revenues from partnerships, leases and interest on investments make up the entirety of Non-Operating Revenue.

Operating: Operating Revenues include assessments, taps, system development fees, plumbing permits and inspection fees. System Development Fees must be transferred to the Water and Sewer Capital Reserve Fund.

Other Financing Sources: Regional partnerships for both water and sewer, Retained Earnings Appropriations, and sale of surplus properties are revenues included in this category.

Services: Water and sewer service charges, water and sewer surcharges, and regional partnership revenue are included in Services revenue. A recent rate study was developed and adopted to avoid future rate shock and provide funding for future required capital projects, including a WWTP upgrade. Following the graduated rate increase approach for FY 2021-2022, the following adjustments to rates are recommended:

- o *Water Rates:* Based on expenditures, water rates are recommended to stay the same as current year rates at \$3.50 per thousand gallons, with a base rate of \$3.30.

Management Discussion and Analysis

City of Graham

- o *Sewer Rates:* Sewer charges must generate enough revenue to cover approximately \$3,913,000 in expenditures including debt service for the Boyd Creek Pump station and the anticipated debt service for Waste Water Treatment Plant Improvements and Expansion. To cover these expenditures, sewer rates are recommended to increase from \$7.75 per thousand gallons to \$8.45, with a base rate of \$3.30.

Expenditures

Overall expenditures for the Water and Sewer Fund are proposed at an increase of \$842,900 over the current year. The primary difference between the two years are outlays for the aforementioned debt services (\$327,500), Albright sewer line replacement (\$455,000) and a transfer (\$150,000) to the Water and Sewer Capital Reserve Fund. If these items were exempted, overall expenditures would realize a slight decrease. Below are highlights from the various departments:

Water and Sewer Billing: Responsible for the support of the billing, collections, metering and customer service functions for Water and Sewer operations.

Total: \$631,100
Prior year: \$415,500
Capital: None

Water and Sewer Distribution and Lift Stations: These two departments support the maintenance of nearly 200 miles of water and sewer lines, outfalls, force mains and their associated lift stations. A significant problem for this department is inflow and infiltration into wastewater lines. Tests and studies have been deployed in recent years, such as smoke testing a slip-lining, to identify distressed areas within the system.

Total: \$2,050,800 (W/S Distribution), \$292,200 (Maintenance and Lift Stations)
Prior year: \$1,860,300 (W/S Distribution), \$221,800 (Maintenance and Lift Stations)
Capital: Long & Albright Sewer Line Replacement, System Modeling, Engineering for 10" line rehab

Water Treatment Plant: The City of Graham is co-owner of the Graham-Mebane Water Treatment Plant with the City of Mebane. The Water Plant operates 24 hours per day to provide 3.8 gallons of water per day to the City, and area partnerships and customers. This department is challenging to budget for due to the unpredictability of knowing what chemicals and parts may be needed beyond the funded amount and any cost increases during the year. It is not uncommon for adjustments throughout the year to accommodate changes.

Total: \$2,032,500
Prior year: \$2,011,100
Capital: Spillway Repair, Administration Building Roof Repair, Raw Pump Repair, AWD SUV

Wastewater Treatment Plant: Using biological treatment methods, the Wastewater Treatment Plant has a capacity to treat 3.5 million gallons per day and operates at an average 2.0 million gallons per day. The plant must function at all times and meet stringent environmental standards. Construction to expand the Treatment Plant is anticipated to begin Spring 2023 and will expand capacity to 5 million gallons per day.

Total: \$1,622,100
Prior year: \$1,586,600
Capital: SCADA Upgrade, Door Replacements, Sludge Mixer, Blower, Maintenance Truck

Non-Departmental: Debt service, intergovernmental wastewater treatment, insurance and bonds, and post-employment benefits expenses are included in this expense category. Expenses are expected to increase by \$327,500 to cover costs associated with the Waste Water Treatment Plant Upgrade.

Management Discussion and Analysis
City of Graham

Total: \$2,383,000

Prior year: \$2,055,500

Capital: None

Other Funds: The City operates several capital project funds, an internal service fund and other non-major funds. Some may or may not require budgets due to the type of fund, but nevertheless are subject to our internal controls and placeholder entries are made, at minimum. Below is a brief description of each and any changes necessary.

Garage Fund: The Garage operations are responsible for the maintenance of the City's entire equipment and vehicle fleet, as well as maintains contracts with ACTA, Graham Housing Authority, the Alamance Municipal ABC Board and the Town of Green Level. The City's garage also provides fuel services for Alamance County, excluding the Sheriff's Office. Revenues are generated largely from our own operations (\$680,100) with the balance from sales and services to other contracted entities. There are no fund balance appropriations requested this year and total revenue is estimated at \$911,400. Major expenditures include Fuel Inventories (\$435,000) and Parts Inventories (\$256,000). Overall expenditures within the fund are estimated at \$911,400 which represents a slight decrease of 4.23%.

Cemeteries Perpetual Care Fund: Established in 2015, the fund ensures the perpetual care and beautification of the City's cemeteries. For FY 2021-2022, no appropriations are requested.

Water & Sewer Capital Reserve Fund: Less of an independent fund and more of a sub-fund of the Water & Sewer Fund, this capital reserve fund accounts for receipts from the levy of System Development Fees. Currently we have \$695K on the balance sheet now and that number will increase at year-end when accounting moves current year money over to the balance sheet. These monies will be allocated to Old Fields capital project.

Asset Forfeiture Funds: The City operates both a State and Federal asset forfeiture fund whereby assets seized from certain law enforcement activities are accounted for. Revenues are highly unpredictable as well as the timing of their receipt. Expenditures are regulated by the terms of the agreement with the associated agencies/programs and generally cannot be used to subsidize any operating budgets. Therefore, only nominal placeholder entries are included in the budget adoption to ensure against it.

Graham Regional Park Universal Playground Capital Project Fund: The City was awarded \$500,000 from a Connect NC Bond Grant to construct a one of a kind playground in our area. This intergenerational playground, designed for individuals to play together regardless of physical challenges or disabilities goes beyond ADA accessibility by focusing on all types of disabilities. A match of at least \$350,000 was required and is accounted for independent of the initial phase to simplify grant requirements. The completion of this project occurred in FY 2020-2021.

Boyd Creek Pump Station Capital Project Fund: This fund actually accounts for two projects in one. The first, and most significant, being the replacement of the Boyd Creek Pump Station. The second, and smaller part of the project, is an upgrade to the Back Creek #2 lift station, which is now complete. In August of 2017, the City was awarded \$612,500 in grant funds and \$1,837,500 in zero interest loan funds. The total fund budget is \$3,962,000. The completion of this project is expected in FY 2021-2022.

Old Fields Outfall Capital Project Fund: The Old Fields Subdivision along Cherry Lane has an approved development plan that includes 755 dwelling units and various pods for nonresidential uses. To date, less than 50 of the dwelling units are constructed and further development is restricted due to the lack of collection system capacity. Current development within Old Fields is served by a small lift station that was originally permitted as a temporary solution for the initial phases of development only. The total estimated cost is \$2,955,000. Considering the \$800,000 from the Developer and an additional \$800,000 from the Water and Sewer Capital Reserve Fund, the City is anticipated to expend \$1,355,000 from Fund Balance.

Wastewater Treatment Plant Upgrade Capital Project Fund: Pursuant to our nutrient capacity study completed in 2019, it was concluded that a substantial upgrade to our WWTP is required in order to meet current permit requirements for nutrient removal. The project will also expand our permitted capacity from 3.5mgd to 5.0mgd. The City Council approved a design engineering and bidding contract with Hazen and Sawyer. The total project is estimated at \$35,000,000 and will likely represent the largest capital expenditure in the history of the City. The State Water Infrastructure Authority has now approved a Clean Water State Revolving Fund (CWSRF) loan for \$7,694,000, with up to 25% of the loan (maximum of \$500,000) as forgivable and the remainder will be repayable at a maximum interest rate of 0.18%. The balance of the funding will come from an Additional Supplemental Appropriations for Disaster Relief Act of 2019 (ASADRA) loan in the amount of \$27,600,000, repayable at a maximum interest rate of 0.18%. In FY 2020-2021, Water and Sewer fees began a 4-year graduated increase to cover future debt service requirements. The FY 2021 -2022 budget reflects year two of the graduated increase in rates.

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any information found in this report or request for additional information should be directed to:

Aaron Holland, Interim City Manager
City of Graham
201 South Main Street
Graham, NC 27253

City of Graham, North Carolina

Exhibit 1

Statement of Net Position

June 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 13,329,731	\$ 10,195,240	\$ 23,524,971
Taxes receivables (net)	235,323	-	235,323
Accrued interest receivable on taxes	54,586	-	54,586
Accounts receivable (net)	573,729	1,119,405	1,693,134
Prepaid expenses	36,993	-	36,993
Due from other governments	1,824,321	1,854,672	3,678,993
Internal balances	(8,646)	8,646	-
Restricted cash and cash equivalents	273,549	1,391,261	1,664,810
Notes receivable	-	3,538,713	3,538,713
Capital assets (Note 1):			
Land, non-depreciable improvements, and construction in progress	3,018,105	5,807,257	8,825,362
Other capital assets, net of depreciation	16,092,501	38,075,799	54,168,300
Total capital assets	19,110,606	43,883,056	62,993,662
Total assets	35,430,192	61,990,993	97,421,185
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	-	-	-
Pension deferrals	2,195,127	430,245	2,625,372
OPEB deferrals	2,470,411	623,587	3,093,998
Total deferred outflows of resources	4,665,538	1,053,832	5,719,370
LIABILITIES			
Current liabilities:			
Accounts payable	759,126	543,584	1,302,710
Accrued interest payable	-	38,065	38,065
Payable from restricted assets	13,575	99,322	112,897
Long-term liabilities:			
Net pension liability - LGERS	3,083,125	797,973	3,881,098
Net pension liability - LEO	1,703,124	-	1,703,124
Net OPEB liability	12,517,061	3,818,212	16,335,273
Due within one year	240,494	506,664	747,158
Due in more than one year	529,261	5,294,840	5,824,101
Total liabilities	18,845,766	11,098,660	29,944,426
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	8,997	-	8,997
Unearned revenues	259,974	-	259,974
Pension deferrals	150,940	25,379	176,319
OPEB deferrals	998,831	261,180	1,260,011
Total deferred inflows of resources	1,418,742	286,559	1,705,301
NET POSITION			
Net investment in capital assets	19,110,606	39,134,631	58,245,237
Restricted for:			
Cemetery Perpetual Care	2,598,541	-	2,598,541
Stabilization by State Statute	1,611,326	-	1,611,326
Capital Reserve Fund	-	1,269,250	1,269,250
Unrestricted	(3,489,251)	11,255,725	7,766,474
Total net position	\$ 19,831,222	\$ 51,659,606	\$ 71,490,828

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

City of Graham, North Carolina
Statement of Activities
For the Year Ended June 30, 2021

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for	Operating Grants	Capital Grants and	Governmental	Business-type	Total
		Services	and Contributions	Contributions	Activities	Activities	
Governmental Activities:							
General government	\$ 3,674,226	\$ 194,703	\$ 568,868	\$ -	\$ (2,910,655)	\$ -	\$ (2,910,655)
Public safety	6,850,274	647,934	282,263	-	(5,920,077)	-	(5,920,077)
Transportation	1,824,827	-	381,718	53,063	(1,390,046)	-	(1,390,046)
Environmental protection	949,150	415,648	-	-	(533,502)	-	(533,502)
Human services	-	-	25,700	-	25,700	-	25,700
Cultural and recreation	2,150,072	207,915	1,311	140,806	(1,800,040)	-	(1,800,040)
Total governmental activities	15,448,549	1,466,200	1,259,860	193,869	(12,528,620)	-	(12,528,620)
Business-type activities:							
Water and sewer	7,150,036	8,050,593	-	1,592,653	-	2,493,210	2,493,210
Total business-type activities	7,150,036	8,050,593	-	1,592,653	-	2,493,210	2,493,210
Total primary government	\$ 22,598,585	\$ 9,516,793	\$ 1,259,860	\$ 1,786,522	(12,528,620)	2,493,210	(10,035,410)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					6,003,313	-	6,003,313
Other taxes					5,908,032	-	5,908,032
Grants and contributions not restricted to specific programs					281,807	-	281,807
Unrestricted investment earnings					38,299	46,082	84,381
Miscellaneous					120,042	(1,235)	118,807
Total general revenues excluding special items, transfers					12,351,493	44,847	12,396,340
Transfers					-	-	-
Total general revenues, special items, and transfers					12,351,493	44,847	12,396,340
Change in net position					(177,127)	2,538,057	2,360,930
Net position-beginning					20,008,349	49,121,549	69,129,898
Net position-ending					\$ 19,831,222	\$ 51,659,606	\$ 71,490,828

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

City of Graham, North Carolina
Balance Sheet
Governmental Funds
June 30, 2021

Exhibit 3

	Major Fund General	Total Non- Major Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 10,600,152	\$ 2,591,990	\$ 13,192,142
Restricted cash and cash equivalents	273,549	-	273,549
Accrued interest receivable	12,434	551	12,985
Taxes receivables, net	235,323	-	235,323
Accounts receivables, net	535,374	6,000	541,374
Due from other governments	1,824,321	-	1,824,321
Total assets	<u>\$ 13,481,153</u>	<u>\$ 2,598,541</u>	<u>\$ 16,079,694</u>
LIABILITIES			
Accounts payable and accrued liabilities	743,641	-	743,641
Payable from restricted cash	13,575	-	13,575
Total liabilities	<u>757,216</u>	<u>-</u>	<u>757,216</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	235,323	-	235,323
Prepaid taxes	8,997	-	8,997
Unearned revenue	259,974	-	259,974
Total deferred inflows of resources	<u>504,294</u>	<u>-</u>	<u>504,294</u>
FUND BALANCES			
Non Spendable			
Cemetery Perpetual Care	-	2,598,541	2,598,541
Restricted			
Stabilization by State Statute	1,611,326	-	1,611,326
Assigned			
General Government improvements	-	-	-
Subsequent year's expenditures	1,470,000	-	1,470,000
Unassigned	9,138,317	-	9,138,317
Total fund balances	<u>12,219,643</u>	<u>2,598,541</u>	<u>14,818,184</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 13,481,153</u>	 <u>\$ 2,598,541</u>	

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

(continued)

