

City of Graham, North Carolina
Audited Financial Statements
Year Ended June 30, 2023

City of Graham, North Carolina

Year Ended June 30, 2023

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

Melanie King – Finance Officer

Sandy Callahan – Tax Collector

City of Graham, North Carolina
June 30, 2023
Table Of Contents

<u>Exhibit</u>		<u>Page</u>
	Financial Section	
	Independent Auditor's Report	1
	Management Discussion and Analysis	5
	Basic Financial Statements:	
	Government-wide Financial Statements:	
1	Statement of Net Position	15
2	Statement of Activities	16
	Fund Financial Statements:	
3	Balance Sheet – Governmental Funds	17
3	Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	18
4	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19
4	Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Funds to the Statement of Activities	20
5	Statement of Revenues Expenditures, and Changes in Fund Balances - Annual Budget and Actual – General Fund	21
6	Statement of Net Position – Proprietary Funds	22
7	Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	23
8	Statement of Cash Flows – Proprietary Funds	24
	Notes to the Financial Statements	26

Statement**Page****Required Supplemental Financial Data:**

Schedule of the Proportionate Share of the Net Pension Liability – Local Government Employees' Retirement System 56

Schedule of Contributions – Local Government Employees' Retirement System 57

Schedule of Proportionate Share of Net Pension Liability – Firefighters' and Rescue Squad Workers' Pension 58

Schedule of Changes in Total Pension Liability – Law Enforcement Officers' Special Separation Allowance 59

Schedule of Total Pension Liability as a Percentage of Covered Payroll – Law Enforcement Officer's Special Separation Allowance 60

Schedule of Changes in the Total OPEB Liability and Related Ratios 61

Individual Fund Statements and Schedules:

1 Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund 62

2 Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual- Special Revenue Fund – American Rescue Plan Act 74

3 Combining Balance Sheet for Non-Major Governmental Funds 75

4 Combining Statement of Revenues, Expenditures, and Changes in Fund Balance for Non-Major Governmental Funds 76

5 Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual – Special Revenue Fund – Graham Memorial Park Fund 77

6 Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual–From Inception–Truby Drive Repair Capital Project 78

7 Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual- Water & Sewer Fund 79

8 Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual – Capital Reserve Fund – System Development Fees 85

9 Schedule of Revenues and Expenditures –Budget and Actual From Inception – Boyd Creek Pump Station Capital Project 86

10 Schedule of Revenues and Expenditures – Budget and Actual From Inception – Old Fields Outfall Capital Project 87

11	Schedule of Revenues and Expenditures – Budget and Actual From Inception – Wastewater Treatment Plant Upgrade Capital Project	88
12	Schedule of Revenue and Expenditures -Budget and Actual- From Inception – 10” Water Line Replacement	89
13	Schedule of Revenue and Expenditures -Budget and Actual- From Inception – Water Line Inventory	90
14	Schedule of Revenue and Expenditures -Budget and Actual- From Inception – Long and Albright Improvements	91
15	Schedule of Revenue and Expenditures -Budget and Actual- From Inception – Boyd Creek Watershed Repair	92
16	Schedule of Revenue and Expenditures -Budget and Actual- Internal Service Fund- Garage Fund	93

Other Schedules:

17	Schedule of Ad Valorem Taxes Receivable	95
18	Analysis of Current Tax Levy – City-wide Levy	96
19	Schedule of Ten Largest Taxpayers	97

Compliance Section

	Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	98
	Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance, with OMB Uniform Guidance and the State Single Audit Implementation Act.	100
	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.	103
	Schedule of Findings and Questioned Costs, Corrective Actions Plans, and Summary Schedules of Prior Audit Findings	106
20	Schedule of Expenditures of Federal and State Awards	109



**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, 2023, 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, 2023, 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 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, 2023 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 MCGOWEN & KINGS LLP

Burlington, North Carolina
November 29, 2023

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, 2023. 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.

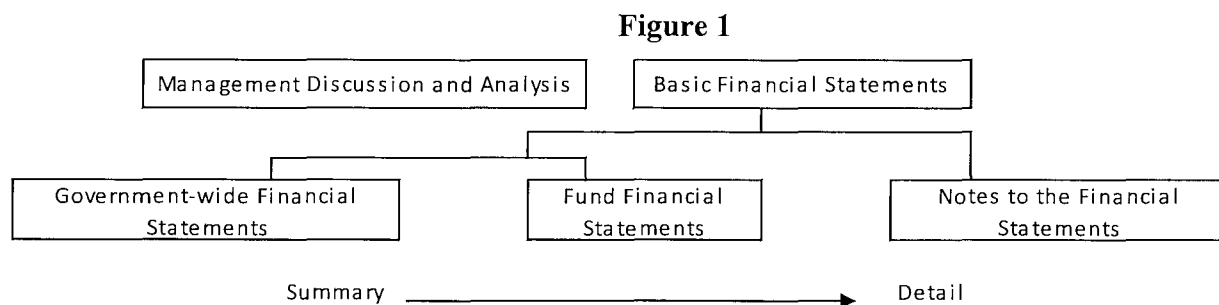
Financial Highlights

- 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 \$90,677,193 (*net position*).
- The government's total net position increased by \$14,366,916, due to an increase in the business type activities' net position of \$12,384,598 and an increase in the government type activities' net position of \$1,982,318.
- As of the close of the current fiscal year, the City of Graham's governmental funds reported combined ending fund balances of \$18,715,837 an increase of \$2,268,015. Approximately 29% of this total amount, or \$5,361,054, is non-spendable or restricted.
- At the end of the current fiscal year, available fund balance for the General Fund was \$13,354,783 or 82% of total general fund expenditures for the fiscal year.
- The City of Graham's total debt decreased by \$20,549 or .4% during the current fiscal year due to an increase of \$460,792 on the fully executed state SRP loan offset by payments of \$481,341.
- The water and sewer fund produced an excess of revenue over expenditures in the amount of \$811,982 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



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 for major governmental funds; 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		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
Current and other assets	\$ 24,783,332	\$ 20,303,605	\$ 16,319,586	\$ 18,858,439	\$ 17,436,715	\$ 18,107,937	\$ 43,641,771	\$ 37,740,320	\$ 34,427,523
Capital assets	19,491,654	19,439,814	19,110,606	58,781,412	47,269,844	43,883,056	78,273,066	66,709,658	62,993,662
Deferred outflows of resources	5,439,112	4,876,201	4,665,538	1,260,610	1,100,958	1,053,832	6,699,722	5,977,159	5,719,370
Total assets	49,714,098	44,619,620	40,095,730	78,900,461	65,807,517	63,044,825	128,614,559	110,427,137	103,140,555
Long-term liabilities outstanding	577,044	635,660	529,261	4,764,082	4,802,298	5,294,840	5,341,126	5,437,958	5,824,101
Other liabilities	21,944,873	18,688,828	18,316,505	5,812,844	4,947,889	5,803,820	27,757,717	23,636,717	24,120,325
Deferred inflows of resources	3,872,370	3,957,639	1,418,742	966,153	1,084,546	286,559	4,838,523	5,042,185	1,705,301
Total liabilities	26,394,287	23,282,127	20,264,508	11,543,079	10,834,733	11,385,219	37,937,366	34,116,860	31,649,727
Net Position:									
Net invested in capital assets	19,491,654	19,439,814	19,110,606	53,973,604	42,311,172	39,134,631	73,465,258	61,750,986	58,245,237
Restricted	5,361,054	5,166,365	4,209,867	789,776	789,776	1,269,250	6,150,830	5,956,141	5,479,117
Unrestricted	(1,532,897)	(3,268,686)	(3,489,251)	12,594,002	11,871,836	11,255,725	11,061,105	8,603,150	7,766,474
Total net position	\$ 23,319,811	\$ 21,337,493	\$ 19,831,222	\$ 67,357,382	\$ 54,972,784	\$ 51,659,606	\$ 90,677,193	\$ 76,310,277	\$ 71,490,828

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 \$90,677,193 as of June 30, 2023. The City's net position increased by \$14,366,916 in the fiscal year ended June 30, 2023. 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, 6% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$11,061,105 is unrestricted.

Several 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 increased Local Option Sales Taxes.
- There was an increase in water and sewer charges, including connections.
- There were also grants received during the year supporting the capital projects.
- There was an increase in the liability for LGERS and a decrease in the liability for the OPEB benefits.

City of Graham's Change in Net Position

Figure 3

	Governmental Activities			Business-type Activities			Total		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
Revenues:									
Program revenues:									
Charges for services	\$ 2,479,455	\$ 1,735,075	\$ 1,466,200	\$ 11,021,540	\$ 8,320,580	\$ 8,050,593	\$ 13,500,995	\$ 10,055,655	\$ 9,516,793
Grants and contributions									
Operating	1,519,437	1,266,231	1,259,860	-	-	-	1,519,437	1,266,231	1,259,860
Capital	451,092	225,960	193,869	9,838,011	2,645,547	1,592,653	10,289,103	2,871,507	1,786,522
General revenues:									
Property taxes	6,480,601	6,128,709	6,003,313	-	-	-	6,480,601	6,128,709	6,003,313
Other taxes	7,406,228	6,932,594	5,908,032	-	-	-	7,406,228	6,932,594	5,908,032
Grants and contributions not restricted to specific program	258,933	248,157	281,807	-	-	-	258,933	248,157	281,807
Unrestricted investment earnings	290,816	15,550	38,299	208,342	15,063	46,082	499,158	30,613	84,381
Transfers	(113,764)	-	-	113,764	-	-	-	-	-
Other	134,935	115,119	120,042	-	7,512	(1,235)	134,935	122,631	118,807
Total revenues	18,907,733	16,667,395	15,271,422	21,181,657	10,988,702	9,688,093	40,089,390	27,656,097	24,959,515
Expenses:									
General government	3,551,368	3,383,381	3,674,226	-	-	-	3,551,368	3,383,381	3,674,226
Public safety	7,971,465	7,376,689	6,850,274	-	-	-	7,971,465	7,376,689	6,850,274
Transportation	1,646,999	1,238,076	1,824,827	-	-	-	1,646,999	1,238,076	1,824,827
Economic protection	1,457,118	1,049,376	949,150	-	-	-	1,457,118	1,049,376	949,150
Culture and recreation	2,298,465	2,113,602	2,150,072	-	-	-	2,298,465	2,113,602	2,150,072
Water and sewer	-	-	-	8,797,059	7,675,524	7,150,036	8,797,059	7,675,524	7,150,036
Total expenses	16,925,415	15,161,124	15,448,549	8,797,059	7,675,524	7,150,036	25,722,474	22,836,648	22,598,585
Increase (decrease) in net position	1,982,318	1,506,271	(177,127)	12,384,598	3,313,178	2,538,057	14,366,916	4,819,449	2,360,930
Net position, July 1	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
Net position-July 1-Restated	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
Net position, June 30	\$ 23,319,811	\$ 21,337,493	\$ 19,831,222	\$ 67,357,382	\$ 54,972,784	\$ 51,659,606	\$ 90,677,193	\$ 76,310,277	\$ 71,490,828

Governmental activities: Governmental activities increased the City's net position by \$1,982,318, accounting for 14% 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 \$351,892.
- There was an increase in charges for services in the amount of \$744,380 partly due to an increase in the SRO funding of \$155,000 and an increase in refuse collections of \$175,799.
- There was also an increase in the Local Option Sales Tax of \$480,916.
- There was an increase in the LGERS liability of \$3,425,463 and a decrease in the OPEB liability of \$2,289,540, 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 \$12,384,598 accounting for 86% 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 \$2,700,960.
- There was an increases in the LGERS liability of \$910,566 and a decrease in the OPEB liability of \$635,163, 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 \$7,192,464.

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 \$13,354,783 while total fund balance reached \$15,806,829. 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 82% of general fund expenditures, while total fund balance represents 97% of the same amount.

At June 30, 2023, the governmental funds of the City of Graham reported a combined fund balance of \$18,715,837, with a net increase in fund balance of \$2,268,015. Included in this change in fund balance is an increase of \$2,179,596 in the general fund and an increase in the non-major funds of \$88,419.

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 \$2,179,596.

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 \$12,594,002. The total increase in unrestricted net position was \$12,384,598.

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, 2023, totals \$78,273,066 (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		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
Land	\$ 2,956,005	\$ 2,956,005	\$ 2,956,005	\$ 1,281,547	\$ 1,281,547	\$ 1,281,547	\$ 4,237,552	\$ 4,237,552	\$ 4,237,552
Art Collection	62,100	62,100	62,100	-	-	-	62,100	62,100	62,100
Building and systems	1,547,577	1,602,256	1,656,935	9,272,727	9,507,929	9,743,131	10,820,304	11,110,185	11,400,066
Water and sewer systems	-	-	-	13,981,238	14,336,669	14,692,100	13,981,238	14,336,669	14,692,100
Improvements other than buildings	3,519,111	3,452,945	3,661,501	11,939,468	11,749,472	11,969,491	15,458,579	15,202,417	15,630,992
Infrastructure	7,153,195	7,285,671	7,218,042	-	-	-	7,153,195	7,285,671	7,218,042
Vehicles and equipment	4,243,701	4,080,837	3,556,023	2,289,930	2,109,820	1,671,077	6,533,631	6,190,657	5,227,100
Right to use assets	9,965	14,948	-	-	-	-	9,965	14,948	-
Construction in progress	-	-	-	20,016,502	8,284,407	4,525,710	20,016,502	8,284,407	4,525,710
Total Capital Assets	\$ 19,491,654	\$ 19,454,762	\$ 19,110,606	\$ 58,781,412	\$ 47,269,844	\$ 43,883,056	\$ 78,273,066	\$ 66,724,606	\$ 62,993,662

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

Long-term Debt

As of June 30, 2023, the City of Graham had no bonded debt outstanding.

City of Graham's Outstanding Debt

The City of Graham's total debt decreased by .4% during the past fiscal year, this decrease is due to the additional loan for the Boyd Creek Pump Station capital project for \$460,792 offset by payments on the debt and leases which totaled \$481,341. 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 \$109,859,839. Additional information regarding the City of Graham's long-term debt can be found in note III.B.5.

Economic Factors and Next Year's Budgets and Rates

The City has undergone many challenges within the last year. The effects of a growing City bring challenges that cannot be ignored. New homes and development bring increased demand and pressures on City services. That includes more calls for services for our public safety departments and our Public Works Department. A dichotomy exists to maintain the current level of services to our citizens, while also implementing cost saving measures. This presents itself within the General Fund more so than in other areas.

