

**City of Graham, North Carolina
Audited Financial Statements
Year Ended June 30, 2022**

City of Graham, North Carolina

Year Ended June 30, 2022

City Council Members

Jennifer Talley - Mayor

Ricky Hall - Mayor Pro Tem

Bobby Chin

Bonnie Whitaker

Joey Parsons

Administrative and Financial Staff

Megan M. Garner – City Manager

Julianne Cordon – Finance Officer

Sandy Callahan – Tax Collector

City of Graham, North Carolina
June 30, 2022
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**STOUT
STUART
McGOWEN
& KING LLP**

*Certified
Public
Accountants*

*Advisors to
Management*

*Member of PCPS,
the AICPA Alliance
For CPA Firms*

*Mailing Address:
P.O. Box 1440
Burlington, NC 27216-1440*

*Street Address:
1233 South Church Street
Burlington, NC 27215*

*336-226-7343
fax 336-229-4204*

*www.ssmkllp.com
e-mail: ssmk@ssmkllp.com*

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based upon our audit, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Graham, North Carolina as of June 30, 2022, and the respective changes in financial position, and cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Graham and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate provide a basis for our audit opinions.

Responsibilities of Management for the Audit of 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raises substantial doubt about the City of Graham's ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Governmental Auditing Standards* will always detect material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Governmental Auditing Standards* we

- exercised professional judgement and maintained professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 City of Graham's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Graham's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 13, and the Other Post Employment Benefit on page 61, Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions on pages 59 and 60, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions, on pages 56 and 57, respectively, and the Firefighter' and Rescue Squad Worker's Pension Fund's Schedule of the Proportionate Share of Net Pension Liability (Asset) on page 58 be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Graham's basic financial statements. The combining and individual fund financial 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory information and the statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2022 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Graham's 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 MC GOWEN & KINGS LLP

Burlington, North Carolina
November 29, 2022

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, 2022. 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

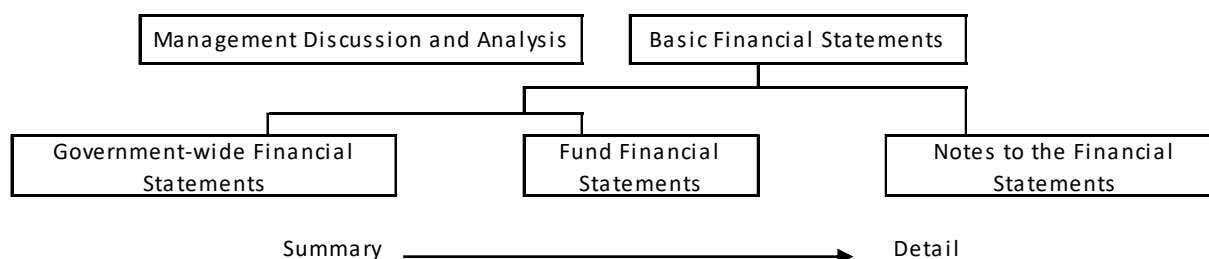
- The assets and deferred outflows of resources of the City of Graham exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$76,310,277 (*net position*).
- The government's total net position increased by \$4,819,449, due to an increase in the business type activities' net position of \$3,313,178 and an increase in the government type activities' net position of \$1,506,271.
- As of the close of the current fiscal year, the City of Graham's governmental funds reported combined ending fund balances of \$16,447,824 an increase of \$1,629,640. Approximately 31% of this total amount, or \$5,166,365, is non-spendable or restricted.
- At the end of the current fiscal year, available fund balance for the General Fund was \$10,083,559 or 69% of total general fund expenditures for the fiscal year.
- The City of Graham's total debt decreased by \$432,297 or 8% during the current fiscal year.
- The water and sewer fund produced an excess of revenue over expenditures in the amount of \$131,621 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 56 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		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
Current and other assets	\$ 20,303,605	\$ 16,319,586	\$ 15,774,811	\$ 17,436,715	\$ 18,107,937	\$ 16,928,322	\$ 37,740,320	\$ 34,427,523	\$ 32,703,133
Capital assets	19,439,814	19,110,606	18,996,346	47,269,844	43,883,056	40,398,430	66,709,658	62,993,662	59,394,776
Deferred outflows of resources	4,876,201	4,665,538	1,814,374	1,100,958	1,053,832	437,619	5,977,159	5,719,370	2,251,993
Total assets	44,619,620	40,095,730	36,585,531	65,807,517	63,044,825	57,764,371	110,427,137	103,140,555	94,349,902
Long-term liabilities outstanding	635,660	529,261	410,658	4,802,298	5,294,840	3,570,853	5,437,958	5,824,101	3,981,511
Other liabilities	18,688,828	18,316,505	14,449,252	4,947,889	5,803,820	4,716,082	23,636,717	24,120,325	19,165,334
Deferred inflows of resources	3,957,639	1,418,742	1,717,272	1,084,546	286,559	355,887	5,042,185	1,705,301	2,073,159
Total liabilities	23,282,127	20,264,508	16,577,182	10,834,733	11,385,219	8,642,822	34,116,860	31,649,727	25,220,004
Net Position:									
Net invested in capital assets	19,439,814	19,110,606	18,996,346	42,311,172	39,134,631	36,447,762	61,750,986	58,245,237	55,444,108
Restricted	5,166,365	4,209,867	4,370,234	789,776	1,269,250	695,944	5,956,141	5,479,117	5,066,178
Unrestricted	(3,268,686)	(3,489,251)	(3,358,231)	11,871,836	11,255,725	11,977,843	8,603,150	7,766,474	8,619,612
Total net position	\$ 21,337,493	\$ 19,831,222	\$ 20,008,349	\$ 54,972,784	\$ 51,659,606	\$ 49,121,549	\$ 76,310,277	\$ 71,490,828	\$ 69,129,898

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 \$76,310,277 as of June 30, 2022. The City's net position increased by \$4,819,449 in the fiscal year ended June 30, 2022. 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, 7% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$8,603,150 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 were decreases in the liability for LGERS and OPEB benefits.

City of Graham's Change in Net Position
Figure 3

	Governmental Activities			Business-type Activities			Total		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
Revenues:									
Program revenues:									
Charges for services	\$ 1,735,075	\$ 1,466,200	\$ 1,107,057	\$ 8,320,580	\$ 8,050,593	\$ 7,140,864	\$ 10,055,655	\$ 9,516,793	\$ 8,247,921
Grants and contributions									
Operating	1,266,231	1,259,860	1,060,233	-	-	-	1,266,231	1,259,860	1,060,233
Capital	225,960	193,869	252,128	2,645,547	1,592,653	68,194	2,871,507	1,786,522	320,322
General revenues:									
Property taxes	6,128,709	6,003,313	5,742,231	-	-	-	6,128,709	6,003,313	5,742,231
Other taxes	6,932,594	5,908,032	5,071,288	-	-	-	6,932,594	5,908,032	5,071,288
Grants and contributions not restricted to specific program	248,157	281,807	230,088	-	-	-	248,157	281,807	230,088
Unrestricted investment earnings	15,550	38,299	118,923	15,063	46,082	116,529	30,613	84,381	235,452
Transfers	-	-	-	-	-	-	-	-	-
Other	115,119	120,042	10,320	7,512	(1,235)	1,636	122,631	118,807	11,956
Total revenues	16,667,395	15,271,422	13,592,268	10,988,702	9,688,093	7,327,223	27,656,097	24,959,515	20,919,491
Expenses:									
General government	3,383,381	3,674,226	3,213,239	-	-	-	3,383,381	3,674,226	3,213,239
Public safety	7,376,689	6,850,274	6,571,981	-	-	-	7,376,689	6,850,274	6,571,981
Transportation	1,238,076	1,824,827	1,608,852	-	-	-	1,238,076	1,824,827	1,608,852
Economic protection	1,049,376	949,150	929,485	-	-	-	1,049,376	949,150	929,485
Culture and recreation	2,113,602	2,150,072	2,034,878	-	-	-	2,113,602	2,150,072	2,034,878
Water and sewer	-	-	-	7,675,524	7,150,036	7,181,929	7,675,524	7,150,036	7,181,929
Total expenses	15,161,124	15,448,549	14,358,435	7,675,524	7,150,036	7,181,929	22,836,648	22,598,585	21,540,364
Increase (decrease) in net position	1,506,271	(177,127)	(766,167)	3,313,178	2,538,057	145,294	4,819,449	2,360,930	(620,873)
Net position, July 1	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
Net position-July 1-Restated	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
Net position, June 30	\$ 21,337,493	\$ 19,831,222	\$ 20,008,349	\$ 54,972,784	\$ 51,659,606	\$ 49,121,549	\$ 76,310,277	\$ 71,490,828	\$ 69,129,898

Governmental activities: Governmental activities increased the City's net position by \$1,506,271, accounting for (31%) 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 \$125,396.
- There was an increase in charges for services in the amount of \$268,875.
- There was also an increase in the Local Option Sales Tax of \$963,520.
- There were decreases in the LGERS and OPEB liabilities in the amount of \$1,835,142 and \$451,112 respectively, due to the re-evaluation of cost to provide these benefits.

Business-type activities: Business-type activities increased the City of Graham's net position by \$3,313,178 accounting for 69% 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 \$269,987.
- There were decreases in the LGERS and OPEB liabilities in the amount of \$487,822 and \$122,442, respectively, due to the re-evaluation of cost to provide these benefits.
- There was an increase in grant funding for the capital projects in the amount of \$1,052,894.

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 \$11,281,459 while total fund balance reached \$13,627,235. 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 78% of general fund expenditures, while total fund balance represents 94% of the same amount.

At June 30, 2022, the governmental funds of the City of Graham reported a combined fund balance of \$16,447,824, with a net increase in fund balance of \$1,629,640. Included in this change in fund balance is an increase of \$1,407,592 in the general fund and an increase in the non-major funds of \$222,048.

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 \$1,407,592.

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 \$11,871,836. The total increase in unrestricted net position was \$3,313,178.

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, 2022, totals \$66,709,658(net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, park facilities, and vehicles.

Management Discussion and Analysis

City of Graham

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		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
Land	\$ 2,956,005	\$ 2,956,005	\$ 2,731,504	\$ 1,281,547	\$ 1,281,547	\$ 1,281,547	\$ 4,237,552	\$ 4,237,552	\$ 4,013,051
Art Collection	62,100	62,100	62,100	-	-	-	62,100	62,100	62,100
Building and systems	1,602,256	1,656,935	1,711,614	9,507,929	9,743,131	9,978,332	11,110,185	11,400,066	11,689,946
Water and sewer systems	-	-	-	14,336,669	14,692,100	15,047,531	14,336,669	14,692,100	15,047,531
Improvements other than buildings	3,452,945	3,661,501	2,776,011	11,749,472	11,969,491	11,966,638	15,202,417	15,630,992	14,742,649
Infrastructure	7,285,671	7,218,042	7,371,888	-	-	-	7,285,671	7,218,042	7,371,888
Vehicles and equipment	4,080,837	3,556,023	3,619,429	2,109,820	1,671,077	1,408,162	6,190,657	5,227,100	5,027,591
Construction in progress	-	-	723,800	8,284,407	4,525,710	716,220	8,284,407	4,525,710	1,440,020
Total Capital Assets	\$ 19,439,814	\$ 19,110,606	\$ 18,996,346	\$ 47,269,844	\$ 43,883,056	\$ 40,398,430	\$ 66,709,658	\$ 62,993,662	\$ 59,394,776

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, 2022, the City of Graham had no bonded debt outstanding.

City of Graham's Outstanding Debt

The City of Graham's total debt decreased by 8% during the past fiscal year, this decrease is due to the additional loan for the Boyd Creek Pump Station capital project for \$27,630 and the new lease liability of \$19,931 offset by payments on the debt and leases which totaled \$479,858. 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 \$104,679,397. Additional information regarding the City of Graham's long-term debt can be found in note II.B.5.

As management of the City of Graham, we offer an overview and analysis of financial activities for the fiscal year ending June 30, 2022. This report is designed to provide an overview of the City's finances for those with an interest in this area. We encourage interested parties to read the information presented here in conjunction with the additional information provided within the City's financial statements.

Economic Factors and Next Year's Budgets and Rates

In fiscal year 2022-2023, the City of Graham and our citizens moved forward from the effects of the COVID-19 pandemic and looked for ways to improve the overall business of our organization. The sales tax revenue held steady, the property tax base increased slightly, hundreds of new residents now call Graham home, economic development interest is high, and new housing starts are steady.

The City continues to invest in infrastructure and employees to meet the needs of our ever-growing population. We remained positioned to take advantage of any infrastructure funding that became available from federal and state sources.

We experienced rising costs for goods, services, and labor during this fiscal year with a similar outcome anticipated for the upcoming fiscal year. In addition to experiencing rising costs with contracted services, we have experienced an increase in costs for our employees to provide services, such as sanitation collection. Looking forward several years, the City will face challenges in addressing succession among employees, particularly those holding leadership positions.

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 is 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.

Budget Highlights for the Fiscal Year Ending June 30, 2023

The proposed annual budget totals \$29,229,000 for an increase of \$4,458,200 above FY 2021- 2022 across all funds.

Governmental Activities: Some of the highlights for the FY 2022-2023 General Fund Budget are:

- The Ad Valorem tax rate remained at \$0.455 per \$100 of valuation.
- One penny on the tax rate was estimated to generate \$133,967 based on a 97% collection rate.
- There was an increase in refuse fees from \$8.50 to \$10.50.
- There were no transfers from the Water and Sewer Fund to the General Fund.
- No new programs or services were proposed; however, there were reductions in staffing levels for Planning, Police, Fire Department, and Public Works. The function of Downtown Development was eliminated.
- The 2022-2023 expenditures included \$1,470,000 in capital funding, including the eighth consecutive year for street resurfacing.
- There were no appropriations requested for the Garage and the Cemeteries Perpetual Care Funds.
- There were no changes to the System Development Fees for FY 2022- 2023.
- Expenditures for public safety totaling \$7,298,900 encumbered all of the ad valorem tax levy of \$6,149,100 by over \$1,149,800.