City of Graham, North Carolina
Balance Sheet
Governmental Funds
June 30, 2021

Exhibit 3

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

Total Fund Balance, Governmental Funds	\$	14,818,184
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$	34,003,680
Accumulated depreciation	<u>(14,893,074)</u>	
Total		19,110,606
Less internal service fund net capital assets included as net assets below	<u>(45,351)</u>	19,065,255
Deferred outflows of resources related to pensions are not reported in the funds		
		2,154,268
Deferred outflows of resources related to OPEB are not reported in the funds		
		2,423,320
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds		
		54,586
Internal service funds are used by management to charge the costs of the garage fund, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position.		
	(25,433)	
Consolidation adjustment for internal balances between the Internal Service Fund and the Governmental Funds		
	<u>(8,646)</u>	(34,079)
Earned revenues considered deferred inflows of resources in fund statements.		
		235,323
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
		(748,844)
Net LEOSA pension		(1,703,124)
Net OPEB liability		(12,302,767)
Net pension liability		(3,005,503)
Deferred inflows of resources related to pensions are not reported in the funds		
		(149,078)
Deferred inflows of resources related to OPEB are not reported in the funds		
		<u>(976,319)</u>
Net position of governmental activities	<u>\$</u>	<u>19,831,222</u>

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

City of Graham, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

Exhibit 4

	Major Fund		
	General Fund	Total Non-Major Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 5,999,261	\$ -	\$ 5,999,261
Other taxes and licenses	753	-	753
Unrestricted intergovernmental	6,038,673	-	6,038,673
Restricted intergovernmental	668,940	368,252	1,037,192
Permits and fees	634,397	-	634,397
Sales and services	713,978	88,798	802,776
Investment earnings	40,279	2,363	42,642
Other revenues	490,087	-	490,087
Total revenues	<u>14,586,368</u>	<u>459,413</u>	<u>15,045,781</u>
EXPENDITURES			
Current:			
General government	2,706,714	242,052	2,948,766
Public safety	6,450,554	-	6,450,554
Transportation	1,679,329	-	1,679,329
Environmental protection	820,586	-	820,586
Culture and recreation	2,161,014	-	2,161,014
Capital Outlay	-	175,278	175,278
Total expenditures	<u>13,818,197</u>	<u>417,330</u>	<u>14,235,527</u>
Excess of revenues over expenditures	<u>768,171</u>	<u>42,083</u>	<u>810,254</u>
OTHER FINANCING SOURCES (USES)			
Transfers (to) from other funds	(49,078)	49,078	-
Letter of credit funds	48,578	-	48,578
Total other financing sources (uses)	<u>(500)</u>	<u>49,078</u>	<u>48,578</u>
Net change in fund balance	767,671	91,161	858,832
Fund balances-beginning	<u>11,451,972</u>	<u>2,507,380</u>	<u>13,959,352</u>
Fund balances-ending	<u>\$ 12,219,643</u>	<u>\$ 2,598,541</u>	<u>\$ 14,818,184</u>

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

(continued)

City of Graham, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

Exhibit 4
(continued)

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

Net changes in fund balances - total governmental funds	\$	858,832
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 expenditures which were capitalized	\$	939,434
Depreciation expense for governmental assets	<u>(822,899)</u>	116,535
Book value of disposed capital asset not recorded in fund statements		(2,274)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		595,197
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statment of Activities		27,151
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		238,036
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		
Amount of donated assets		4,485
Change in unavailable revenue for tax revenue		336
Change in accrued interest receivable on taxes		3,716
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		(84,119)
Pension expense		(1,027,672)
Net pension obligation LEOSSA		(164,323)
Other postemployment benefits		(707,011)
Consolidation adjustment for internal balances between the Internal Service Fund and the Governmental Funds	(40,527)	
Net revenue of internal service funds determined to be governmental-type	<u>4,511</u>	(36,016)
Total changes in net position of governmental activities	<u>\$</u>	<u>(177,127)</u>

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

City of Graham, North Carolina
General Fund

Exhibit 5

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

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 5,713,600	\$ 5,713,600	\$ 5,999,261	\$ 285,661
Other taxes and licenses	100	100	753	653
Unrestricted intergovernmental	5,049,500	5,049,500	6,038,673	989,173
Restricted intergovernmental	534,700	575,600	668,940	93,340
Permits and fees	136,000	136,000	634,397	498,397
Sales and services	638,300	638,300	713,978	75,678
Investment earnings	87,000	90,900	40,279	(50,621)
Other revenues	415,600	415,600	490,087	74,487
Total revenues	12,574,800	12,619,600	14,586,368	1,966,768
Expenditures:				
Current:				
General government	2,695,900	2,730,900	2,706,714	24,186
Public safety	6,489,400	6,524,200	6,450,554	73,646
Transportation	1,738,300	1,717,800	1,679,329	38,471
Environmental protection	872,400	872,400	820,586	51,814
Cultural and recreation	2,272,000	2,267,500	2,161,014	106,486
Total expenditures	14,068,000	14,112,800	13,818,197	294,603
Revenues over (under) expenditures	(1,493,200)	(1,493,200)	768,171	2,261,371
Other financing sources (uses):				
Appropriated fund balance				
General Fund	1,493,200	1,493,200	-	(1,493,200)
Transfers (to) from other funds	-	-	(49,078)	(49,078)
Letter of credit funds	-	-	48,578	48,578
Total other financing sources (uses)	1,493,200	1,493,200	(500)	(1,493,700)
Net change in fund balance	\$ -	\$ -	767,671	\$ 767,671
Fund balances, beginning of year			11,451,972	
Fund balances, end of year			\$ 12,219,643	

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

City of Graham, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2021

Exhibit 6

	Water and Sewer Fund	Internal Service Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 10,195,240	\$ 137,589
Accounts receivable (net)	1,119,405	19,370
Due from other governments	1,854,672	-
Prepaid expenses	-	36,993
Restricted cash and cash equivalents	1,391,261	-
Total current assets	<u>14,560,578</u>	<u>193,952</u>
Noncurrent assets:		
Notes receivable	3,538,713	-
Capital assets:		
Land and other non-depreciable assets	5,807,257	9,500
Other capital assets, net of depreciation	38,075,799	35,851
Capital assets (net)	<u>43,883,056</u>	<u>45,351</u>
Total noncurrent assets	<u>47,421,769</u>	<u>45,351</u>
Total assets	<u>61,982,347</u>	<u>239,303</u>
DEFERRED OUTFLOWS OF RESOURCES		
Contributions to pension plan	430,245	40,859
OPEB deferrals	623,587	47,091
Deferred charge on refunding	-	-
Total deferred outflows of resources	<u>1,053,832</u>	<u>87,950</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	543,584	15,485
Accrued interest	38,065	-
Customer deposits	99,322	-
Current portion of long term debts	506,664	-
Total current liabilities	<u>1,187,635</u>	<u>15,485</u>
Noncurrent liabilities:		
Other noncurrent liabilities:		
Other postemployment benefits	3,818,212	214,294
Compensated absences	217,237	20,911
Net pension liability	797,973	77,622
Non-current portion of long term debt	5,077,603	-
Total noncurrent liabilities	<u>9,911,025</u>	<u>312,827</u>
Total liabilities	<u>11,098,660</u>	<u>328,312</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	25,379	1,862
OPEB deferrals	261,180	22,512
Total deferred inflows of resources	<u>286,559</u>	<u>24,374</u>
NET POSITION		
Net investment in capital assets	39,134,631	45,351
Restricted for:		
Capital Reserve Funds	1,269,250	
Unrestricted	<u>11,247,079</u>	<u>(70,784)</u>
Total net position	51,650,960	<u>\$ (25,433)</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>8,646</u>	
Net position of business- type activities	<u>\$ 51,659,606</u>	

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

City of Graham, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2021

Exhibit 7

	Water and Sewer Fund	Internal Service Fund
OPERATING REVENUES		
Charges for services	\$ 7,003,080	\$ 662,215
Other operating revenues	1,047,513	71
Total operating revenues	<u>8,050,593</u>	<u>662,286</u>
OPERATING EXPENSES		
Billing and metering	405,134	-
Distribution and maintenance	1,420,521	-
Sewer mains	154,486	-
Water treatment plant	1,755,430	-
Sewer treatment plant	1,787,281	-
Non-departmental	502,950	-
Depreciation and amortization	1,032,422	6,382
Garage operations	-	721,563
Total operating expenses	<u>7,058,224</u>	<u>727,945</u>
Operating income	<u>992,369</u>	<u>(65,659)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest earned on investment	46,082	700
Interest on long-term debt	(87,301)	-
Total nonoperating revenue (expenses)	<u>(41,219)</u>	<u>700</u>
Income before contributions, special item and transfers	<u>951,150</u>	<u>(64,959)</u>
Capital contributions	1,592,653	-
Gain (loss) on disposition	(1,235)	-
Contributions, special item and transfers	<u>1,591,418</u>	<u>-</u>
Change in net position before internal service fund consolidation	<u>2,542,568</u>	<u>(64,959)</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	<u>(4,511)</u>	<u>-</u>
Change in net position	<u>2,538,057</u>	<u>(64,959)</u>
Total net position - beginning	<u>49,121,549</u>	<u>39,526</u>
Total net position - ending	<u><u>\$ 51,659,606</u></u>	<u><u>\$ (25,433)</u></u>

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

City of Graham, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2021

Exhibit 8

	<u>Water and Sewer Fund</u>	<u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 6,841,226	\$ 654,551
Cash paid for goods and services	(4,454,588)	(620,267)
Cash paid to or on behalf of employees for services	(1,409,369)	(103,646)
Customer deposits received	55,156	-
Customer deposits returned	(55,906)	-
Other operating revenue received	1,047,513	71
Net cash provided (used) by operating activities	<u>2,024,032</u>	<u>(69,291)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(4,406,736)	-
Payments received on notes receivable	327,403	-
Principal paid on bonds and notes payable	(547,800)	-
Loan proceeds	2,149,074	-
Interest paid on bonds and notes payable	(92,833)	-
Other non-operating revenue	-	-
Operating transfer from General Fund	-	-
Net cash used by capital and related financing activities	<u>(2,570,892)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments and assessments	90,910	700
Net cash provided by investing activities	<u>90,910</u>	<u>700</u>
Net decrease in cash and cash equivalents	(455,950)	(68,591)
Balances-beginning of the year	12,042,450	206,185
Balances-end of the year	<u>\$ 11,586,500</u>	<u>\$ 137,594</u>

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

City of Graham, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2021

Exhibit 8

	<u>Water and Sewer Fund</u>	<u>Internal Service Fund</u>
Reconciliation of operating gain (loss) to net cash provided (used) by operating activities		
Operating income (loss)	\$ 992,369	\$ (65,659)
Adjustments to reconcile operating gain (loss) to net cash provided (used) by operating activities:		
Depreciation	1,032,422	6,382
Changes in assets and liabilities:		
Increase in accounts receivable	(161,635)	(7,664)
Increase (decrease) in allowance for doubtful accounts	(219)	
(Increase) decrease in prepaid expenses	-	(18,003)
(Increase) decrease in deferred outflows of resources - pensions	(67,734)	(6,773)
(Increase) decrease in deferred outflows of resources - refunding	-	-
(Increase) in deferred outflows of resources - OPEB	(548,479)	(41,020)
Increase (decrease) in accounts payable	(121,763)	(6,922)
Increase (decrease) in customer deposits	(750)	-
Increase in accrued salaries	4,807	33
Increase (decrease) in accrued vacation pay	50,834	2,377
Increase (decrease) in pension liability	171,157	17,116
Increase (decrease) in OPEB liability	742,351	55,951
Increase (decrease) in deferred inflows of resources - pensions	4,696	(5,579)
Increase (decrease) in deferred inflows of resources - OPEB	(74,024)	470
Total adjustments	<u>1,031,663</u>	<u>(3,632)</u>
Net cash provided (used) by operating activities	<u>\$ 2,024,032</u>	<u>\$ (69,291)</u>

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

City of Graham, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

I. Summary of Significant Accounting Policies

The accounting policies of the City of Graham 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 City is a municipal corporation, which is governed by a five-member council, including the elected mayor. The City is located in the central part of Alamance County. As required by generally accepted accounting principles these financial statements present the primary government (i.e. City) and any component units. Component units are defined as legally separate organizations for which the elected officials of the City are financially accountable. The City of Graham has no component units as defined above.

B. Basis of Presentation

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

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

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

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

Notes to the Financial Statements

The City reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety and general government.

The City reports the following non-major governmental funds:

Graham Memorial Park Fund. This fund is used to account for cemetery funds that are restricted for use for a particular purpose.

Graham Regional Park Playground. This fund is used to account for the construction of the new playground.

Coronavirus Relief Fund. This fund is used to account for the Cares Act revenue funds distributed by the Federal Government in response to the COVID-19 pandemic.

The City reports the following major enterprise fund:

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

The City reports the following fund type:

Internal Service Fund. – The garage fund is used to account for the accumulation and allocation of cost associated with the City's garage.

C. Measurement Focus and Basis of Accounting

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

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

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

Notes to the Financial Statements

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

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

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

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City of Graham because the tax is levied by Alamance County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the City'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 City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Capital Project Funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. The City's Garage Fund, an internal service fund, operates under a financial plan that was adopted by the governing board at the time

Notes to the Financial Statements

the City's budget ordinance was approved, as is required by the General Statutes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted. The Graham Memorial Park Fund prepares a budget when incurring expenditures.

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

1. Deposits and Investments

All deposits of the City are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The City may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City 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 City 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 City's investments are generally reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

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

3. Restricted Assets

The letter of credit funds are restricted due to the possibility these funds could be paid back to developers. The unexpended bond proceeds of Water and Sewer Fund bonds issued by the City are classified as restricted assets for the enterprise fund because their use is completely restricted to fund water related projects as designated by the board. Funds have also been restricted by the City Council for capital improvements. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected.

Notes to the Financial Statements

<u>City of Graham Restricted Cash</u>		
General Fund	Letter of Credit	\$ 13,575
	Unexpended restricted revenue	<u>259,974</u>
Total Governmental Activities		<u>273,549</u>
Water and Sewer Fund	Customer deposits	99,322
	Unexpended capital reserve revenue	1,269,250
	Unexpended capital projects revenue	<u>22,689</u>
Total Business-type activities		<u>1,391,261</u>
Total Restricted Cash		<u><u>\$ 1,664,810</u></u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 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.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

The inventories of the City's enterprise fund consist of expendable materials and supplies held for subsequent use. The cost of these inventories is expensed when purchased.