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, notably impacting the City's largest revenue source. Most significantly, Alamance County conducted a revaluation where the City saw an increase in property value of over 65% from the prior fiscal year. The chart below shows the historic growth of the City tax value, including that with the revaluation:

Value as of:		% change
2017-2018	\$1,140,317,018	
2018-2019	\$1,182,874,745	3.73%
2019-2020	\$1,256,161,975	6.20%
2020-2021	\$1,298,654,622	3.38%
2021-2022	\$1,336,885,234	2.94%
2022-2023	\$1,400,147,535	4.73%
2023-2024	\$2,314,754,893	65.32%

Despite the growing pains, the City works to invest in our infrastructure and employees while remaining dedicated to exploring all available funding sources that become available from state and federal sources. We have also continued to experience significant inflation in goods, services, and labor prices with no signs of relief.

Budget Highlights for the Fiscal Year Ending June 30, 2024

The annual budget for the General Fund totals \$19,581,205 , an increase of \$3,224,605 above FY 2022-2023 total of \$16,356,600 as originally adopted. For the Water and Sewer Fund, the adopted budget totaled \$11,847,600 for an increase of \$39,700 over FY 2022-2023 as originally adopted at \$11,807,900.

Governmental Activities: Some of the highlights for the FY 2023-2024 General Fund Budget are:

- The Ad Valorem tax rate was adopted at the Revenue Neutral rate of \$0.2899 per \$100 of valuation.
- One penny on the tax rate was estimated to generate \$228,084 based on a 97% collection rate.
- There was an increase in refuse fees from \$10.50 to \$11.50.
- There were no transfers from the Water and Sewer Fund to the General Fund.
- No new programs or services were proposed; however, the Garage Fund, formerly fund 40, was eliminated and absorbed into the General Fund.
- There were no appropriations requested for the Cemeteries Perpetual Care Funds.
- There were no significant changes to the System Development Fees for FY 2023- 2024 with only a tiered system for re-inspection fees added.
- Expenditures for public safety (Police - \$6,607,215; Fire - \$1,793,375) totaling \$8,400,590 encumbered all of the ad valorem tax levy of \$6,387,660 by \$2,012,930.

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. The City continued to appropriate funds to cover the debt service for recent projects, including the costly wastewater treatment plant expansion, which is 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 \$9,979,075 or 84% of the total revenues for the fund.

Management Discussion and Analysis
City of Graham

Water Rates: Based on expenditures, water rates are proposed for an increase for all tiers of the usage, and base rates are recommended to increase to \$5.38.

Sewer Rates: Sewer charges must generate enough revenue to cover approximately \$6,166,650 in expenditures including debt service for the Boyd Creek Pump station and the anticipated debt service for Waste Water Treatment Plant Improvements and Expansion. To cover these expenditures, sewer rates are proposed to increase for all tiers of the usage and base rate is recommended to increase to \$5.38.

Examples: The charts below show the existing rate structure for water and sewer customers using 1,000 gallons per month and 5,000 gallons per month.

1,000 gallons		5,000 gallons	
Current water	\$8.50	Current water	\$23.33
Proposed water	\$9.09	Proposed water	\$24.96
Current sewer	\$11.02	Current sewer	\$49.01
Proposed sewer	\$11.79	Proposed sewer	\$52.44

Overall expenditures for the Water and Sewer Fund are proposed at an increase of \$39,400 over the prior year.

Below are highlights from the various departments:

Garage Fund: The Garage operations were absorbed within the General Fund and the prior Garage Fund was eliminated.

Cemeteries Perpetual Care Fund: Established in 2015, the fund ensures the perpetual care and beautification of the City's cemeteries. For FY 2023-2024, 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

Management Discussion and Analysis
City of Graham

began a 4-year graduated increase to cover future debt service requirements. The FY 2023 -2024 budget reflects year four of the graduated increase in rates.

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

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

The page intentionally left blank.

City of Graham, North Carolina

Exhibit 1

Statement of Net Position

June 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 17,170,379	\$ 10,158,127	\$ 27,328,506
Taxes receivables (net)	263,786	-	263,786
Accrued interest receivable on taxes	59,059	-	59,059
Accounts receivable (net)	491,524	1,531,081	2,022,605
Lease receivable	-	36,043	36,043
Prepaid expenses	18,295	-	18,295
Due from other governments	1,983,646	3,052,737	5,036,383
Internal balances	(2,967)	2,967	-
Restricted cash and cash equivalents	4,799,610	1,103,459	5,903,069
Non-current assets			
Lease receivable - non-current	-	40,118	40,118
Notes receivable	-	2,933,907	2,933,907
Capital assets (Note 1):			
Land, non-depreciable improvements, and construction in progress	3,018,106	21,298,049	24,316,155
Other capital assets, net of depreciation	16,463,583	37,483,363	53,946,946
Right to use lease assets, net of amortization	9,965	-	9,965
Total capital assets	19,491,654	58,781,412	78,273,066
Total assets	44,274,986	77,639,851	121,914,837
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	-	-	-
Pension deferrals	3,606,347	807,521	4,413,868
OPEB deferrals	1,832,765	453,089	2,285,854
Total deferred outflows of resources	5,439,112	1,260,610	6,699,722
LIABILITIES			
Current liabilities:			
Accounts payable	905,788	748,661	1,654,449
Accrued interest payable	720	30,364	31,084
Unearned ARP revenue	4,565,624	-	4,565,624
Payable from restricted assets	13,575	183,364	196,939
Long-term liabilities:			
Net pension liability - LGERS	4,673,447	1,220,717	5,894,164
Net pension liability - LEO	1,709,953	-	1,709,953
Net OPEB liability	9,776,408	3,060,607	12,837,015
Due within one year	299,358	569,131	868,489
Due in more than one year	577,044	4,764,082	5,341,126
Total liabilities	22,521,917	10,576,926	33,098,843
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	2,366	-	2,366
Unearned revenues	219,769	-	219,769
Leases	-	77,029	77,029
Pension deferrals	486,603	31,811	518,414
OPEB deferrals	3,163,632	857,313	4,020,945
Total deferred inflows of resources	3,872,370	966,153	4,838,523
NET POSITION			
Net investment in capital assets	19,491,654	53,973,604	73,465,258
Restricted for:			
Cemetery Perpetual Care	2,909,008	-	2,909,008
Stabilization by State Statute	2,452,046	-	2,452,046
Capital Reserve Fund	-	789,776	789,776
Unrestricted	(1,532,897)	12,594,002	11,061,105
Total net position	\$ 23,319,811	\$ 67,357,382	\$ 90,677,193

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, 2023

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for	Operating Grants	Capital Grants and	Governmental	Business-type	Total
		Services	and Contributions	Contributions	Activities	Activities	
Governmental Activities:							
General government	\$ 3,551,368	\$ 368,176	\$ 432,822	420,717	\$ (2,329,653)	\$ -	\$ (2,329,653)
Public safety	7,971,465	1,109,619	508,784	-	(6,353,062)	-	(6,353,062)
Transportation	1,646,999	-	487,524	30,375	(1,129,100)	-	(1,129,100)
Environmental protection	1,457,118	755,882	-	-	(701,236)	-	(701,236)
Human services	-	-	44,795	-	44,795	-	44,795
Cultural and recreation	2,298,465	245,778	45,512	-	(2,007,175)	-	(2,007,175)
Total governmental activities	16,925,415	2,479,455	1,519,437	451,092	(12,475,431)	-	(12,475,431)
Business-type activities:							
Water and sewer	8,797,059	11,021,540	-	9,838,011	-	12,062,492	12,062,492
Total business-type activities	8,797,059	11,021,540	-	9,838,011	-	12,062,492	12,062,492
Total primary government	\$ 25,722,474	\$ 13,500,995	\$ 1,519,437	\$ 10,289,103	(12,475,431)	12,062,492	(412,939)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					6,480,601	-	6,480,601
Other taxes					7,406,228	-	7,406,228
Grants and contributions not restricted to specific programs					258,933	-	258,933
Unrestricted investment earnings					290,816	208,342	499,158
Miscellaneous					134,935	-	134,935
Total general revenues excluding special items, transfers					14,571,513	208,342	14,779,855
Transfers					(113,764)	113,764	-
Total general revenues, special items, and transfers					14,457,749	322,106	14,779,855
Change in net position					1,982,318	12,384,598	14,366,916
Net position-beginning					21,337,493	54,972,784	76,310,277
Net position-ending					\$ 23,319,811	\$ 67,357,382	\$ 90,677,193

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

Exhibit 3

City of Graham, North Carolina

Balance Sheet
Governmental Funds
June 30, 2023

	Major Fund		Total Non-Major Funds	Total Governmental Funds
	Major Fund General	American Rescue Plan Fund		
ASSETS				
Cash and cash equivalents	\$ 14,246,795	\$ -	\$ 2,905,758	\$ 17,152,553
Restricted cash and cash equivalents	233,344	4,566,266	-	4,799,610
Accrued interest receivable	-	-	-	-
Taxes receivables, net	263,786	-	-	263,786
Accounts receivables, net	465,980	-	3,250	469,230
Due from other governments	1,983,646	-	-	1,983,646
Total assets	\$ 17,193,551	\$ 4,566,266	\$ 2,909,008	\$ 24,668,825
LIABILITIES				
Accounts payable and accrued liabilities	887,226	642	-	887,868
Payable from restricted cash	13,575	-	-	13,575
Total liabilities	900,801	642	-	901,443
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	263,786	-	-	263,786
Prepaid taxes	2,366	-	-	2,366
Unearned revenue	219,769	4,565,624	-	4,785,393
Total deferred inflows of resources	485,921	4,565,624	-	5,051,545
FUND BALANCES				
Non Spendable				
Cemetery Perpetual Care	-	-	2,909,008	2,909,008
Restricted				
Stabilization by State Statute	2,452,046	-	-	2,452,046
Assigned				
General Government improvements	-	-	-	-
Subsequent year's expenditures	1,246,245	-	-	1,246,245
Unassigned	12,108,538	-	-	12,108,538
Total fund balances	15,806,829	-	2,909,008	18,715,837
Total liabilities, deferred inflows of resources and fund balances	\$ 17,193,551	\$ 4,566,266	\$ 2,909,008	

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, 2023

Exhibit 3

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

Total Fund Balance, Governmental Funds	\$	18,715,837
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$	36,119,132
Accumulated depreciation	(16,637,443)	
Total	19,481,689	
Less internal service fund net capital assets included as net assets below	(48,236)	19,433,453
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	(9,965)	9,966
Deferred outflows of resources related to pensions are not reported in the funds		3,529,542
Deferred outflows of resources related to OPEB are not reported in the funds		1,797,769
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		59,059
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.	(169,752)	
Consolidation adjustment for internal balances between the Internal Service Fund and the Governmental Funds	(2,967)	(172,719)
Earned revenues considered deferred inflows of resources in fund statements.		263,786
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		(853,270)
Net LEOSA pension		(1,709,953)
Net OPEB liability		(9,614,018)
Net pension liability		(4,555,564)
Deferred inflows of resources related to pensions are not reported in the funds		(484,129)
the funds		(3,099,948)
Net position of governmental activities	\$	23,319,811

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, 2023

Exhibit 4

	Major Fund		Total Non-Major Funds	Total Governmental Funds
	General Fund	American Rescue Plan Fund		
REVENUES				
Ad valorem taxes	\$ 6,440,612	\$ -	\$ -	\$ 6,440,612
Other taxes and licenses	765	-	-	765
Unrestricted intergovernmental	7,563,190	-	-	7,563,190
Restricted intergovernmental	991,353	-	-	991,353
Permits and fees	1,092,564	-	-	1,092,564
Sales and services	1,149,165	-	1,000	1,150,165
Investment earnings	204,852	-	87,419	292,271
Other revenues	683,900	420,717	-	1,104,617
Total revenues	18,126,401	420,717	88,419	18,635,537
EXPENDITURES				
Current:				
General government	2,823,300	-	-	2,823,300
Public safety	8,008,052	-	-	8,008,052
Transportation	1,624,797	-	-	1,624,797
Environmental protection	1,367,876	-	-	1,367,876
Culture and recreation	2,429,733	-	-	2,429,733
Capital Outlay	-	-	-	-
Total expenditures	16,253,758	-	-	16,253,758
Excess of revenues over expenditures	1,872,643	420,717	88,419	2,381,779
OTHER FINANCING SOURCES (USES)				
Transfers (to) from other funds	306,953	(420,717)	-	(113,764)
Letter of credit funds	-	-	-	-
Total other financing sources (uses)	306,953	(420,717)	-	(113,764)
Net change in fund balance	2,179,596	-	88,419	2,268,015
Fund balances-beginning	13,627,233	-	2,820,589	16,447,822
Fund balances-ending	\$ 15,806,829	\$ -	\$ 2,909,008	\$ 18,715,837

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, 2023

Exhibit 4
(continued)

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

Net changes in fund balances - total governmental funds	\$	2,268,015
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	\$	1,014,978
Depreciation expense for governmental assets	<u>(996,637)</u>	18,341
Book value of disposed capital asset not recorded in fund statements		6,841
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		832,014
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statment of Activities		54,302
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		319,358
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		30,375
Change in unavailable revenue for tax revenue		25,737
Change in accrued interest receivable on taxes		4,473
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		(206)
Compensated absences		(15,481)
Pension expense		(1,246,470)
Net pension obligation LEOSSA		(202,871)
Other postemployment benefits		(40,839)
Consolidation adjustment for internal balances between the Internal Service Fund and the Governmental Funds	(73,959)	
Net revenue of internal service funds determined to be governmental-type	<u>2,688</u>	(71,271)
Total changes in net position of governmental activities	\$	<u><u>1,982,318</u></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, 2023

Exhibit 5

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 6,149,100	\$ 6,171,600	\$ 6,440,612	\$ 269,012
Other taxes and licenses	700	700	765	65
Unrestricted intergovernmental	6,057,000	6,057,000	7,563,190	1,506,190
Restricted intergovernmental	714,000	889,200	991,353	102,153
Permits and fees	475,000	475,000	1,092,564	617,564
Sales and services	986,300	986,300	1,149,165	162,865
Investment earnings	45,000	45,000	204,852	159,852
Other revenues	731,600	981,496	683,900	(297,596)
Total revenues	<u>15,158,700</u>	<u>15,606,296</u>	<u>18,126,401</u>	<u>2,520,105</u>
Expenditures:				
Current:				
General government	2,845,200	2,928,283	2,823,300	104,983
Public safety	7,865,800	8,039,500	8,008,052	31,448
Transportation	1,769,400	1,778,400	1,624,797	153,603
Environmental protection	1,406,800	1,406,800	1,367,876	38,924
Cultural and recreation	2,469,400	2,786,866	2,429,733	357,133
Total expenditures	<u>16,356,600</u>	<u>16,939,849</u>	<u>16,253,758</u>	<u>686,091</u>
Revenues over (under) expenditures	<u>(1,197,900)</u>	<u>(1,333,553)</u>	<u>1,872,643</u>	<u>3,206,196</u>
Other financing sources (uses):				
Appropriated fund balance				
General Fund	1,197,900	1,333,553	-	(1,333,553)
Transfers (to) from other funds	-	-	306,953	306,953
Letter of credit funds	-	-	-	-
Total other financing sources (uses)	<u>1,197,900</u>	<u>1,333,553</u>	<u>306,953</u>	<u>(1,026,600)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>2,179,596</u>	<u>\$ 2,179,596</u>
Fund balances, beginning of year			<u>13,627,233</u>	
Fund balances, end of year			<u>\$ 15,806,829</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, 2023