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. Coupling those aspects with significant regulatory oversight compounds our challenges. In FY 2021-2022, the City began to appropriate funds to cover the debt service for recent projects and looking ahead to the costly wastewater treatment plant expansion, which will be the largest financial undertaking by the City.

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. Water and sewer charges account for the largest source of revenue for this fund at \$9,178,200 or 77% of the total revenues for the fund.

o Water Rates: Based on expenditures, water base rates increased to \$5.03 and a new tier structure was implemented based on usage.

Management Discussion and Analysis
City of Graham

o Sewer Rates: Sewer charges must generate enough revenue to cover approximately \$5,016,800 in expenditures including the loan servicing and engineering fees for Waste Water Treatment Plant Improvements and Expansion. To cover these expenditures, base rates also increased to \$5.03 and a new tier structure was implemented based on usage.

Overall expenditures for the Water and Sewer Fund are proposed at an increase of \$2,814,200 over the prior year. The primary difference between the two years is associated with the ongoing wastewater treatment plant improvement project.

Below are highlights from the various departments:

Garage Fund: The Garage operations are responsible for the maintenance of the City's entire equipment and vehicle fleet, as well as maintaining 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 (\$789,000) with the balance from sales and services to other contracted entities. There are no fund balance appropriations this year and total revenue is estimated at \$1,064,500. Major expenditures include Fuel and Parts Inventories.

Cemeteries Perpetual Care Fund: Established in 2015, the fund ensures the perpetual care and beautification of the City's cemeteries. For FY 2022-2023, no appropriations were 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.

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 and programs and generally cannot be used to subsidize any operating budgets. Therefore, only nominal placeholder entries were included in the budget adoption to ensure against it.

Wastewater Treatment Plant Upgrade Capital Project Fund: Pursuant to our nutrient capacity study completed in 2019, a substantial upgrade to our WWTP was required in order to meet current permit requirements for nutrient removal. The project will also expand our permitted capacity from 3.5 MGD to 5.0 MGD. The City Council approved a design engineering and bidding contract with Hazen and Sawyer. The total project was estimated at \$35,000,000 but has now exceeded \$74,000,000 for construction alone. The State Water Infrastructure Authority has now approved a Clean Water State Revolving Fund (CWSRF) loan for 52,689,500, 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 \$23,000,000, 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 2022 -2023 budget reflects year three of the graduated increase in rates.

Management Discussion and Analysis
City of Graham

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:

Megan M. Garner, City Manager
City of Graham
201 South Main Street
Graham, NC 27253

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City of Graham, North Carolina

Exhibit 1

Statement of Net Position

June 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 14,854,488	\$ 8,376,315	\$ 23,230,803
Taxes receivables (net)	229,400	-	229,400
Accrued interest receivable on taxes	53,455	-	53,455
Accounts receivable (net)	230,838	1,753,917	1,984,755
Lease receivable	-	35,119	35,119
Prepaid expenses	62,343	-	62,343
Due from other governments	2,153,990	3,052,737	5,206,727
Internal balances	(5,655)	5,655	-
Restricted cash and cash equivalents	2,709,798	925,501	3,635,299
Non-current assets			
Lease receivable - non-current	-	76,161	76,161
Right to use lease assets, net of amortization	14,948	-	14,948
Notes receivable	-	3,211,310	3,211,310
Capital assets (Note 1):			
Land, non-depreciable improvements, and construction in progress	3,018,106	9,565,954	12,584,060
Other capital assets, net of depreciation	16,421,708	37,703,890	54,125,598
Total capital assets	19,439,814	47,269,844	66,709,658
Total assets	39,743,419	64,706,559	104,449,978
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	-	-	-
Pension deferrals	2,459,373	487,351	2,946,724
OPEB deferrals	2,416,828	613,607	3,030,435
Total deferred outflows of resources	4,876,201	1,100,958	5,977,159
LIABILITIES			
Current liabilities:			
Accounts payable	738,499	219,522	958,021
Accrued interest payable	1,024	34,256	35,280
Unearned ARP revenue	2,493,170	-	2,493,170
Payable from restricted assets	13,575	135,725	149,300
Long-term liabilities:			
Net pension liability - LGERS	1,247,983	310,151	1,558,134
Net pension liability - LEO	1,898,894	-	1,898,894
Net OPEB liability	12,065,949	3,695,770	15,761,719
Due within one year	229,734	552,465	782,199
Due in more than one year	635,660	4,802,298	5,437,958
Total liabilities	19,324,488	9,750,187	29,074,675
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	4,787	-	4,787
Unearned revenues	203,053	-	203,053
Leases	-	111,264	111,264
Pension deferrals	2,013,126	511,834	2,524,960
OPEB deferrals	1,736,673	461,448	2,198,121
Total deferred inflows of resources	3,957,639	1,084,546	5,042,185
NET POSITION			
Net investment in capital assets	19,439,814	42,311,172	61,750,986
Restricted for:			
Cemetery Perpetual Care	2,820,589	-	2,820,589
Stabilization by State Statute	2,345,776	-	2,345,776
Capital Reserve Fund	-	789,776	789,776
Unrestricted	(3,268,686)	11,871,836	8,603,150
Total net position	\$ 21,337,493	\$ 54,972,784	\$ 76,310,277

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, 2022

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for	Operating Grants and	Capital Grants and	Governmental	Business-type	Total
		Services	Contributions	Contributions	Activities	Activities	
Governmental Activities:							
General government	\$ 3,383,381	\$ 315,510	\$ 327,509	\$ -	\$ (2,740,362)	\$ -	\$ (2,740,362)
Public safety	7,376,689	615,129	402,095	-	(6,359,465)	-	(6,359,465)
Transportation	1,238,076	-	484,663	225,960	(527,453)	-	(527,453)
Environmental protection	1,049,376	580,083	-	-	(469,293)	-	(469,293)
Human services	-	-	42,904	-	42,904	-	42,904
Cultural and recreation	2,113,602	224,353	9,060	-	(1,880,189)	-	(1,880,189)
Total governmental activities	15,161,124	1,735,075	1,266,231	225,960	(11,933,858)	-	(11,933,858)
Business-type activities:							
Water and sewer	7,675,524	8,320,580	-	2,645,547	-	3,290,603	3,290,603
Total business-type activities	7,675,524	8,320,580	-	2,645,547	-	3,290,603	3,290,603
Total primary government	\$ 22,836,648	\$ 10,055,655	\$ 1,266,231	\$ 2,871,507	(11,933,858)	3,290,603	(8,643,255)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					6,128,709	-	6,128,709
Other taxes					6,932,594	-	6,932,594
Grants and contributions not restricted to specific programs					248,157	-	248,157
Unrestricted investment earnings					15,550	15,063	30,613
Miscellaneous					115,119	7,512	122,631
Total general revenues excluding special items, transfers					13,440,129	22,575	13,462,704
Transfers					-	-	-
Total general revenues, special items, and transfers					13,440,129	22,575	13,462,704
Change in net position					1,506,271	3,313,178	4,819,449
Net position-beginning					19,831,222	51,659,606	71,490,828
Net position-ending					\$ 21,337,493	\$ 54,972,784	\$ 76,310,277

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

City of Graham, North Carolina
Balance Sheet
Governmental Funds
June 30, 2022

Exhibit 3

	Major Fund			
	Major Fund General	American Rescue Plan Fund	Total Non- Major Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 12,016,006	\$ -	\$ 2,817,089	\$ 14,833,095
Restricted cash and cash equivalents	216,628	2,493,170	-	2,709,798
Accrued interest receivable	-	-	-	-
Taxes receivables, net	229,400	-	-	229,400
Accounts receivables, net	191,786	-	3,500	195,286
Due from other governments	2,153,990	-	-	2,153,990
Total assets	<u>\$ 14,807,810</u>	<u>\$ 2,493,170</u>	<u>\$ 2,820,589</u>	<u>\$ 20,121,569</u>
LIABILITIES				
Accounts payable and accrued liabilities	729,760	-	-	729,760
Payable from restricted cash	13,575	-	-	13,575
Total liabilities	<u>743,335</u>	<u>-</u>	<u>-</u>	<u>743,335</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	229,400	-	-	229,400
Prepaid taxes	4,787	-	-	4,787
Unearned revenue	203,053	2,493,170	-	2,696,223
Total deferred inflows of resources	<u>437,240</u>	<u>2,493,170</u>	<u>-</u>	<u>2,930,410</u>
FUND BALANCES				
Non Spendable				
Cemetery Perpetual Care	-	-	2,820,589	2,820,589
Restricted				
Stabilization by State Statute	2,345,776	-	-	2,345,776
Assigned				
General Government improvements	-	-	-	-
Subsequent year's expenditures	1,197,900	-	-	1,197,900
Unassigned	10,083,559	-	-	10,083,559
Total fund balances	<u>13,627,235</u>	<u>-</u>	<u>2,820,589</u>	<u>16,447,824</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 14,807,810</u>	<u>\$ 2,493,170</u>	<u>\$ 2,820,589</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, 2022

Exhibit 3

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

Total Fund Balance, Governmental Funds	\$	16,447,824
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$	35,145,405
Accumulated depreciation	<u>(15,705,591)</u>	
Total		19,439,814
Less internal service fund net capital assets included as net assets below	<u>(46,342)</u>	19,393,472
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Right to use assets at historical cost	19,931	
Accumulated amortization	<u>(4,983)</u>	14,948
Deferred outflows of resources related to pensions are not reported in the funds		2,413,075
Deferred outflows of resources related to OPEB are not reported in the funds		2,370,700
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		53,455
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.	(95,793)	
Consolidation adjustment for internal balances between the Internal Service Fund and the Governmental Funds	<u>(5,655)</u>	(101,448)
Earned revenues considered deferred inflows of resources in fund statements.		229,400
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		(843,007)
Net LEOSA pension		(1,898,894)
Net OPEB liability		(11,860,360)
Net pension liability		(1,216,821)
Deferred inflows of resources related to pensions are not reported in the funds		(1,964,938)
Deferred inflows of resources related to OPEB are not reported in the funds		<u>(1,699,913)</u>
Net position of governmental activities	<u>\$</u>	<u>21,337,493</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, 2022

Exhibit 4

	Major Fund		Total Non-Major Funds	Total Governmental
	General Fund	American Rescue Plan Fund		
REVENUES				
Ad valorem taxes	\$ 6,135,763	\$ -	\$ -	\$ 6,135,763
Other taxes and licenses	935	-	-	935
Unrestricted intergovernmental	7,065,757	-	-	7,065,757
Restricted intergovernmental	887,101	-	-	887,101
Permits and fees	603,642	-	-	603,642
Sales and services	928,697	-	18,300	946,997
Investment earnings	11,884	-	3,748	15,632
Other revenues	515,478	-	-	515,478
Total revenues	16,149,257	-	22,048	16,171,305
EXPENDITURES				
Current:				
General government	2,608,132	-	-	2,608,132
Public safety	7,193,980	-	-	7,193,980
Transportation	1,362,403	-	-	1,362,403
Environmental protection	1,251,464	-	-	1,251,464
Culture and recreation	2,125,686	-	-	2,125,686
Capital Outlay	-	-	-	-
Total expenditures	14,541,665	-	-	14,541,665
Excess of revenues over expenditures	1,607,592	-	22,048	1,629,640
OTHER FINANCING SOURCES (USES)				
Transfers (to) from other funds	(200,000)	-	200,000	-
Letter of credit funds	-	-	-	-
Total other financing sources (uses)	(200,000)	-	200,000	-
Net change in fund balance	1,407,592	-	222,048	1,629,640
Fund balances-beginning	12,219,643	-	2,598,541	14,818,184
Fund balances-ending	\$ 13,627,235	\$ -	\$ 2,820,589	\$ 16,447,824

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, 2022

Exhibit 4
(continued)

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

Net changes in fund balances - total governmental funds	\$	1,629,640
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	\$	998,515
Depreciation expense for governmental assets	<u>(892,160)</u>	106,355
Book value of disposed capital asset not recorded in fund statements		(662)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		675,632
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		252,152
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		225,960
Change in unavailable revenue for tax revenue		(5,923)
Change in accrued interest receivable on taxes		(1,131)
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.		
Right to use leased asset		(491)
Compensated absences		(81,224)
Pension expense		(455,657)
Net pension obligation LEOSSA		(205,695)
Other postemployment benefits		(592,466)
Consolidation adjustment for internal balances between the Internal Service Fund and the Governmental Funds	(70,360)	
Net revenue of internal service funds determined to be governmental-type	<u>2,991</u>	(67,369)
Total changes in net position of governmental activities	\$	<u>1,506,271</u>

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

City of Graham, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2022

Exhibit 5

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 5,915,400	\$ 5,915,400	\$ 6,135,763	\$ 220,363
Other taxes and licenses	700	700	935	235
Unrestricted intergovernmental	5,242,300	5,564,300	7,065,757	1,501,457
Restricted intergovernmental	557,700	660,300	887,101	226,801
Permits and fees	294,000	294,000	603,642	309,642
Sales and services	788,600	788,600	928,697	140,097
Investment earnings	27,000	27,000	11,884	(15,116)
Other revenues	475,000	475,000	515,478	40,478
Total revenues	<u>13,300,700</u>	<u>13,725,300</u>	<u>16,149,257</u>	<u>2,423,957</u>
Expenditures:				
Current:				
General government	2,427,500	2,678,800	2,608,132	70,668
Public safety	6,968,600	7,366,000	7,193,980	172,020
Transportation	1,831,200	1,641,200	1,362,403	278,797
Environmental protection	1,234,400	1,278,900	1,251,464	27,436
Cultural and recreation	2,309,000	2,230,400	2,125,686	104,714
Total expenditures	<u>14,770,700</u>	<u>15,195,300</u>	<u>14,541,665</u>	<u>653,635</u>
Revenues over (under) expenditures	<u>(1,470,000)</u>	<u>(1,470,000)</u>	<u>1,607,592</u>	<u>3,077,592</u>
Other financing sources (uses):				
Appropriated fund balance				
General Fund	1,470,000	1,470,000	-	(1,470,000)
Transfers (to) from other funds	-	-	(200,000)	(200,000)
Letter of credit funds	-	-	-	-
Total other financing sources (uses)	<u>1,470,000</u>	<u>1,470,000</u>	<u>(200,000)</u>	<u>(1,670,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,407,592</u>	<u>\$ 1,407,592</u>
Fund balances, beginning of year			<u>12,219,643</u>	
Fund balances, end of year			<u>\$ 13,627,235</u>	