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of one year. Minimum capitalization cost are as follows: Buildings and improvements, \$20,000; infrastructure, \$100,000; equipment, \$5,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Notes to the Financial Statements

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

Asset Class	Estimated Useful Lives
Infrastructure	50
Buildings	50
Improvements	25
Vehicles	10
Furniture and equipment	10
Computer software	5
Computer equipment	3
Substations, lines and related equipment	50

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. The 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 City has several items that meet this criterion, pension and Other Post Employment Benefits (OPEB) deferrals for 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 City has several items that meet the criterion for this category- prepaid taxes, unearned revenue, OPEB and pension deferrals.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Compensated Absences

The vacation policy of the City provides for paid vacation to full-time classified employees according to their length of service. The calendar year is the vacation year and all vacation days shall be taken within the year earned, unless specific approval is obtained from the City Manager. Employees at June 30 are entitled to full vacation pay for the year, except that they forfeit accrued vacation pay if they fail to give

Notes to the Financial Statements

prior notice of intention to resign. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

Perpetual maintenance – Cemetery resources that are required to be retained in perpetuity for maintenance of the City of Graham Cemetery.

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

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

Notes to the Financial Statements

Assigned Fund Balance – portion of fund balance that the City of Graham intends to use for specific purposes.

Assigned for General Government Improvements – portion of fund balance that has been budgeted by the Council for the Capital Project's Funds.

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.

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

The City of Graham has adopted a minimum fund balance policy for the general fund which instructs management to conduct business of the City in such a manner that available fund balance is at least equal to or greater than 30% of budgeted expenditures.

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Graham's employer contributions are recognized when due and the City of Graham 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.

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additions to/deductions from FRSWPF's fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

13. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Notes to the Financial Statements

II. Detail Notes on All Funds

A. Assets

1. Deposits

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

At June 30, 2021, the City's deposits had a carrying amount of \$19,978,015 and a bank balance of \$22,344,540. Of the bank balance, \$1,250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2021, the City's petty cash fund totaled \$2,175.

2. Investments

At June 30, 2021, the City of Graham had \$5,209,591 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAm by Standard and Poor's and AAAm-mf by Moody's Investors Service as of June 30, 2021. The City has no policy regarding credit risk. The City also does not have a formal investment policy.

3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2021, are net of the following allowances for doubtful accounts:

Funds	2021
General Fund: taxes receivable	\$ 39,331
Water and Sewer fund: accounts receivable	277,809
Total	<u>\$ 317,140</u>

Notes to the Financial Statements

4. Capital Assets

Primary Government

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

Governmental activities:	Beginning			Ending
Capital assets not being depreciated:	Balances	Increases	Decreases	Balances
Land	\$ 2,731,504	\$ 224,501	\$ -	\$ 2,956,005
Art collection	62,100	-	-	62,100
Construction in progress	723,800	175,278	899,078	-
Total capital assets not being depreciated	3,517,404	399,779	899,078	3,018,105
Capital assets being depreciated:				
Buildings	3,434,958	-	-	3,434,958
Other improvements	5,604,763	1,062,525	-	6,667,288
Vehicles and motorized equipment	7,299,163	161,871	81,231	7,379,803
Infrastructure	8,673,620	4,485	-	8,678,105
Equipment and furniture	4,557,077	274,334	5,990	4,825,421
Total capital assets being depreciated	29,569,581	1,503,215	87,221	30,985,575
Less accumulated depreciation for:				
Buildings	1,723,344	54,679	-	1,778,023
Other improvements	2,828,752	177,035	-	3,005,787
Vehicles and motorized equipment	4,814,036	258,578	(262,307)	5,334,921
Infrastructure	1,301,732	158,331	-	1,460,063
Equipment and furniture	3,422,775	174,276	282,771	3,314,280
Total accumulated depreciation	14,090,639	822,899	20,464	14,893,074
Total capital assets being depreciated, net	15,478,942			16,092,501
Governmental activity capital assets, net	\$ 18,996,346			\$ 19,110,606

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

By Function	
Buildings	\$ 53,415
Improvements	172,859
Infrastructure	158,331
By Department	
General Government	14,358
Public Safety	180,451
Transportation	85,704
Environmental Protection	75,747
Cultural and Recreation	63,832
Depreciation on capital assets held in the City's internal service fund and charged to functions based on usage	
Garage	6,382
Graham Memorial Park	11,820
Total depreciation expense	<u>\$ 822,899</u>

Notes to the Financial Statements

Business-type activities:	Beginning			Ending
Water and Sewer Fund	Balances	Increases	Decreases	Balances
Capital assets not being depreciated:				
Land	\$ 1,281,547	\$ -	\$ -	\$ 1,281,547
Construction in progress	716,220	3,809,490	-	4,525,710
Total capital assets not being depreciated	1,997,767	3,809,490	-	5,807,257
Capital assets being depreciated:				
Buildings	17,696,444	-	-	17,696,444
Lines	23,463,499	-	-	23,463,499
Other improvements	16,702,448	300,369	-	17,002,817
Equipment and furniture	3,017,339	408,424	9,530	3,416,233
Total capital assets being depreciated	60,879,730	708,793	9,530	61,578,993
Less accumulated depreciation for:				
Buildings	7,718,112	235,201	-	7,953,313
Lines	8,415,968	355,431	-	8,771,399
Other improvements	4,735,810	297,516	-	5,033,326
Equipment and furniture	1,609,177	144,274	8,295	1,745,156
Total accumulated depreciation	22,479,067	1,032,422	8,295	23,503,194
Total capital assets being depreciated, net	38,400,663			38,075,799
Business-type activities capital assets, net	\$ 40,398,430			\$ 43,883,056

Construction commitments

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

Project	Spent-to-Date	Remaining Commitment
Boyd Creek Pump Station	\$ 3,473,574	\$ 488,426
Old Fields Outfall	67,765	2,887,237
Wastewater Treatment Plant Upgrade	984,373	2,830,627
Total	<u>\$ 4,525,712</u>	<u>\$ 6,206,290</u>

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The City of Graham is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's

Notes to the Financial Statements

Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Graham employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Graham's contractually required contribution rate for the year ended June 30, 2021, was 10.84% of compensation for law enforcement officers and 10.15% 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 City of Graham were \$743,996 for the year ended June 30, 2021.

Refunds of Contributions – City 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.

Notes to the Financial Statements

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

At June 30, 2021, the City reported a liability of \$3,881,098 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 City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At the June 30, 2020 measurement date, the City's proportion was 0.10861%, which was a decrease of 0.00217% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City recognized pension expense of \$1,284,590. At June 30, 2021, the City 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	\$ 490,115	\$ -
Changes of assumptions	288,830	-
Net difference between projected and actual earnings on pension plan investments	546,161	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	106,159
City contributions subsequent to the measurement date	743,996	-
Total	<u>\$ 2,069,102</u>	<u>\$ 106,159</u>

\$743,996 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ 327,638
2023	458,392
2024	271,279
2025	161,636
2026	-
Thereafter	-
	<u>\$ 1,218,945</u>

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

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

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

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

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

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

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

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that 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.

Notes to the Financial Statements

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the City'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:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
City's proportionate share of the pension liability (asset)	\$ 7,874,325	\$ 3,881,098	\$ 562,446

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

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description.

The City of Graham administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City'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 of the City are covered by the Separation Allowance. At December 31, 2019, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>37</u>
Total	<u><u>39</u></u>

2. Summary of Significant Accounting Policies:

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

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

Notes to the Financial Statements

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, 2019 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
Investment rate of return	1.93 percent, net of pension plan investment expense, including inflation

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-2014 Mortality tables projected to the valuation data using MP-2015.

3. Contributions.

The City 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 City'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 City paid \$43,558 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 City reported a total pension liability of \$1,703,124. 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 City recognized pension expense of \$180,730.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 49,512	\$ 34,180
Change in assumptions	479,609	35,980
Benefit payment and plan administrative expenses made subsequent to the measurement date	27,151	-
Total	<u>\$ 556,272</u>	<u>\$ 70,160</u>

\$27,151 paid as benefits came due and \$0 of administrative expenses subsequent to the measurement date have been reported as deferred outflows of resources and 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

Notes to the Financial Statements

resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2022	\$	82,144
2023		82,144
2024		84,168
2025		76,366
2026		72,282
Thereafter		61,857
	\$	<u>458,961</u>

Sensitivity of the City's total pension liability to changes in the discount rate. The following represents the City's total pension liability calculated using the discount rate of 1.93 percent, as well as the City'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	\$ 1,868,115	\$ 1,703,124	\$ 1,552,242

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

	2021
Beginning balance	\$ 1,186,980
Service Cost	60,460
Interest on the total pension liability	38,126
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(38,120)
Changes of assumptions or other inputs	490,637
Benefit payments	(34,959)
Other changes	-
Ending balance of the total pension liability	<u>\$ 1,703,124</u>

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 U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in December 31, 2019 valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2019.

Notes to the Financial Statements

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	\$ 1,284,590	\$ 180,730	\$ 1,465,320
Pension Liability	3,881,098	1,703,124	5,584,222
Proportionate share of the net pension liability	0.10861%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	490,115	49,512	539,627
Changes of assumptions	288,830	479,609	768,439
Net difference between projected and actual earnings on plan investments	546,161	-	546,161
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-
Benefit payments and administrative costs paid subsequent to the measurement date	743,996	27,151	771,147
Deferred Inflows of Resources			
Differences between expected and actual experience	-	34,180	34,180
Changes of assumptions	-	35,980	35,980
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	106,159	-	106,159

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. 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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the City 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 City made contributions of \$109,079 for the reporting year. No amounts were forfeited.

Notes to the Financial Statements

d. Supplemental Retirement Income Plan for Non-Law Enforcement Officers

Plan Description. The City contributes to the Supplemental Retirement Income Plan, (Plan) a defined contribution pension plan administered by a local financial institution. The Plan provides retirement benefits to non-law enforcement officers employed by the City.

Funding Policy. The City contributes an amount equal to five percent of each employee's salary, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan. Contributions for the June 30, 2021 were \$411,415 which consisted of \$204,534 from the City and \$206,881 from the employees.

e. Firefighter's and Rescue Squad Workers' Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the City of Graham, to the Firefighter's and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire and rescue squad workers who have elected to become members of the fund. Article 86 of G.S. Chapter 58 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 Firefighter's and Rescue Squad Workers' Pension Fund is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for the Firefighter's and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

Contributions. Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The City of Graham funds the plan members required contribution of \$10 per month to the Fund. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2021, the State contributed \$18,652,000 to the plan. The City of Graham's proportionate share of the State's contribution is \$10,666.

Refunds of Contributions – Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

Notes to the Financial Statements

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

At June 30, 2021, the City reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the City through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the City and supported by the State was \$20,693. 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 City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the City is not projected to make any future contributions to the plan, its proportionate share at June 30, 2021 and at June 30, 2020 was 0%.

For the year ended June 30, 2021, the City recognized pension expense of \$8,283 and revenue of \$8,283 for support provided by the State. At June 30, 2021 the City reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

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	Not applicable
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan in Section a. of this note.

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.

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

Notes to the Financial Statements

f. Other Post-employment Benefits

Healthcare Benefits

Plan Description. Under the terms of a City resolution, the City administers a single-employers defined benefit Healthcare Benefits Plan (the HCB Plan). The City Board has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided. As of June 30, 2003 the plan provides post-employment health care benefits to retirees of the City, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least fifteen years of creditable service with the City. Prior to June 30, 2003, employees qualified for similar level benefits after at least ten years of creditable service with the City. Health care and prescription drug coverage are provided by the City's health plan. The City pays the full cost of coverage for these benefits. A separate report was not issued for the plan.

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

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	46	7
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	<u>55</u>	<u>19</u>
Total	<u>101</u>	<u>26</u>

Total OPEB Liability

The City's total OPEB liability of \$16,335,272 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

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

Inflation	2.50 percent
Real wage growth	1.00 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	
General Employees	3.50 - 7.75 percent
Firefighters	3.50 - 7.75 percent
Law Enforcement Officers	3.50 - 7.35 percent
Discount rate	2.21 percent
Healthcare cost trend rates	
Pre-Medicare - 7.00 percent for 2019 decreasing to an ultimate rate of 4.5 percent by 2026	
Medicare - 5.0 percent for 2019 decreasing to an ultimate rate of 4.5 percent by 2021	

Notes to the Financial Statements

The discount rate is based on the June average of the Bond Buyer 20-year General Obligation Bond Index published weekly by The Bond Buyer.

Changes in the Total OPEB Liability

Balance at July 1, 2020	\$	12,650,012
Changes for the year		
Service Cost		279,722
Interest		446,283
Changes of benefit terms		-
Differences between expected and actual experience		(17,709)
Changes in assumptions or other inputs		3,337,587
Benefit payments		(360,622)
Net Changes		<u>3,685,261</u>
Balance at June 30, 2021	\$	<u>16,335,273</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.5% to 2.21%.

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

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

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	<u>(1.21%)</u>	<u>(2.21%)</u>	<u>(3.21%)</u>
Total OPEB Liability	\$ 19,843,701	\$ 16,335,273	\$ 13,654,380

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

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 13,350,724	\$ 16,335,273	\$ 20,327,728

Notes to the Financial Statements

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

For the year ended June 30, 2021, the City recognized OPEB expense of \$955,539. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16,237	\$ 299,917
Changes of assumptions	2,779,680	960,094
Benefit payments and administrative costs made subsequent to the measurement date	298,081	-
	<u>\$ 3,093,998</u>	<u>\$ 1,260,011</u>

\$298,081 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expenses as follows:

Year ended June 30:		
2022	\$	229,535
2023		229,535
2024		263,819
2025		467,939
2026		345,078
Thereafter		-
	<u>\$</u>	<u>1,535,906</u>

2. Deferred Outflows and Inflows of Resources

The City has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 743,996
Benefit payments made and administrative expenses for LEOSA made subsequent to measurement date	27,151
Benefit payments made and administrative expenses for OPEB made subsequent to measurement date	298,081
Differences between expected and actual experience	555,862
Changes of assumptions	3,548,119
Net difference between projected and actual	546,161
Changes in proportion and differences between employer contributions and proportionate share of contributions	-
Charge on refunding	-
Total	<u>\$ 5,719,370</u>

Notes to the Financial Statements

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ 8,997	\$ 8,997
Taxes receivable, less penalties (General Fund)	-	235,323
Unearned revenue	259,974	259,974
Changes in assumptions	996,074	-
Differences between expected and actual experience	334,097	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	106,159	-
Total	\$ 1,705,301	\$ 504,294

3. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in a self-funded risk-financing pool administered by the North Carolina League of Municipalities. Through this pool, the City has property and liability coverage. General liability, law enforcement liability and public officials liability coverage is limited to \$1,000,000 per occurrence; public employee scheduled bond is limited to \$100,000; public employee blanket bond is limited to \$50,000, automobile liability coverage is limited to \$1,000,000, and watercraft are limited to \$1,000,000 per occurrence. Real and personal property coverage is limited to \$76,221,257 and boiler and machinery coverage is limited to \$5,000,000.