Exhibit 6

	Water and Sewer Fund	Internal Service Fund
ASSETS		
Current assets:		
Cash and cash equivalents	10,158,127	\$ 17,826
Accounts receivable (net)	1,531,081	22,294
Lease receivable	36,043	-
Due from other governments	3,052,737	-
Prepaid expenses	-	18,295
Restricted cash and cash equivalents	1,103,459	-
Total current assets	<u>15,881,447</u>	<u>58,415</u>
Noncurrent assets:		
Lease receivable - non-current	40,118	-
Notes receivable	2,933,907	-
Capital assets:		
Land and other non-depreciable assets	21,298,049	9,500
Other capital assets, net of depreciation	37,483,363	38,736
Capital assets (net)	<u>58,781,412</u>	<u>48,236</u>
Total noncurrent assets	<u>61,755,437</u>	<u>48,236</u>
Total assets	<u>77,636,884</u>	<u>106,651</u>
DEFERRED OUTFLOWS OF RESOURCES		
Contributions to pension plan	807,521	76,805
OPEB deferrals	453,089	34,996
Deferred charge on refunding	-	-
Total deferred outflows of resources	<u>1,260,610</u>	<u>111,801</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	748,661	17,920
Accrued interest	30,364	-
Customer deposits	183,364	-
Current portion of long term debts	569,131	-
Total current liabilities	<u>1,531,520</u>	<u>17,920</u>
Noncurrent liabilities:		
Other noncurrent liabilities:		
Other postemployment benefits	3,060,607	162,390
Compensated absences	170,735	23,853
Net pension liability	1,220,717	117,883
Non-current portion of long term debt	4,593,347	-
Total noncurrent liabilities	<u>9,045,406</u>	<u>304,126</u>
Total liabilities	<u>10,576,926</u>	<u>322,046</u>
DEFERRED INFLOWS OF RESOURCES		
Leases	77,029	
Pension deferrals	31,811	2,474
OPEB deferrals	857,313	63,684
Total deferred inflows of resources	<u>966,153</u>	<u>66,158</u>
NET POSITION		
Net investment in capital assets	53,973,604	48,236
Restricted for:		
Capital Reserve Funds	789,776	-
Unrestricted	<u>12,591,035</u>	<u>(217,988)</u>
Total net position	67,354,415	\$ (169,752)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	2,967	
Net position of business- type activities	<u>\$ 67,357,382</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, 2023

Exhibit 7

	Water and Sewer Fund	Internal Service Fund
OPERATING REVENUES		
Charges for services	\$ 8,824,235	\$ 1,065,598
Other operating revenues	2,197,305	143
Total operating revenues	<u>11,021,540</u>	<u>1,065,741</u>
OPERATING EXPENSES		
Billing and metering	685,905	-
Distribution and maintenance	1,342,360	-
Sewer mains	157,207	-
Water treatment plant	2,612,910	-
Sewer treatment plant	2,151,908	-
Non-departmental	628,718	-
Depreciation and amortization	1,154,275	4,824
Garage operations	-	1,135,738
Total operating expenses	<u>8,733,283</u>	<u>1,140,562</u>
Operating income	<u>2,288,257</u>	<u>(74,821)</u>
NONOPERATING REVENUES (EXPENSES)		
Development income	-	-
Interest earned on investment	208,342	862
Interest on long-term debt	(66,464)	-
Total nonoperating revenue (expenses)	<u>141,878</u>	<u>862</u>
Income before contributions, special item and transfers	<u>2,430,135</u>	<u>(73,959)</u>
Capital contributions	9,838,011	-
Gain (loss) on disposition	-	-
Transfers to / from other funds	113,764	-
Contributions, special item and transfers	<u>9,951,775</u>	<u>-</u>
Change in net position before internal service fund consolidation	<u>12,381,910</u>	<u>(73,959)</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	2,688	-
Change in net position	<u>12,384,598</u>	<u>(73,959)</u>
Total net position - beginning	54,972,784	(95,793)
Total net position - ending	<u>\$ 67,357,382</u>	<u>\$ (169,752)</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, 2023

Exhibit 8

	<u>Water and Sewer Fund</u>	<u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 9,047,071	\$ 1,078,856
Cash paid for goods and services	(5,248,418)	(958,195)
Cash paid to or on behalf of employees for services	(1,843,659)	(118,515)
Customer deposits received	47,639	-
Customer deposits returned	-	-
Other operating revenue received	2,197,305	143
Net cash provided by operating activities	<u>4,199,938</u>	<u>2,289</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(2,451,974)	(6,718)
Payments received on notes receivable	277,403	-
Principal paid on bonds and notes payable	(481,341)	-
Loan proceeds	276,874	-
Interest paid on bonds and notes payable	(70,356)	-
Other non-operating revenue	884	-
Operating transfer from General Fund	-	-
Net cash used by capital and related financing activities	<u>(2,448,510)</u>	<u>(6,718)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments and assessments	208,342	862
Net cash provided by investing activities	<u>208,342</u>	<u>862</u>
Net increase (decrease) in cash and cash equivalents	1,959,770	(3,567)
Balances-beginning of the year	9,301,817	21,393
Balances-end of the year	<u>\$ 11,261,587</u>	<u>\$ 17,826</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, 2023

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)	\$ 2,288,257	\$ (74,821)
Adjustments to reconcile operating gain (loss) to net cash provided (used) by operating activities:		
Depreciation	1,154,275	4,824
Changes in assets and liabilities:		
Increase in accounts receivable	183,027	13,258
Increase (decrease) in allowance for doubtful accounts	39,809	
(Increase) decrease in prepaid expenses	-	44,048
(Increase) decrease in deferred outflows of resources - pensions	(320,170)	(30,507)
(Increase) decrease in deferred outflows of resources - refunding	-	-
(Increase) in deferred outflows of resources - OPEB	160,518	11,132
Increase (decrease) in accounts payable	451,070	8,467
Increase (decrease) in customer deposits	47,639	-
Increase in accrued salaries	5,273	713
Increase (decrease) in accrued vacation pay	(1,005)	442
Increase (decrease) in pension liability	910,566	86,720
Increase (decrease) in OPEB liability	(635,163)	(43,199)
Increase (decrease) in deferred inflows of resources - pensions	(480,023)	26,924
Increase (decrease) in deferred inflows of resources - OPEB	395,865	(45,712)
Total adjustments	1,911,681	77,110
Net cash provided (used) by operating activities	\$ 4,199,938	\$ 2,289

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, 2023

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 seven 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 / amortization 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 and considers all cash and investments to be 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

Governmental Activities

General Fund

Letter of Credit	\$	13,575
------------------	----	--------

Unexpended restricted revenue		219,769
-------------------------------	--	---------

Special Revenue Fund

Unexpended ARP funds		4,566,266
----------------------	--	-----------

Total Governmental Activities		4,799,610
-------------------------------	--	-----------

Business - Type Activities

Water and Sewer Fund

Customer deposits		183,364
-------------------	--	---------

Boyd Creek Pump Station		130,319
-------------------------	--	---------

Unexpended capital reserve revenue		789,776
------------------------------------	--	---------

Total Business-Type activities		1,103,459
--------------------------------	--	-----------

Total Restricted Cash	\$	5,903,069
-----------------------	----	-----------

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, 2022.

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

The City's capital assets also include certain right to use assets. These right to use assets arise in association with agreements where the City reports a lease or agreements where the City reports an Information Technology (IT) Subscription in accordance with the requirements of GASB 87 and GASB 96, respectively.

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 received from the lessor at or prior to the start of the lease term, and plus ancillary charges necessary to place the lease asset into service. The right to use lease assets are amortized on a straight -line basis over the life of the related lease.

The right to use IT subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus any subscription payments made at the start of the subscription term, if applicable, plus capitalizable initial implementation costs at the start of the subscription term, less any incentives received from the IT subscription vendor at the start of the subscription term. Subscription payments, as well as payments for capitalizable implementation costs made before the start of the subscription term should be reported as a prepayment (asset). Such prepayments should be reduced by any incentives received from the same vendor before the start of the subscription term if a right of offset exists. The net amount of the prepayments and incentives should be reported as an asset or liability, as appropriate, before the start of the subscription term at which time the amount should be included in the initial measurement of the subscription asset. The right to use subscription assets should be amortized on a straight-line basis over the subscription term. The City of Graham will have IT subscriptions that qualify under GASB 97 next fiscal year.

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. 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 2023 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, property taxes receivable, unavailable revenues (reported only on the Balance Sheet of the Governmental Funds), leases, and OPEB and pension deferrals.

Notes to the Financial Statements

10. 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.

11. 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.

12. 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.

Notes to the Financial Statements

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

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

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.

13. 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.

Notes to the Financial Statements

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.

14. 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.

II. Stewardship, Compliance, and Accountability

A. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2023, the expenditures made in the City's Water and Sewer Fund exceeded appropriations made by the governing board for water billing and metering and non-departmental by \$10,323 and \$12,030, respectively. This over-expenditure occurred because of unplanned bad debt expenditures that were more than double the prior year, and higher than expected engineering fees. Management and the Council will more closely review the budget reports to ensure compliance in future years.

III. 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.

Notes to the Financial Statements

At June 30, 2023, the City's deposits had a carrying amount of \$25,244,317 and a bank balance of \$26,045,043. Of the bank balance, \$1,500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2023, the City's petty cash fund totaled \$2,175.

2. Investments

At June 30, 2023, the City of Graham had \$7,985,083 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, 2023, are net of the following allowances for doubtful accounts:

<u>Funds</u>	<u>2023</u>
General Fund: taxes receivable	\$ 43,598
Water and Sewer Fund: accounts receivable	336,837
Total	<u>\$ 380,435</u>

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 2023, the City recognized \$34,235 of lease revenue and \$3,377 of interest revenue under the leases.

Notes to the Financial Statements

5. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2023, 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	6,676,843	289,204	-	6,966,047
Vehicles and motorized equipment	8,003,045	431,092	68,401	8,365,736
Infrastructure	8,904,065	30,375	-	8,934,440
Equipment and furniture	5,105,164	294,680	-	5,399,844
Total capital assets being depreciated	32,124,075	1,045,351	68,401	33,101,025
Less accumulated depreciation for:				
Buildings	1,832,702	54,679	-	1,887,381
Other improvements	3,223,898	223,038	-	3,446,936
Vehicles and motorized equipment	5,263,085	260,004	-	5,523,089
Infrastructure	1,618,394	162,851	-	1,781,245
Equipment and furniture	3,764,287	296,065	61,562	3,998,790
Total accumulated depreciation	15,702,366	996,637	61,562	16,637,441
Total capital assets being depreciated, net	16,421,709	48,714	6,839	16,463,584
Capital assets being amortized:				
Right to use assets	19,931	-	-	19,931
Total capital assets being amortized	19,931	-	-	19,931
Less accumulated amortization for:				
Right to use assets	4,983	4,983	-	9,966
Total accumulated amortization	4,983	4,983	-	9,966
Total capital assets being amortized, net	14,948	(4,983)	-	9,965
Governmental activity capital assets, net	\$ 19,454,762	\$ 43,731	\$ 6,839	\$ 19,491,654

Notes to the Financial Statements

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

By Function	CY	PY
Buildings	\$ 53,414	\$ 53,415
Improvements	218,862	213,935
Infrastructure	162,851	158,331
By Department		
General Government	33,553	14,530
Public Safety	226,231	188,848
Transportation	96,644	79,766
Environmental Protection	105,737	88,243
Cultural and Recreation	87,683	78,162
Depreciation on capital assets held in the City's internal service fund and charged to functions based on usage		
Garage	4,824	5,109
Graham Memorial Park	11,821	11,821
Total depreciation expense	<u>\$ 1,001,620</u>	<u>\$ 892,160</u>

Business-type activities:	Beginning			Ending
Water and Sewer Fund	Balances	Increases	Decreases	Balances
Capital assets not being depreciated:				
Land	\$ 1,281,547	\$ -	\$ -	\$ 1,281,547
Construction in progress	8,284,407	11,732,095	-	20,016,502
Total capital assets not being depreciated	9,565,954	11,732,095	-	21,298,049
Capital assets being depreciated:				
Buildings	17,696,444	-	-	17,696,444
Lines	23,463,499	-	-	23,463,499
Other improvements	17,091,575	511,555	-	17,603,130
Equipment and furniture	4,030,672	422,194	-	4,452,866
Total capital assets being depreciated	62,282,190	933,749	-	63,215,939
Less accumulated depreciation for:				
Buildings	8,188,515	235,202	-	8,423,717
Lines	9,126,830	355,431	-	9,482,261
Other improvements	5,342,103	321,559	-	5,663,662
Equipment and furniture	1,920,852	242,084	-	2,162,936
Total accumulated depreciation	24,578,300	1,154,276	-	25,732,576
Total capital assets being depreciated, net	37,703,890	(220,527)	-	37,483,363
Business-type activities capital assets, net	<u>\$ 47,269,844</u>	<u>\$ 11,511,568</u>	<u>\$ -</u>	<u>\$ 58,781,412</u>

Notes to the Financial Statements

Construction commitments

The government has active construction projects as of June 30, 2023. 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	2,119,848	835,152
Wastewater Treatment Plant Upgrade	14,209,788	70,439,501
10" Water Line Replacement	179,015	17,070,985
Long and Albright Improvements	6,647	1,448,213
	\$ 20,016,502	\$ 90,254,647

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, 2023 with a beginning balance of \$14,948 less amortization of \$4,983 for an ending balance of \$9,965.

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).

Notes to the Financial Statements

Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Graham employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Graham's contractually required contribution rate for the year ended June 30, 2023, was 13.04% of compensation for law enforcement officers and 12.10% 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 \$1,060,250 for the year ended June 30, 2023.

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, 2023, the City reported a liability of \$5,894,164 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 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, 2022 measurement date, the City's proportion was 0.10448%, which was an increase of 0.00288% from its proportion measured as of June 30, 2021.