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, 2022

Exhibit 6

	Water and Sewer Fund	Internal Service Fund
ASSETS		
Current assets:		
Cash and cash equivalents	8,376,315	\$ 21,393
Accounts receivable (net)	1,753,917	35,552
Lease receivable	35,119	-
Due from other governments	3,052,737	-
Prepaid expenses	-	62,343
Restricted cash and cash equivalents	925,501	-
Total current assets	<u>14,143,589</u>	<u>119,288</u>
Noncurrent assets:		
Lease receivable - non-current	76,161	-
Notes receivable	3,211,310	-
Capital assets:		
Land and other non-depreciable assets	9,565,954	9,500
Other capital assets, net of depreciation	37,703,890	36,842
Capital assets (net)	<u>47,269,844</u>	<u>46,342</u>
Total noncurrent assets	<u>50,557,315</u>	<u>46,342</u>
Total assets	<u>64,700,904</u>	<u>165,630</u>
DEFERRED OUTFLOWS OF RESOURCES		
Contributions to pension plan	487,351	46,298
OPEB deferrals	613,607	46,128
Deferred charge on refunding	-	-
Total deferred outflows of resources	<u>1,100,958</u>	<u>92,426</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	219,522	8,740
Accrued interest	34,256	-
Customer deposits	135,725	-
Current portion of long term debts	552,465	-
Total current liabilities	<u>941,968</u>	<u>8,740</u>
Noncurrent liabilities:		
Other noncurrent liabilities:		
Other postemployment benefits	3,695,770	205,589
Compensated absences	178,406	23,411
Net pension liability	310,151	31,163
Non-current portion of long term debt	4,623,892	-
Total noncurrent liabilities	<u>8,808,219</u>	<u>260,163</u>
Total liabilities	<u>9,750,187</u>	<u>268,903</u>
DEFERRED INFLOWS OF RESOURCES		
Leases	111,264	
Pension deferrals	511,834	48,186
OPEB deferrals	461,448	36,760
Total deferred inflows of resources	<u>1,084,546</u>	<u>84,946</u>
NET POSITION		
Net investment in capital assets	42,311,172	46,342
Restricted for:		
Capital Reserve Funds	789,776	-
Unrestricted	<u>11,866,181</u>	<u>(142,135)</u>
Total net position	54,967,129	\$ (95,793)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	5,655	
Net position of business- type activities	<u>\$ 54,972,784</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, 2022

Exhibit 7

	Water and Sewer Fund	Internal Service Fund
OPERATING REVENUES		
Charges for services	\$ 7,695,045	\$ 927,946
Other operating revenues	625,535	2,350
Total operating revenues	<u>8,320,580</u>	<u>930,296</u>
OPERATING EXPENSES		
Billing and metering	638,470	-
Distribution and maintenance	1,299,404	-
Sewer mains	259,004	-
Water treatment plant	2,014,317	-
Sewer treatment plant	1,900,990	-
Non-departmental	399,320	-
Depreciation and amortization	1,086,096	5,109
Garage operations	-	995,593
Total operating expenses	<u>7,597,601</u>	<u>1,000,702</u>
Operating income	<u>722,979</u>	<u>(70,406)</u>
NONOPERATING REVENUES (EXPENSES)		
Development income	723,738	
Interest earned on investment	15,063	46
Interest on long-term debt	(74,932)	-
Total nonoperating revenue (expenses)	<u>663,869</u>	<u>46</u>
Income before contributions, special item and transfers	<u>1,386,848</u>	<u>(70,360)</u>
Capital contributions	1,921,809	-
Gain (loss) on disposition	7,512	-
Transfers to / from other funds	-	-
Contributions, special item and transfers	<u>1,929,321</u>	<u>-</u>
Change in net position before internal service fund consolidation	<u>3,316,169</u>	<u>(70,360)</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	(2,991)	-
Change in net position	<u>3,313,178</u>	<u>(70,360)</u>
Total net position - beginning	<u>51,659,606</u>	<u>(25,433)</u>
Total net position - ending	<u><u>\$ 54,972,784</u></u>	<u><u>\$ (95,793)</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, 2022

Exhibit 8

	<u>Water and Sewer Fund</u>	<u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 7,046,382	\$ 911,764
Cash paid for goods and services	(4,693,694)	(897,574)
Cash paid to or on behalf of employees for services	(1,758,443)	(126,689)
Customer deposits received	52,183	-
Customer deposits returned	(15,781)	-
Other operating revenue received	625,535	2,350
Net cash provided (used) by operating activities	<u>1,256,182</u>	<u>(110,149)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(4,103,265)	(6,100)
Payments received on notes receivable	327,403	-
Principal paid on bonds and notes payable	(474,341)	-
Loan proceeds	27,630	-
Interest paid on bonds and notes payable	(78,741)	-
Other non-operating revenue	731,234	-
Operating transfer from General Fund	-	-
Net cash used by capital and related financing activities	<u>(3,570,080)</u>	<u>(6,100)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments and assessments	29,214	48
Net cash provided by investing activities	<u>29,214</u>	<u>48</u>
Net decrease in cash and cash equivalents	(2,284,684)	(116,201)
Balances-beginning of the year	11,586,501	137,594
Balances-end of the year	<u>\$ 9,301,817</u>	<u>\$ 21,393</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, 2022

Exhibit 8

	Water and Sewer Fund	Internal Service Fund
Reconciliation of operating gain (loss) to net cash provided (used) by operating activities		
Operating income (loss)	\$ 722,979	\$ (70,406)
Adjustments to reconcile operating gain (loss) to net cash provided (used) by operating activities:		
Depreciation	1,086,096	5,109
Changes in assets and liabilities:		
Increase in accounts receivable	(667,882)	(16,182)
Increase (decrease) in allowance for doubtful accounts	19,219	
(Increase) decrease in prepaid expenses	-	(25,350)
(Increase) decrease in deferred outflows of resources - pensions	(57,106)	(5,439)
(Increase) decrease in deferred outflows of resources - refunding	-	-
(Increase) in deferred outflows of resources - OPEB	9,980	963
Increase (decrease) in accounts payable	16,095	(7,426)
Increase (decrease) in customer deposits	36,403	-
Increase in accrued salaries	13,969	681
Increase (decrease) in accrued vacation pay	(30)	2,500
Increase (decrease) in pension liability	(487,822)	(46,462)
Increase (decrease) in OPEB liability	(122,442)	(8,709)
Increase (decrease) in deferred inflows of resources - pensions	486,455	14,248
Increase (decrease) in deferred inflows of resources - OPEB	200,268	46,324
Total adjustments	533,203	(39,743)
Net cash provided (used) by operating activities	\$ 1,256,182	\$ (110,149)

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, 2022

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.

American Rescue Plan Fund. This fund accounts for the transactions related to the American Rescue Plan Funds.

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.

Truby Drive Repairs Fund. This fund is used to account for repairs on Truby drive.

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 Special Revenue Fund, 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 Special Revenue Fund, 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

City of Graham Restricted Cash

General Fund	Letter of Credit	\$ 13,575
	Unexpended restricted revenue	203,053
Special Revenue Fund	Unexpended ARP funds	2,493,170
	Total Governmental Activities	<u>2,709,798</u>
Water and Sewer Fund	Customer deposits	135,725
	Unexpended capital reserve revenue	789,776
	Total Business-Type activities	<u>925,501</u>
	Total Restricted Cash	<u>\$ 3,635,299</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, 2021.

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. Lease Receivable

The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the City may will receive lease payments that are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

7. 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.

8. 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

9. Right to use asset

The City has recorded right to use assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight -line basis over the life of the related lease.

10. 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 2022 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.

11. 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.

Notes to the Financial Statements

12. 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 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.

13. 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

Notes to the Financial Statements

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.

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.

14. 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.

15. 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, 2022, the City's deposits had a carrying amount of \$21,693,299 and a bank balance of \$23,549,210. 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, 2022, the City's petty cash fund totaled \$2,175.

2. Investments

At June 30, 2022, the City of Graham had \$5,223,639 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The City has no policy regarding credit risk but has internal management procedures that limits the City's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The 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, 2022, are net of the following allowances for doubtful accounts:

<u>Funds</u>	<u>2022</u>
General Fund: taxes receivable	\$ 38,958
Water and Sewer fund: accounts receivable	297,028
Total	<u>\$ 335,986</u>

Notes to the Financial Statements

4. Lease Receivable

In prior years, the City entered into a five year renewable lease with a mobile phone company. Under the lease, the mobile phone company pays the City rent in the amount of \$3,133 per month in exchange for antenna space on the City's water tower. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 2.6%, which is the City's incremental borrowing rate.

In fiscal year 2022, the City recognized \$34,235 of lease revenue and \$3,377 of interest revenue under the leases.

5. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2022, was as follows:

Governmental activities:	Beginning			Ending
Capital assets not being depreciated:	Balances	Increases	Decreases	Balances
Land	\$ 2,956,005	\$ -	\$ -	\$ 2,956,005
Art collection	62,100	-	-	62,100
Construction in progress	-	-	-	-
Total capital assets not being depreciated	3,018,105	-	-	3,018,105
Capital assets being depreciated:				
Buildings	3,434,958	-	-	3,434,958
Other improvements	6,667,288	9,555	-	6,676,843
Vehicles and motorized equipment	7,379,803	703,061	79,819	8,003,045
Infrastructure	8,678,105	225,960	-	8,904,065
Equipment and furniture	4,825,421	292,000	12,257	5,105,164
Total capital assets being depreciated	30,985,575	1,230,576	92,076	32,124,075
Less accumulated depreciation for:				
Buildings	1,778,023	54,679	-	1,832,702
Other improvements	3,005,787	218,111	-	3,223,898
Vehicles and motorized equipment	5,334,921	-	71,836	5,263,085
Infrastructure	1,460,063	158,331	-	1,618,394
Equipment and furniture	3,314,280	461,039	11,032	3,764,287
Total accumulated depreciation	14,893,074	892,160	82,868	15,702,366
Total capital assets being depreciated, net	16,092,501			16,421,709
Governmental activity capital assets, net	\$ 19,110,606			\$ 19,439,814

Notes to the Financial Statements

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

By Function	
Buildings	\$ 53,415
Improvements	213,935
Infrastructure	158,331
By Department	
General Government	14,530
Public Safety	188,848
Transportation	79,766
Environmental Protection	88,243
Cultural and Recreation	78,162
Depreciation on capital assets held in the City's internal service fund and charged to functions based on usage	
Garage	5,109
Graham Memorial Park	11,821
Total depreciation expense	<u>\$ 892,160</u>

	Beginning			Ending
	Balances	Increases	Decreases	Balances
Business-type activities:				
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 1,281,547	\$ -	\$ -	\$ 1,281,547
Construction in progress	4,525,710	3,758,697	-	8,284,407
Total capital assets not being depreciated	<u>5,807,257</u>	<u>3,758,697</u>	<u>-</u>	<u>9,565,954</u>
Capital assets being depreciated:				
Buildings	17,696,444	-	-	17,696,444
Lines	23,463,499	-	-	23,463,499
Other improvements	17,002,817	88,758	-	17,091,575
Equipment and furniture	3,416,233	625,429	10,990	4,030,672
Total capital assets being depreciated	<u>61,578,993</u>	<u>714,187</u>	<u>10,990</u>	<u>62,282,190</u>
Less accumulated depreciation for:				
Buildings	7,953,313	235,202	-	8,188,515
Lines	8,771,399	355,431	-	9,126,830
Other improvements	5,033,326	308,777	-	5,342,103
Equipment and furniture	1,745,156	186,686	10,990	1,920,852
Total accumulated depreciation	<u>23,503,194</u>	<u>1,086,096</u>	<u>10,990</u>	<u>24,578,300</u>
Total capital assets being depreciated, net	<u>38,075,799</u>			<u>37,703,890</u>
Business-type activities capital assets, net	<u>\$ 43,883,056</u>			<u>\$ 47,269,844</u>

Construction commitments

The government has active construction projects as of June 30, 2022. At year-end, the City's commitments with contractors are as follows:

Project		Remaining Commitment
Boyd Creek Pump Station	\$ 3,501,204	\$ 460,796
Old Fields Outfall	2,060,441	894,559
	<u>2,722,762</u>	<u>1,092,238</u>
	<u>\$ 8,284,407</u>	<u>\$ 2,447,593</u>

Notes to the Financial Statements

6. Right to Use Leased Asset

The City has recorded one right to use leased asset. The assets are a right to use asset for lease equipment. The related leases are discussed in the Leases subsection of the Liabilities section of this note. The right to use lease asset is amortized on a straight-line basis over the terms of the related leases.

Right to use asset activity for the Primary Government for the year ended June 30, 2022 was an increase of \$19,931 less amortization of \$4,983 for an ending balance of \$14,948.

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 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.

Notes to the Financial Statements

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, 2022, was 12.04% of compensation for law enforcement officers and 11.35% 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 \$866,431 for the year ended June 30, 2022.

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.

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

At June 30, 2022, the City reported a liability of \$1,558,134 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 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, 2021 measurement date, the City's proportion was 0.10160%, which was a decrease of 0.00701% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City recognized pension expense of \$587,982. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Notes to the Financial Statements

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 495,698	\$ -
Changes of assumptions	978,906	-
Net difference between projected and actual earnings on pension plan investments	-	2,226,105
Changes in proportion and differences between City contributions and proportionate share of contributions	-	196,504
City contributions subsequent to the measurement date	866,431	-
Total	<u>\$ 2,341,035</u>	<u>\$ 2,422,609</u>

\$866,431 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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2023	\$ 60,713
2024	(113,146)
2025	(214,370)
2026	(681,202)
2027	-
Thereafter	-
	<u>\$ (948,005)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.5 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

Notes to the Financial Statements

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, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>
Fixed Income	26.7%
Public Equity	36.8%
Cash and receivables	10.9%
Other	25.6%
Total	<u>100.0%</u>

The information above is based on 30 year expectations developed with the consulting actuary for the 2020 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.5%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the 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 6.50 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 (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
City's proportionate share of the pension liability (asset)	\$ 6,048,545	\$ 1,558,134	\$ (2,137,214)

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

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, 2020, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	39
Total	<u>42</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.