The City 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 City has not been designated as being in a flood zone and thus carries no commercial flood insurance.

In accordance with G.S. 159-29, The City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$50,000 each. The City Manager and the remaining employees that have access to funds are bonded under a blanket bond for \$25,000.

4. Claims, Judgments, and Contingent Liabilities

At June 30, 2021, the City was a defendant to various lawsuits. In the opinion of the City's management and the City attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

5. Long-Term Obligations

a. Installment Purchase

In April, 2006, the City entered into a direct placement contract to finance the Cherry Lane Pump Station. The property is pledged as collateral for the debt while the debt is outstanding. The contract requires principal payments of \$106,667 semi-annually beginning in the fiscal year 2006 with an interest rate of 3.69 percent. The original amount of the loan was \$3,200,000. The loan was paid in full during the current fiscal year.

Notes to the Financial Statements

In June, 2010, the City entered into a Water Pollution Control Revolving loan agreement for Sewer improvements. The contract requires principal payments of \$19,795 annually on the indebtedness beginning May 1, 2011. The interest rate as established under this program is zero percent. The original amount of the loan was \$395,896, with an outstanding balance of \$178,153.

In November, 2010, the City entered into a Water Pollution Control Revolving loan agreement for Water improvements. The contract requires principal payments of \$3,672 annually on the indebtedness beginning May 1, 2012. The interest rate as established under this program is zero percent. The original amount of the loan was \$73,430, with an outstanding balance of \$36,715.

On May 19, 2014, the City entered into a direct placement contract to finance the water treatment plant improvements and Project Swordfish Capital Project. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires principal payments in varying amounts beginning in the fiscal year 2015 with an interest rate of 2.60 percent. The original amount of the loan was \$5,925,000, with an outstanding balance of \$3,188,000.

On May 14, 2021, the City entered into a Water Pollution Control Revolving loan agreement for Sewer improvements. The contract requires principal payments of \$131,875 annually on the indebtedness beginning May 1, 2022. The interest rate as established under this program is zero percent. The total amount of the loan will be \$2,637,500, with a current outstanding balance of \$2,149,074.

b. General Obligation Indebtedness

There were no bonds payable at June 30, 2021.

Annual debt service payments of the installment purchases as of June 30, 2021, including \$387,296 of interest, are as follows:

Fiscal Year	General		Other Long-Term Indebtedness		Total Debt Due	
	Obligation Bonds					
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ -	\$ -	\$ 474,341	\$ 78,741	\$ 474,341	\$ 78,741
2023	-	-	481,341	70,356	481,341	70,356
2024	-	-	491,341	61,750	491,341	61,750
2025	-	-	500,341	52,897	500,341	52,897
2026	-	-	508,341	43,823	508,341	43,823
2027-2031	-	-	2,265,909	79,729	2,265,909	79,729
2032-	-	-	830,329	-	830,329	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,551,943</u>	<u>\$ 387,296</u>	<u>\$ 5,551,943</u>	<u>\$ 387,296</u>

Notes to the Financial Statements

c. Changes in Long-Term Liabilities

Compensated absences and the other postemployment benefits for governmental activities have typically been liquidated in the General Fund.

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021	Current Portion of Balance
Governmental activities:					
Compensated absences	\$ 685,636	\$ 324,613	\$ 240,494	\$ 769,755	\$ 240,494
Total OPEB liability	9,574,151	2,942,909	-	12,517,060	-
Net pension liability (LGERS)	2,398,499	684,626	-	3,083,125	-
Total pension liability (LEO)	1,186,980	516,144	-	1,703,124	-
Governmental activity long-term liabilities	<u>\$ 13,845,266</u>	<u>\$ 4,468,292</u>	<u>\$ 240,494</u>	<u>\$ 18,073,064</u>	<u>\$ 240,494</u>
Business-type activities:					
Direct placement Installment purchase	\$ 3,950,669	\$ 2,149,074	547,800	\$ 5,551,943	474,340
General obligation bonds	-	-	-	-	-
Net pension liability (LGERS)	626,816	171,157	-	797,973	-
Total OPEB liability	3,075,861	742,351	-	3,818,212	-
Compensated absences	198,727	83,158	32,324	249,561	32,324
Business-type activity Long-term liabilities	<u>\$ 7,852,073</u>	<u>\$ 3,145,740</u>	<u>\$ 580,124</u>	<u>\$ 10,417,689</u>	<u>\$ 506,664</u>

At June 30, 2021, the City of Graham had a legal debt margin of \$97,405,262.

C. Interfund Balances and Activity

There are no amounts due to or from the City's different funds as of June 30, 2021.

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

From the General Fund to the Graham Regional Park Capital Project	\$ 49,078
From the Water and Sewer Fund to the Capital Reserve Fund	641,069
From the Capital Reserve Fund to the Old Fields Outfall Capital Project	67,763
	<u>\$ 757,910</u>

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 as matching funds for various grant programs.

During the 2021 fiscal year, the City made a transfer from the General Fund to the Graham Regional Park Capital Project Fund to complete the project.

Notes to the Financial Statements

During the 2021 fiscal year, the City made a transfer from the Water and Sewer Fund of \$641,069 to the Capital Reserve Fund as required by General Statute.

During the 2021 fiscal year, the City made a transfer from the Capital Reserve Fund of \$67,763 to the Old Fields Outfall Capital Project Fund for professional services and easement costs.

D. On-Behalf Payments for Fringe Benefits and Salaries

The City has recognized as a revenue and an expenditure on-behalf payments for fringe benefits and salaries of \$17,300, 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

	Governmental	Business-type
Capital assets	\$ 19,110,606	\$ 43,883,056
less: long-term debt	-	(5,551,943)
add: unexpended debt proceeds	-	1,291,939
Net investment in capital assets	<u>\$ 19,110,606</u>	<u>\$ 39,623,052</u>

F. Fund Balance

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

Total fund balance - General Fund	\$ 12,219,643
Less: Stabilization by State Statute	(1,611,326)
Appropriated Fund Balance in 2021 Budget	(1,470,000)
Working Capital / Fund Balance Policy	(4,233,840)
Remaining Fund Balance	<u>\$ 4,904,477</u>

The City of Graham has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the City in such a manner that available fund balance is at least equal to or greater than 30% of budgeted expenditures.

There were no outstanding encumbrances needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

III. Jointly Governed Organization

The City, in conjunction with twelve counties and sixty other municipalities, established the Piedmont Triad Regional Council (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member, and one alternate if they so desire, to the Council's governing board. The City paid membership fees of \$7,814 and \$6,206 respectively, to the Council during the fiscal years ended June 30, 2021 and June 30, 2020.

Notes to the Financial Statements

IV. Joint Ventures

The City, in conjunction with the Cities of Burlington and Mebane, participates in the Alamance Municipal ABC Board. Each participating government appoints board members. The ABC Board is a joint venture established to facilitate control over alcoholic beverages within the Cities. The ABC Board has been in existence for over 40 years and is self-sustaining. The City has an ongoing financial responsibility for the ABC Board because it and the Cities of Burlington and Mebane are legally obligated under the intergovernmental agreement that created the ABC Board to honor any deficiencies in the event that proceeds from other default remedies are insufficient. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2021. Complete financial statements for the ABC Board can be obtained from the administrative offices at 603 W. Harden Street, Graham, North Carolina, 27253.

The City and the members of the City'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 City obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the City's fire department by the board of trustees. During the fiscal year ended June 30, 2021, the City reported revenues and expenditures for the payments of \$17,300 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 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

V. Related Organization

The five-member board of the City of Graham Housing Authority is appointed by the City Council of the City of Graham. The City is accountable for the Housing Authority because it appoints the governing board; however, the City is not financially accountable for the Housing Authority. The City of Graham is also disclosed as a related organization in the notes to the financial statements for the Graham Housing Authority. Complete financial statements for the Housing Authority can be obtained from the Authority's offices at 109 East Hill Street, Graham, North Carolina 27253.

VI. Joint Operation

The City of Graham and the City of Mebane are co-owners and operators of a water supply reservoir and water treatment plant per an Intergovernmental Watershed Agreement. Since June 22, 1973, the ownership of the assets and improvements of the joint undertaking remained at 66.7% interest for the City of Graham and 33.3% interest for the City of Mebane. Due to relative growths of the populations in units of government, the parties agreed as of February 3, 2014 to adjust the capacity, treatment and operational costs, improvements, upgrades, and repairs to be borne equally by the units. At this time,

Notes to the Financial Statements

the City of Mebane also agreed to pay to the City of Graham an equalizing sum of \$2,548,070 for their capital interest. The amount is to be paid in twenty annual installments of \$127,403 with the first payment due July 31, 2014. No interest is included in the agreement. The balance of the receivable as of June 30, 2021 was \$1,656,249.

VII. Interlocal Cooperation Agreement

The City of Graham and the City of Mebane entered into an interlocal cooperation agreement for the allocation of Twenty One and Forty Three One Hundredths percent (21.43%) of capacity usage of the City of Graham's wastewater treatment plant. The cost of agreed upon improvements or upgrades to the wastewater treatment plant and the Cherry Lane pump station will be shared by the City of Graham and the City of Mebane based on percentage of capacity usage, as noted above. The duration for the continuation of the agreement is 99 years. The City of Mebane has agreed to pay the City of Graham \$2,682,464 for this capacity usage. The amount is to be paid in twenty annual installments of \$200,000 (payments 1-5), \$150,000 (payments 6-10), \$100,000 (payments 11-15), and \$86,493 (payments 16-20) with the first payment due July 10, 2017. No interest is included in the agreement. The balance of the payable as of June 30, 2021 was \$1,882,464.

VIII. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

IX. Significant Effects of Subsequent Events

Subsequent Events

In accordance with ASC 855, the City evaluated subsequent events through November 3, 2021, the date the financial statements were available to be issued. Except as noted above, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

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City of Graham, North Carolina
Schedule of Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Eight Fiscal Years *

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017
Graham's proportion of the net pension liability (asset) (%)	0.11%	0.11%	0.11%	0.11%	0.11%
Graham's proportion of the net pension liability (asset) (\$)	\$ 3,881,098	\$ 3,025,315	\$ 2,514,920	\$ 1,679,121	\$ 2,289,787
Graham's covered-employee payroll	\$ 6,951,557	\$ 6,712,152	\$ 6,336,890	\$ 6,087,820	\$ 5,910,245
Graham's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	55.83%	45.07%	39.69%	27.58%	38.74%
Plan fiduciary net position as a percentage of the total pension liability**	92.60%	91.63%	94.18%	91.47%	98.09%
	2016	2015	2014		
Graham's proportion of the net pension liability (asset) (%)	0.11%	-0.11%	0.10%		
Graham's proportion of the net pension liability (asset) (\$)	\$ 496,232	\$ (641,762)	\$ 1,252,394		
Graham's covered-employee payroll	\$ 5,842,839	\$ 5,419,403	\$ 5,052,789		
Graham's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	8.49%	-11.84%	24.79%		
Plan fiduciary net position as a percentage of the total pension liability**	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.

City of Graham, North Carolina
Schedule of Contributions
Required Supplementary Information
Last Eight Fiscal Years

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017
Contractually required contribution	\$ 637,437	\$ 532,416	\$ 462,401	\$ 452,142	\$ 394,126
Contributions in relation to the contractually required contribution	645,554	535,383	490,017	452,142	394,126
Contribution deficiency (excess)	<u>\$ (8,117)</u>	<u>\$ (2,967)</u>	<u>\$ (27,616)</u>	<u>\$ -</u>	<u>\$ -</u>
Graham's covered-employee payroll	7,143,725	6,951,557	6,712,152	6,336,890	6,087,820
Contributions as a percentage of covered-employee payroll	9.04%	7.70%	7.30%	7.14%	6.47%

	2016	2015	2014
Contractually required contribution	\$ 395,212	\$ 399,955	\$ 386,609
Contributions in relation to the contractually required contribution	395,212	399,955	386,609
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Graham's covered-employee payroll	5,910,245	5,842,839	5,419,403
Contributions as a percentage of covered-employee payroll	6.69%	6.85%	7.13%

City of Graham, North Carolina
Schedule of Proportionate Share of Net Pension Liability
Required Supplementary Information
Last Seven Fiscal Years *

Firefighters' and Rescue Squad Workers' Pension

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Graham's proportionate share of the net pension liability (%)	0.00%	0.00%	0.00%	0.00%	0.00%
Graham's proportionate share of the net pension liability (\$)	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with City of Graham	20,693	21,264	23,012	21,716	14,435
Total	<u>\$ 20,693</u>	<u>\$ 21,264</u>	<u>\$ 23,012</u>	<u>\$ 21,716</u>	<u>\$ 14,435</u>
Graham's covered-employee payroll	\$ 638,026	\$ 602,227	\$ 548,192	\$ 549,785	\$ 499,649
Graham's proportionate share of the net pension liability as a percentage of its covered-employee payroll	3.24%	3.53%	4.20%	3.95%	2.89%
Plan fiduciary net position as a percentage of the total pension liability	92.30%	90.50%	89.35%	94.94%	91.40%

* The amounts presented are for the prior fiscal year.

	<u>2016</u>	<u>2015</u>
Graham's proportionate share of the net pension liability (%)	0.00%	0.00%
Graham's proportionate share of the net pension liability (\$)	\$ -	\$ -
State's proportionate share of the net pension liability associated with City of Graham	26,974	21,417
Total	<u>\$ 26,974</u>	<u>\$ 21,417</u>
Graham's covered-employee payroll	\$ 495,512	\$ 480,564
Graham's proportionate share of the net pension liability as a percentage of its covered-employee payroll	5.44%	4.46%
Plan fiduciary net position as a percentage of the total pension liability	93.42%	92.76%

* The amounts presented are for the prior fiscal year.