Notes to the Financial Statements

For the year ended June 30, 2023, the City recognized pension expense of \$1,585,078. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 253,974	\$ 24,901
Changes of assumptions	588,105	-
Net difference between projected and actual earnings on pension plan investments	1,948,083	-
Changes in proportion and differences between City contributions and proportionate share of contributions	16,003	111,886
City contributions subsequent to the measurement date	1,060,250	-
Total	<u>\$ 3,866,415</u>	<u>\$ 136,787</u>

\$1,060,250 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, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2024	\$	810,666
2025		705,981
2026		224,629
2027		928,103
2028		-
Thereafter		-
	<u>\$</u>	<u>2,669,379</u>

Actuarial Assumptions. The total pension liability in the December 31, 2021 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, 2021 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.

Notes to the Financial Statements

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>
Fixed Income	23.9%
Public Equity	35.8%
Cash and receivables	14.3%
Other	26.0%
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)	\$ 10,638,207	\$ 5,894,164	\$ 1,984,797

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, 2021, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	42
Total	<u>45</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, 2021 valuation. The total pension liability in the December 31, 2021 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	4.31 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, 2021.

Mortality rates are based on the Pub-2010 Mortality tables projected to the valuation data using MP-2019.

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, 2023, the City reported a total pension liability of \$1,709,953. The total pension liability was measured as of December 31, 2022 based on a December 31, 2021 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the City recognized pension expense of \$202,871.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 215,661	\$ 22,120
Change in assumptions	304,643	359,507
Benefit payment and plan administrative expenses made subsequent to the measurement date	27,151	-
Total	<u>\$ 547,455</u>	<u>\$ 381,627</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:

2024	\$ 59,485
2025	51,683
2026	47,599
2027	37,174
2028	(26,887)
Thereafter	(30,377)
	<u>\$ 138,677</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 what 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 (3.31%)	Discount Rate (4.31%)	1% Increase (5.31%)
Total pension liability	\$ 1,875,290	\$ 1,709,953	\$ 1,559,877

Notes to the Financial Statements

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

	2023
Beginning balance	\$ 1,898,894
Service Cost	103,296
Interest on the total pension liability	42,114
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	78,249
Changes of assumptions or other inputs	(358,298)
Benefit payments	(54,302)
Other changes	-
Ending balance of the total pension liability	<u>\$ 1,709,953</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 the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in December 31, 2021 valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2021.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 1,585,078	\$ 202,871	\$ 1,787,949
Pension Liability	5,894,164	1,709,953	7,604,117
Proportionate share of the net pension liability	0.10448%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	253,974	215,661	469,635
Changes of assumptions	588,105	304,643	892,748
Net difference between projected and actual earnings on plan investments	1,948,083	-	1,948,083
Changes in proportion and differences between contributions and proportionate share of contributions	16,003	-	16,003
Benefit payments and administrative costs paid subsequent to the measurement date	1,060,250	27,151	1,087,401
Deferred Inflows of Resources			
Differences between expected and actual experience	24,901	22,120	47,021
Changes of assumptions	-	359,507	359,507
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	111,886	-	111,886

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 \$130,655 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, 2023 were \$476,815 which consisted of \$237,966 from the City and \$238,849 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, 2023, the State contributed \$21,528,078 to the plan. The City of Graham's proportionate share of the State's contribution is \$10,208.

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, 2023, 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 \$10,208. The net pension asset was measured as of June 30, 2022. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2021. The total pension asset was then rolled forward to the measurement date of June 30, 2022 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, 2023 and at June 30, 2022 was 0%.

For the year ended June 30, 2023, the City recognized pension expense of \$2,635 and revenue of \$2,635, for support provided by the State. At June 30, 2023 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, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Not applicable
Investment rate of return	6.5 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 6.5%. 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-employer 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	<u>65</u>	<u>42</u>
Total	<u>116</u>	<u>45</u>

Total OPEB Liability

The City's total OPEB liability of \$12,837,015 was measured as of June 30, 2022 and was determined by an actuarial valuation as of June 30, 2021.

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, 2022	\$ 15,761,719
Changes for the year	
Service Cost	346,452
Interest	343,794
Changes of benefit terms	-
Differences between expected and actual experience	5,536
Changes in assumptions or other inputs	(3,234,828)
Benefit payments	(385,658)
Net Changes	(2,924,704)
Balance at June 30, 2023	<u>\$ 12,837,015</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.16% to 3.54%.

Mortality rates were based on the Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvement using Scale MP-2019.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period January 2015 through December 2019.

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 (2.54 percent) or 1-percentage-point higher (4.54 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	<u>(2.54%)</u>	<u>(3.54%)</u>	<u>(4.54%)</u>
Total OPEB Liability	\$ 15,069,808	\$ 12,837,015	\$ 11,068,702

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	\$ 10,873,600	\$ 12,837,015	\$ 15,351,147

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

For the year ended June 30, 2023, the City recognized OPEB expense of \$33,972. At June 30, 2023, 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	\$ 9,917	\$ 1,107,355
Changes of assumptions	1,949,733	2,913,590
Benefit payments and administrative costs made subsequent to the measurement date	326,204	-
	<u>\$ 2,285,854</u>	<u>\$ 4,020,945</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:

2024	\$ (621,990)
2025	(417,870)
2026	(494,479)
2027	(526,956)
2028	-
Thereafter	-
	<u>\$ (2,061,295)</u>

Notes to the Financial Statements

2. Risk Management

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

The City carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. The City has not been designated as being in a flood zone and thus carries no commercial flood insurance.

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

3. Claims, Judgments, and Contingent Liabilities

At June 30, 2023, 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.

4. 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 leases 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 \$9,965 at June 30, 2023. 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 \$138,565.

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

Notes to the Financial Statements

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 \$29,368.

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 \$2,543,000.

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 \$2,373,750.

c. General Obligation Indebtedness

There were no bonds payable at June 30, 2023.

Annual debt service payments of the installment purchases as of June 30, 2023, including \$397,657 of interest, are as follows:

Fiscal Year	General		Other Long-Term Indebtedness		Total Debt Due	
	Obligation Bonds					
	Principal	Interest	Principal	Interest	Principal	Interest
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			527,341	79,729	527,341	79,729
2029-2033	-	-	1,483,978	79,729	1,483,978	79,729
2034-	-	-	1,055,000	-	1,055,000	-
	\$ -	\$ -	\$ 5,084,683	\$ 397,657	\$ 5,084,683	\$ 397,657

Notes to the Financial Statements

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, 2022	Increases	Decreases	Balance June 30, 2023	Current Portion of Balance
Governmental activities:					
Compensated absences	\$ 850,980	\$ 304,797	\$ 289,417	\$ 866,360	\$ 289,417
Lease liability	14,414	-	4,473	9,941	9,941
Total OPEB liability	12,065,948	-	2,289,540	9,776,408	-
Net pension liability (LGERS)	1,247,983	3,425,464	-	4,673,447	-
Total pension liability (LEO)	1,898,894	-	188,941	1,709,953	-
Governmental activity long-term liabilities	<u>\$ 16,078,219</u>	<u>\$ 3,730,261</u>	<u>\$ 2,772,371</u>	<u>\$ 17,036,109</u>	<u>\$ 299,358</u>
Business-type activities:					
Direct placement Installment purchase	\$ 5,105,232	\$ 460,792	481,341	\$ 5,084,683	491,340
General obligation bonds	-	-	-	-	-
Net pension liability (LGERS)	310,151	910,566	-	1,220,717	-
Total OPEB liability	3,695,770	-	635,163	3,060,607	-
Compensated absences	249,531	76,785	77,791	248,525	77,791
Business-type activity Long-term liabilities	<u>\$ 9,360,684</u>	<u>\$ 1,448,143</u>	<u>\$ 1,194,295</u>	<u>\$ 9,614,532</u>	<u>\$ 569,131</u>

At June 30, 2023, the City of Graham had a legal debt margin of \$109,859,839.

C. Interfund Balances and Activity

There are no amounts due to or from the City's different funds as of June 30, 2023.

Transfers to / from other funds at June 30, 2023, consist of the following:

From the American Rescue Plan Act (ARPA) Special Revenue Fund (SRF) to the:

General Fund	\$ 306,953
Water and Sewer Fund	14,361
Capital Project Funds	99,403
	<u>\$ 420,717</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.

Notes to the Financial Statements

During the 2023 fiscal year, the City made a transfer from the ARPA SRF to the following funds:

General Fund for \$306,953 for GPD vehicles (\$198,336) and equipment (\$31,153), Civic Center Repairs (\$66,336) and GM Lake-Ramp Renovation (\$11,128).

Water and Sewer Fund for a Fuel Master-System upgrade for \$14,361.

Albright Water Line Replacement for \$6,647.

10" Water Line Replacement for \$92,756.

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 \$19,000, 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, 2023. 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	\$ 19,491,654	\$ 58,781,413
less: long-term debt	-	(5,084,683)
add: unexpended debt proceeds	-	276,874
	<u>\$ 19,491,654</u>	<u>\$ 53,973,604</u>

F. Fund Balance

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

Total fund balance - General Fund	\$ 15,806,829
Less: Stabilization by State Statute	(2,452,046)
Appropriated Fund Balance in 23/24 Budget	(1,246,245)
Working Capital / Fund Balance Policy	(5,874,362)
Remaining Fund Balance	<u>\$ 6,234,176</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.

Notes to the Financial Statements

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 \$1,801 and \$3,269 respectively, to the Council during the fiscal years ended June 30, 2023 and June 30, 2022.

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, 2023. Complete financial statements for the ABC Board can be obtained from the administrative offices at 603 W. Harden Street, Graham, North Carolina, 27253.

The City and the members of the City's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums which insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways. The City obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the City's fire department by the board of trustees. During the fiscal year ended June 30, 2023, the City reported revenues and expenditures for the payments of \$19,000 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, 2023. 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.

Notes to the Financial Statements

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, 2023 was \$1,401,443.

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, 2023 was \$1,532,464.

VIII. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

IX. Significant Effects of Subsequent Events

Subsequent Events

In accordance with ASC 855, the City evaluated subsequent events through November 29, 2023, the date the financial statements were available to be issued.

The page intentionally left blank.

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

Local Government Employees' Retirement System

	2023	2022	2021	2020	2019
Graham's proportion of the net pension liability (asset) (%)	0.10%	0.10%	0.11%	0.11%	0.11%
Graham's proportion of the net pension liability (asset) (\$)	\$ 5,894,164	\$ 1,558,134	\$ 3,881,098	\$ 3,025,315	\$ 2,514,920
Graham's covered-employee payroll	\$ 7,810,803	\$ 7,143,725	\$ 6,951,557	\$ 6,712,152	\$ 6,336,890
Graham's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	75.46%	21.81%	55.83%	45.07%	39.69%
Plan fiduciary net position as a percentage of the total pension liability**	84.14%	95.51%	92.60%	91.63%	94.18%
	2018	2017	2016	2015	2014
Graham's proportion of the net pension liability (asset) (%)	0.11%	0.11%	0.11%	-0.11%	0.10%
Graham's proportion of the net pension liability (asset) (\$)	\$ 1,679,121	\$ 2,289,787	\$ 496,232	\$ (641,762)	\$ 1,252,394
Graham's covered-employee payroll	\$ 6,087,820	\$ 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	27.58%	38.74%	8.49%	-11.84%	24.79%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	99.07%	102.64%	94.35%

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

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

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

Local Government Employees' Retirement System

	2023	2022	2021	2020	2019
Contractually required contribution	\$ 871,034	\$ 736,524	\$ 637,437	\$ 532,416	\$ 462,401
Contributions in relation to the contractually required contribution	866,431	743,996	645,554	535,383	490,017
Contribution deficiency (excess)	\$ 4,603	\$ (7,472)	\$ (8,117)	\$ (2,967)	\$ (27,616)
Graham's covered-employee payroll	8,492,423	7,810,803	7,143,725	6,951,557	6,712,152
Contributions as a percentage of covered-employee payroll	10.20%	9.53%	9.04%	7.70%	7.30%
	2018	2017	2016	2015	2014
Contractually required contribution	\$ 452,142	\$ 394,126	\$ 395,212	\$ 399,955	\$ 386,609
Contributions in relation to the contractually required contribution	452,142	394,126	395,212	399,955	386,609
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Graham's covered-employee payroll	6,336,890	6,087,820	5,910,245	5,842,839	5,419,403
Contributions as a percentage of covered-employee payroll	7.14%	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 Nine Fiscal Years *

Firefighters' and Rescue Squad Workers' Pension

	2023	2022	2021	2020	2019
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	10,208	(15,623)	20,693	21,264	23,012
Total	\$ 10,208	\$ (15,623)	\$ 20,693	\$ 21,264	\$ 23,012
Graham's covered-employee payroll	\$ 791,882	\$ 766,296	\$ 638,026	\$ 602,227	\$ 548,192
Graham's proportionate share of the net pension liability as a percentage of its covered-employee payroll	1.29%	-2.04%	3.24%	3.53%	4.20%
Plan fiduciary net position as a percentage of the total pension liability	102.40%	95.80%	92.30%	90.50%	89.35%

* The amounts presented are for the prior fiscal year.

	2018	2017	2016	2015
Graham's proportionate share of the net pension liability (%)	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	21,716	14,435	26,974	21,417
Total	\$ 21,716	\$ 14,435	\$ 26,974	\$ 21,417
Graham's covered-employee payroll	\$ 549,785	\$ 499,649	\$ 495,512	\$ 480,564
Graham's proportionate share of the net pension liability as a percentage of its covered-employee payroll	3.95%	2.89%	5.44%	4.46%
Plan fiduciary net position as a percentage of the total pension liability	94.94%	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 Seven Fiscal Years *

	2023	2022	2021	2020	2019
Beginning balance	\$ 1,898,894	\$ 1,703,124	\$ 1,186,980	\$ 1,050,974	\$ 986,337
Service Cost	103,296	101,427	60,460	59,890	59,277
Interest on the total pension liability	42,114	32,346	38,126	37,522	30,865
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	78,249	174,277	(38,120)	35,355	44,821
Changes of assumptions or other inputs	(358,298)	(57,978)	490,637	43,523	(51,132)
Benefit payments	(54,302)	(54,302)	(34,959)	(40,284)	(19,194)
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 1,709,953</u>	<u>\$ 1,898,894</u>	<u>\$ 1,703,124</u>	<u>\$ 1,186,980</u>	<u>\$ 1,050,974</u>

	2018	2017
Beginning balance	\$ 849,793	\$ 806,147
Service Cost	50,189	54,233
Interest on the total pension liability	32,553	28,550
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(3,725)	-
Changes of assumptions or other inputs	70,408	(26,256)
Benefit payments	(12,881)	(12,881)
Other changes	-	-
Ending balance of the total pension liability	<u>\$ 986,337</u>	<u>\$ 849,793</u>

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

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

	2023		2022		2021		2020		2019
Total pension liability	\$ 1,709,953	\$	1,898,894	\$	1,703,124	\$	1,186,980	\$	1,050,974
Covered payroll	2,421,319		2,232,777		2,133,496		2,239,931		1,995,372
Total pension liability as a percentage of covered payroll	70.62%		85.05%		79.83%		52.99%		52.67%

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.