3. *Actuarial Assumptions:*

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

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Investment rate of return	2.25 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, 2020.

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 \$54,302 as benefits came due for the reporting period.

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, 2022, the City reported a total pension liability of \$1,898,894. The total pension liability was measured as of December 31, 2021 based on a December 31, 2020 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the City recognized pension expense of \$232,846.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 186,414	\$ 28,150
Change in assumptions	392,126	74,203
Benefit payment and plan administrative expenses made subsequent to the measurement date	27,151	-
Total	<u>\$ 605,691</u>	<u>\$ 102,353</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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2023	\$ 99,073
2024	101,097
2025	93,295
2026	89,211
2027	78,786
Thereafter	14,725
	<u>\$ 476,187</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 2.25 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 (1.25 percent) or 1-percentage-point higher (3.25 percent) than the current rate:

	1% Decrease (1.25%)	Discount Rate (2.25%)	1% Increase (3.25%)
Total pension liability	\$ 2,085,790	\$ 1,898,894	\$ 1,728,440

Notes to the Financial Statements

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

	2022
Beginning balance	\$ 1,703,124
Service Cost	101,427
Interest on the total pension liability	32,346
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	174,277
Changes of assumptions or other inputs	(57,978)
Benefit payments	(54,302)
Other changes	-
Ending balance of the total pension liability	<u>\$ 1,898,894</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, 2020 valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2020.

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	\$ 587,982	\$ 232,846	\$ 820,828
Pension Liability	1,558,134	1,898,894	3,457,028
Proportionate share of the net pension liability	0.10160%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	495,698	186,414	682,112
Changes of assumptions	978,906	392,126	1,371,032
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-
Benefit payments and administrative costs paid subsequent to the measurement date	866,431	27,151	893,582
Deferred Inflows of Resources			
Differences between expected and actual experience	-	28,150	28,150
Changes of assumptions	-	74,203	74,203
Net difference between projected and actual earnings on plan investments	2,226,105	-	2,226,105
Changes in proportion and differences between contributions and proportionate share of contributions	196,504	-	196,504

Notes to the Financial Statements

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 \$117,466 for the reporting year. No amounts were forfeited.

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, 2022 were \$479,015 which consisted of \$230,251 from the City and \$248,764 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.

Notes to the Financial Statements

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, 2022, the State contributed \$18,302,000 to the plan. The City of Graham's proportionate share of the State's contribution is \$(15,623).

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.

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

At June 30, 2022, 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 asset that was associated with the City and supported by the State was \$15,623. The net pension asset was measured as of June 30, 2021. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020. The total pension asset was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension asset 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, 2022 and at June 30, 2021 was 0%.

For the year ended June 30, 2022, the City recognized pension expense of \$1,721 and revenue of \$1,721, for support provided by the State. At June 30, 2022 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, 2020 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

Notes to the Financial Statements

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.

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, 2021, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	51	3
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	65	39
Total	<u>116</u>	<u>42</u>

Total OPEB Liability

The City's total OPEB liability of \$15,761,719 was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date.

Notes to the Financial Statements

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2021 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	0.75 percent
Wage inflation	3.25 percent
Salary increases, including wage inflation	
General Employees	3.25 - 8.41 percent
Firefighters	3.25 - 8.15 percent
Law Enforcement Officers	3.25 - 7.90 percent
Discount rate	2.16 percent
Healthcare cost trend rates	
Pre-Medicare - 7.00 percent for 2021 decreasing to an ultimate rate of 4.5 percent by 2031	
Medicare - 5.125 percent for 2021 decreasing to an ultimate rate of 4.5 percent by 2024	

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	\$ 16,335,272
Changes for the year	
Service Cost	438,718
Interest	366,595
Changes of benefit terms	-
Differences between expected and actual experience	(1,673,372)
Changes in assumptions or other inputs	668,499
Benefit payments	(373,993)
Net Changes	(573,553)
Balance at June 30, 2021	<u>\$ 15,761,719</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.21% to 2.16%.

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, 2021 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Notes to the Financial Statements

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 (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	<u>(1.16%)</u>	<u>(2.16%)</u>	<u>(3.16%)</u>
Total OPEB Liability	\$ 18,903,881	\$ 15,761,719	\$ 13,326,732

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	\$ 13,187,509	\$ 15,761,719	\$ 19,124,080

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

For the year ended June 30, 2022, the City recognized OPEB expense of \$824,623. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 10,888	\$ 1,540,322
Changes of assumptions	2,698,956	657,799
Benefit payments and administrative costs made subsequent to the measurement date	320,591	-
	<u>\$ 3,030,435</u>	<u>\$ 2,198,121</u>

\$320,591 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, 2023. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expenses as follows:

Year ended June 30:	
2023	\$ 19,310
2024	53,594
2025	257,714
2026	181,105
2027	-
Thereafter	-
	<u>\$ 511,723</u>

Notes to the Financial Statements

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	
Contributions to pension plan in current fiscal year	\$ 866,431
Benefit payments made and administrative expenses for LEOSSA made subsequent to measurement date	27,151
Benefit made and administrative expenses for OPEB made subsequent to measurement date	320,591
Differences between expected and actual experience	693,000
Changes of assumptions	4,069,986
Net difference between projected and actual	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-
Charge on refunding	-
Total	<u>\$ 5,977,159</u>

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ 4,787	\$ 4,787
Taxes receivable, less penalties (General Fund)	-	229,400
Unearned revenue	203,053	203,053
Leases	111,264	-
Changes in assumptions	732,002	-
Differences between expected and actual experience	3,794,575	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	196,504	-
Total	<u>\$ 5,042,185</u>	<u>\$ 437,240</u>

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.

Notes to the Financial Statements

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, 2022, 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. Leases

The City has entered into an agreement to lease certain equipment. The lease agreement qualifies as other than short-term under GASB 87 and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of their inception.

The agreement was executed on October 14, 2020, to lease computer equipment and required five payments of \$5,516.64. There are no variable components of the lease. The lease liability is measured at a discount rate of 7.2%, which is the stated rate in the lease agreement. As a result of the lease, the City has recorded as a right to use asset with a net book value of \$14,948 at June 30, 2022. The right to use asset is discussed in more detail in the intangibles section A.6 of this note.

b. Installment Purchase

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 \$158,359.

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 \$33,039.

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 \$2,869,000.

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 \$2,505,625.

Notes to the Financial Statements

c. General Obligation Indebtedness

There were no bonds payable at June 30, 2022.

Annual debt service payments of the installment purchases as of June 30, 2022, including \$388,284 of interest, are as follows:

Fiscal Year	General Obligation Bonds		Other Long-Term Indebtedness		Total Debt Due	
	Principal	Interest	Principal	Interest	Principal	Interest
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	-	-	518,341	79,729	518,341	79,729
2028-2032	-	-	1,879,443	79,729	1,879,443	79,729
2033-	-	-	726,079	-	726,079	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,105,227</u>	<u>\$ 388,284</u>	<u>\$ 5,105,227</u>	<u>\$ 388,284</u>

d. 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, 2021	Increases	Decreases	Balance June 30, 2022	Current Portion of Balance
Governmental activities:					
Compensated absences	\$ 769,755	\$ 296,545	\$ 215,320	\$ 850,980	\$ 215,320
Lease liability	-	19,931	5,517	14,414	14,414
Total OPEB liability	12,517,060	-	451,112	12,065,948	-
Net pension liability (LGERS)	3,083,125	-	1,835,142	1,247,983	-
Total pension liability (LEO)	1,703,124	195,770	-	1,898,894	-
Governmental activity long-term liabilities	<u>\$ 18,073,064</u>	<u>\$ 512,246</u>	<u>\$ 2,507,091</u>	<u>\$ 16,078,219</u>	<u>\$ 229,734</u>
Business-type activities:					
Direct placement Installment purchase	\$ 5,551,943	\$ 27,630	474,341	\$ 5,105,232	481,339
General obligation bonds	-	-	-	-	-
Net pension liability (LGERS)	797,973	-	487,822	310,151	-
Total OPEB liability	3,818,212	-	122,442	3,695,770	-
Compensated absences	249,561	71,096	71,126	249,531	71,126
Business-type activity Long-term liabilities	<u>\$ 10,417,689</u>	<u>\$ 98,726</u>	<u>\$ 1,155,731</u>	<u>\$ 9,360,684</u>	<u>\$ 552,465</u>

At June 30, 2022, the City of Graham had a legal debt margin of \$104,679,397.

Notes to the Financial Statements

C. Interfund Balances and Activity

There are no amounts due to or from the City's different funds as of June 30, 2022.

Transfers to / from other funds at June 30, 2022, consist of the following:

From the General Fund to the Truby Drive Repair Capital Project	\$ 200,000
From the Water and Sewer Fund to the Capital Reserve Fund	252,763
From the Water and Sewer Fund to the Capital Project Fund	536,703
From the Capital Reserve Fund to the Old Fields Outfall Capital Project	732,237
	<u>\$ 1,721,703</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 2022 fiscal year, the City made a transfer from the General Fund of \$200,000 to the Truby Drive Repair Capital Project Fund to start the project.

During the 2022 fiscal year, the City made a transfer from the Water and Sewer Fund of \$252,763 to the Capital Reserve Fund as required by General Statute.

During the 2022 fiscal year, the City made a transfer from the Water and Sewer Fund of \$536,703 to the Old Fields Outfall Capital Project Fund for construction costs.

During the 2022 fiscal year, the City made a transfer from the Capital Reserve Fund of \$732,237 to the Old Fields Outfall Capital Project Fund for professional services and construction 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 \$17,700, 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, 2022. 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	\$ 19,439,814	\$ 47,269,844
less: long-term debt	-	(4,958,672)
add: unexpended debt proceeds	-	-
	<u>\$ 19,439,814</u>	<u>\$ 42,311,172</u>

Notes to the Financial Statements

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	\$	13,627,235
Less: Stabilization by State Statute		(2,345,776)
Appropriated Fund Balance in 2021 Budget		(1,197,900)
Working Capital / Fund Balance Policy		(4,906,980)
Remaining Fund Balance	\$	<u>5,176,579</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 \$3,269 and \$7,814 respectively, to the Council during the fiscal years ended June 30, 2022 and June 30, 2021.

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, 2022. 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

Notes to the Financial Statements

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, 2022, the City reported revenues and expenditures for the payments of \$17,700 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, 2022. 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, 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, 2022 was \$1,528,846.

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, 2022 was \$1,682,464.

Notes to the Financial Statements

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 29, 2022, 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.

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

Local Government Employees' Retirement System

	2022	2021	2020	2019	2018
Graham's proportion of the net pension liability (asset) (%)	0.10%	0.11%	0.11%	0.11%	0.11%
Graham's proportion of the net pension liability (asset) (\$)	\$ 1,558,134	\$ 3,881,098	\$ 3,025,315	\$ 2,514,920	\$ 1,679,121
Graham's covered-employee payroll	\$ 7,143,725	\$ 6,951,557	\$ 6,712,152	\$ 6,336,890	\$ 6,087,820
Graham's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	21.81%	55.83%	45.07%	39.69%	27.58%
Plan fiduciary net position as a percentage of the total pension liability**	95.51%	92.60%	91.63%	94.18%	91.47%
	2017	2016	2015	2014	
Graham's proportion of the net pension liability (asset) (%)	0.11%	0.11%	-0.11%	0.10%	
Graham's proportion of the net pension liability (asset) (\$)	\$ 2,289,787	\$ 496,232	\$ (641,762)	\$ 1,252,394	
Graham's covered-employee payroll	\$ 5,910,245	\$ 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	38.74%	8.49%	-11.84%	24.79%	
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	99.07%	102.64%	94.35%	

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

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

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

Local Government Employees' Retirement System

	2022	2021	2020	2019	2018
Contractually required contribution	\$ 736,524	\$ 637,437	\$ 532,416	\$ 462,401	\$ 452,142
Contributions in relation to the contractually required contribution	743,996	645,554	535,383	490,017	452,142
Contribution deficiency (excess)	\$ (7,472)	\$ (8,117)	\$ (2,967)	\$ (27,616)	\$ -
Graham's covered-employee payroll	7,810,803	7,143,725	6,951,557	6,712,152	6,336,890
Contributions as a percentage of covered-employee payroll	9.53%	9.04%	7.70%	7.30%	7.14%

	2017	2016	2015	2014
Contractually required contribution	\$ 394,126	\$ 395,212	\$ 399,955	\$ 386,609
Contributions in relation to the contractually required contribution	394,126	395,212	399,955	386,609
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Graham's covered-employee payroll	6,087,820	5,910,245	5,842,839	5,419,403
Contributions as a percentage of covered-employee payroll	6.47%	6.69%	6.85%	7.13%

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

Firefighters' and Rescue Squad Workers' Pension

	2022	2021	2020	2019	2018
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	(15,623)	20,693	21,264	23,012	21,716
Total	\$ (15,623)	\$ 20,693	\$ 21,264	\$ 23,012	\$ 21,716
Graham's covered-employee payroll	\$ 766,296	\$ 638,026	\$ 602,227	\$ 548,192	\$ 549,785
Graham's proportionate share of the net pension liability as a percentage of its covered-employee payroll	-2.04%	3.24%	3.53%	4.20%	3.95%
Plan fiduciary net position as a percentage of the total pension liability	95.80%	92.30%	90.50%	89.35%	94.94%

* The amounts presented are for the prior fiscal year.