City of Graham
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Last Five Fiscal Years *

	2021	2020	2019	2018	2017
Beginning balance	\$ 1,186,980	\$ 1,050,974	\$ 986,337	\$ 849,793	\$ 806,147
Service Cost	60,460	59,890	59,277	50,189	54,233
Interest on the total pension liability	38,126	37,522	30,865	32,553	28,550
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(38,120)	35,355	44,821	(3,725)	-
Changes of assumptions or other inputs	490,637	43,523	(51,132)	70,408	(26,256)
Benefit payments	(34,959)	(40,284)	(19,194)	(12,881)	(12,881)
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 1,703,124</u>	<u>\$ 1,186,980</u>	<u>\$ 1,050,974</u>	<u>\$ 986,337</u>	<u>\$ 849,793</u>

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

City of Graham
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
Last Five Fiscal Years

	2021	2020	2019	2018	2017
Total pension liability	\$ 1,703,124	\$ 1,186,980	\$ 1,050,974	\$ 986,337	\$ 849,793
Covered payroll	2,133,496	2,239,931	1,995,372	1,918,587	2,067,710
Total pension liability as a percentage of covered payroll	79.83%	52.99%	52.67%	51.41%	41.10%

Notes to the schedules:

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

City of Graham, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
Last Four Fiscal Years

Total OPEB Liability	2021	2020	2019	2018
Service Cost	\$ 279,721	\$ 353,985	\$ 378,993	\$ 435,666
Interest	446,283	470,819	429,020	385,062
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(17,709)	(444,812)	7,864	28,616
Changes of assumptions	3,337,587	62,699	(733,993)	(1,327,657)
Benefit payments	(360,622)	206,024	(261,123)	(265,857)
Net change in total OPEB liability	3,685,260	648,715	(179,239)	(744,170)
Total OPEB liability - beginning	12,650,012	12,001,297	12,180,536	12,924,706
Total OPEB liability - ending	<u>\$ 16,335,272</u>	<u>\$ 12,650,012</u>	<u>\$ 12,001,297</u>	<u>\$ 12,180,536</u>
 Covered Payroll	 \$ 3,831,598	 \$ 3,831,598	 \$ 4,540,717	 \$ 4,540,717
 Total OPEB Liability as a percentage of covered payroll	 426.33%	 330.15%	 264.30%	 268.25%

Notes to Schedule

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

<u>Fiscal year</u>	<u>Rate</u>
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

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	2021		Variance	2020
	Budget	Actual	Positive (Negative)	Actual
Revenues:				
Ad valorem taxes				
Current taxes	\$ 5,125,000	\$ 5,199,089	\$ 74,089	\$ 4,999,705
Prior year taxes	45,000	83,256	38,256	63,723
Vehicle taxes	520,600	692,583	171,983	612,782
Tax cost and interest	23,000	24,333	1,333	19,378
Total	5,713,600	5,999,261	285,661	5,695,588
Other taxes and licenses				
Privilege license	100	753	653	640
Total	100	753	653	640
Unrestricted intergovernmental				
Payment in lieu of taxes	27,000	33,813	6,813	33,421
Local option sales tax	3,782,500	4,679,763	897,263	3,944,116
Telecommunications sales tax	-	148,213	148,213	147,686
Piped natural gas sales tax	-	64,874	64,874	50,243
Utilities sales tax	960,000	629,380	(330,620)	637,371
Video franchise fee	-	87,548	87,548	87,548
Beer and wine tax	64,000	65,020	1,020	65,101
ABC profit distribution	80,000	187,016	107,016	93,708
Solid waste disposal tax	10,000	11,652	1,652	11,454
Storm water fee	126,000	131,394	5,394	128,713
Total	5,049,500	6,038,673	989,173	5,199,361
Restricted intergovernmental				
Powell Bill allocation	388,500	381,718	(6,782)	393,270
School Resource Officer	130,000	165,000	35,000	135,000
Federal drug monies	31,000	30,362	(638)	40,004
State drug monies	10,100	5,410	(4,690)	-
Miscellaneous Community grants	1,000	14,606	13,606	66,397
ABC revenue for law enforcement	15,000	43,878	28,878	34,278
On-behalf of payments - Fire	-	27,966	27,966	28,726
Total	575,600	668,940	93,340	697,675
Permits and fees				
Development fees	1,000	32,000	31,000	4,475
Building permits and inspection fees	135,000	602,397	467,397	292,382
Total	136,000	634,397	498,397	296,857

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	2021			2020
	Budget	Actual	Variance Positive (Negative)	Actual
Sales and services				
Refuse collection fees	\$ 358,000	\$ 415,648	\$ 57,648	\$ 392,676
Cemetery fees	42,000	61,615	19,615	58,975
Recreation Department fees	105,000	86,929	(18,071)	96,145
Recreation-Graham Mebane Lake	104,800	120,985	16,185	107,283
Rent on city properties	28,500	28,801	301	28,511
Total	638,300	713,978	75,678	683,590
Investment earnings				
Interest on investments	87,000	39,361	(47,639)	93,011
Federal drug monies - interest	3,000	874	(2,126)	2,024
State drug monies - interest	900	44	(856)	1
Total	90,900	40,279	(50,621)	95,036
Miscellaneous				
Other	50,000	118,133	68,133	59,098
ABC revenue	15,000	25,700	10,700	36,131
Recycling/surplus proceeds	20,100	746	(19,354)	575
NCCP	310,000	325,675	15,675	340,749
Police Donations / Contributions	-	444	444	12,266
Recreation donations	1,000	1,311	311	14,006
Court costs and fines	15,000	13,537	(1,463)	16,992
Sports Hall of Fame	1,000	-	(1,000)	-
Alarms	2,500	3,400	900	3,850
Insurance proceeds	1,000	1,141	141	12,583
Total	415,600	490,087	74,487	496,250
Total revenues	12,619,600	14,586,368	1,966,768	13,164,997
Expenditures:				
General government				
Governing Body				
Salaries	32,500	31,848	652	31,376
Professional services	142,000	165,367	(23,367)	3,031
Travel	3,000	152	2,848	1,836
Supplies and materials	500	-	500	7
FICA	2,600	2,436	164	2,400
Miscellaneous	4,000	4,372	(372)	12,591
Total	184,600	204,175	(19,575)	51,241

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	2021			2020
	Budget	Actual	Variance Positive (Negative)	Actual
Administration				
Salaries	\$ 457,000	\$ 419,216	\$ 37,784	\$ 440,796
Professional services	50,000	80,221	(30,221)	55,616
FICA	29,400	31,907	(2,507)	31,934
Group insurance	278,700	260,572	18,128	257,744
Retirement	45,000	43,947	1,053	39,144
Longevity pay	12,100	12,357	(257)	9,969
Telephone and postage	6,000	8,603	(2,603)	6,120
Vehicle tax administration fee	-	22,335	(22,335)	20,823
Travel	2,500	674	1,826	2,917
Maintenance and repairs-vehicles	500	212	288	61
Vehicle and equipment fuel	100	20	80	51
Advertising	500	938	(438)	153
Dues and subscriptions	13,000	11,161	1,839	11,714
Insurance and bonds	210,000	198,672	11,328	193,416
Miscellaneous	32,000	25,803	6,197	29,152
Animal Shelter	107,000	101,112	5,888	118,145
Contracted services	89,000	101,243	(12,243)	90,388
NCCP	135,000	133,178	1,822	146,864
Supplemental retirement	19,200	16,386	2,814	17,055
Supplies	2,500	1,639	861	2,318
Facade grant	30,000	34,300	(4,300)	12,700
Downtown program	5,000	1,424	3,576	-
Economic development	20,000	20,000	-	20,000
Total	1,544,500	1,525,920	18,580	1,507,080
Information Technologies				
Salaries	126,000	130,211	(4,211)	125,012
FICA	10,400	9,663	737	9,202
Group insurance	15,500	15,385	115	14,905
Unemployment expense	500	-	500	-
Retirement	13,300	13,584	(284)	11,403
Longevity pay	3,300	3,194	106	2,038
Telephone and postage	5,000	2,081	2,919	2,909
Travel	1,000	-	1,000	772
Maintenance and repairs - equipment	2,500	3,913	(1,413)	1,946
Supplies	1,000	558	442	734

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	2021			2020
	Budget	Actual	Variance Positive (Negative)	Actual
Contracted services	\$ 25,000	\$ 23,943	\$ 1,057	\$ 31,115
Dues and subscriptions	500	187	313	200
Miscellaneous	20,500	17,631	2,869	3,279
Capital outlay - equipment	43,200	-	43,200	7,795
Software maintenance	47,800	44,459	3,341	35,875
Small equipment purchase	62,000	108,987	(46,987)	69,260
Supplemental retirement	6,500	5,047	1,453	4,847
Total	384,000	378,843	5,157	321,292
Finance				
Salaries	225,000	214,482	10,518	208,381
FICA	17,500	15,693	1,807	15,007
Group insurance	23,200	23,093	107	22,373
Unemployment expense	-	-	-	-
Retirement	22,000	22,552	(552)	19,091
Longevity pay	7,500	7,018	482	6,804
Bank charges	15,000	12,168	2,832	11,322
Telephone and postage	7,000	7,919	(919)	5,874
Travel	1,000	1,617	(617)	735
Advertising	1,300	1,332	(32)	1,092
Supplies	5,000	4,865	135	6,797
Contracted services	5,000	4,547	453	4,180
Dues and subscriptions	100	298	(198)	1,509
Miscellaneous	2,000	4,791	(2,791)	11,917
Audit	36,800	42,969	(6,169)	36,500
Software maintenance	15,000	10,953	4,047	20,902
Small equipment purchase	500	-	500	-
Supplemental retirement	11,000	8,929	2,071	8,580
Total	394,900	383,226	11,674	381,064

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With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2020

	2021			2020
	Budget	Actual	Variance Positive (Negative)	Actual
Public buildings				
Salaries	\$ 7,000	\$ 5,113	\$ 1,887	\$ 4,592
FICA	1,000	391	609	351
Retirement expense	-	-	-	(9)
Telephone and postage	100	-	100	-
Utilities	55,000	45,722	9,278	44,285
Maintenance and repairs	43,500	51,248	(7,748)	39,098
Vehicle and equipment fuel	1,000	687	313	311
Supplies and materials	12,000	13,409	(1,409)	11,701
Uniforms	500	37	463	144
Small equipment purchase	500	7,934	(7,434)	9,932
Capital outlay-other improvements	7,000	-	7,000	-
Total	127,600	124,541	3,059	110,405
City garage and warehouse				
Salaries	51,000	49,931	1,069	49,348
FICA	4,000	3,888	112	3,763
Group insurance	7,800	7,473	327	7,458
Unemployment expense	-	(37)	37	-
Retirement	5,300	5,387	(87)	4,687
Longevity pay	3,100	2,983	117	2,878
Telephone and postage	800	710	90	420
Utilities	6,000	4,710	1,290	4,352
Maintenance and repairs-building	3,000	2,311	689	1,500
Maintenance and repairs-equipment	5,000	4,977	23	913
Supplies	1,200	1,092	108	42
Miscellaneous	4,500	4,088	412	3,493
Small equipment purchases	1,000	-	1,000	-
Supplemental retirement	2,600	2,496	104	2,467
Total	95,300	90,009	5,291	81,321
Total general government	2,730,900	2,706,714	24,186	2,452,403
Public safety				
Police department				
Salaries	2,415,000	2,323,150	91,850	2,361,677
Professional services	247,700	255,185	(7,485)	161,110
FICA	185,000	172,345	12,655	174,509
Group insurance	317,000	290,815	26,185	286,905

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With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2020

	2021			2020
	Budget	Actual	Variance Positive (Negative)	Actual
Unemployment expense	\$ 10,000	\$ (2,676)	\$ 12,676	\$ -
Retirement	244,100	244,370	(270)	221,254
Longevity pay	68,100	66,387	1,713	59,213
Training	40,000	43,890	(3,890)	23,734
Telephone and postage	44,000	72,464	(28,464)	53,610
Utilities	28,000	21,061	6,939	23,774
Travel	12,000	3,664	8,336	10,078
Vehicle and equipment fuel	70,000	64,223	5,777	63,589
Maintenance and repairs - building	35,000	22,006	12,994	62,048
Maintenance and repairs - equipment	10,000	14,724	(4,724)	11,764
Maintenance and repairs - vehicles	90,000	84,134	5,866	79,063
Radio maintenance	10,000	3,216	6,784	34,546
Supplies and materials	19,200	34,571	(15,371)	14,167
Crime prevention	4,200	2,994	1,206	4,696
K-9 expense	14,500	12,322	2,178	16,218
Uniforms	38,500	60,295	(21,795)	57,405
Contracted services	69,100	60,976	8,124	59,097
Dues and subscriptions	3,200	3,204	(4)	2,619
Small equipment purchase	82,100	115,412	(33,312)	75,691
Miscellaneous	10,600	5,500	5,100	22,529
Capital outlay - equipment	135,000	202,759	(67,759)	147,908
Capital outlay - improvements	70,000	93,900	(23,900)	-
Software maintenance and changes	45,000	43,657	1,343	44,436
Supplemental retirement	113,000	106,701	6,299	106,807
Total	4,430,300	4,421,249	9,051	4,178,447
Fire department				
Salaries	670,000	638,026	31,974	602,227
Professional fees	414,000	202,329	211,671	108,629
FICA	52,000	49,298	2,702	47,932
Group insurance	70,000	63,160	6,840	64,629
Unemployment expense	2,200	(888)	3,088	-
Retirement	51,600	50,900	700	46,159
Longevity pay	17,500	10,278	7,222	15,577
Training	4,000	3,302	698	3,247
Telephone and postage	10,000	18,758	(8,758)	10,727
Travel	4,000	2,125	1,875	3,268
Maintenance and repairs - equipment	10,900	17,973	(7,073)	8,180
Maintenance and repairs - vehicles	45,000	54,123	(9,123)	104,749
Radio maintenance	20,000	19,182	818	2,152
Firemen's fees	20,000	17,542	2,458	18,610
Firemen's pension fund	21,600	20,310	1,290	21,150

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With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2020

	2021			2020
	Budget	Actual	Variance Positive (Negative)	Actual
Vehicle and equipment fuel	\$ 14,000	\$ 11,275	\$ 2,725	\$ 7,870
Supplies and materials	11,000	14,289	(3,289)	13,061
Hazmat equipment	500	-	500	422
Uniforms	49,000	45,119	3,881	38,913
Insurance - Firemen's Fraternal Fund	2,500	3,152	(652)	3,364
Dues and subscriptions	12,000	8,207	3,793	3,843
Miscellaneous fire prevention	3,500	2,115	1,385	2,379
Health and safety	8,000	9,474	(1,474)	4,991
Miscellaneous	2,000	5,700	(3,700)	2,403
Small equipment purchase	11,000	12,479	(1,479)	1,877
Capital outlay - land and buildings	-	224,501	(224,501)	-
Supplemental retirement	24,500	19,986	4,514	22,895
Police reserves	2,500	2,050	450	2,249
On-behalf payments	-	27,966	(27,966)	28,726
Total	1,553,300	1,552,731	569	1,190,229
Inspection - planning/zoning				
Salaries	359,700	324,961	34,739	328,031
Professional services	2,000	2,753	(753)	16,378
FICA	28,000	24,861	3,139	24,991
Group insurance	46,400	38,422	7,978	42,267
Unemployment expense	1,500	(20)	1,520	-
Retirement	34,300	32,413	1,887	29,594
Longevity pay	10,300	10,033	267	8,352
Telephone and postage	7,500	9,331	(1,831)	7,643
Travel	7,500	2,076	5,424	5,406
Maintenance and repairs - vehicles	2,500	3,058	(558)	3,761
Advertising	2,000	1,965	35	890
Vehicle and equipment fuel	2,000	2,714	(714)	1,639
Dues and subscriptions	2,000	1,163	837	1,076
Small equipment purchases	2,500	-	2,500	-
Supplies and materials	4,500	1,626	2,874	12,437
Uniforms	1,500	1,607	(107)	1,208
Miscellaneous	2,500	1,923	577	1,888
Software maintenance and changes	7,000	5,300	1,700	4,883
Supplemental retirement	16,900	12,388	4,512	14,045
Total	540,600	476,574	64,026	504,489
Total public safety	6,524,200	6,450,554	73,646	5,873,165