	2018		2017
Total pension liability	\$ 986,337	\$	849,793
Covered payroll	1,918,587		2,067,710
Total pension liability as a percentage of covered payroll	51.41%		41.10%

Notes to the schedules:

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

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

Total OPEB Liability	2023	2022	2021	2020	2019
Service Cost	\$ 346,452	\$ 438,718	\$ 279,721	\$ 353,985	\$ 378,993
Interest	343,794	366,595	446,283	470,819	429,020
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	5,536	(1,673,372)	(17,709)	(444,812)	7,864
Changes of assumptions	(3,234,828)	668,499	3,337,587	62,699	(733,993)
Benefit payments	(385,658)	(373,993)	(360,622)	206,024	(261,123)
Net change in total OPEB liability	(2,924,704)	(573,553)	3,685,260	648,715	(179,239)
Total OPEB liability - beginning	15,761,719	16,335,272	12,650,012	12,001,297	12,180,536
Total OPEB liability - ending	\$ 12,837,015	\$ 15,761,719	\$ 16,335,272	\$ 12,650,012	\$ 12,001,297
Covered Payroll	\$ 3,568,349	\$ 3,568,349	\$ 3,831,598	\$ 3,831,598	\$ 4,540,717
Total OPEB Liability as a percentage of covered payroll	359.75%	441.71%	426.33%	330.15%	264.30%

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>
2023	3.54%
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%

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, 2023
With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2022

Statement 1
1 of 12

	2023			2022
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Ad valorem taxes				
Current taxes	\$ 5,480,500	\$ 5,569,822	\$ 89,322	\$ 5,354,594
Prior year taxes	45,000	67,364	22,364	33,612
Vehicle taxes	626,100	781,601	155,501	723,543
Tax cost and interest	20,000	21,825	1,825	24,014
Total	6,171,600	6,440,612	269,012	6,135,763
Other taxes and licenses				
Privilege license	700	765	65	935
Total	700	765	65	935
Unrestricted intergovernmental				
Payment in lieu of taxes	33,000	32,585	(415)	37,580
Local option sales tax	4,855,000	6,120,545	1,265,545	5,643,283
Telecommunications sales tax	-	106,099	106,099	107,836
Piped natural gas sales tax	-	87,732	87,732	76,035
Utilities sales tax	800,000	668,530	(131,470)	643,079
Video franchise fee	-	90,098	90,098	96,404
Beer and wine tax	65,000	79,633	14,633	68,335
ABC profit distribution	155,000	206,076	51,076	246,126
Solid waste disposal tax	12,000	14,164	2,164	12,982
Storm water fee	137,000	157,728	20,728	134,097
Total	6,057,000	7,563,190	1,506,190	7,065,757
Restricted intergovernmental				
Powell Bill allocation	474,000	487,524	13,524	484,663
School Resource Officer	335,000	350,000	15,000	195,000
Federal drug monies	35,100	64,327	29,227	96,622
State drug monies	100	6,614	6,514	14,730
Fire donations	-	1,007	1,007	1,334
Miscellaneous Community grants	5,000	-	(5,000)	-
ABC revenue for law enforcement	40,000	52,834	12,834	66,423
On-behalf of payments - Fire	-	29,047	29,047	28,329
Total	889,200	991,353	102,153	887,101
Permits and fees				
Development fees	65,000	72,997	7,997	56,025
Building permits and inspection fees	410,000	1,019,567	609,567	547,617
Total	475,000	1,092,564	617,564	603,642

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, 2023
With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2022

Statement 1
2 of 12

	2023			2022
	Budget	Actual	Variance Positive (Negative)	Actual
Sales and services				
Refuse collection fees	\$ 651,000	\$ 755,882	\$ 104,882	\$ 580,083
Cemetery fees	60,000	100,205	40,205	95,760
Concession income	-	236	236	207
Recreation Department fees	105,000	125,053	20,053	113,032
Recreation-Graham Mebane Lake	141,800	120,489	(21,311)	111,114
Rent on city properties	28,500	47,300	18,800	28,501
Total	986,300	1,149,165	162,865	928,697
Investment earnings				
Interest on investments	45,000	202,532	157,532	11,756
Federal drug monies - interest	-	2,246	2,246	107
State drug monies - interest	-	74	74	21
Total	45,000	204,852	159,852	11,884
Miscellaneous				
Other	85,000	137,703	52,703	44,690
ABC revenue	30,000	44,795	14,795	42,904
Recycling/surplus proceeds	20,200	2,588	(17,612)	65,548
NCCP	320,000	199,503	(120,497)	314,605
Police Donations / Contributions	251,000	-	(251,000)	1,250
Recreation donations	37,500	45,512	8,012	8,240
Court costs and fines	15,000	17,055	2,055	11,488
5k run - donations	8,000	-	(8,000)	8,880
Sports Hall of Fame	100	-	(100)	820
Alarms	3,800	3,425	(375)	4,150
Insurance proceeds	210,896	233,319	22,423	12,903
Total	981,496	683,900	(297,596)	515,478
Total revenues	15,606,296	18,126,401	2,520,105	16,149,257
Expenditures:				
General government				
Governing Body				
Salaries	32,010	32,197	(187)	33,108
Professional services	13,000	2,684	10,316	166,110
Travel	7,000	5,055	1,945	5,115
Supplies and materials	500	-	500	1,016
FICA	2,490	2,463	27	2,533
Miscellaneous	11,000	8,111	2,889	32,510
Total	66,000	50,510	15,490	240,392

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, 2023
With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2022

Statement 1
3 of 12

	2023			2022
	Budget	Actual	Variance Positive (Negative)	Actual
Administration				
Salaries	\$ 451,700	\$ 414,012	\$ 37,688	\$ 421,139
Professional services	149,000	166,612	(17,612)	138,283
FICA	32,700	31,414	1,286	30,560
Group insurance	304,000	257,517	46,483	293,056
Retirement	48,500	43,952	4,548	44,074
Unemployment expense	1,100	-	1,100	-
Longevity pay	5,300	5,025	275	5,490
Telephone and postage	13,100	7,650	5,450	11,846
Vehicle tax administration fee	22,500	24,795	(2,295)	23,186
Travel	5,000	7,335	(2,335)	6,160
Maintenance and repairs-vehicles	500	-	500	1,210
Vehicle and equipment fuel	200	303	(103)	156
Advertising	500	987	(487)	431
Dues and subscriptions	13,000	12,894	106	11,448
Insurance and bonds	270,000	289,304	(19,304)	240,434
Miscellaneous	37,700	46,200	(8,500)	29,747
Animal Shelter	97,400	89,625	7,775	97,228
Contracted services	92,000	95,489	(3,489)	100,195
NCCP	166,300	146,882	19,418	-
Supplemental retirement	20,000	17,585	2,415	14,232
Supplies	2,000	3,183	(1,183)	2,351
Sales tax	-	7,316	(7,316)	-
Facade grant	25,583	24,317	1,266	9,826
Business beautification grant	-	-	-	15,245
Downtown program	-	-	-	1,912
Capital outlay - equipment	12,000	12,000	-	-
Software maintenance & changes	45,000	44,076	924	-
Economic development	20,000	20,000	-	20,000
Total	1,835,083	1,768,473	66,610	1,518,209
Information Technologies				
Salaries	74,865	75,362	(497)	67,563
FICA	5,900	5,742	158	4,955
Group insurance	9,100	9,095	5	8,449
Unemployment expense	200	-	200	-
Retirement	9,565	9,697	(132)	7,909
Longevity pay	3,670	3,669	1	1,683

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, 2023
With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2022

Statement 1
4 of 12

	2023			2022
	Budget	Actual	Variance Positive (Negative)	Actual
Telephone and postage	\$ 3,000	\$ 4,773	\$ (1,773)	\$ 1,905
Travel	2,800	1,617	1,183	1,766
Maintenance and repairs - equipment	12,000	3,037	8,963	1,777
Supplies	1,500	4,822	(3,322)	733
Contracted services	20,000	18,166	1,834	25,096
Dues and subscriptions	800	468	332	468
Miscellaneous	3,000	1,670	1,330	1,265
Capital outlay - equipment	64,000	102,108	(38,108)	24,701
Software maintenance	53,900	51,762	2,138	68,702
Small equipment purchase	52,000	18,351	33,649	46,212
Supplemental retirement	3,800	3,030	770	2,623
Total	320,100	313,369	6,731	265,807
Finance				
Salaries	189,500	189,700	(200)	176,179
FICA	14,000	14,011	(11)	12,905
Group insurance	29,165	29,161	4	21,136
Unemployment expense	-	-	-	-
Retirement	24,030	24,117	(87)	20,967
Longevity pay	9,130	9,125	5	7,831
Bank charges	15,000	5,611	9,389	21,569
Telephone and postage	7,000	12,319	(5,319)	8,883
Travel	6,000	2,082	3,918	4,594
Advertising	1,500	1,223	277	1,166
Supplies	5,000	4,851	149	4,953
Contracted services	5,000	7,752	(2,752)	4,723
Dues and subscriptions	500	687	(187)	160
Miscellaneous	2,000	1,766	234	654
Audit	51,500	47,910	3,590	41,955
Software maintenance	55,000	54,256	744	29,043
Small equipment purchase	500	-	500	-
Supplemental retirement	8,575	7,387	1,188	6,906
Total	423,400	411,958	11,442	363,624

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, 2023
With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2022

Statement 1
5 of 12

	2023			2022
	Budget	Actual	Variance Positive (Negative)	Actual
Public buildings				
Salaries	\$ -	\$ -	\$ -	\$ 2,472
FICA	-	-	-	189
Telephone and postage	-	669	(669)	355
Utilities	48,000	49,104	(1,104)	49,115
Maintenance and repairs	60,000	62,829	(2,829)	52,517
Vehicle and equipment fuel	-	315	(315)	413
Supplies and materials	9,935	9,281	654	10,443
Uniforms	500	354	146	480
Miscellaneous	2,065	0	2,065	60
Small equipment purchase	500	8,574	(8,074)	-
Capital outlay-other improvements	55,000	21,778	33,222	-
Capital outlay - equipment	-	21,995	(21,995)	-
Total	176,000	174,899	1,101	116,043
City garage and warehouse				
Salaries	62,445	62,274	171	54,940
FICA	4,755	4,780	(25)	4,222
Group insurance	9,085	9,082	3	8,202
Unemployment expense	200	-	200	-
Retirement	7,915	7,968	(53)	6,610
Longevity pay	3,700	3,462	238	3,134
Telephone and postage	2,700	2,476	224	854
Utilities	5,200	4,840	360	4,742
Maintenance and repairs-building	-	-	-	237
Maintenance and repairs-equipment	4,100	3,025	1,075	1,836
Supplies	1,000	402	598	1,308
Miscellaneous	3,500	2,668	832	2,564
Supplemental retirement	3,100	3,114	(14)	2,748
Capital outlay - equipment	-	-	-	12,659
Total	107,700	104,091	3,609	104,056
Total general government	2,928,283	2,823,300	104,983	2,608,132
Public safety				
Police department				
Salaries	3,312,400	3,137,276	175,124	2,632,169
Professional services	278,800	284,183	(5,383)	312,864
FICA	248,600	234,719	13,881	196,134
Group insurance	449,700	432,808	16,892	356,383

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, 2023
With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2022

Statement 1
6 of 12

	2023			2022
	Budget	Actual	Variance Positive (Negative)	Actual
Unemployment expense	\$ 12,400	\$ -	\$ 12,400	\$ -
Retirement	402,000	397,659	4,341	307,402
Longevity pay	78,000	71,049	6,951	63,124
Training	43,000	36,134	6,866	34,900
Telephone and postage	49,200	49,276	(76)	75,749
Utilities	18,300	19,865	(1,565)	15,891
Travel	15,100	13,226	1,874	11,443
Vehicle and equipment fuel	132,139	132,246	(107)	108,471
Maintenance and repairs - building	16,600	15,999	601	10,255
Maintenance and repairs - equipment	6,800	6,736	64	647
Maintenance and repairs - vehicles	90,000	92,882	(2,882)	116,157
Radio maintenance	1,000	907	93	3,052
Supplies and materials	15,600	15,896	(296)	14,802
Crime prevention	4,700	4,696	4	1,649
K-9 expense	9,261	8,035	1,226	7,129
Uniforms	43,643	48,695	(5,052)	45,058
Contracted services	109,057	109,071	(14)	102,851
Dues and subscriptions	5,000	4,988	12	4,006
Small equipment purchase	99,560	65,601	33,959	72,501
Miscellaneous	6,200	3,933	2,267	9,913
Capital outlay - equipment	168,540	439,015	(270,475)	279,715
Capital outlay - improvements	7,100	-	7,100	-
Software maintenance and changes	53,100	50,032	3,068	34,751
Supplemental retirement	154,100	145,894	8,206	120,525
Total	5,829,900	5,820,821	9,079	4,937,541
Fire department				
Salaries	793,900	791,882	2,018	766,296
Professional fees	181,200	180,153	1,047	168,633
FICA	62,050	62,249	(199)	59,475
Group insurance	89,900	77,936	11,964	72,370
Unemployment expense	2,600	-	2,600	-
Retirement	78,500	75,941	2,559	62,038
Longevity pay	16,600	11,936	4,664	13,219
Training	4,700	5,577	(877)	4,507
Telephone and postage	15,000	12,828	2,172	27,941
Travel	4,000	13,729	(9,729)	2,224
Maintenance and repairs - equipment	13,900	16,250	(2,350)	21,066
Maintenance and repairs - vehicles	45,000	51,884	(6,884)	48,972
Radio maintenance	16,000	13,461	2,539	15,197
Firemen's fees	24,000	27,390	(3,390)	22,880
Firemen's pension fund	21,600	22,557	(957)	20,580