	2017	2016	2015
Graham's proportionate share of the net pension liability (%)	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	14,435	26,974	21,417
Total	\$ 14,435	\$ 26,974	\$ 21,417
Graham's covered-employee payroll	\$ 499,649	\$ 495,512	\$ 480,564
Graham's proportionate share of the net pension liability as a percentage of its covered-employee payroll	2.89%	5.44%	4.46%
Plan fiduciary net position as a percentage of the total pension liability	91.40%	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 Six Fiscal Years *

	2022	2021	2020	2019	2018
Beginning balance	\$ 1,703,124	\$ 1,186,980	\$ 1,050,974	\$ 986,337	\$ 849,793
Service Cost	101,427	60,460	59,890	59,277	50,189
Interest on the total pension liability	32,346	38,126	37,522	30,865	32,553
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	174,277	(38,120)	35,355	44,821	(3,725)
Changes of assumptions or other inputs	(57,978)	490,637	43,523	(51,132)	70,408
Benefit payments	(54,302)	(34,959)	(40,284)	(19,194)	(12,881)
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 1,898,894</u>	<u>\$ 1,703,124</u>	<u>\$ 1,186,980</u>	<u>\$ 1,050,974</u>	<u>\$ 986,337</u>

	2017
Beginning balance	\$ 806,147
Service Cost	54,233
Interest on the total pension liability	28,550
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(26,256)
Benefit payments	(12,881)
Other changes	-
Ending balance of the total pension liability	<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 Six Fiscal Years

	<u>2022</u>		<u>2021</u>		<u>2020</u>		<u>2019</u>		<u>2018</u>
Total pension liability	\$ 1,898,894	\$	1,703,124	\$	1,186,980	\$	1,050,974	\$	986,337
Covered payroll	2,232,777		2,133,496		2,239,931		1,995,372		1,918,587
Total pension liability as a percentage of covered payroll	85.05%		79.83%		52.99%		52.67%		51.41%

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.

	<u>2017</u>
Total pension liability	\$ 849,793
Covered payroll	2,067,710
Total pension liability as a percentage of covered payroll	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

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

Total OPEB Liability	2022	2021	2020	2019	2018
Service Cost	\$ 438,718	\$ 279,721	\$ 353,985	\$ 378,993	\$ 435,666
Interest	366,595	446,283	470,819	429,020	385,062
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(1,673,372)	(17,709)	(444,812)	7,864	28,616
Changes of assumptions	668,499	3,337,587	62,699	(733,993)	(1,327,657)
Benefit payments	(373,993)	(360,622)	206,024	(261,123)	(265,857)
Net change in total OPEB liability	(573,553)	3,685,260	648,715	(179,239)	(744,170)
Total OPEB liability - beginning	16,335,272	12,650,012	12,001,297	12,180,536	12,924,706
Total OPEB liability - ending	<u>\$ 15,761,719</u>	<u>\$ 16,335,272</u>	<u>\$ 12,650,012</u>	<u>\$ 12,001,297</u>	<u>\$ 12,180,536</u>
Covered Payroll	\$ 3,568,349	\$ 3,831,598	\$ 3,831,598	\$ 4,540,717	\$ 4,540,717
Total OPEB Liability as a percentage of covered payroll	441.71%	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>
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

City of Graham, North Carolina
General Fund
Statement of Revenues, Expenditures, and
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With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2021

Statement 1
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	2022			2021
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Ad valorem taxes				
Current taxes	\$ 5,260,300	\$ 5,354,594	\$ 94,294	\$ 5,199,089
Prior year taxes	65,000	33,612	(31,388)	83,256
Vehicle taxes	570,100	723,543	153,443	692,583
Tax cost and interest	20,000	24,014	4,014	24,333
Total	5,915,400	6,135,763	220,363	5,999,261
Other taxes and licenses				
Privilege license	700	935	235	753
Total	700	935	235	753
Unrestricted intergovernmental				
Payment in lieu of taxes	33,000	37,580	4,580	33,813
Local option sales tax	4,364,700	5,643,283	1,278,583	4,679,763
Telecommunications sales tax	-	107,836	107,836	148,213
Piped natural gas sales tax	-	76,035	76,035	64,874
Utilities sales tax	865,000	643,079	(221,921)	629,380
Video franchise fee	-	96,404	96,404	87,548
Beer and wine tax	64,600	68,335	3,735	65,020
ABC profit distribution	95,000	246,126	151,126	187,016
Solid waste disposal tax	10,500	12,982	2,482	11,652
Storm water fee	131,500	134,097	2,597	131,394
Total	5,564,300	7,065,757	1,501,457	6,038,673
Restricted intergovernmental				
Powell Bill allocation	356,500	484,663	128,163	381,718
School Resource Officer	165,000	195,000	30,000	165,000
Federal drug monies	96,800	96,622	(178)	30,362
State drug monies	6,000	14,730	8,730	5,410
Fire donations	-	1,334	1,334	-
Miscellaneous Community grants	1,000	-	(1,000)	14,606
ABC revenue for law enforcement	35,000	66,423	31,423	43,878
On-behalf of payments - Fire	-	28,329	28,329	27,966
Total	660,300	887,101	226,801	668,940
Permits and fees				
Development fees	4,000	56,025	52,025	32,000
Building permits and inspection fees	290,000	547,617	257,617	602,397
Total	294,000	603,642	309,642	634,397

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, 2022

Statement 1
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With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2021

	2022			2021
	Budget	Actual	Variance Positive (Negative)	Actual
Sales and services				
Refuse collection fees	\$ 511,800	\$ 580,083	\$ 68,283	\$ 415,648
Cemetery fees	50,000	95,760	45,760	61,615
Concession income	-	207	207	-
Recreation Department fees	105,000	113,032	8,032	86,929
Recreation-Graham Mebane Lake	93,300	111,114	17,814	120,985
Rent on city properties	28,500	28,501	1	28,801
Total	788,600	928,697	140,097	713,978
Investment earnings				
Interest on investments	27,000	11,756	(15,244)	39,361
Federal drug monies - interest	-	107	107	874
State drug monies - interest	-	21	21	44
Total	27,000	11,884	(15,116)	40,279
Miscellaneous				
Other	55,000	44,690	(10,310)	118,133
ABC revenue	35,000	42,904	7,904	25,700
Recycling/surplus proceeds	20,100	65,548	45,448	746
NCCP	340,000	314,605	(25,395)	325,675
Police Donations / Contributions	-	1,250	1,250	444
Recreation donations	5,000	8,240	3,240	1,311
Court costs and fines	15,000	11,488	(3,512)	13,537
5k run - donations	-	8,880	8,880	-
Sports Hall of Fame	100	820	720	-
Alarms	3,800	4,150	350	3,400
Insurance proceeds	1,000	12,903	11,903	1,141
Total	475,000	515,478	40,478	490,087
Total revenues	13,725,300	16,149,257	2,423,957	14,586,368
Expenditures:				
General government				
Governing Body				
Salaries	32,000	33,108	(1,108)	31,848
Professional services	217,900	166,110	51,790	165,367
Travel	7,000	5,115	1,885	152
Supplies and materials	500	1,016	(516)	-
FICA	2,500	2,533	(33)	2,436
Miscellaneous	34,000	32,510	1,490	4,372
Total	293,900	240,392	53,508	204,175

City of Graham, North Carolina
General Fund
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Changes in Fund Balances - Budget and Actual
For The Fiscal Year Ended June 30, 2022
With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2021

Statement 1
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	2022			2021
	Budget	Actual	Variance Positive (Negative)	Actual
Administration				
Salaries	\$ 438,500	\$ 421,139	\$ 17,361	\$ 419,216
Professional services	108,400	138,283	(29,883)	80,221
FICA	34,700	30,560	4,140	31,907
Group insurance	295,100	293,056	2,044	260,572
Retirement	51,500	44,074	7,426	43,947
Unemployment expense	1,100	-	1,100	-
Longevity pay	8,500	5,490	3,010	12,357
Telephone and postage	6,500	11,846	(5,346)	8,603
Vehicle tax administration fee	-	23,186	(23,186)	22,335
Travel	4,000	6,160	(2,160)	674
Maintenance and repairs-vehicles	400	1,210	(810)	212
Vehicle and equipment fuel	100	156	(56)	20
Advertising	800	431	369	938
Dues and subscriptions	12,400	11,448	952	11,161
Insurance and bonds	240,500	240,434	66	198,672
Miscellaneous	29,500	29,747	(247)	25,803
Animal Shelter	97,400	97,228	172	101,112
Contracted services	92,000	100,195	(8,195)	101,243
NCCP	16,000	-	16,000	133,178
Supplemental retirement	22,600	14,232	8,368	16,386
Supplies	3,000	2,351	649	1,639
Facade grant	10,000	9,826	174	34,300
Business beautification grant	15,000	15,245	(245)	-
Downtown program	5,000	1,912	3,088	1,424
Economic development	20,000	20,000	-	20,000
Total	1,513,000	1,518,209	(5,209)	1,525,920
Information Technologies				
Salaries	71,800	67,563	4,237	130,211
FICA	5,200	4,955	245	9,663
Group insurance	8,500	8,449	51	15,385
Unemployment expense	200	-	200	-
Retirement	7,800	7,909	(109)	13,584
Longevity pay	1,700	1,683	17	3,194
Telephone and postage	2,000	1,905	95	2,081
Travel	1,500	1,766	(266)	-
Maintenance and repairs - equipment	2,500	1,777	723	3,913
Supplies	1,000	733	267	558

City of Graham, North Carolina
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With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2021

Statement 1
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	2022			2021
	Budget	Actual	Variance Positive (Negative)	Actual
Contracted services	\$ 28,000	\$ 25,096	\$ 2,904	\$ 23,943
Dues and subscriptions	300	468	(168)	187
Miscellaneous	3,000	1,265	1,735	17,631
Capital outlay - equipment	37,500	24,701	12,799	-
Software maintenance	58,800	68,702	(9,902)	44,459
Small equipment purchase	40,000	46,212	(6,212)	108,987
Supplemental retirement	3,400	2,623	777	5,047
Total	273,200	265,807	7,393	378,843
Finance				
Salaries	179,300	176,179	3,121	214,482
FICA	13,300	12,905	395	15,693
Group insurance	21,100	21,136	(36)	23,093
Unemployment expense	500	-	500	-
Retirement	19,800	20,967	(1,167)	22,552
Longevity pay	8,000	7,831	169	7,018
Bank charges	23,400	21,569	1,831	12,168
Telephone and postage	9,000	8,883	117	7,919
Travel	1,500	4,594	(3,094)	1,617
Advertising	1,500	1,166	334	1,332
Supplies	5,000	4,953	47	4,865
Contracted services	4,300	4,723	(423)	4,547
Dues and subscriptions	500	160	340	298
Miscellaneous	2,000	654	1,346	4,791
Audit	45,500	41,955	3,545	42,969
Software maintenance	26,400	29,043	(2,643)	10,953
Small equipment purchase	500	-	500	-
Supplemental retirement	8,700	6,906	1,794	8,929
Total	370,300	363,624	6,676	383,226

City of Graham, North Carolina
General Fund
Statement of Revenues, Expenditures, and
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For The Fiscal Year Ended June 30, 2022
With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2021

Statement 1
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	2022			2021
	Budget	Actual	Variance Positive (Negative)	Actual
Public buildings				
Salaries	\$ 2,700	\$ 2,472	\$ 228	\$ 5,113
FICA	500	189	311	391
Telephone and postage	-	355	(355)	-
Utilities	48,000	49,115	(1,115)	45,722
Maintenance and repairs	53,500	52,517	983	51,248
Vehicle and equipment fuel	-	413	(413)	687
Supplies and materials	11,000	10,443	557	13,409
Uniforms	500	480	20	37
Miscellaneous	-	60	(60)	
Small equipment purchase	-	-	-	7,934
Total	116,200	116,044	156	124,541
City garage and warehouse				
Salaries	54,800	54,940	(140)	49,931
FICA	4,100	4,222	(122)	3,888
Group insurance	8,400	8,202	198	7,473
Unemployment expense	200	-	200	(37)
Retirement	6,000	6,610	(610)	5,387
Longevity pay	3,200	3,134	66	2,983
Telephone and postage	800	854	(54)	710
Utilities	5,000	4,742	258	4,710
Maintenance and repairs-building	2,000	237	1,763	2,311
Maintenance and repairs-equipment	7,000	1,836	5,164	4,977
Supplies	1,000	1,308	(308)	1,092
Miscellaneous	3,000	2,564	436	4,088
Supplemental retirement	2,700	2,748	(48)	2,496
Capital outlay - equipment	14,000	12,659	1,341	-
Total	112,200	104,056	8,144	90,009
Total general government	2,678,800	2,608,132	70,668	2,706,714
Public safety				
Police department				
Salaries	2,620,100	2,632,169	(12,069)	2,323,150
Professional services	317,200	312,864	4,336	255,185
FICA	194,700	196,134	(1,434)	172,345
Group insurance	363,400	356,383	7,017	290,815

City of Graham, North Carolina

Statement 1

General Fund

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Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For The Fiscal Year Ended June 30, 2022