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With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2020

	2021			2020
	Budget	Actual	Variance Positive (Negative)	Actual
Transportation				
Traffic engineering				
Utilities	\$ 3,000	\$ 2,717	\$ 283	\$ 2,793
Supplies and materials	1,000	-	1,000	-
Small equipment purchases	1,000	-	1,000	-
Capital outlay - equipment	8,000	-	8,000	-
Contracted services	24,000	24,000	-	24,000
Total	37,000	26,717	10,283	26,793
Street				
Salaries	390,000	380,390	9,610	360,281
Professional services	20,000	12,532	7,468	5,536
Storm water	45,000	55,401	(10,401)	36,114
FICA	32,000	29,143	2,857	27,449
Group insurance	70,000	67,799	2,201	62,806
Unemployment expense	1,800	(23)	1,823	-
Retirement	39,200	39,652	(452)	33,097
Longevity pay	10,000	9,037	963	8,304
Telephone and postage	7,000	8,436	(1,436)	5,799
Utilities	3,000	2,042	958	9,826
Travel	3,000	-	3,000	-
Maintenance and repairs - buildings	3,500	3,000	500	3,030
Maintenance and repairs - equipment	4,000	-	4,000	-
Maintenance and repairs - vehicles	78,000	47,889	30,111	56,516
Radio maintenance	1,000	-	1,000	-
Vehicle and equipment fuel	35,000	15,520	19,480	14,228
Supplies and materials	18,000	17,842	158	17,854
Traffic control	6,000	11,391	(5,391)	13,365
Uniforms	6,500	6,531	(31)	6,658
Road repair materials	15,000	18,064	(3,064)	22,828
Sidewalk repairs	100,000	111,372	(11,372)	57,354
Snow and ice removal	18,000	-	18,000	-
Storm sewers	25,000	16,790	8,210	4,446
Street resurfacing	535,000	615,869	(80,869)	525,631
Right of ways	22,000	(2,387)	24,387	14,793
Dues and subscriptions	2,600	2,183	417	2,240
Miscellaneous	3,500	281	3,219	3,599
Contracted services	2,000	909	1,091	1,604
Small equipment purchases	10,000	28,565	(18,565)	22,733
Capital outlay - other improvements	22,500	2,341	20,159	-

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	2021			2020
	Budget	Actual	Variance Positive (Negative)	Actual
Capital outlay - equipment	\$ -	\$ 5,093	\$ (5,093)	\$ 132,124
Supplemental retirement	20,700	18,362	2,338	15,787
Street improvements	20,000	22,839	(2,839)	3,770
Total	1,569,300	1,546,863	22,437	1,467,772
Street lighting				
Utilities	109,500	105,749	3,751	88,304
Contracted services	2,000	-	2,000	-
Total	111,500	105,749	5,751	88,304
Total transportation	1,717,800	1,679,329	38,471	1,582,869
Environmental protection				
Sanitation				
Salaries	255,000	256,942	(1,942)	244,786
FICA	20,000	20,176	(176)	19,276
Group insurance	47,000	46,176	824	44,142
Unemployment expense	1,400	-	1,400	-
Retirement	25,900	27,329	(1,429)	22,963
Longevity pay	12,000	11,484	516	11,077
Telephone and postage	4,500	4,268	232	4,921
Maintenance and repairs - equipment	1,000	292	708	-
Maintenance and repairs - vehicles	100,000	100,186	(186)	105,958
Vehicle and equipment fuel	50,000	32,382	17,618	33,773
Supplies and materials	1,000	1,344	(344)	663
Tipping fees	190,000	193,897	(3,897)	179,381
Travel	200	-	200	-
Radio maintenance	500	-	500	-
Uniforms	4,000	3,603	397	4,138
Contracted services	108,000	79,732	28,268	75,134
Small equipment purchases	1,000	-	1,000	-
Miscellaneous	4,000	3,430	570	2,703
Rollout refuse	34,000	28,260	5,740	29,509
Supplemental retirement	12,900	11,085	1,815	9,918
Total environmental protection	872,400	820,586	51,814	788,342

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	2021			2020
	Budget	Actual	Variance Positive (Negative)	Actual
Culture and recreation				
Recreation				
Salaries	\$ 435,000	\$ 357,245	\$ 77,755	\$ 385,081
Professional services	12,000	18,079	(6,079)	366
FICA	33,000	26,861	6,139	29,033
Group insurance	38,700	37,812	888	37,829
Unemployment expense	1,400	(663)	2,063	-
Retirement	29,900	27,991	1,909	25,701
Longevity pay	7,000	1,331	5,669	7,234
Telephone and postage	18,000	17,474	526	13,515
Utilities	40,000	27,560	12,440	29,841
Travel	4,000	9,567	(5,567)	3,311
Maintenance and repairs - buildings	16,000	21,687	(5,687)	7,770
Maintenance and repairs - equipment	6,000	4,964	1,036	16,177
Maintenance and repairs - vehicles	4,200	4,642	(442)	2,242
Contracted personnel	22,000	5,260	16,740	14,202
Vehicle and equipment fuel	3,000	1,203	1,797	1,125
Supplies and materials	9,000	10,800	(1,800)	8,639
Uniforms	1,500	2,330	(830)	162
Uniforms/Equipment from donations	4,000	85	3,915	992
Contracted services	28,000	13,951	14,049	22,153
Dues and subscriptions	8,400	9,464	(1,064)	9,223
Miscellaneous	10,000	12,375	(2,375)	11,195
Athletics programs	18,000	6,002	11,998	6,703
Hall of fame	10,000	-	10,000	102
Other programs	66,400	18,310	48,090	55,934
Concessions	8,000	-	8,000	3,106
Small equipment purchases	8,000	103,653	(95,653)	21,303
Capital outlay - other improvements	48,800	106,351	(57,551)	-
Advertising	7,000	11,605	(4,605)	5,650
Supplemental retirement	14,600	10,863	3,737	12,722
Capital outlay - equipment	6,000	19,803	(13,803)	79,037
Total	917,900	886,605	31,295	810,348

City of Graham, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For The Fiscal Year Ended June 30, 2021
With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2020

Statement 1
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	2021			2020
	Budget	Actual	Variance Positive (Negative)	Actual
Graham-Mebane Lake				
Salaries	\$ 96,200	\$ 91,614	\$ 4,586	\$ 94,539
FICA	8,000	7,012	988	7,303
Group insurance	7,700	7,687	13	7,447
Professional services	18,000	25,959	(7,959)	6,462
Unemployment expense	-	-	-	-
Retirement expense	4,700	4,805	(105)	4,057
Longevity pay	1,200	1,110	90	1,067
Telephone and postage	3,500	2,639	861	3,021
Utilities	4,000	3,166	834	3,833
Travel	1,000	730	270	416
Maintenance and repairs - buildings	6,900	1,065	5,835	7,680
Maintenance and repairs - equipment	700	1,217	(517)	571
Maintenance and repairs - vehicles	1,200	2,074	(874)	1,171
Vehicle and equipment fuel	1,000	1,218	(218)	624
Other programs	1,500	1,426	74	15
Supplies and materials	10,000	12,386	(2,386)	11,440
Uniforms	800	81	719	715
Contracted services	2,100	1,056	1,044	598
Dues and subscriptions	100	21	79	-
Miscellaneous expense	500	-	500	929
Small equipment purchases	6,000	8,776	(2,776)	4,361
Capital outlay - other improvements	7,500	-	7,500	-
Capital outlay - equipment	-	-	-	8,148
Supplemental retirement	2,300	2,272	28	2,186
Total	184,900	176,314	8,586	166,583
Property Maintenance				
Salaries	506,100	494,578	11,522	477,739
FICA	39,300	37,361	1,939	35,616
Group insurance	85,200	85,281	(81)	82,614
Unemployment expense	2,600	-	2,600	-
Retirement	46,200	47,475	(1,275)	40,215
Longevity pay	14,900	14,285	615	11,761
Telephone and postage	7,300	7,037	263	6,270
Utilities	39,500	26,415	13,085	26,105
Travel	3,700	1,302	2,398	2,538
Contract labor	10,000	4,450	5,550	68
Equipment rentals	4,000	1,029	2,971	1,727
Maintenance and repairs - buildings	28,000	30,972	(2,972)	9,073
Maintenance and repairs - equipment	66,000	52,639	13,361	56,376
Maintenance and repairs - grounds	42,000	44,471	(2,471)	36,058
Maintenance and repairs - vehicles	30,500	29,213	1,287	28,440

City of Graham, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For The Fiscal Year Ended June 30, 2021
With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2020

Statement 1
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	2021			2020
	Budget	Actual	Variance Positive (Negative)	Actual
Maintenance and repairs - lighting and fencing	\$ 8,500	\$ 3,794	\$ 4,706	\$ 6,647
Vehicle and equipment fuel	33,000	21,348	11,652	19,572
Supplies and materials	15,200	16,543	(1,343)	13,605
Uniforms	8,400	6,030	2,370	6,946
Dues and subscriptions	4,200	4,443	(243)	4,000
Miscellaneous	4,500	3,844	656	9,443
Small equipment purchases	7,500	18,227	(10,727)	14,315
Capital outlay - other improvements	26,000	12,000	14,000	76,307
Capital outlay - equipment	84,000	92,923	(8,923)	119,589
Supplemental retirement	22,600	21,549	1,051	21,199
Business beautification grant	25,500	20,883	4,617	6,500
Total	1,164,700	1,098,095	66,605	1,112,723
Total culture and recreation	2,267,500	2,161,014	106,486	2,089,654
Total expenditures	14,112,800	13,818,197	294,603	12,786,433
Revenues over (under) expenditures	(1,493,200)	768,171	2,261,371	378,564
Other financing sources (uses)				
Transfers:				
Governmental Capital Projects	-	(49,078)	(49,078)	28,141
Letter of credit funds	-	48,578	48,578	-
Appropriated fund balance	1,493,200	-	(1,493,200)	-
Total	1,493,200	(500)	(1,493,700)	28,141
Net Change in Fund Balances	\$ -	767,671	\$ 767,671	406,705
Fund balances, beginning		11,451,972		11,045,267
Fund balances, ending		\$ 12,219,643		\$ 11,451,972

**City of Graham, North Carolina
Combining Balance Sheets
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2021**

Statement 2

	Graham Memorial Park	Graham Regional Park Playground	Coronavirus Relief Fund	Total Nonmajor Governmental Funds
<hr/>				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 2,591,990	\$ -	\$ -	\$ 2,591,990
Accrued interest receivable	551	-	-	551
Accounts receivable, net	6,000	-	-	6,000
Due from other governments	-	-	-	-
	<hr/>			
Total assets	\$ 2,598,541	\$ -	\$ -	\$ 2,598,541
	<hr/>			

LIABILITIES AND FUND BALANCES

Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -
Fund balances:				
Reserved for subsequent years' expenditures	2,598,541	-	-	2,598,541
	<hr/>			
Total liabilities and fund balances	\$ 2,598,541	\$ -	\$ -	\$ 2,598,541
	<hr/>			

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City of Graham, North Carolina
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2021

Statement 3

	Graham Memorial Park	Graham Regional Park Playground	Coronavirus Relief Fund	Total Nonmajor Governmental Funds
<u>REVENUES</u>				
Restricted intergovernmental revenues:				
Investment earnings	\$ 2,363	\$ -	\$ -	\$ 2,363
Lot sales	88,798	-	-	88,798
Restricted intergovernmental	-	126,200	242,052	368,252
Total revenues	91,161	126,200	242,052	459,413
Expenditures				
Salaries	-	-	159,495	159,495
FICA	-	-	12,201	12,201
Group insurance	-	-	26,997	26,997
Unemployment expense	-	-	4,466	4,466
Retirement expense	-	-	14,616	14,616
Insurance and bonds	-	-	2,472	2,472
Miscellaneous expense	-	-	14,879	14,879
Supplemental retirement	-	-	6,926	6,926
Capital outlay	-	-	-	-
Construction costs	-	175,278	-	175,278
Professional services	-	-	-	-
Total expenditures	-	175,278	242,052	417,330
Other financing sources:				
Transfer (to) from General Fund	-	49,078	-	49,078
Revenues over expenditures and other financing sources	91,161	-	-	91,161
Fund balance - beginning of year	2,507,380	-	-	2,507,380
Fund balance - end of year	\$ 2,598,541	\$ -	\$ -	\$ 2,598,541

City of Graham, North Carolina
Special Revenue Fund - Graham Memorial Park Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2021
With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2020

Statement 4

	2021			2020
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Sale of cemetery lots	\$ -	\$ 88,798	\$ 88,798	\$ 42,400
Investment earnings	-	2,363	2,363	23,768
Total revenues	-	91,161	91,161	66,168
Expenditures				
Small equipment purchases	-	-	-	-
Capital outlay improvements	-	-	-	63,265
Capital outlay equipment	-	-	-	-
Total expenditures	-	-	-	63,265
Revenues over expenditures	-	91,161	91,161	2,903
Other financing sources (uses)				
Appropriated fund balance	-	-	-	-
	-	-	-	-
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>91,161</u>	<u>\$ 91,161</u>	<u>2,903</u>
Fund balance, beginning		<u>2,507,380</u>		<u>2,504,477</u>
Fund balance, ending		<u>\$ 2,598,541</u>		<u>\$ 2,507,380</u>

City of Graham, North Carolina
Capital Project Fund - Graham Regional Park Playground
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2021