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, 2023

Statement 1
7 of 12

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

	2023		Variance	2022
	Budget	Actual	Positive (Negative)	Actual
Vehicle and equipment fuel	\$ 16,500	\$ 23,522	\$ (7,022)	\$ 22,024
Supplies and materials	19,800	28,151	(8,351)	18,854
Hazmat equipment	500	-	500	58
Uniforms	56,500	54,607	1,893	46,930
Insurance - Firemen's Fraternal Fund	3,600	3,148	452	3,529
Dues and subscriptions	4,800	4,386	414	4,241
Miscellaneous fire prevention	5,000	4,584	416	11,157
Health and safety	24,500	23,722	778	19,842
Miscellaneous	2,000	1,906	94	3,774
Small equipment purchase	10,000	19,537	(9,537)	169,768
Capital outlay - equipment	42,000	42,314	(314)	-
Capital outlay - land and buildings	50,000	-	50,000	-
Supplemental retirement	31,050	23,232	7,818	22,430
Police reserves	2,500	2,500	-	1,726
On-behalf payments	-	29,047	(29,047)	28,329
Total	1,637,700	1,624,429	13,271	1,658,060
Inspection - planning/zoning				
Salaries	353,700	353,262	438	380,907
Professional services	6,683	3,915	2,768	2,275
FICA	27,300	26,829	471	28,953
Group insurance	51,390	51,388	2	52,439
Unemployment expense	180	-	180	-
Retirement	42,075	42,129	(54)	42,361
Longevity pay	11,200	10,642	558	8,954
Telephone and postage	9,000	9,374	(374)	9,899
Travel	9,000	928	8,072	2,936
Maintenance and repairs - vehicles	5,401	5,614	(213)	2,500
Advertising	1,200	1,023	177	2,350
Vehicle and equipment fuel	3,326	3,595	(269)	3,079
Dues and subscriptions	1,500	1,663	(163)	614
Small equipment purchases	1,000	-	1,000	-
Capital outlay - equipment	-	-	-	31,254
Supplies and materials	3,000	3,127	(127)	5,110
Uniforms	2,000	638	1,362	1,438
Miscellaneous	4,090	4,342	(252)	1,810
Software maintenance and changes	23,000	27,509	(4,509)	5,650
Supplemental retirement	16,855	16,824	31	15,852
Total	571,900	562,802	9,098	598,381
Total public safety	8,039,500	8,008,052	31,448	7,193,982

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, 2023
With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2022

Statement 1
8 of 12

	2023			2022
	Budget	Actual	Variance Positive (Negative)	Actual
Transportation				
Traffic engineering				
Utilities	\$ 3,300	\$ 3,074	\$ 226	\$ 2,950
Supplies and materials	-	-	-	12
Small equipment purchases	1,000	-	1,000	-
Contracted services	24,000	24,000	-	24,000
Total	28,300	27,074	1,226	26,962
Street				
Salaries	447,400	386,870	60,530	338,862
Professional services	21,000	16,713	4,287	9,535
Storm water	65,000	42,142	22,858	62,045
FICA	39,200	30,063	9,137	26,124
Group insurance	81,000	69,675	11,325	59,152
Unemployment expense	1,900	-	1,900	-
Retirement	54,100	48,197	5,903	39,465
Longevity pay	11,300	10,738	562	7,583
Telephone and postage	11,300	10,731	569	8,366
Utilities	3,000	2,036	964	1,755
Travel	2,000	569	1,431	836
Maintenance and repairs - buildings	-	-	-	100
Maintenance and repairs - equipment	1,000	1,107	(107)	-
Maintenance and repairs - vehicles	65,000	66,175	(1,175)	76,475
Radio maintenance	-	-	-	-
Vehicle and equipment fuel	35,000	21,523	13,477	21,531
Supplies and materials	20,000	19,786	214	20,911
Traffic control	13,000	11,957	1,043	14,859
Uniforms	9,800	9,142	658	7,524
Road repair materials	25,000	24,744	256	28,981
Sidewalk repairs	29,500	13,584	15,916	17,750
Snow and ice removal	7,400	-	7,400	12,097
Storm sewers	30,000	29,484	516	52,651
Street resurfacing	525,000	500,527	24,473	171,574
Right of ways	10,000	2,033	7,967	3,972
Dues and subscriptions	3,000	3,000	-	2,385
Miscellaneous	3,500	2,386	1,114	3,994
Contracted services	2,000	236	1,764	1,881
Small equipment purchases	5,000	14,986	(9,986)	5,294
Capital outlay - other improvements	20,000	66,336	(46,336)	-

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, 2023
With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2022

Statement 1
9 of 12

	2023			2022
	Budget	Actual	Variance Positive (Negative)	Actual
Capital outlay - equipment	\$ 40,000	\$ 37,708	\$ 2,292	\$ 225,431
Supplemental retirement	25,600	17,864	7,736	15,455
Street improvements	18,100	18,002	98	6,175
Total	1,625,100	1,478,314	146,786	1,242,763
Street lighting				
Utilities	125,000	119,409	5,591	92,421
Contracted services	-	-	-	257
Total	125,000	119,409	5,591	92,678
Total transportation	1,778,400	1,624,797	153,603	1,362,403
Environmental protection				
Sanitation				
Salaries	399,690	394,381	5,309	316,275
FICA	30,840	30,958	(118)	24,949
Group insurance	71,785	73,325	(1,540)	57,692
Unemployment expense	1,700	-	1,700	-
Retirement	49,400	48,116	1,284	37,495
Longevity pay	15,533	15,321	212	13,222
Telephone and postage	5,400	5,417	(17)	5,012
Maintenance and repairs - equipment	200	-	200	-
Maintenance and repairs - vehicles	129,000	122,999	6,001	103,038
Vehicle and equipment fuel	75,000	66,755	8,245	60,168
Supplies and materials	1,515	1,513	2	686
Tipping fees	205,000	202,533	2,467	193,449
Travel	200	104	96	-
Radio maintenance	200	69	131	-
Uniforms	7,000	6,440	560	4,689
Contracted services	356,000	347,382	8,618	81,884
Small equipment purchases	785	-	785	2,969
Capital outlay equipment	-	-	-	299,900
Miscellaneous	5,460	5,175	285	3,590
Rollout refuse	31,992	31,992	-	32,552
Supplemental retirement	20,100	15,396	4,704	13,894
Total environmental protection	1,406,800	1,367,876	38,924	1,251,464

Statement 1
10 of 12

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, 2023
With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2022

	2023			2022
	Budget	Actual	Variance Positive (Negative)	Actual
Culture and recreation				
Recreation				
Salaries	\$ 489,235	\$ 440,555	\$ 48,680	\$ 360,244
Professional services	1,990	1,634	356	649
FICA	37,600	33,062	4,538	27,313
Group insurance	45,435	45,430	5	42,269
Unemployment expense	1,300	-	1,300	-
Retirement	42,130	43,276	(1,146)	34,722
Longevity pay	10,400	9,785	615	8,002
Telephone and postage	18,800	15,507	3,293	15,765
Utilities	35,000	31,025	3,975	30,844
Travel	6,600	4,741	1,859	5,972
Maintenance and repairs - buildings	14,500	14,900	(400)	22,328
Maintenance and repairs - equipment	8,550	8,690	(140)	10,108
Maintenance and repairs - vehicles	4,200	3,977	223	6,653
Contracted personnel	22,000	19,903	2,097	10,676
Vehicle and equipment fuel	3,000	2,242	758	1,902
Supplies and materials	9,000	8,779	221	8,706
Uniforms	1,550	1,541	9	1,296
Uniforms/Equipment from donations	9,410	11,567	(2,157)	5,650
Contracted services	23,000	24,855	(1,855)	23,769
Dues and subscriptions	8,600	4,361	4,239	4,464
Miscellaneous	10,000	8,624	1,376	10,193
Athletics programs	18,000	19,915	(1,915)	19,052
Hall of fame	500	-	500	10,053
Other programs	68,000	67,943	57	57,494
Concessions	5,000	1,092	3,908	415
Small equipment purchases	8,000	30,944	(22,944)	44,193
Capital outlay - other improvements	366,766	152,554	214,212	9,555
Advertising	7,000	7,479	(479)	6,968
Supplemental retirement	16,800	14,653	2,147	12,913
Capital outlay - equipment	-	-	-	-
Total	1,292,366	1,029,034	263,332	792,168

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, 2023
With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2022

Statement 1
11 of 12

	2023			2022
	Budget	Actual	Variance Positive (Negative)	Actual
Graham-Mebane Lake				
Salaries	\$ 115,875	\$ 104,331	\$ 11,544	\$ 96,775
FICA	8,900	8,020	880	7,419
Group insurance	9,080	9,075	5	8,443
Professional services	500	440	60	11
Unemployment expense	800	-	800	-
Retirement expense	6,845	6,928	(83)	5,771
Longevity pay	1,400	1,306	94	1,169
Telephone and postage	3,300	2,841	459	2,846
Utilities	4,000	3,159	841	3,111
Travel	800	215	585	207
Maintenance and repairs - buildings	6,590	5,982	608	6,634
Maintenance and repairs - equipment	590	668	(78)	171
Maintenance and repairs - vehicles	2,310	2,355	(45)	1,590
Vehicle and equipment fuel	2,300	782	1,518	1,504
Other programs	2,500	2,225	275	2,331
Supplies and materials	12,000	13,987	(1,987)	13,297
Uniforms	800	123	677	694
Contracted services	750	975	(225)	-
Dues and subscriptions	100	82	18	-
Miscellaneous expense	3,450	1,633	1,817	39
Small equipment purchases	5,100	4,816	284	8,345
Capital outlay - other improvements	49,810	48,537	1,273	-
Supplemental retirement	2,800	2,777	23	2,449
Total	240,600	221,257	19,343	162,806
Property Maintenance				
Salaries	594,995	576,372	18,623	538,708
FICA	45,175	43,499	1,676	41,961
Group insurance	99,830	99,822	8	87,845
Unemployment expense	1,000	-	1,000	-
Retirement	66,450	66,917	(467)	59,790
Longevity pay	15,591	15,171	420	15,973
Telephone and postage	9,600	8,152	1,448	5,990
Utilities	32,500	29,757	2,743	28,135
Travel	4,280	2,372	1,908	756
Contract labor	2,130	2,675	(545)	3,714
Equipment rentals	2,500	861	1,639	915
Maintenance and repairs - buildings	19,620	9,593	10,027	21,388
Maintenance and repairs - equipment	61,000	55,789	5,211	58,967
Maintenance and repairs - grounds	45,145	61,590	(16,445)	45,680
Maintenance and repairs - vehicles	32,000	25,584	6,416	21,365

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, 2023
With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2022

Statement 1
12 of 12

	2023			2022
	Budget	Actual	Variance Positive (Negative)	Actual
Maintenance and repairs - lighting and fencing	\$ 7,091	\$ 6,151	\$ 940	\$ 7,580
Vehicle and equipment fuel	55,305	40,719	14,586	36,218
Supplies and materials	16,800	12,471	4,329	12,600
Uniforms	7,920	7,791	129	6,919
Dues and subscriptions	3,500	3,140	360	9,150
Miscellaneous	4,500	3,654	846	7,619
Small equipment purchases	5,000	4,383	617	19,834
Capital outlay - other improvements	16,200	-	16,200	-
Capital outlay - equipment	64,318	63,915	403	115,300
Supplemental retirement	26,450	26,274	176	24,304
Business beautification grant	15,000	12,790	2,210	-
Total	1,253,900	1,179,442	74,458	1,170,712
Total culture and recreation	2,786,866	2,429,733	357,133	2,125,686
Total expenditures	16,939,849	16,253,758	686,091	14,541,667
Revenues over (under) expenditures	(1,333,553)	1,872,643	3,206,196	1,607,590
Other financing sources (uses)				
Transfers:				
Governmental Capital Projects	-	306,953	306,953	(200,000)
Letter of credit funds	-	-	-	-
Appropriated fund balance	1,333,553	-	(1,333,553)	-
Total	1,333,553	306,953	(1,026,600)	(200,000)
Net Change in Fund Balances	\$ -	2,179,596	\$ 2,179,596	1,407,590
Fund balances, beginning		13,627,233		12,219,643
Fund balances, ending		\$ 15,806,829		\$ 13,627,233

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, 2023
With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2022

	2023			2022
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
American Rescue Plan Act	\$ 4,986,300	\$ 420,717	\$ (4,565,583)	\$ -
Total revenues	4,986,300	420,717	(4,565,583)	-
Expenditures				
Future Project	379,695	-	379,695	-
Total expenditures	379,695	-	379,695	-
Revenues over expenditures	4,606,605	420,717	(4,185,888)	-
Other financing sources (uses)				
Appropriated fund balance	-	-	-	-
Transfer out: General Fund				
GPD Positions Equipment	62,101	31,153	30,948	-
GPD Vehicles	204,033	198,336	5,697	-
Civic Center Repairs	66,343	66,336	7	-
Cameras at Parks	11,128	11,128	-	-
GM Lake-Ramp Renovation	195,000	-	195,000	-
Transfer out: Water and Sewer Fund				
Fuel Master-System Upgrade	18,000	14,361	3,639	-
Transfer out: Capital Project Fund				
Albright Water Line Replace	550,000	6,647	543,353	-
10" Water Line Replacement	3,500,000	92,756	3,407,244	-
Total other financing sources (uses)	4,606,605	420,717	4,185,888	-
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ -	\$ -	\$ -
Fund balance, beginning		-		-
Fund balance, ending		\$ -		\$ -

City of Graham, North Carolina
Combining Balance Sheets
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2023

Statement 3

	Graham Memorial Park	Truby Drive Repair	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,705,758	\$ 200,000	\$ 2,905,758
Accrued interest receivable	-	-	-
Accounts receivable, net	3,250	-	3,250
Due from other governments	-	-	-
Total assets	<u>\$ 2,709,008</u>	<u>\$ 200,000</u>	<u>\$ 2,909,008</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Accounts payable and accrued liabilities	\$ -	\$ -	-
Fund balances:			
Reserved for subsequent years' expenditures	2,709,008	200,000	2,909,008
Total liabilities and fund balances	<u>\$ 2,709,008</u>	<u>\$ 200,000</u>	<u>\$ 2,909,008</u>

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, 2023

Statement 4

	Graham Memorial Park	Truby Drive Repair	Total Nonmajor Governmental Funds
<u>REVENUES</u>			
Restricted intergovernmental revenues:			
Investment earnings	\$ 87,419	\$ -	\$ 87,419
Lot sales	1,000	-	1,000
Restricted intergovernmental	-	-	-
Total revenues	<u>88,419</u>	<u>-</u>	<u>88,419</u>
Expenditures			
Salaries	-	-	-
FICA	-	-	-
Group insurance	-	-	-
Unemployment expense	-	-	-
Retirement expense	-	-	-
Insurance and bonds	-	-	-
Miscellaneous expense	-	-	-
Supplemental retirement	-	-	-
Capital outlay	-	-	-
Construction costs	-	-	-
Professional services	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources:			
Transfer (to) from General Fund	-	-	-
Revenues over expenditures and other financing sources	<u>88,419</u>	<u>-</u>	<u>88,419</u>
Fund balance - beginning of year	<u>2,620,589</u>	<u>200,000</u>	<u>2,820,589</u>
Fund balance - end of year	<u>\$ 2,709,008</u>	<u>\$ 200,000</u>	<u>\$ 2,909,008</u>