With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2021

	2022			2021
	Budget	Actual	Variance Positive (Negative)	Actual
Unemployment expense	\$ 10,800	\$ -	\$ 10,800	\$ (2,676)
Retirement	284,200	307,402	(23,202)	244,370
Longevity pay	69,200	63,124	6,076	66,387
Training	25,000	34,900	(9,900)	43,890
Telephone and postage	44,000	75,749	(31,749)	72,464
Utilities	25,000	15,891	9,109	21,061
Travel	12,000	11,443	557	3,664
Vehicle and equipment fuel	107,000	108,471	(1,471)	64,223
Maintenance and repairs - building	35,000	10,255	24,745	22,006
Maintenance and repairs - equipment	10,000	647	9,353	14,724
Maintenance and repairs - vehicles	90,000	116,157	(26,157)	84,134
Radio maintenance	10,000	3,052	6,948	3,216
Supplies and materials	16,500	14,802	1,698	34,571
Crime prevention	4,000	1,649	2,351	2,994
K-9 expense	14,500	7,129	7,371	12,322
Uniforms	41,500	45,058	(3,558)	60,295
Contracted services	96,600	102,851	(6,251)	60,976
Dues and subscriptions	3,200	4,006	(806)	3,204
Small equipment purchase	74,600	72,501	2,099	115,412
Miscellaneous	8,200	9,913	(1,713)	5,500
Capital outlay - equipment	285,100	279,715	5,385	202,759
Capital outlay - improvements	25,000	-	25,000	93,900
Software maintenance and changes	35,000	34,751	249	43,657
Supplemental retirement	118,000	120,523	(2,523)	106,705
Total	4,939,800	4,937,539	2,261	4,421,251
Fire department				
Salaries	742,800	766,296	(23,496)	638,026
Professional fees	153,400	168,633	(15,233)	202,329
FICA	55,000	59,475	(4,475)	49,298
Group insurance	84,500	72,370	12,130	63,160
Unemployment expense	2,400	-	2,400	(888)
Retirement	63,200	62,038	1,162	50,900
Longevity pay	13,700	13,219	481	10,278
Training	3,500	4,507	(1,007)	3,302
Telephone and postage	24,800	27,941	(3,141)	18,758
Travel	3,300	2,224	1,076	2,125
Maintenance and repairs - equipment	11,900	21,066	(9,166)	17,973
Maintenance and repairs - vehicles	45,000	48,972	(3,972)	54,123
Radio maintenance	20,000	15,197	4,803	19,182
Firemen's fees	19,000	22,880	(3,880)	17,542
Firemen's pension fund	20,900	20,580	320	20,310

City of Graham, North Carolina
General Fund
Statement of Revenues, Expenditures, and
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Statement 1
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With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2021

	2022			2021
	Budget	Actual	Variance Positive (Negative)	Actual
Vehicle and equipment fuel	\$ 23,000	\$ 22,024	\$ 976	\$ 11,275
Supplies and materials	13,000	18,854	(5,854)	14,289
Hazmat equipment	500	58	442	-
Uniforms	45,000	46,930	(1,930)	45,119
Insurance - Firemen's Fraternal Fund	3,400	3,529	(129)	3,152
Dues and subscriptions	4,000	4,241	(241)	8,207
Miscellaneous fire prevention	11,500	11,157	343	2,115
Health and safety	24,500	19,842	4,658	9,474
Miscellaneous	2,000	3,774	(1,774)	5,700
Small equipment purchase	5,000	169,768	(164,768)	12,479
Capital outlay - equipment	126,800	-	126,800	-
Capital outlay - land and buildings	275,000	-	275,000	224,501
Supplemental retirement	27,800	22,430	5,370	19,986
Police reserves	2,200	1,726	474	2,050
On-behalf payments	-	28,329	(28,329)	27,966
Total	1,827,100	1,658,060	169,040	1,552,731
Inspection - planning/zoning				
Salaries	390,300	380,907	9,393	324,961
Professional services	12,000	2,275	9,725	2,753
FICA	29,100	28,953	147	24,861
Group insurance	50,700	52,439	(1,739)	38,422
Unemployment expense	1,600	-	1,600	(20)
Retirement	39,800	42,361	(2,561)	32,413
Longevity pay	10,700	8,954	1,746	10,033
Telephone and postage	9,000	9,899	(899)	9,331
Travel	8,500	2,936	5,564	2,076
Maintenance and repairs - vehicles	3,000	2,500	500	3,058
Advertising	1,200	2,350	(1,150)	1,965
Vehicle and equipment fuel	2,000	3,079	(1,079)	2,714
Dues and subscriptions	1,200	614	586	1,163
Small equipment purchases	1,000	-	1,000	-
Capital outlay - equipment	7,500	31,254	(23,754)	-
Supplies and materials	5,000	5,110	(110)	1,626
Uniforms	1,500	1,438	62	1,607
Miscellaneous	2,000	1,810	190	1,923
Software maintenance and changes	5,500	5,650	(150)	5,300
Supplemental retirement	17,500	15,852	1,648	12,388
Total	599,100	598,381	719	476,574
Total public safety	7,366,000	7,193,980	172,020	6,450,556

City of Graham, North Carolina
General Fund
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With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2021

Statement 1
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	2022			2021
	Budget	Actual	Variance Positive (Negative)	Actual
Transportation				
Traffic engineering				
Utilities	\$ 3,000	\$ 2,950	\$ 50	\$ 2,717
Supplies and materials	-	12	(12)	-
Small equipment purchases	1,000	-	1,000	-
Contracted services	24,000	24,000	-	24,000
Total	28,000	26,962	1,038	26,717
Street				
Salaries	330,000	338,862	(8,862)	380,390
Professional services	12,000	9,535	2,465	12,532
Storm water	45,000	62,045	(17,045)	55,401
FICA	32,500	26,124	6,376	29,143
Group insurance	76,100	59,152	16,948	67,799
Unemployment expense	1,900	-	1,900	(23)
Retirement	45,200	39,465	5,735	39,652
Longevity pay	10,900	7,583	3,317	9,037
Telephone and postage	7,000	8,366	(1,366)	8,436
Utilities	3,000	1,755	1,245	2,042
Travel	1,000	836	164	-
Maintenance and repairs - buildings	3,500	100	3,400	3,000
Maintenance and repairs - equipment	1,000	-	1,000	-
Maintenance and repairs - vehicles	65,000	76,475	(11,475)	47,889
Radio maintenance	300	-	300	-
Vehicle and equipment fuel	28,000	21,531	6,469	15,520
Supplies and materials	18,000	20,911	(2,911)	17,842
Traffic control	10,000	14,859	(4,859)	11,391
Uniforms	6,500	7,524	(1,024)	6,531
Road repair materials	25,000	28,981	(3,981)	18,064
Sidewalk repairs	30,000	17,750	12,250	111,372
Snow and ice removal	13,000	12,097	903	-
Storm sewers	25,000	52,651	(27,651)	16,790
Street resurfacing	441,000	171,574	269,426	615,869
Right of ways	10,000	3,972	6,028	(2,387)
Dues and subscriptions	2,600	2,385	215	2,183
Miscellaneous	3,500	3,994	(494)	281
Contracted services	2,000	1,881	119	909
Small equipment purchases	15,000	5,294	9,706	28,565
Capital outlay - other improvements	160,000	-	160,000	2,341

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	2022			2021
	Budget	Actual	Variance Positive (Negative)	Actual
Capital outlay - equipment	\$ 50,000	\$ 225,431	\$ (175,431)	\$ 5,093
Supplemental retirement	21,200	15,455	5,745	18,362
Street improvements	18,000	6,175	11,825	22,839
Total	1,513,200	1,242,763	270,437	1,546,863
Street lighting				
Utilities	100,000	92,421	7,579	105,749
Contracted services	-	257	(257)	-
Total	100,000	92,678	7,322	105,749
Total transportation	1,641,200	1,362,403	278,797	1,679,329
Environmental protection				
Sanitation				
Salaries	316,500	316,275	225	256,942
FICA	23,300	24,949	(1,649)	20,176
Group insurance	59,200	57,692	1,508	46,176
Unemployment expense	1,500	-	1,500	-
Retirement	34,600	37,495	(2,895)	27,329
Longevity pay	13,000	13,222	(222)	11,484
Telephone and postage	4,500	5,012	(512)	4,268
Maintenance and repairs - equipment	20,200	-	20,200	292
Maintenance and repairs - vehicles	90,000	103,038	(13,038)	100,186
Vehicle and equipment fuel	62,500	60,168	2,332	32,382
Supplies and materials	1,000	686	314	1,344
Tipping fees	200,000	193,449	6,551	193,897
Travel	200	-	200	-
Radio maintenance	200	-	200	-
Uniforms	4,000	4,689	(689)	3,603
Contracted services	85,000	81,884	3,116	79,732
Small equipment purchases	1,000	2,969	(1,969)	-
Capital outlay equipment	310,000	299,900	10,100	-
Miscellaneous	3,000	3,590	(590)	3,430
Rollout refuse	34,000	32,552	1,448	28,260
Supplemental retirement	15,200	13,894	1,306	11,085
Total environmental protection	1,278,900	1,251,464	27,436	820,586

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, 2022
With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2021

Statement 1
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	2022		Variance	2021
	Budget	Actual	Positive (Negative)	Actual
Culture and recreation				
Recreation				
Salaries	\$ 366,800	\$ 360,244	\$ 6,556	\$ 357,245
Professional services	12,000	649	11,351	18,079
FICA	33,800	27,313	6,487	26,861
Group insurance	42,300	42,269	31	37,812
Unemployment expense	1,300	-	1,300	(663)
Retirement	32,900	34,722	(1,822)	27,991
Longevity pay	8,000	8,002	(2)	1,331
Telephone and postage	18,000	15,765	2,235	17,474
Utilities	35,000	30,844	4,156	27,560
Travel	5,200	5,972	(772)	9,567
Maintenance and repairs - buildings	16,000	22,328	(6,328)	21,687
Maintenance and repairs - equipment	6,000	10,108	(4,108)	4,964
Maintenance and repairs - vehicles	4,200	6,653	(2,453)	4,642
Contracted personnel	22,000	10,676	11,324	5,260
Vehicle and equipment fuel	3,000	1,902	1,098	1,203
Supplies and materials	9,000	8,706	294	10,800
Uniforms	1,000	1,296	(296)	2,330
Uniforms/Equipment from donations	3,000	5,650	(2,650)	85
Contracted services	18,200	23,769	(5,569)	13,951
Dues and subscriptions	8,400	4,464	3,936	9,464
Miscellaneous	10,000	10,193	(193)	12,375
Athletics programs	18,000	19,052	(1,052)	6,002
Hall of fame	10,000	10,053	(53)	-
Other programs	60,100	57,494	2,606	18,310
Concessions	1,000	415	585	-
Small equipment purchases	8,000	44,193	(36,193)	103,653
Capital outlay - other improvements	14,800	9,555	5,245	106,351
Advertising	7,000	6,968	32	11,605
Supplemental retirement	14,500	12,913	1,587	10,863
Capital outlay - equipment	26,800	-	26,800	19,803
Total	816,300	792,168	24,132	886,605

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, 2022
With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2021

Statement 1
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	2022			2021
	Budget	Actual	Variance Positive (Negative)	Actual
Graham-Mebane Lake				
Salaries	\$ 106,100	\$ 96,775	\$ 9,325	\$ 91,614
FICA	8,100	7,419	681	7,012
Group insurance	8,500	8,443	57	7,687
Professional services	4,000	11	3,989	25,959
Unemployment expense	800	-	800	-
Retirement expense	5,400	5,771	(371)	4,805
Longevity pay	1,200	1,169	31	1,110
Telephone and postage	3,500	2,846	654	2,639
Utilities	4,000	3,111	889	3,166
Travel	500	207	293	730
Maintenance and repairs - buildings	6,900	6,634	266	1,065
Maintenance and repairs - equipment	700	171	529	1,217
Maintenance and repairs - vehicles	1,500	1,590	(90)	2,074
Vehicle and equipment fuel	1,400	1,504	(104)	1,218
Other programs	2,000	2,331	(331)	1,426
Supplies and materials	11,500	13,297	(1,797)	12,386
Uniforms	800	694	106	81
Contracted services	2,100	-	2,100	1,056
Dues and subscriptions	100	-	100	21
Miscellaneous expense	500	39	461	-
Small equipment purchases	8,000	8,345	(345)	8,776
Capital outlay - other improvements	6,600	-	6,600	-
Supplemental retirement	2,400	2,449	(49)	2,272
Total	186,600	162,806	23,794	176,314
Property Maintenance				
Salaries	544,400	538,708	5,692	494,578
FICA	40,200	41,961	(1,761)	37,362
Group insurance	92,900	87,845	5,055	85,282
Unemployment expense	2,900	-	2,900	-
Retirement	53,600	59,790	(6,190)	47,475
Longevity pay	16,100	15,973	127	14,285
Telephone and postage	6,000	5,990	10	7,037
Utilities	28,000	28,135	(135)	26,415
Travel	2,400	756	1,644	1,302
Contract labor	6,000	3,714	2,286	4,450
Equipment rentals	2,800	915	1,885	1,029
Maintenance and repairs - buildings	27,000	21,388	5,612	30,972
Maintenance and repairs - equipment	66,000	58,967	7,033	52,639
Maintenance and repairs - grounds	37,000	45,680	(8,680)	44,471
Maintenance and repairs - vehicles	29,000	21,365	7,635	29,213

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, 2022
With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2021

Statement 1
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	2022			2021
	Budget	Actual	Variance Positive (Negative)	Actual
Maintenance and repairs - lighting and fencing	\$ 7,500	\$ 7,580	\$ (80)	\$ 3,794
Vehicle and equipment fuel	32,000	36,218	(4,218)	21,348
Supplies and materials	15,200	12,600	2,600	16,543
Uniforms	8,000	6,919	1,081	6,030
Dues and subscriptions	7,400	9,150	(1,750)	4,443
Miscellaneous	4,500	7,620	(3,120)	3,844
Small equipment purchases	7,500	19,834	(12,334)	18,227
Capital outlay - other improvements	16,500	-	16,500	12,000
Capital outlay - equipment	151,000	115,300	35,700	92,923
Supplemental retirement	23,600	24,304	(704)	21,549
Business beautification grant	-	-	-	20,884
Total	1,227,500	1,170,712	56,788	1,098,095
Total culture and recreation	2,230,400	2,125,686	104,714	2,161,014
Total expenditures	15,195,300	14,541,665	653,635	13,818,197
Revenues over (under) expenditures	(1,470,000)	1,607,592	3,077,592	768,171
Other financing sources (uses)				
Transfers:				
Governmental Capital Projects	-	(200,000)	(200,000)	(49,078)
Letter of credit funds	-	-	-	48,578
Appropriated fund balance	1,470,000	-	(1,470,000)	-
Total	1,470,000	(200,000)	(1,670,000)	(500)
Net Change in Fund Balances	\$ -	1,407,592	\$ 1,407,592	767,671
Fund balances, beginning		12,219,643		11,451,972
Fund balances, ending		\$ 13,627,234		\$ 12,219,643