Statement 5

	Actual				Variance
Project					Positive
Authori-	Prior	Current	Total		(Negative)
zation	Year	Year	To Date		
<hr/>					
Expenditures					
Professional Services	\$ 42,500	\$ 16,051	\$ -	\$ 16,051	\$ 26,449
Construction	828,140	707,749	175,278	883,027	(54,887)
Contingencies	32,500	-	-	-	32,500
	<hr/>				
Total	903,140	723,800	175,278	899,078	4,062
	<hr/>				
Other financing sources:					
Operating transfer from					
General Fund	403,140	350,000	49,078	399,078	(4,062)
Grant proceeds	500,000	373,800	126,200	500,000	-
	<hr/>				
	903,140	723,800	175,278	899,078	(4,062)
	<hr/>				
Revenues and other sources					
over (under) expenditures	\$ -	\$ -	-	\$ -	\$ -
	<hr/>				
Fund balance, beginning			-		
	<hr/>				
Fund balance, ending			\$ -		
	<hr/>				

City of Graham, North Carolina
Special Revenue Fund - Coronavirus Relief Fund (CRF)
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2021
With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2020

Statement 6

	2021			2020
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Cares Act Revenue	\$ 242,052	\$ 242,052	\$ -	\$ -
Total revenues	242,052	242,052	-	-
Expenditures				
Salaries	160,000	159,495	505	-
FICA	13,000	12,201	799	-
Group insurance	27,000	26,997	3	-
Unemployment expense	5,000	4,466	534	-
Retirement expense	15,000	14,616	384	-
Insurance and bonds	-	2,472	(2,472)	-
Miscellaneous expense	15,000	14,879	121	-
Supplemental retirement	7,052	6,926	126	-
Total expenditures	242,052	242,052	-	-
Revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Appropriated fund balance	-	-	-	-
Revenues and other sources over (under) expenditures	\$ -	-	\$ -	-
Fund balance, beginning		-		-
Fund balance, ending		\$ -		\$ -

City of Graham, North Carolina
Special Revenue Fund - American Rescue Plan Act (ARPA)
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2021
With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2020

	2021			2020
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
American Rescue Plan Act	\$ 2,493,170	\$ -	\$ (2,493,170)	\$ -
Total revenues	2,493,170	-	(2,493,170)	-
Expenditures				
Capital outlay	2,493,170	-	2,493,170	-
Total expenditures	2,493,170	-	2,493,170	-
Revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Appropriated fund balance	-	-	-	-
	-	-	-	-
Revenues and other sources over (under) expenditures	\$ -	-	\$ -	-
Fund balance, beginning		-		-
Fund balance, ending		\$ -		\$ -

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

Statement 8
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With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2020

	2021			2020
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Charges for services				
Sewer surcharges	\$ 60,000	\$ 64,033	\$ 4,033	\$ 61,481
Water charges	2,334,000	2,659,849	325,849	2,931,668
Sewer charges	3,891,000	3,391,926	(499,074)	2,827,240
Mebane revenue	864,000	887,272	23,272	801,944
Total	7,149,000	7,003,080	(145,920)	6,622,333
Other operating revenues				
Sewer acreage & connection fees	20,000	454,249	434,249	81,589
Water acreage & connection fees	40,000	186,820	146,820	37,296
Plumbing permits and inspections	30,000	120,199	90,199	45,452
Water and sewer taps	2,500	37,566	35,066	19,597
Water and sewer assessments	100	-	(100)	-
Miscellaneous	8,000	31,316	23,316	20,445
Cut-offs	80,000	105,303	25,303	78,283
Total	180,600	935,453	754,853	282,662
Total operating revenues	7,329,600	7,938,533	608,933	6,904,995
Non-operating revenues				
Investment earnings	70,000	46,082	(23,918)	116,529
Sale / lease of property	27,000	33,179	6,179	27,600
NCCP	90,000	78,880	(11,120)	103,393
Swordfish Alamance County	-	-	-	100,000
Total non-operating revenues	187,000	158,141	(28,859)	347,522
Total revenues	7,516,600	8,096,674	580,074	7,252,517
Expenditures:				
Water billing and metering				
Salaries	187,500	175,567	11,933	181,796
ADM Water bill and meter	-	-	-	18,789
FICA	13,500	13,122	378	12,834
Group insurance	30,300	29,187	1,113	23,575
Unemployment expense	-	(44)	44	-
Retirement	18,500	17,622	878	15,521
Longevity pay	5,400	4,591	809	5,015
Bank charges	77,500	76,615	885	69,890
Telephone and postage	35,000	36,306	(1,306)	35,517
Travel	1,000	-	1,000	-

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

Statement 8
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With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2020

	2021			2020
			Variance Positive (Negative)	
	Budget	Actual		Actual
Maintenance and repairs - vehicles	\$ 2,500	\$ 1,990	\$ 510	\$ 2,977
Maintenance and repairs-equipment	1,000	-	1,000	-
Vehicle and equipment fuel	2,500	1,599	901	1,746
Supplies and materials	2,000	766	1,234	999
Uniforms	500	134	366	425
Contract services	16,000	16,121	(121)	17,140
Dues and subscriptions	10,000	10,031	(31)	9,859
Small equipment	1,000	-	1,000	-
Miscellaneous	1,500	-	1,500	1,203
Software maintenance and charges	26,000	24,299	1,701	34,146
Bad debt expense	-	(28,709)	28,709	2,131
Supplemental retirement	8,800	8,416	384	8,396
Total	440,500	387,613	52,887	441,959
Water distribution				
Salaries	380,000	336,133	43,867	354,144
FICA	30,000	25,462	4,538	26,808
Group insurance	77,000	72,922	4,078	72,703
Unemployment expense	2,200	-	2,200	-
Retirement	40,000	34,888	5,112	32,348
Longevity pay	6,600	6,493	107	6,248
Telephone and postage	6,500	7,141	(641)	7,873
Utilities	10,500	10,020	480	9,135
Travel	5,500	1,410	4,090	5,947
Maintenance and repairs - equipment	30,000	14,477	15,523	15,767
Maintenance and repairs - vehicles	15,000	15,004	(4)	17,849
Vehicle and equipment fuel	17,000	10,387	6,613	10,493
Supplies and materials	160,000	138,461	21,539	150,439
Uniforms	7,000	5,589	1,411	7,953
Contracted services	315,000	290,284	24,716	278,311
Dues and subscriptions	6,500	3,893	2,607	4,191
Miscellaneous	4,500	2,000	2,500	84,016
Meters, valves, hydrants	400,000	397,583	2,417	351,390
Small tools and equipment	8,000	4,221	3,779	-
Supplemental retirement	19,000	13,047	5,953	13,153
Total	1,540,300	1,389,415	150,885	1,448,768

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

Statement 8
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With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2020

	2021			2020
	Budget	Actual	Variance Positive (Negative)	Actual
Sewer mains				
Salaries	\$ 48,700	\$ 45,514	\$ 3,186	\$ 45,261
FICA	3,800	3,478	322	3,465
Group insurance	7,600	-	7,600	-
Professional services	25,000	26,261	(1,261)	36,898
Retirement	5,200	4,635	565	4,262
Longevity pay	100	-	100	2,234
Telephone and postage	6,000	5,486	514	4,912
Utilities	22,000	19,930	2,070	19,340
Travel	1,000	-	1,000	580
Maintenance and repairs - buildings	5,000	580	4,420	1,425
Maintenance and repairs - equipment	50,000	17,425	32,575	55,956
Maintenance and repairs - vehicles	4,500	2,656	1,844	3,810
Vehicle and equipment fuel	3,500	2,297	1,203	2,867
Supplies and materials	1,500	609	891	366
Uniforms	1,500	658	842	1,271
Contracted services	8,500	5,327	3,173	4,738
Miscellaneous	2,500	-	2,500	-
Small equipment purchase	2,500	8,177	(5,677)	27,438
Supplemental retirement	2,400	2,275	125	797
Total	201,300	145,308	55,992	215,620
Water Treatment Plant				
Salaries	507,000	494,537	12,463	452,900
Professional services	50,000	10,619	39,381	20,808
FICA	40,000	37,374	2,626	35,969
Group insurance	69,000	58,943	10,057	66,421
Unemployment expense	2,100	-	2,100	-
Retirement	54,000	52,256	1,744	42,010
Longevity pay	20,000	18,881	1,119	15,157
Telephone and postage	8,000	5,685	2,315	6,824
Utilities	210,000	194,128	15,872	206,372
Travel	4,000	1,058	2,942	818
Maintenance and repairs - buildings and grounds	22,000	20,771	1,229	18,432
Maintenance and repairs - equipment	45,000	28,236	16,764	32,609
Maintenance and repairs - vehicles	4,000	1,799	2,201	636

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

Statement 8
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With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2020

	2021			2020
	Budget	Actual	Variance Positive (Negative)	Actual
Vehicle and equipment fuel	\$ 3,000	\$ 3,940	\$ (940)	\$ 1,466
Supplies and materials	550,000	591,222	(41,222)	587,732
Uniforms	3,000	2,040	960	1,449
Lab expense	42,000	38,504	3,496	33,875
Contract services	75,000	48,795	26,205	50,071
Dues and subscriptions	9,000	8,178	822	8,576
Small equipment	20,000	49,899	(29,899)	(15,334)
Miscellaneous	3,000	209	2,791	747
Supplemental retirement	26,000	23,806	2,194	21,164
Total	1,766,100	1,690,880	75,220	1,588,702
Waste Water Treatment Plant				
Salaries	503,000	459,510	43,490	476,936
Professional services	25,000	3,318	21,682	14,124
FICA	39,000	34,449	4,551	36,222
Group insurance	83,500	83,731	(231)	74,557
Unemployment expense	2,300	-	2,300	-
Retirement	51,000	48,130	2,870	44,047
Longevity pay	14,500	14,110	390	16,772
Telephone and postage	6,800	7,214	(414)	9,381
Utilities	155,000	143,603	11,397	133,959
Travel	4,000	1,336	2,664	1,946
Maintenance and repairs - buildings	22,000	21,182	818	19,869
Maintenance and repairs - equipment	75,000	64,228	10,772	60,068
Maintenance and repairs - vehicles	8,500	14,789	(6,289)	15,117
Vehicle and equipment fuel	11,000	7,129	3,871	6,892
Supplies and materials	185,000	209,179	(24,179)	228,841
Uniforms	4,000	3,555	445	2,097
Lab expense	50,000	47,648	2,352	50,220
Contracted services	34,000	33,791	209	35,392
Sewer treatment	460,000	467,514	(7,514)	429,480
Dues and subscriptions	17,000	14,458	2,542	13,090
Miscellaneous	3,000	386	2,614	640
Bad debt expense	-	28,490	(28,490)	18,594
Small equipment purchase	18,000	12,643	5,357	5,236
Supplemental retirement	25,000	18,559	6,441	20,327
Total	1,796,600	1,738,952	57,648	1,713,807

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

Statement 8
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With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2020

	2021			2020
	Budget	Actual	Variance Positive (Negative)	Actual
Non-departmental				
Professional services	\$ 100,000	\$ 108,959	\$ (8,959)	\$ 119,206
Group Insurance	76,000	72,217	3,783	62,934
Water - Burlington	5,000	-	5,000	-
Contracted Services	65,000	70,121	(5,121)	64,694
NCCP revenue sharing payment	21,000	15,783	5,217	11,100
Insurance and bonds	110,000	86,368	23,632	84,036
Small equipment purchase	30,000	30,000	-	18,039
Miscellaneous	10,000	11,384	(1,384)	9,146
Total	417,000	394,832	22,168	369,155
Debt service				
Interest	93,000	92,835	165	108,689
Debt principal	1,000,500	547,800	452,700	539,800
Total	1,093,500	640,635	452,865	648,489
Capital outlay - equipment & improvements				
Water distribution improvements	310,000	197,111	112,889	247,814
Water distribution equipment	10,000	150,587	(140,587)	101,615
Sewer mains	20,500	39,907	(19,407)	-
Water Treatment Plant improvements	155,000	77,968	77,032	149,480
Water Treatment Plant equipment	90,000	23,031	66,969	39,137
Waste Water Plant improvements	15,000	25,291	(10,291)	36,700
Waste Water Treatment Plant	235,000	194,899	40,101	185,100
Total	835,500	708,794	126,706	759,846
Total expenditures	8,090,800	7,096,429	994,371	7,186,346
Revenues over (under) expenditures	(574,200)	1,000,245	1,574,445	66,171

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

Statement 8
Page 6 of 6

With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2020

	2021			2020
	Budget	Actual	Variance Positive (Negative)	Actual
Other financing sources (uses)				
Fund balance appropriated	\$ 257,200	\$ -	\$ (257,200)	\$ -
Mebane WTP Capital Contribution	127,000	127,403	403	127,403
WWTP Equipment and Improvements	49,000	-	(49,000)	-
Mebane WWTP Payment	200,000	200,000	-	200,000
Transfer	(60,000)	(641,069)	(581,069)	(134,885)
Sale of surplus property	1,000	(1,235)	(2,235)	1,636
Total	574,200	(314,901)	(889,101)	194,154
Revenues and other sources (uses)				
over expenditures	<u>\$ -</u>	685,344	<u>\$ 685,344</u>	260,325
Reconciling items:				
Payment of debt principal		547,800		539,800
Principal payments received		(327,403)		(327,403)
Capital outlay		708,794		759,846
(Increase) decrease in accrued vacation pay		(50,834)		(27,145)
Increase (decrease) in deferred outflows of resources				
-OPEB		548,479		14,607
(Increase) decrease in deferred inflows of resources				
-OPEB		74,023		(12,917)
(Increase) decrease in accrued OPEB liability		(742,351)		(133,425)
(Increase) decrease in interest expense accrual		5,532		5,479
(Increase) decrease in net pension liability		(171,156)		(102,079)
(Increase) decrease in deferred inflows of resources				
-pensions		(4,696)		11,312
Increase (decrease) in deferred outflows of resources		67,734		(41,106)
- pensions				
Water and sewer assessments		-		4,878
Proceeds on sale of property		-		(1,636)
Gain (loss) on disposal of assets		-		1,636
Depreciation and amortization		(1,032,420)		(1,002,894)
Water and Sewer Capital Reserve Fund revenue		641,069		118,885
Income from Capital Project Fund		608,280		68,194
Income from ASADRA loan		984,373		
Transfer to Water and Sewer Capital Projects Fund		-		16,000
Total reconciling items		1,857,224		(107,968)
Change in Net Position		<u>\$ 2,542,568</u>		<u>\$ 152,357</u>

City of Graham, North Carolina
Capital Reserve Fund - System Development Fees
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2021
With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2020

Statement 9

	2021			2020
	Budget	Actual	Variance Positive (Negative)	Actual
Expenditures				
Capital outlay improvements	\$ -	\$ -	\$ -	\$ -
Capital outlay equipment	-	-	-	-
Total Expenditures	-	-	-	-
Revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Transfer to Capital Project Fund	-	(67,763)	(67,763)	-
Transfer to Water and Sewer Fund				
Transfer from Water and Sewer Fund	-	641,069	641,069	118,885
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>573,306</u>	<u>\$ 573,306</u>	<u>118,885</u>
Fund balance, beginning		<u>695,944</u>		<u>577,059</u>
Fund balance, ending		<u>\$ 1,269,250</u>		<u>\$ 695,944</u>