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, 2023
With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2022

Statement 5

	2023			2022
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Sale of cemetery lots	\$ -	\$ 1,000	\$ 1,000	\$ 18,300
Investment earnings	-	87,419	87,419	3,748
Total revenues	-	88,419	88,419	22,048
Expenditures				
Small equipment purchases	-	-	-	-
Capital outlay improvements	-	-	-	-
Capital outlay equipment	-	-	-	-
Total expenditures	-	-	-	-
Revenues over expenditures	-	88,419	88,419	22,048
Other financing sources (uses)				
Appropriated fund balance	-	-	-	-
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>88,419</u>	<u>\$ 88,419</u>	<u>22,048</u>
Fund balance, beginning		<u>2,620,589</u>		<u>2,598,541</u>
Fund balance, ending		<u>\$ 2,709,008</u>		<u>\$ 2,620,589</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, 2023

Statement 6

	Project	Actual			Variance
	Authori- zation	Prior Year	Current Year	Total To Date	Positive (Negative)
Expenditures					
Repair project	\$ 200,000	\$ -	\$ -	\$ -	\$ 200,000
Total expenditures	200,000	-	-	-	200,000
Other financing sources:					
Operating transfer from					
General Fund	200,000	200,000	-	200,000	-
Grant proceeds	-	-	-	-	-
Total other financing sources	200,000	200,000	-	200,000	-
Revenues and other sources					
over (under) expenditures	\$ -	\$ 200,000	-	\$ 200,000	\$ 200,000
Fund balance, beginning			200,000		
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, 2023

Statement 7
Page 1 of 6

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

	2023			2022
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Charges for services				
Sewer surcharges	\$ 56,000	\$ 78,473	\$ 22,473	\$ 59,150
Water charges	2,594,000	2,610,588	16,588	2,538,606
Sewer charges	5,340,700	4,806,806	(533,894)	4,059,013
Mebane revenue	1,187,500	1,328,369	140,869	1,038,277
Total	9,178,200	8,824,236	(353,964)	7,695,046
Other operating revenues				
Sewer acreage & connection fees	50,000	838,622	788,622	178,538
Water acreage & connection fees	125,000	731,353	606,353	74,225
Fire flow test fee	-	9,600	9,600	-
Plumbing permits and inspections	40,000	75,530	35,530	41,184
Water and sewer taps	96,500	195,782	99,282	34,800
Water and sewer assessments	100	-	(100)	-
Miscellaneous	18,000	46,395	28,395	12,737
Cut-offs	105,000	136,491	31,491	137,670
Total	434,600	2,033,773	1,599,173	479,154
Total operating revenues	9,612,800	10,858,009	1,245,209	8,174,200
Non-operating revenues				
Investment earnings	44,000	204,965	160,965	11,686
Sale / lease of property	37,600	-	(37,600)	1,725
Lease revenue	-	34,235	34,235	34,235
Interest on lease receivable	-	3,377	3,377	3,377
NCCP	100,000	129,297	29,297	105,817
Total non-operating revenues	181,600	371,874	190,274	156,840
Total revenues	9,794,400	11,229,883	1,435,483	8,331,040
Expenditures:				
Water billing and metering				
Salaries	366,175	349,481	16,694	323,228
Professional services	-	2,291	(2,291)	-
FICA	26,900	26,430	470	23,489
Group insurance	49,500	44,942	4,558	46,488
Unemployment expense	1,300	-	1,300	-
Retirement	41,300	38,323	2,977	35,753
Longevity pay	8,400	5,503	2,897	6,982
Bank charges	75,000	84,693	(9,693)	66,889
Telephone and postage	38,000	40,555	(2,555)	38,836
Travel	1,000	543	457	78

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, 2023

Statement 7
Page 2 of 6

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

	2023			2022
			Variance Positive (Negative)	
	Budget	Actual		Actual
Maintenance and repairs - vehicles	\$ 2,500	\$ 2,714	\$ (214)	\$ 1,490
Maintenance and repairs-equipment	1,000	-	1,000	-
Vehicle and equipment fuel	3,000	2,864	136	2,549
Supplies and materials	1,500	2,075	(575)	1,317
Uniforms	600	524	76	517
Contract services	16,000	18,144	(2,144)	16,475
Sewer treatment	-	87	(87)	887
Dues and subscriptions	11,000	11,173	(173)	9,866
Small equipment	1,000	-	1,000	448
Miscellaneous	2,000	-	2,000	-
Software maintenance and charges	30,000	18,909	11,091	20,401
Bad debt expense	-	39,810	(39,810)	19,219
Supplemental retirement	17,100	14,537	2,563	14,548
Total	693,275	703,598	(10,323)	629,461
Water distribution				
Salaries	448,300	305,333	142,967	290,396
FICA	35,100	23,271	11,829	22,219
Group insurance	89,900	62,802	27,098	55,697
Unemployment expense	2,200	-	2,200	-
Retirement	54,800	37,512	17,288	33,836
Longevity pay	9,000	3,908	5,092	6,739
Telephone and postage	6,500	6,271	229	5,930
Utilities	14,500	9,366	5,134	11,175
Travel	6,000	5,328	672	682
Maintenance and repairs - equipment	38,000	35,771	2,229	12,655
Maintenance and repairs - vehicles	25,000	19,516	5,484	16,237
Vehicle and equipment fuel	18,000	16,455	1,545	14,841
Supplies and materials	154,000	110,524	43,476	152,899
Uniforms	7,500	5,586	1,914	6,414
Contracted services	325,000	343,374	(18,374)	237,097
Dues and subscriptions	4,000	1,855	2,145	3,231
Miscellaneous	15,000	14,331	669	7,809
Meters, valves, hydrants	362,500	328,303	34,197	382,863
Small tools and equipment	12,500	11,125	1,375	5,478
Supplemental retirement	22,600	13,724	8,876	10,374
Total	1,650,400	1,354,355	296,045	1,276,572

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, 2023

Statement 7
Page 3 of 6

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

	2023			2022
	Budget	Actual	Variance Positive (Negative)	Actual
Sewer mains				
Salaries	\$ 84,600	\$ 63,623	\$ 20,977	\$ 49,188
FICA	6,500	4,945	1,555	3,804
Group insurance	9,000	7,587	1,413	8,276
Unemployment expense	400	-	400	-
Professional services	8,500	7,349	1,151	122,344
Retirement	6,900	6,826	74	5,418
Longevity pay	1,300	1,259	41	440
Telephone and postage	6,000	3,846	2,154	5,923
Utilities	32,000	30,810	1,190	12,818
Travel	1,200	129	1,071	-
Maintenance and repairs - buildings	2,000	-	2,000	1,137
Maintenance and repairs - equipment	18,100	440	17,660	22,762
Maintenance and repairs - vehicles	4,500	3,906	594	1,450
Vehicle and equipment fuel	4,500	1,738	2,762	2,454
Supplies and materials	4,800	1,792	3,008	28
Uniforms	2,000	1,049	951	1,513
Contracted services	13,000	12,030	970	15,567
Miscellaneous	2,500	-	2,500	39
Small equipment purchase	6,500	9,300	(2,800)	515
Supplemental retirement	2,700	1,618	1,082	2,015
Total	217,000	158,247	58,753	255,691
Water Treatment Plant				
Salaries	645,500	611,038	34,462	543,352
Professional services	237,500	223,473	14,027	17,455
FICA	49,400	46,941	2,459	41,173
Group insurance	90,000	88,502	1,498	74,786
Unemployment expense	2,100	-	2,100	-
Retirement	78,100	76,982	1,118	64,232
Longevity pay	25,100	24,014	1,086	21,024
Telephone and postage	10,500	8,885	1,615	8,383
Utilities	233,500	232,617	883	181,657
Travel	4,000	2,624	1,376	2,083
Maintenance and repairs - buildings and grounds	25,000	24,302	698	27,289
Maintenance and repairs - equipment	44,000	38,018	5,982	60,886
Maintenance and repairs - vehicles	3,500	899	2,601	4,743

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, 2023

Statement 7
Page 4 of 6

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

	2023			2022
	Budget	Actual	Variance Positive (Negative)	Actual
Vehicle and equipment fuel	\$ 6,000	\$ 5,737	\$ 263	\$ 3,049
Supplies and materials	1,190,000	1,098,539	91,461	764,604
Uniforms	2,500	2,214	286	1,558
Lab expense	50,000	48,906	1,094	41,646
Contract services	80,000	84,127	(4,127)	66,096
Dues and subscriptions	9,000	8,312	688	7,937
Small equipment	20,000	2,047	17,953	19,732
Miscellaneous	2,000	109	1,891	485
Supplemental retirement	32,300	28,494	3,806	26,759
Total	2,840,000	2,656,780	183,220	1,978,929
Waste Water Treatment Plant				
Salaries	658,500	629,829	28,671	505,815
Professional services	5,000	3,987	1,013	895
FICA	50,400	47,583	2,817	40,419
Group insurance	107,900	97,617	10,283	90,880
Unemployment expense	2,800	-	2,800	-
Retirement	77,300	76,091	1,209	51,559
Longevity pay	19,200	17,867	1,333	16,027
Telephone and postage	11,000	9,406	1,594	6,059
Utilities	166,500	165,436	1,064	158,047
Travel	4,000	3,534	466	1,407
Maintenance and repairs - buildings	24,000	22,966	1,034	25,443
Maintenance and repairs - equipment	55,000	47,201	7,799	41,612
Maintenance and repairs - vehicles	18,000	13,842	4,158	25,202
Vehicle and equipment fuel	20,000	16,704	3,296	16,722
Supplies and materials	355,000	317,439	37,561	289,935
Uniforms	3,000	2,080	920	1,760
Lab expense	60,000	57,726	2,274	50,142
Contracted services	51,000	49,929	1,071	36,661
Sewer treatment	475,000	522,697	(47,697)	482,115
Dues and subscriptions	17,000	14,599	2,401	15,562
Miscellaneous	1,500	72	1,428	2,087
Bad debt expense	-	-	-	-
Small equipment purchase	18,000	14,361	3,639	4,036
Supplemental retirement	31,900	26,129	5,771	21,371
Total	2,232,000	2,157,095	74,905	1,883,756

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, 2023

Statement 7
Page 5 of 6

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

	2023			2022
	Budget	Actual	Variance Positive (Negative)	Actual
Non-departmental				
Professional services	\$ 160,000	\$ 206,490	\$ (46,490)	\$ 179,115
Group Insurance	100,325	99,088	1,237	67,988
Water - Burlington	5,000	-	5,000	-
Contracted Services	82,000	67,634	14,366	69,767
NCCP revenue sharing payment	10,000	541	9,459	-
Insurance and bonds	125,000	121,859	3,141	103,706
Small equipment purchase	30,000	30,000	-	29,023
Miscellaneous	10,000	8,743	1,257	8,196
Total	522,325	534,355	(12,030)	457,795
Debt service				
Interest	70,400	70,356	44	78,741
Debt principal	597,000	481,341	115,659	474,341
Total	667,400	551,697	115,703	553,082
Capital outlay - equipment & improvements				
Water distribution improvements	1,300,000	511,554	788,446	61,718
Water distribution equipment	149,500	158,185	(8,685)	82,122
Sewer mains	12,000	-	12,000	9,815
Water Treatment Plant improvements	45,000	-	45,000	17,225
Water Treatment Plant equipment	20,000	42,933	(22,933)	164,592
Waste Water Plant improvements	43,500	32,445	11,055	-
Waste Water Treatment Plant	218,500	188,631	29,869	378,715
Total	1,788,500	933,748	854,752	714,187
Total expenditures	10,610,900	9,049,875	1,561,025	7,749,473
Revenues over (under) expenditures	(816,500)	2,180,008	2,996,508	581,567

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, 2023
With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2022

Statement 7
Page 6 of 6

	2023			2022
	Budget	Actual	Variance Positive (Negative)	Actual
Other financing sources (uses)				
Fund balance appropriated	\$ 2,290,200	\$ -	\$ (2,290,200)	\$ -
Mebane WTP Capital Contribution	127,000	127,403	403	127,403
WWTP Equipment and Improvements	65,300	-	(65,300)	-
Mebane WWTP Payment	200,000	150,000	(50,000)	200,000
Contributed Capital	-	-	-	4,604
Transfer	4,197,650	(1,645,429)	(5,843,079)	(789,466)
Sale of surplus property	1,000	-	(1,000)	7,512
Total	6,881,150	(1,368,026)	(8,249,176)	(449,948)
Revenues and other sources (uses)				
over expenditures	\$ <u>6,064,650</u>	811,982	\$ <u>(5,252,668)</u>	131,619
Reconciling items:				
Payment of debt principal		481,341		474,341
Principal payments received		(277,403)		(327,403)
Capital outlay		933,748		714,187
(Increase) decrease in accrued vacation pay		1,005		30
Increase (decrease) in deferred outflows of resources				
-OPEB		(160,518)		(9,980)
(Increase) decrease in deferred inflows of resources				
-OPEB		(395,866)		(200,267)
(Increase) decrease in accrued OPEB liability		635,163		122,442
(Increase) decrease in interest expense accrual		3,892		3,809
(Increase) decrease in net pension liability		(902,068)		487,821
(Increase) decrease in deferred inflows of resources - pensions				
(-pensions)		480,023		(486,455)
Increase (decrease) in deferred outflows of resources		320,170		57,106
- pensions				
Gain (loss) on disposal of assets		7,512		-
Depreciation and amortization		(1,154,275)		(1,086,096)
Water and Sewer Capital Reserve Fund revenue		-		252,763
Executed SRP loan		(482,464)		723,738
Income from SRP loan		276,874		
Income from ASADRA loan		10,043,601		1,921,809
Transfer from ARPA		99,403		
Transfer to Water and Sewer Capital Projects Fund		1,659,790		536,703
Total reconciling items		11,569,928		3,184,548
Change in Net Position		\$ <u>12,381,910</u>		\$ <u>3,316,167</u>

City of Graham, North Carolina
Capital Reserve Fund - System Development Fees
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2023
With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2022

Statement 8

	2023			2022
	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)
Transfer to Water and Sewer Fund				
Transfer from Water and Sewer Fund	-	-	-	252,763
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	(479,474)
Fund balance, beginning		<u>789,776</u>		<u>1,269,250</u>
Fund balance, ending		<u>\$ 789,776</u>		<u>\$ 789,776</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, 2023