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, 2022
With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2021

	2022			2021
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
American Rescue Plan Act	\$ 3,500,000	\$ -	\$ (3,500,000)	\$ -
Total revenues	3,500,000	-	(3,500,000)	-
Expenditures				
Water line replacement	3,500,000	-	3,500,000	-
Total expenditures	3,500,000	-	3,500,000	-
Revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Appropriated fund balance	-	-	-	-
	-	-	-	-
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
Fund balance, beginning		-		-
Fund balance, ending		<u>\$ -</u>		<u>\$ -</u>

**City of Graham, North Carolina
Combining Balance Sheets
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2022**

Statement 3

	Graham Memorial Park	Truby Drive Repair	Total Nonmajor Governmental Funds
<hr/>			
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,617,089	\$ 200,000	\$ 2,817,089
Accrued interest receivable	-	-	-
Accounts receivable, net	3,500	-	3,500
Due from other governments	-	-	-
<hr/>			
Total assets	\$ 2,620,589	\$ 200,000	\$ 2,820,589
<hr/> <hr/>			
 <u>LIABILITIES AND FUND BALANCES</u>			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -
Fund balances:			
Reserved for subsequent years' expenditures	2,620,589	200,000	2,820,589
<hr/>			
Total liabilities and fund balances	\$ 2,620,589	\$ 200,000	\$ 2,820,589
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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, 2022

Statement 4

	Graham Memorial Park	Truby Drive Repair	Total Nonmajor Governmental Funds
<u>REVENUES</u>			
Restricted intergovernmental revenues:			
Investment earnings	\$ 3,748	\$ -	\$ 3,748
Lot sales	18,300	-	18,300
Restricted intergovernmental	-	-	-
Total revenues	22,048	-	22,048
Expenditures			
Salaries	-	-	-
FICA	-	-	-
Group insurance	-	-	-
Unemployment expense	-	-	-
Retirement expense	-	-	-
Insurance and bonds	-	-	-
Miscellaneous expense	-	-	-
Supplemental retirement	-	-	-
Capital outlay	-	-	-
Construction costs	-	-	-
Professional services	-	-	-
Total expenditures	-	-	-
Other financing sources:			
Transfer (to) from General Fund	-	200,000	200,000
Revenues over expenditures and other financing sources	22,048	200,000	222,048
Fund balance - beginning of year	2,598,541	-	2,598,541
Fund balance - end of year	\$ 2,620,589	\$ 200,000	\$ 2,820,589

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, 2022
With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2021

Statement 5

	2022			2021
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Sale of cemetery lots	\$ -	\$ 18,300	\$ 18,300	\$ 88,798
Investment earnings	-	3,748	3,748	2,363
Total revenues	-	22,048	22,048	91,161
Expenditures				
Small equipment purchases	-	-	-	-
Capital outlay improvements	-	-	-	-
Capital outlay equipment	-	-	-	-
Total expenditures	-	-	-	-
Revenues over expenditures	-	22,048	22,048	91,161
Other financing sources (uses)				
Appropriated fund balance	-	-	-	-
	-	-	-	-
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>22,048</u>	<u>\$ 22,048</u>	<u>91,161</u>
Fund balance, beginning		<u>2,598,541</u>		<u>2,507,380</u>
Fund balance, ending		<u>\$ 2,620,589</u>		<u>\$ 2,598,541</u>

City of Graham, North Carolina
Capital Project Fund - Truby Drive Repair
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2022

Statement 6

	Actual			Variance
Project	Prior	Current	Total	Positive
Authori- zation	Year	Year	To Date	(Negative)
Expenditures				
Repair project	\$ 200,000	\$ -	\$ -	\$ 200,000
Total	200,000	-	-	200,000
Other financing sources:				
Operating transfer from				
General Fund	200,000	-	200,000	-
Grant proceeds	-	-	-	-
	200,000	-	200,000	-
Revenues and other sources				
over (under) expenditures	\$ -	\$ -	200,000	\$ 200,000
Fund balance, beginning		-		
Fund balance, ending		\$ 200,000		

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, 2022

Statement 7
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With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2021

	2022			2021
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Charges for services				
Sewer surcharges	\$ 56,000	\$ 59,150	\$ 3,150	\$ 64,033
Water charges	2,294,000	2,538,606	244,606	2,659,849
Sewer charges	4,175,000	4,059,013	(115,987)	3,391,926
Mebane revenue	975,600	1,038,277	62,677	887,272
Total	7,500,600	7,695,046	194,446	7,003,080
Other operating revenues				
Sewer acreage & connection fees	50,000	178,538	128,538	454,249
Water acreage & connection fees	100,000	74,225	(25,775)	186,820
Plumbing permits and inspections	40,000	41,184	1,184	120,199
Water and sewer taps	4,500	34,800	30,300	37,566
Water and sewer assessments	100	-	(100)	-
Miscellaneous	28,000	12,737	(15,263)	31,316
Cut-offs	80,000	137,670	57,670	105,303
Total	302,600	479,154	176,554	935,453
Total operating revenues	7,803,200	8,174,200	371,000	7,938,533
Non-operating revenues				
Investment earnings	27,000	11,686	(15,314)	46,082
Sale / lease of property	37,500	1,725	(35,775)	33,179
Lease revenue	-	34,235	34,235	
Interest on lease receivable	-	3,377	3,377	
NCCP	100,000	105,817	5,817	78,880
Total non-operating revenues	164,500	156,840	(7,660)	158,141
Total revenues	7,967,700	8,331,040	363,340	8,096,674
Expenditures:				
Water billing and metering				
Salaries	330,600	323,228	7,372	175,567
FICA	23,700	23,489	211	13,122
Group insurance	46,500	46,488	12	29,187
Unemployment expense	1,400	-	1,400	(44)
Retirement	33,300	35,753	(2,453)	17,622
Longevity pay	7,100	6,982	118	4,591
Bank charges	75,000	66,889	8,111	76,615
Telephone and postage	35,000	38,836	(3,836)	36,306
Travel	1,000	78	922	-

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, 2022

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With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2021

	2022		Variance	2021
			Positive	
	Budget	Actual	(Negative)	Actual
Maintenance and repairs - vehicles	\$ 2,500	\$ 1,490	\$ 1,010	\$ 1,990
Maintenance and repairs-equipment	1,000	-	1,000	-
Vehicle and equipment fuel	2,000	2,549	(549)	1,599
Supplies and materials	1,600	1,317	283	766
Uniforms	500	517	(17)	134
Contract services	16,000	16,475	(475)	16,121
Sewer treatment	-	887	(887)	-
Dues and subscriptions	10,000	9,866	134	10,031
Small equipment	1,000	448	552	-
Miscellaneous	2,000	-	2,000	-
Software maintenance and charges	28,400	20,401	7,999	24,299
Bad debt expense	-	19,219	(19,219)	(28,709)
Supplemental retirement	14,700	14,548	152	8,416
Total	633,300	629,460	3,840	387,613
Water distribution				
Salaries	250,000	290,396	(40,396)	336,133
FICA	29,800	22,219	7,581	25,462
Group insurance	84,500	55,697	28,803	72,922
Unemployment expense	2,200	-	2,200	-
Retirement	43,700	33,836	9,864	34,888
Longevity pay	7,900	6,739	1,161	6,493
Telephone and postage	6,500	5,930	570	7,141
Utilities	10,000	11,175	(1,175)	10,020
Travel	5,500	682	4,818	1,410
Maintenance and repairs - equipment	20,000	12,655	7,345	14,477
Maintenance and repairs - vehicles	20,000	16,237	3,763	15,004
Vehicle and equipment fuel	15,000	14,841	159	10,387
Supplies and materials	160,000	152,899	7,101	138,461
Uniforms	7,000	6,414	586	5,589
Contracted services	265,000	237,097	27,903	290,284
Dues and subscriptions	5,000	3,231	1,769	3,893
Miscellaneous	4,500	7,809	(3,309)	2,000
Meters, valves, hydrants	400,000	382,863	17,137	397,583
Small tools and equipment	5,000	5,478	(478)	4,221
Supplemental retirement	19,200	10,374	8,826	13,047
Total	1,360,800	1,276,572	84,228	1,389,415

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, 2022

Statement 7
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With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2021

	2022			2021
	Budget	Actual	Variance Positive (Negative)	Actual
Sewer mains				
Salaries	\$ 50,000	\$ 49,188	\$ 812	\$ 45,514
FICA	5,700	3,804	1,896	3,478
Group insurance	8,500	8,276	224	-
Unemployment expense	400	-	400	-
Professional services	105,000	122,344	(17,344)	26,261
Retirement	5,100	5,418	(318)	4,635
Longevity pay	400	440	(40)	-
Telephone and postage	6,000	5,923	77	5,486
Utilities	22,000	12,818	9,182	19,930
Travel	600	-	600	-
Maintenance and repairs - buildings	1,500	1,137	363	580
Maintenance and repairs - equipment	35,000	22,762	12,238	17,425
Maintenance and repairs - vehicles	4,500	1,450	3,050	2,656
Vehicle and equipment fuel	4,000	2,454	1,546	2,297
Supplies and materials	1,500	28	1,472	609
Uniforms	1,500	1,513	(13)	658
Contracted services	8,500	15,567	(7,067)	5,327
Miscellaneous	1,000	39	961	-
Small equipment purchase	3,500	515	2,985	8,177
Supplemental retirement	2,500	2,015	485	2,275
Total	267,200	255,691	11,509	145,308
Water Treatment Plant				
Salaries	539,200	543,352	(4,152)	494,537
Professional services	30,000	17,455	12,545	10,619
FICA	40,000	41,173	(1,173)	37,374
Group insurance	76,000	74,786	1,214	58,943
Unemployment expense	2,000	-	2,000	-
Retirement	59,500	64,232	(4,732)	52,256
Longevity pay	21,100	21,024	76	18,881
Telephone and postage	8,000	8,383	(383)	5,685
Utilities	210,000	181,657	28,343	194,128
Travel	4,000	2,083	1,917	1,058
Maintenance and repairs - buildings and grounds	22,000	27,289	(5,289)	20,771
Maintenance and repairs - equipment	40,000	60,886	(20,886)	47,805
Maintenance and repairs - vehicles	3,000	4,743	(1,743)	1,799

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, 2022

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With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2021

	2022			2021
	Budget	Actual	Variance Positive (Negative)	Actual
Vehicle and equipment fuel	\$ 3,000	\$ 3,049	\$ (49)	\$ 3,940
Supplies and materials	765,000	764,604	396	591,222
Uniforms	2,000	1,558	442	2,040
Lab expense	45,000	41,646	3,354	38,504
Contract services	75,000	66,096	8,904	48,795
Dues and subscriptions	9,000	7,937	1,063	8,178
Small equipment	26,000	19,732	6,268	30,330
Miscellaneous	2,000	485	1,515	209
Supplemental retirement	26,200	26,759	(559)	23,806
Total	2,008,000	1,978,929	29,071	1,690,880
Waste Water Treatment Plant				
Salaries	541,900	505,815	36,085	459,510
Professional services	25,000	895	24,105	3,318
FICA	37,000	40,419	(3,419)	34,449
Group insurance	93,000	90,880	2,120	83,731
Unemployment expense	2,500	-	2,500	-
Retirement	57,200	51,559	5,641	48,130
Longevity pay	16,200	16,027	173	14,110
Telephone and postage	7,000	6,059	941	7,214
Utilities	150,000	158,047	(8,047)	143,603
Travel	3,000	1,407	1,593	1,336
Maintenance and repairs - buildings	22,000	25,443	(3,443)	21,182
Maintenance and repairs - equipment	40,000	41,612	(1,612)	64,228
Maintenance and repairs - vehicles	15,000	25,202	(10,202)	14,789
Vehicle and equipment fuel	11,000	16,722	(5,722)	7,129
Supplies and materials	315,000	289,935	25,065	209,179
Uniforms	2,000	1,760	240	3,555
Lab expense	50,000	50,142	(142)	47,648
Contracted services	36,000	36,661	(661)	33,791
Sewer treatment	568,500	482,115	86,385	467,514
Dues and subscriptions	15,000	15,562	(562)	14,458
Miscellaneous	1,000	2,087	(1,087)	386
Bad debt expense	-	-	-	28,490
Small equipment purchase	18,000	4,036	13,964	12,643
Supplemental retirement	23,200	21,371	1,829	18,559
Total	2,049,500	1,883,756	165,744	1,738,952

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, 2022

Statement 7
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With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2021

	2022			2021
	Budget	Actual	Variance Positive (Negative)	Actual
Non-departmental				
Professional services	\$ 150,000	\$ 179,115	\$ (29,115)	\$ 108,959
Group Insurance	82,000	67,988	14,012	72,217
Water - Burlington	5,000	-	5,000	-
Contracted Services	79,000	69,767	9,233	70,121
NCCP revenue sharing payment	12,000	-	12,000	15,783
Insurance and bonds	90,000	103,706	(13,706)	86,368
Small equipment purchase	30,000	29,023	977	30,000
Miscellaneous	10,000	8,196	1,804	11,384
Total	458,000	457,795	205	394,832
Debt service				
Interest	79,000	78,741	259	92,835
Debt principal	1,114,500	474,341	640,159	547,800
Total	1,193,500	553,082	640,418	640,635
Capital outlay - equipment & improvements				
Water distribution improvements	100,400	61,718	38,682	197,111
Water distribution equipment	10,000	82,122	(72,122)	150,587
Sewer mains	-	9,815	(9,815)	39,907
Water Treatment Plant improvements	100,000	17,225	82,775	77,968
Water Treatment Plant equipment	260,000	164,592	95,408	23,031
Waste Water Plant improvements	50,000	-	50,000	25,291
Waste Water Treatment Plant	353,000	378,715	(25,715)	194,899
Total	873,400	714,187	159,213	708,794
Total expenditures	8,843,700	7,749,472	1,094,228	7,096,429
Revenues over (under) expenditures	(876,000)	581,568	1,457,568	1,000,245