CITY OF GRAHAM, NORTH CAROLINA
Boyd Creek Pump Station Capital Project
Schedule of Revenues and Expenditures - Budget and Actual (Non GAAP)
From Inception and For the Fiscal Year Ended June 30, 2021

Statement 10

		Actual			Variance
	Project Authori- zation	Prior Year	Current Year	Total To Date	Positive (Negative)
Expenditures					
Professional services	\$ 220,000	\$ 261,291	\$ 124,397	\$ 385,688	\$ (165,688)
Construction	430,000	392,991	-	392,991	37,009
Lift station construction	3,250,000	-	2,632,957	2,632,957	617,043
Loan fees	62,000	61,938	-	61,938	62
Total	3,962,000	716,220	2,757,354	3,473,574	488,426
Other financing sources:					
Operating transfer from					
Water and Sewer Fund	712,000	712,000	-	712,000	-
Grant proceeds	612,500	4,220	608,280	612,500	-
Loan proceeds	2,637,500	-	2,149,074	2,149,074	(488,426)
	3,962,000	716,220	2,757,354	3,473,574	(488,426)
Net change in fund balance	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF GRAHAM, NORTH CAROLINA
Old Fields Outfall Capital Project
Schedule of Revenues and Expenditures - Budget and Actual (Non GAAP)
From Inception and For the Fiscal Year Ended June 30, 2021

		Actual			
	Project Authori- zation	Prior Year	Current Year	Total To Date	Variance Positive (Negative)
Expenditures					
Professional services	\$ 150,000	\$ -	\$ 56,457	\$ 56,457	\$ 93,543
Construction - Phase 1	1,585,000	-	-	-	1,585,000
Construction - Phase 2	1,200,000	-	-	-	1,200,000
Easements	20,000	-	11,306	11,306	8,694
Total	2,955,000	-	67,763	67,763	2,887,237
Other financing sources:					
Operating transfer from Water and Sewer Fund	1,355,000	-	-	-	(1,355,000)
Proceeds from Water and Sewer Capital Reserve System Development	800,000	-			(800,000)
Capital Reseve Fund	800,000	-	67,763	67,763	(732,237)
	2,955,000	-	67,763	67,763	(2,887,237)
Net change in fund balance	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF GRAHAM, NORTH CAROLINA
Wastewater Treatment Plant Upgrade Capital Project
Schedule of Revenues and Expenditures - Budget and Actual (Non GAAP)
From Inception and For the Fiscal Year Ended June 30, 2021

	Project Authori- zation	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total To Date	
Expenditures					
Professional services	\$ 3,200,000	\$ -	\$ 984,373	\$ 984,373	\$ 2,215,627
Loan fees	615,000	-	-	-	615,000
Total	3,815,000	-	984,373	984,373	2,830,627
Other financing sources:					
Operating transfer from					
Water and Sewer Fund	615,000	-	-	-	(615,000)
ASADRA State Loan	3,200,000	-	984,373	984,373	(2,215,627)
	3,815,000	-	984,373	984,373	(2,830,627)
Net change in fund balance	\$ -	\$ -	\$ -	\$ -	\$ -

**City of Graham, North Carolina
Internal Service Fund - Garage Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
For The Fiscal Year Ended June 30, 2021**

**Statement 13
Page 1 of 2**

With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2020

	2021			2020
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Operating revenues				
Charges for services				
Alamance County - maintenance	\$ 189,100	\$ 130,937	\$ (58,163)	\$ 136,060
City of Graham	724,700	497,059	(227,641)	483,975
Graham Housing Authority	14,800	12,808	(1,992)	14,827
ACTA vehicles	-	-	-	-
Green Level	19,100	18,311	(789)	14,567
ABC vehicles	3,300	3,100	(200)	3,072
Sale of surplus property	-	-	-	-
Miscellaneous income	100	71	(29)	349
Total	951,100	662,286	(288,814)	652,850
Total operating revenues	951,100	662,286	(288,814)	652,850
Non-operating revenues				
Investment earnings	600	700	100	2,143
Total non-operating revenues	600	700	100	2,143
Total revenues	951,700	662,986	(288,714)	654,993
Expenditures:				
Operations				
Salaries	129,000	113,903	15,097	121,889
FICA	9,900	8,982	918	9,537
Group insurance	15,200	14,825	375	15,661
Dental insurance	1,000	-	1,000	40
Unemployment expense	600	(114)	714	-
Retirement	11,800	11,441	359	10,010
Longevity pay	4,900	4,814	86	4,074
Depreciation	-	-	-	328
Telephone and postage	4,200	6,446	(2,246)	4,368
Utilities	3,500	2,829	671	2,748
Travel	500	-	500	-
Maintenance and repairs - equipment	3,500	619	2,881	2,459
Maintenance and repairs - vehicles	3,500	545	2,955	277
Vehicle and equipment fuel	1,600	1,337	263	616
Supplies and materials	4,500	2,107	2,393	1,349

City of Graham, North Carolina
Internal Service Fund - Garage Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
For The Fiscal Year Ended June 30, 2021

Statement 13
Page 2 of 2

With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2020

	2021			2020
	Budget	Actual	Variance Positive (Negative)	Actual
Uniforms	\$ 3,800	\$ 2,708	\$ 1,092	\$ 3,076
Dues and subscriptions	7,500	7,674	(174)	4,540
Miscellaneous	3,500	564	2,936	4,048
Purchases for inventory	724,600	509,037	215,563	516,418
Supplemental retirement	5,600	5,392	208	5,369
Capital outlay - other improvements	6,500	-	6,500	-
Capital outlay - small tools	6,500	5,913	587	2,926
Total	951,700	699,022	252,678	709,733
Capital outlay	-	-	-	-
Total expenditures	951,700	699,022	252,678	709,733
Revenues over (under) expenditures	-	(36,036)	(36,036)	(54,740)
Other financing sources (uses)				
Fund balance appropriated	-	-	-	-
Revenues and other sources (uses) over expenditures	<u>\$ -</u>	<u>(36,036)</u>	<u>\$ (36,036)</u>	<u>(54,740)</u>
Reconciling items:				
Capital outlay		-		-
Depreciation		(6,382)		(7,410)
Loss on disposal of assets		-		-
(Increase) decrease in deferred outflows of resources - pensions		6,773		(4,111)
(Increase) decrease in net pension liability		(17,116)		(10,208)
(Increase) decrease in deferred inflows of resources				
- pensions		(470)		1,131
Increase (decrease) in deferred outflows of resources				
-OPEB		41,020		770
(Increase) decrease in deferred inflows of resources				
-OPEB		5,579		(1,042)
(Increase) decrease in OPEB Liability		(55,950)		(10,763)
(Increase) decrease in accrued vacation pay		(2,377)		(3,299)
Total reconciling items		(28,923)		(34,932)
Change in Net Position		<u>\$ (64,959)</u>		<u>\$ (89,672)</u>

City of Graham, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2021

Statement 14

Fiscal Year	Uncollected Balance June 30, 2020	Additions	Collections and Credits	Uncollected Balance June 30, 2021
2020-2021	\$	\$ 5,978,603	\$ 5,876,793	\$ 101,810
2019-2020	123,906		70,822	53,084
2018-2019	39,138	-	11,052	28,086
2017-2018	19,234	-	2,670	16,564
2016-2017	16,757	-	2,338	14,419
2015-2016	13,011	-	1,174	11,837
2014-2015	10,693	-	711	9,982
2013-2014	13,237	-	436	12,801
2012-2013	14,658	-	993	13,665
2011-2012	12,716	-	311	12,405
2010-2011	10,012	-	10,012	-
	<u>\$ 273,362</u>	<u>\$ 5,978,603</u>	<u>\$ 5,977,312</u>	274,653

Less: Allowance for uncollectible accounts (General Fund)

39,331

Ad valorem taxes receivable - net

\$ 235,322

Reconcilement with revenues:

Ad valorem taxes - General Fund

\$ 5,999,261

Reconciling items:

Tax cost and interest

(29,152)

Amounts written off for tax year 2010-2011

per statute of limitations

10,012

Refunds and other adjustments - net

(2,809)

Subtotal

(21,949)

Total collections and credits

\$ 5,977,312

City of Graham, North Carolina
Analysis of Current Tax Levy
City-Wide Levy
For The Fiscal Year Ended June 30, 2021

Statement 15

	City-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 1,291,334,433	\$ 0.455	\$ 5,875,573	\$ 5,177,632	\$ 697,941
Penalties	-		-	-	-
Total	1,291,334,433		5,875,573	5,177,632	697,941
Discoveries	39,511,898		179,779	179,779	-
			6,055,352	5,357,411	697,941
Abatements	(16,868,545)		(76,749)	(76,749)	-
Total property valuation	<u>\$ 1,313,977,786</u>				
Net levy			5,978,603	5,280,662	697,941
Uncollected taxes at June 30, 2021			(101,810)	(95,387)	(6,423)
Current year's taxes collected			<u>\$ 5,876,793</u>	<u>\$ 5,185,275</u>	<u>\$ 691,518</u>
Current levy collection percentage			<u>98.30%</u>	<u>98.19%</u>	<u>99.08%</u>

Secondary Market Disclosures:

Assessed Valuation:	Total		
Assessment Ratio ¹	100%		
Real Property	\$ 1,003,814,570	\$ 1,003,814,570	\$ -
Personal Property	278,644,306	125,250,774	153,393,532
Public Service Companies ²	31,518,910	31,518,910	-
Total Assessed Valuation	1,313,977,786	1,160,584,254	153,393,532
Tax Rate per \$100	0.455	0.455	0.455
Levy (includes discoveries, releases and abatements)	<u>\$ 5,978,603</u>	<u>\$ 5,280,662</u>	<u>\$ 697,941</u>

¹ Percentage of appraised value has been established by statute.

² Valuation of railroads, telephone companies and other utilities as determined by the North Carolina Property Tax Commission.

**City of Graham, North Carolina
Ten Largest Taxpayers
For The Fiscal Year Ended June 30, 2021**

Statement 16

<u>Taxpayer</u>	<u>Type of Business</u>		<u>Percentage of Total Assessed Valuation</u>
LIDL US Operations LLC	Manufacturing	\$ 75,086,807	5.71%
Southwood, Waterside LLC	Rental	22,994,718	1.75%
SDE, Graham I LLC ETAL	Rental	21,176,962	1.61%
Triangle, Watercourse LLC	Rental	19,353,027	1.47%
Indulor America LP	Manufacturing	16,781,280	1.28%
Duke Energy	Utilities	14,053,925	1.07%
Luxfer Inc.	Manufacturing	12,266,013	0.93%
Peak of Graham LLC	Healthcare	11,363,855	0.86%
Pines Apartments of Graham LLC	Rental	9,409,857	0.72%
Sterigenics U.S. LLC	Sterilization Technologies	8,177,238	0.62%
		<u>\$ 210,663,682</u>	<u>16.02%</u>



**STOUT
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McGOWEN
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

Independent Auditor's Report

To The Honorable Mayor and
Members of the City Council
City of Graham
Graham, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United State of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Graham, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the City of Graham's basic financial statements and have issued our report thereon dated November 3, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Graham's internal control over financial reporting (internal control) to determine the 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 City of Graham's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Graham'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*.

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

STOUT STUART MCGOWEN & KINGS LLP

Burlington, North Carolina
November 3, 2021



**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT
ON INTERNAL CONTROL OVER COMPLIANCE; IN ACCORDANCE WITH
OMB UNIFORM GUIDANCE; AND THE STATE SINGLE AUDIT
IMPLEMENTATION ACT**

Independent Auditor's Report

To The Honorable Mayor and
Members of the City Council
City of Graham
Graham, North Carolina

Report on Compliance for Each Major State Program

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

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

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

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

Opinion on Each Major State Program

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

Report on Internal Control Over Compliance

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

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

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

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

STOUT STUART MCGOWEN & KING LLP

Burlington, North Carolina
November 3, 2021

CITY OF GRAHAM, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant Deficiency(s) identified that are not
considered to be material weaknesses _____ Yes X None Reported

Noncompliance material to financial statements noted _____ Yes X No

State Awards

Internal control over major State programs:

Material weakness(es) identified? _____ Yes X No

Significant Deficiency(s) identified that are not
considered to be material weaknesses _____ Yes X None Reported

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

Any audit findings disclosed that are required to be
reported in accordance with State Single Audit
Implementation Act _____ Yes X No

Identification of major State Programs:

Program Name

Powell Bill
Disaster Relief Act of 2019
N.C. Connect Grant
N.C. Connect Bond

CITY OF GRAHAM, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

Section II. Financial Statement Findings

None reported.

Section III. State Award Findings and Questioned Costs

None reported.

CITY OF GRAHAM, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2021

None Reported

City of Graham, North Carolina
Schedule of Expenditures of Federal and State Awards
For The Year Ended June 30, 2021

Schedule 17

Grantor/Pass-through <u>Grantor/Program Title</u>	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct and Pass-through) Expenditures	State Expenditures
Federal Grants:				
<u>U.S. Department of Transportation</u>				
National Highway Traffic Safety Administration				
Passed through N.C, Department of Transportation				
State and community Highway Safety	20.600	22020.6.7	\$ 1,000	\$ -
<u>U.S. Department of Treasury</u>				
Passed through the Office of State Budget and Management:				
NC Pandemic Recovery Office Passed Through Alamance County:				
Coronavirus Relief Fund	21.019	Unknown	242,052	-
State Grants:				
<u>Office of State Management and Budget</u>				
Disaster Relief Act of 2019	N/A	Unknown	-	984,373
<u>N.C. Department of Environmental Quality</u>				
N.C. Connect Grant	N/A	E-SRP-W-17-0054	-	612,500
N.C. Connect Bond	N/A	E-SRP-W-17-0054	-	2,149,074
<u>N.C. Department of Natural and Cultural Resources</u>				
Park and Recreation Trust Fund		2017- CNC 04	-	126,200
<u>N.C. Department of Transportation</u>				
Powell Bill	N/A	32570	-	381,718
<u>N.C. Department of Education</u>				
Passed through Alamance-Burlington School System				
School Resource Officer	N/A	Unknown	-	165,000
Total Assistance - State Programs			243,052	4,418,865
Total assistance			\$ 243,052	\$ 4,418,865

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

Note 1: Basis of Presentation

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

Note 2: Summary of Significant Accounting Policies

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

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