Statement 9

		Actual			
	Project Authori- zation	Prior Year	Current Year	Total To Date	Variance Positive (Negative)
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	2,660,587	-	2,660,587	589,413
Loan fees	62,000	61,938	-	61,938	62
Total expenditures	3,962,000	3,501,204	-	3,501,204	460,796
Other financing sources:					
Operating transfer from					
Water and Sewer Fund	712,000	712,000	-	712,000	-
Grant proceeds State SRP Grant	612,500	612,500	-	612,500	-
State SRP Loan	2,637,500	2,176,704	276,874	2,453,578	(183,922)
Total other financing sources	3,962,000	3,501,204	276,874	3,778,078	(183,922)
Net change in fund balance	\$ -	\$ -	\$ 276,874	\$ 276,874	\$ 276,874

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, 2023

	Project Authori- zation	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total To Date	
Expenditures					
Professional services	\$ 150,000	\$ 139,024	\$ 6,275	\$ 145,299	\$ 4,701
Construction - Phase 1	1,585,000	1,061,073	-	1,061,073	523,927
Construction - Phase 2	1,200,000	849,038	53,132	902,170	297,830
Easements	20,000	11,306	-	11,306	8,694
Total expenditures	2,955,000	2,060,441	59,407	2,119,848	835,152
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	800,000	-	800,000	-
Total other financing sources	2,955,000	2,060,441	-	2,060,441	(894,559)
Net change in fund balance	\$ -	\$ -	\$ (59,407)	\$ (59,407)	\$ (59,407)

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, 2023

	Project Authori- zation	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total To Date	
Expenditures					
Professional services - Plan and design	\$ 2,726,845	\$ 2,722,762	\$ 4,083	\$ 2,726,845	\$ -
Professional services - construction	3,479,228	-	491,832	491,832	2,987,396
Construction-Crowder	74,653,000	-	9,331,322	9,331,322	65,321,678
Contingencies	2,130,427	-	-	-	2,130,427
Loan fees	1,659,790	-	1,659,790	1,659,790	-
Total expenditures	84,649,290	2,722,762	11,487,027	14,209,789	70,439,501
Other financing sources:					
Operating transfer from Water and Sewer Fund	1,659,790	-	1,659,790	1,659,790	-
ASADRA State Loan	25,300,000	2,906,182	-	2,906,182	(22,393,818)
CWSRF State Loan	57,689,500	-	10,043,601	10,043,601	(47,645,899)
Total other financing sources	84,649,290	2,906,182	11,703,391	14,609,573	(70,039,717)
Net change in fund balance	\$ -	\$ 183,420	\$ 216,364	\$ 399,784	\$ 399,784

CITY OF GRAHAM, NORTH CAROLINA
10" Water Line Replacement
Schedule of Revenues and Expenditures - Budget and Actual (Non GAAP)
From Inception and For the Fiscal Year Ended June 30, 2023

Statement 12

	Project Authori- zation	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total To Date	
Expenditures					
Water Main Construction	\$ 15,992,075	\$ -	\$ -	\$ -	\$ 15,992,075
Engineering	1,257,925	-	179,015	179,015	1,078,910
Total expenditures	17,250,000	-	179,015	179,015	17,070,985
Other financing sources:					
State ARPA Grant	13,750,000	-	-	-	(13,750,000)
Transfer from ARPA - SRF	3,500,000	-	92,756	92,756	(3,407,244)
Total revenues	17,250,000	-	92,756	92,756	(17,157,244)
Net change in fund balance	\$ -	\$ -	\$ (86,259)	\$ (86,259)	\$ (86,259)

CITY OF GRAHAM, NORTH CAROLINA
Water Line Inventory
Schedule of Revenues and Expenditures - Budget and Actual (Non GAAP)
From Inception and For the Fiscal Year Ended June 30, 2023

	Project Authori- zation	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total To Date	
Expenditures					
Professional services	\$ 400,000	\$ -	\$ -	\$ -	\$ 400,000
Total expenditures	400,000	-	-	-	400,000
Other financing sources:					
State AIA Grant	400,000	-	-	-	(400,000)
Total revenues	400,000	-	-	-	(400,000)
Net change in fund balance	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF GRAHAM, NORTH CAROLINA
Long and Albright Improvements
Schedule of Revenues and Expenditures - Budget and Actual (Non GAAP)
From Inception and For the Fiscal Year Ended June 30, 2023

	Project Authori- zation	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total To Date	
Expenditures					
Professional services	\$ 904,860	\$ -	\$ -	\$ -	\$ 904,860
Albright Water Line	550,000	-	6,647	6,647	543,353
Total expenditures	1,454,860	-	6,647	6,647	1,448,213
Other financing sources:					
Operating transfers from:					
Water and Sewer Fund	749,340	-	-	-	(749,340)
General Fund	155,520	-	-	-	(155,520)
ARPA funding - SRF	550,000	-	6,647	6,647	(543,353)
Total other financing sources	1,454,860	-	6,647	6,647	(1,448,213)
Net change in fund balance	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF GRAHAM, NORTH CAROLINA
 Boyd Creek Watershed Point Repair
 Schedule of Revenues and Expenditures - Budget and Actual (Non GAAP)
 From Inception and For the Fiscal Year Ended June 30, 2023

	Project Authori- zation	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total To Date	
Expenditures					
Professional services	\$ 500,000	\$ -	\$ -	\$ -	\$ 500,000
Total expenditures	500,000	-	-	-	500,000
Other financing sources:					
Proceeds	500,000	-	-	-	(500,000)
	500,000	-	-	-	(500,000)
Net change in fund balance	\$ -	\$ -	\$ -	\$ -	\$ -

City of Graham, North Carolina
Internal Service Fund - Garage Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
For The Fiscal Year Ended June 30, 2023

Statement 16
Page 1 of 2

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

	2023			2022
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Operating revenues				
Charges for services				
Alamance County - maintenance	\$ 220,900	\$ 277,062	\$ 56,162	\$ 240,472
City of Graham	789,000	746,810	(42,190)	642,230
Graham Housing Authority	20,500	13,933	(6,567)	23,327
Green Level	28,900	22,138	(6,762)	16,769
ABC vehicles	5,200	5,655	455	5,148
Sale of surplus property	-	-	-	1,300
Miscellaneous income	-	148	148	1,050
Total	1,064,500	1,065,746	1,246	930,296
Total operating revenues	1,064,500	1,065,746	1,246	930,296
Non-operating revenues				
Investment earnings	-	862	862	46
Total non-operating revenues	-	862	862	46
Total revenues	1,064,500	1,066,608	2,108	930,342
Expenditures:				
Operations				
Salaries	133,640	133,613	27	121,795
FICA	10,395	10,447	(52)	9,605
Group insurance	18,160	18,158	2	16,897
Dental insurance	1,000	-	1,000	-
Unemployment expense	400	-	400	-
Retirement	16,755	16,868	(113)	14,439
Longevity pay	5,600	5,531	69	5,055
Telephone and postage	6,700	7,463	(763)	3,297
Utilities	3,200	2,831	369	2,688
Travel	200	9	191	-
Maintenance and repairs - equipment	1,780	-	1,780	1,134
Maintenance and repairs - vehicles	2,000	-	2,000	554
Vehicle and equipment fuel	1,800	1,488	312	1,630
Supplies and materials	1,100	9	1,091	224

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, 2023

Statement 16
Page 2 of 2

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

	2023			2022
	Budget	Actual	Variance Positive (Negative)	Actual
Uniforms	\$ 3,200	\$ 3,344	\$ (144)	\$ 2,823
Dues and subscriptions	6,200	5,803	397	4,160
Miscellaneous	2,000	1,652	348	1,830
Purchases for inventory	870,000	916,048	(46,048)	799,941
Supplemental retirement	6,650	6,681	(31)	6,092
Capital outlay - small tools	6,720	-	6,720	-
Total	1,097,500	1,129,945	(32,445)	992,164
Capital outlay	-	6,718	(6,718)	6,100
Total expenditures	1,097,500	1,136,663	(39,163)	998,264
Revenues over (under) expenditures	(33,000)	(70,055)	(37,055)	(67,922)
Other financing sources (uses)				
Fund balance appropriated	33,000	-	33,000	-
Revenues and other sources (uses) over expenditures	<u>\$ -</u>	<u>(70,055)</u>	<u>\$ (70,055)</u>	<u>(67,922)</u>
Reconciling items:				
Capital outlay		6,718		6,100
Depreciation		(4,824)		(5,109)
Loss on disposal of assets		-		-
(Increase) decrease in deferred outflows of resources - pensions		30,508		5,439
(Increase) decrease in net pension liability		(86,721)		46,459
(Increase) decrease in deferred inflows of resources - pensions		45,714		(46,327)
Increase (decrease) in deferred outflows of resources -OPEB		(11,132)		(964)
(Increase) decrease in deferred inflows of resources -OPEB		(26,924)		(14,248)
(Increase) decrease in OPEB Liability		43,199		8,711
(Increase) decrease in accrued vacation pay		(442)		(2,500)
Total reconciling items		(3,904)		(2,439)
Change in Net Position		<u>\$ (73,959)</u>		<u>\$ (70,361)</u>

City of Graham, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2023

Statement 17

Fiscal Year	Uncollected Balance June 30, 2022	Additions	Collections and Credits	Uncollected Balance June 30, 2023
2022-2023	\$	\$ 6,392,912	\$ 6,266,294	\$ 126,618
2021-2022	92,768	-	44,725	48,043
2020-2021	50,887	-	15,424	35,463
2019-2020	37,343	-	10,994	26,349
2018-2019	22,171	-	1,917	20,254
2017-2018	12,978	-	2,018	10,960
2016-2017	11,675	-	48	11,627
2015-2016	9,367	-	63	9,304
2014-2015	8,027	-	-	8,027
2013-2014	10,786	-	47	10,739
2012-2013	12,357	-	12,357	-
	<u>\$ 268,359</u>	<u>\$ 6,392,912</u>	<u>\$ 6,353,887</u>	307,384

Less: Allowance for uncollectible accounts (General Fund)

43,598

Ad valorem taxes receivable - net

\$ 263,786

Reconciliation with revenues:

Ad valorem taxes - General Fund

\$ 6,440,611

Reconciling items:

Tax cost and interest (30,848)

Amounts written off for tax year 2012-2013

per statute of limitations 12,357

Refunds and other adjustments - net (68,233)

Subtotal (86,724)

Total collections and credits

\$ 6,353,887

City of Graham, North Carolina
Analysis of Current Tax Levy
City-Wide Levy
For The Fiscal Year Ended June 30, 2023

Statement 18

	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	\$ 1,420,576,917	\$ 0.455	\$ 6,463,625	\$ 5,696,588	\$ 767,037
Penalties	-		-	-	-
Total	1,420,576,917		6,463,625	5,696,588	767,037
Discoveries	5,526,708		25,147	25,147	-
			6,488,772	5,721,735	767,037
Abatements	(21,068,132)		(95,860)	(95,860)	-
Total property valuation	<u>\$ 1,405,035,493</u>				
Net levy			6,392,912	5,625,875	767,037
Uncollected taxes at June 30, 2023			(126,618)	(116,834)	(9,784)
Current year's taxes collected			<u>\$ 6,266,294</u>	<u>\$ 5,509,041</u>	<u>\$ 757,253</u>
Current levy collection percentage			<u>98.02%</u>	<u>97.92%</u>	<u>98.72%</u>
<u>Secondary Market Disclosures:</u>					
Assessed Valuation:			Total		
Assessment Ratio ¹			100%		
Real Property		\$	1,084,504,828	\$	1,084,504,828
Personal Property			294,730,062		126,150,457
Public Service Companies ²			25,800,603		25,800,603
Total Assessed Valuation			1,405,035,493		1,236,455,888
Tax Rate per \$100			0.455		0.455
Levy (includes discoveries, releases and abatements)			<u>\$ 6,392,912</u>	<u>\$ 5,625,875</u>	<u>\$ 767,037</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, 2023**

Statement 19

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Percentage of Total Assessed Valuation</u>		
LIDL US Operations LLC	Manufacturing	\$	70,433,721	5.01%
SDG, Graham I LLC	Rental		25,697,011	1.83%
Southwood, Waterside LLC	Rental		22,994,718	1.64%
Scott, Mayo Holdings, LLC	Warehouse		19,843,009	1.41%
Triangle, Watercourse LLC	Rental		19,353,027	1.38%
Indulor America LP	Manufacturing		18,843,867	1.34%
Duke Energy	Utilities		15,138,533	1.08%
Peak of Graham LLC	Healthcare		11,189,531	0.80%
Graham, Exchange LLC	Rental		10,262,879	0.73%
Pines Apartments of Graham LLC	Rental		9,409,857	0.67%
		\$	223,166,153	15.88%



**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, 2023, 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, 2023.

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, 2023



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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Graham, North Carolina, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Graham's major federal programs for the year ended June 30, 2023. The City of Graham's major federal 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 federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal 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 provide a reasonable basis for our opinion on compliance for each major federal 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 federal 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 federal 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 federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in 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, 2023



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

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, 2023. 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, 2023.

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, 2023

CITY OF GRAHAM, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2023

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

Federal Awards

Internal control over major federal 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 federal programs: Unmodified

Any audit findings disclosed that are required to be
reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of major federal programs:

Federal Assistance Listing No. Names of Federal Program or Cluster

66.458 Clean Water State Revolving Fund

Dollar threshold used to distinguish between Type A and
Type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ Yes X No

Section I. Summary of Auditor's Results

Section II. Financial Statement Findings

Section III. Federal Award Findings and Questioned Costs

Section IV. State Award Findings and Questioned Costs

Page 107

CITY OF GRAHAM, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2023

None

CITY OF GRAHAM, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For The Year Ended June 30, 2023

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	State/ Pass-through Grantor's Number	Federal (Direct and Pass-through) Expenditures	State Expenditures
Federal Grants:				
<u>U.S. Department of Treasury</u>				
Passed-through the Office of State Budget and Management Coronavirus State and Local Fiscal Recovery Fund	21.027		420,717	-
<u>U.S. Environmental Protection Agency</u>				
Passed through N.C. Department of Environmental Quality Clean Water State Revolving Fund (CWSRF) Cluster: Capitalization Grant for Clean Water State Revolving Funds	66.458	CS370563-04	10,043,601	-
State Grants:				
<u>N.C. Department of Transportation</u>				
Powell Bill	N/A	32,570	-	487,524
<u>N.C. Department of Education</u>				
Passed through Alamance-Burlington School System School Resource Officer	N/A	UNKNOWN	-	350,000
Total assistance - State programs			-	837,524
Total assistance			<u>\$ 10,464,318</u>	<u>\$ 837,524</u>

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

- 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, 2023. 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.
- 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.
- The City of Graham had the following loan balances outstanding at June 30, 2023 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2023 consist of:

Program Title:	Pass-Through Grantor's Number	Amount Outstanding
N.C. Connect Bond	E-SRP-W-17-0054	\$ 2,373,750