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, 2022

Statement 7
Page 6 of 6

With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2021

	2022			2021
	Budget	Actual	Variance Positive (Negative)	Actual
Other financing sources (uses)				
Fund balance appropriated	\$ 637,000	\$ -	\$ (637,000)	\$ -
Mebane WTP Capital Contribution	127,000	127,403	403	127,403
WWTP Equipment and Improvements	61,000	-	(61,000)	-
Mebane WWTP Payment	200,000	200,000	-	200,000
Contributed Capital	-	4,604	4,604	-
Transfer	(150,000)	(789,466)	(639,466)	(641,069)
Sale of surplus property	1,000	7,512	6,512	(1,235)
Total	876,000	(449,947)	(1,325,947)	(314,901)
Revenues and other sources (uses)				
over expenditures	\$ -	131,621	\$ 131,621	685,344
Reconciling items:				
Payment of debt principal		474,341		547,800
Principal payments received		(327,403)		(327,403)
Capital outlay		714,187		708,794
(Increase) decrease in accrued vacation pay		30		(50,834)
Increase (decrease) in deferred outflows of resources				
-OPEB		(9,980)		548,479
(Increase) decrease in deferred inflows of resources				
-OPEB		(200,267)		74,023
(Increase) decrease in accrued OPEB liability		122,442		(742,351)
(Increase) decrease in interest expense accrual		3,809		5,532
(Increase) decrease in net pension liability		487,821		(171,156)
(Increase) decrease in deferred inflows of resources				
-pensions		(486,455)		(4,696)
Increase (decrease) in deferred outflows of resources		57,106		67,734
- pensions				
Depreciation and amortization		(1,086,096)		(1,032,420)
Water and Sewer Capital Reserve Fund revenue		252,763		641,069
Income from Capital Project Fund		723,738		608,280
Income from ASADRA loan		1,921,809		984,373
Transfer to Water and Sewer Capital Projects Fund		536,703		-
Total reconciling items		3,184,548		1,857,224
Change in Net Position		\$ 3,316,169		\$ 2,542,568

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, 2022
With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2021

Statement 8

	2022			2021
	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	-	(732,237)	(732,237)	(67,763)
Transfer to Water and Sewer Fund				
Transfer from Water and Sewer Fund	-	252,763	252,763	641,069
Revenues and other sources over (under) expenditures	<u>\$ -</u>	(479,474)	<u>\$ (479,474)</u>	573,306
Fund balance, beginning		<u>1,269,250</u>		<u>695,944</u>
Fund balance, ending		<u>\$ 789,776</u>		<u>\$ 1,269,250</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, 2022

Statement 9

	Project Authori- zation	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total To Date	
Expenditures					
Professional services	\$ 220,000	\$ 385,688	\$ -	\$ 385,688	\$ (165,688)
Construction	430,000	392,991	-	392,991	37,009
Lift station construction	3,250,000	2,632,957	27,630	2,660,587	589,413
Loan fees	62,000	61,938	-	61,938	62
Total	3,962,000	3,473,574	27,630	3,501,204	460,796
Other financing sources:					
Operating transfer from					
Water and Sewer Fund	712,000	712,000	-	712,000	-
Grant proceeds	612,500	612,500	-	612,500	-
Loan proceeds	2,637,500	2,149,074	27,630	2,176,704	(460,796)
	3,962,000	3,473,574	27,630	3,501,204	(460,796)
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, 2022

	Project Authori- zation	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total To Date	
Expenditures					
Professional services	\$ 150,000	\$ 56,457	\$ 82,567	\$ 139,024	\$ 10,976
Construction - Phase 1	1,585,000	-	1,061,073	1,061,073	523,927
Construction - Phase 2	1,200,000	-	849,038	849,038	350,962
Easements	20,000	11,306	-	11,306	8,694
Total	2,955,000	67,763	1,992,678	2,060,441	894,559
Other financing sources:					
Operating transfer from					
Water and Sewer Fund	1,355,000	-	536,703	536,703	(818,297)
Development Revenue	800,000	-	723,738	723,738	(76,262)
System Development					
Capital Reseve Fund	800,000	67,763	732,237	800,000	-
	2,955,000	67,763	1,992,678	2,060,441	(894,559)
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, 2022

		Actual			Variance
	Project Authori- zation	Prior Year	Current Year	Total To Date	Positive (Negative)
Expenditures					
Professional services	\$ 3,200,000	\$ 984,373	\$ 1,738,389	\$ 2,722,762	\$ 477,238
Loan fees	615,000	-	-	-	615,000
Total	3,815,000	984,373	1,738,389	2,722,762	1,092,238
Other financing sources:					
Operating transfer from					
Water and Sewer Fund	615,000	-	-	-	(615,000)
ASADRA State Loan	3,200,000	984,373	1,921,809	2,906,182	(293,818)
	3,815,000	984,373	1,921,809	2,906,182	(908,818)
Net change in fund balance	\$ -	\$ -	\$ 183,420	\$ 183,420	\$ 183,420

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, 2022

Statement 12
Page 1 of 2

With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2021

	2022			2021
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Operating revenues				
Charges for services				
Alamance County - maintenance	\$ 245,300	\$ 240,472	\$ (4,828)	\$ 130,937
City of Graham	770,100	642,230	(127,870)	497,059
Graham Housing Authority	20,800	23,327	2,527	12,808
Green Level	21,000	16,769	(4,231)	18,311
ABC vehicles	4,200	5,148	948	3,100
Sale of surplus property	-	1,300	1,300	-
Miscellaneous income	-	1,050	1,050	71
Total	1,061,400	930,296	(131,104)	662,286
Total operating revenues	1,061,400	930,296	(131,104)	662,286
Non-operating revenues				
Investment earnings	-	46	46	700
Total non-operating revenues	-	46	46	700
Total revenues	1,061,400	930,342	(131,058)	662,986
Expenditures:				
Operations				
Salaries	125,000	121,795	3,205	113,903
FICA	9,000	9,605	(605)	8,982
Group insurance	17,000	16,897	103	14,825
Dental insurance	1,000	-	1,000	-
Unemployment expense	500	-	500	(114)
Retirement	13,000	14,439	(1,439)	11,441
Longevity pay	5,100	5,055	45	4,814
Telephone and postage	6,800	3,297	3,503	6,446
Utilities	3,500	2,688	812	2,829
Travel	500	-	500	-
Maintenance and repairs - equipment	3,500	1,134	2,366	619
Maintenance and repairs - vehicles	3,500	554	2,946	545
Vehicle and equipment fuel	148,300	1,630	146,670	1,337
Supplies and materials	4,500	224	4,276	2,107

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, 2022

Statement 12
Page 2 of 2

With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2021

	2022			2021
	Budget	Actual	Variance Positive (Negative)	Actual
Uniforms	\$ 3,800	\$ 2,823	\$ 977	\$ 2,708
Dues and subscriptions	9,000	4,160	4,840	7,674
Miscellaneous	4,000	1,830	2,170	564
Purchases for inventory	691,500	799,941	(108,441)	509,037
Supplemental retirement	5,900	6,092	(192)	5,392
Capital outlay - small tools	6,000	-	6,000	5,913
Total	1,061,400	992,164	69,236	699,022
Capital outlay	-	6,100	(6,100)	-
Total expenditures	1,061,400	998,264	63,136	699,022
Revenues over (under) expenditures	-	(67,922)	(67,922)	(36,036)
Other financing sources (uses)				
Fund balance appropriated	-	-	-	-
Revenues and other sources (uses) over expenditures	<u>\$ -</u>	<u>(67,922)</u>	<u>\$ (67,922)</u>	<u>(36,036)</u>
Reconciling items:				
Capital outlay		6,100		-
Depreciation		(5,109)		(6,382)
Loss on disposal of assets		-		-
(Increase) decrease in deferred outflows of resources - pensions		5,439		6,773
(Increase) decrease in net pension liability		46,459		(17,116)
(Increase) decrease in deferred inflows of resources				
- pensions		(46,327)		(470)
Increase (decrease) in deferred outflows of resources				
-OPEB		(964)		41,020
(Increase) decrease in deferred inflows of resources				
-OPEB		(14,248)		5,579
(Increase) decrease in OPEB Liability		8,711		(55,950)
(Increase) decrease in accrued vacation pay		(2,500)		(2,377)
Total reconciling items		(2,439)		(28,923)
Change in Net Position		<u>\$ (70,361)</u>		<u>\$ (64,959)</u>

City of Graham, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2022

Statement 13

Fiscal Year	Uncollected Balance June 30, 2021	Additions	Collections and Credits	Uncollected Balance June 30, 2022
2021-2022	\$	\$ 6,116,817	\$ 6,024,049	\$ 92,768
2020-2021	101,810		50,923	50,887
2019-2020	53,084	-	15,741	37,343
2018-2019	28,086	-	5,915	22,171
2017-2018	16,564	-	3,586	12,978
2016-2017	14,419	-	2,744	11,675
2015-2016	11,837	-	2,470	9,367
2014-2015	9,982	-	1,955	8,027
2013-2014	12,801	-	2,015	10,786
2012-2013	13,665	-	1,308	12,357
2011-2012	12,405	-	12,405	-
	<u>\$ 274,653</u>	<u>\$ 6,116,817</u>	<u>\$ 6,123,111</u>	268,359

Less: Allowance for uncollectible accounts (General Fund)

38,959

Ad valorem taxes receivable - net

\$ 229,400

Reconciliation with revenues:

Ad valorem taxes - General Fund

\$ 6,135,763

Reconciling items:

Tax cost and interest

(31,717)

Amounts written off for tax year 2011-2012

per statute of limitations

12,404

Refunds and other adjustments - net

6,661

Subtotal

(12,652)

Total collections and credits

\$ 6,123,111

City of Graham, North Carolina
Analysis of Current Tax Levy
City-Wide Levy
For The Fiscal Year Ended June 30, 2022

Statement 14

	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	\$ 1,358,316,604	\$ 0.455	\$ 6,180,341	\$ 5,456,419	\$ 723,922
Penalties	-		-	-	-
Total	1,358,316,604		6,180,341	5,456,419	723,922
Discoveries	3,430,346		15,608	15,608	-
			6,195,949	5,472,027	723,922
Abatements	(17,391,992)		(79,132)	(79,132)	-
Total property valuation	<u>\$ 1,344,354,958</u>				
Net levy			6,116,817	5,392,895	723,922
Uncollected taxes at June 30, 2022			(92,768)	(85,014)	(7,754)
Current year's taxes collected			<u>\$ 6,024,049</u>	<u>\$ 5,307,881</u>	<u>\$ 716,168</u>
Current levy collection percentage			<u>98.48%</u>	<u>98.42%</u>	<u>98.93%</u>
<u>Secondary Market Disclosures:</u>					
Assessed Valuation:			Total		
Assessment Ratio ¹			100%		
Real Property			\$ 1,036,183,421	\$ 1,036,183,421	\$ -
Personal Property			283,605,594	124,501,890	159,103,704
Public Service Companies ²			24,565,943	24,565,943	-
Total Assessed Valuation			1,344,354,958	1,185,251,254	159,103,704
Tax Rate per \$100			<u>0.455</u>	<u>0.455</u>	<u>0.455</u>
Levy (includes discoveries, releases and abatements)			<u>\$ 6,116,817</u>	<u>\$ 5,392,895</u>	<u>\$ 723,922</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, 2022**

Statement 15

Taxpayer	Type of Business	Percentage of Total Assessed Valuation		
LIDL US Operations LLC	Manufacturing	\$	74,406,402	5.53%
SDG, Graham I LLC	Rental		25,685,158	1.91%
Southwood, Waterside LLC	Rental		22,994,718	1.71%
Triangle, Watercourse LLC	Rental		19,353,027	1.44%
Indulor America LP	Manufacturing		14,876,942	1.11%
Duke Energy	Utilities		13,284,797	0.99%
Luxfer Inc.	Manufacturing		11,712,907	0.87%
Peak of Graham LLC	Healthcare		11,193,862	0.83%
Pines Apartments of Graham LLC	Rental		9,409,857	0.70%
Sterigenics U.S. LLC	Sterilization Technologies		8,854,966	0.66%
		\$	211,772,636	15.75%



**STOUT
STUART
McGOWEN
& KING LLP**

*Certified
Public
Accountants*

*Advisors to
Management*

*Member of PCPS,
the AICPA Alliance
For CPA Firms*

*Mailing Address:
P.O. Box 1440
Burlington, NC 27216-1440*

*Street Address:
1233 South Church Street
Burlington, NC 27215*

*336-226-7343
fax 336-229-4204
www.ssmkllp.com
e-mail: ssmk@ssmkllp.com*

**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, 2022, 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 29, 2022.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Graham's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Graham'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.

Report on 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 29, 2022



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For CPA Firms

Mailing Address:
P.O. Box 1440
Burlington, NC 27216-1440

Street Address:
1233 South Church Street
Burlington, NC 27215

336-226-7343
fax 336-229-4204
www.ssmkllp.com
e-mail: ssmk@ssmkllp.com

STOUT STUART McGOWEN & KING LLP

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

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

Opinion on 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Graham and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of the City of Graham's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to City of Graham State programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Graham's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Graham's compliance with the requirements of each major State program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Graham's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of City of Graham's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 City of Graham's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all

deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

STOUT STUART MCGOWEN & KINGS LLP

Burlington, North Carolina
November 29, 2022

CITY OF GRAHAM, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

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

CITY OF GRAHAM, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

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, 2022

None Reported

City of Graham, North Carolina
Schedule of Expenditures of Federal and State Awards
For The Year Ended June 30, 2022

Schedule 16

Grantor/Pass-through	State/ Pass-through	Grantor's	Federal (Direct and Pass-through)	State
<u>Grantor/Program Title</u>	<u>Number</u>	<u>Expenditures</u>	<u>Expenditures</u>	<u>Expenditures</u>
State Grants:				
<u>N.C. Department of Transportation</u>				
Powell Bill	N/A	32570	-	484,663
<u>N.C. Department of Education</u>				
Passed through Alamance-Burlington School System				
School Resource Officer	N/A	Unknown	-	195,000
Total Assistance - State Programs			-	679,663
Total assistance			\$ -	\$ 679,663

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.