



**Darrell L. Keller, CPA, PA**

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**TOWN OF GROVER, NORTH CAROLINA**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2019**

**(704) 739-0771**

**Town of Grover, North Carolina**  
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**June 30, 2019**

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## **FINANCIAL SECTION**

To the Mayor and  
Members of the Town Council  
Town of Grover, North Carolina

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Town of Grover, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Grover, North Carolina's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of The Grover Tourism Development Authority were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Town of Grover, North Carolina, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Change in Accounting Principle***

As described in note V to the financial statements the Town adopted new accounting guidance, GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 41 and 42, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

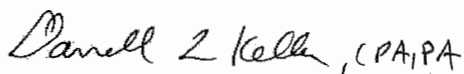
### ***Supplementary and Other Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2019, on our consideration of the Town of Grover, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Grover, North Carolina's internal control over financial reporting and compliance.



Darrell L. Keller, CPA, PA  
Kings Mountain, North Carolina

December 6, 2019

## TOWN OF GROVER, NORTH CAROLINA

### Management's Discussion and Analysis

June 30, 2019

As management of the Town of Grover, we offer readers of the Town of Grover's financial statements this narrative overview and analysis of the financial activities of the Town of Grover for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative. All amounts, unless otherwise indicated, are expressed in dollars.

#### Financial Highlights

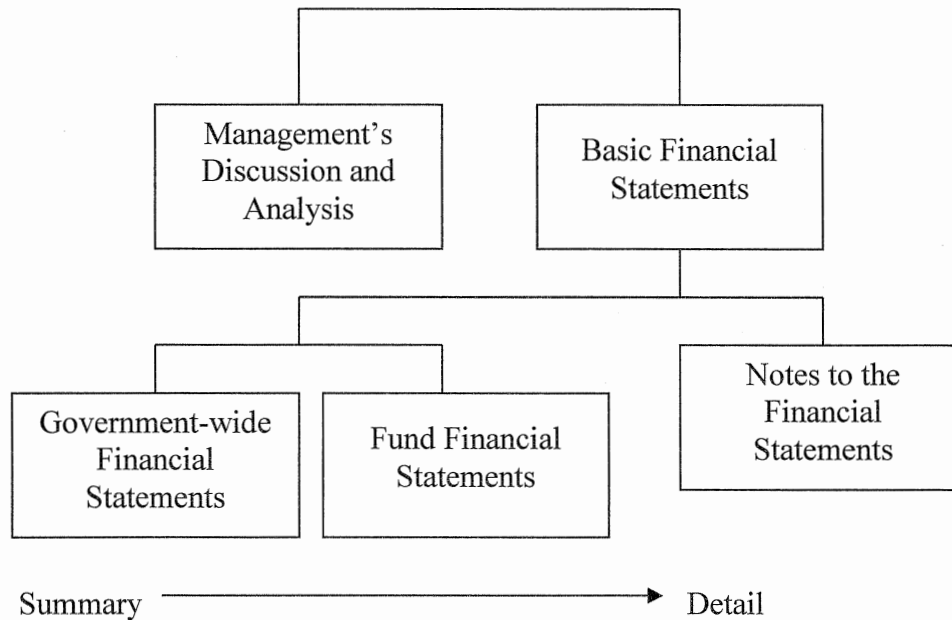
- The assets and deferred outflows of resources of the Town of Grover exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$2,392,265 (*net position*). Of this amount, \$424,625 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased by \$14,633, primarily due to decreases in the business-type activities net position.
- As of the close of the current fiscal year, the Town of Grover's governmental funds reported combined ending fund balances of \$326,163, an increase of \$15,213 in comparison with the prior year. Approximately 69.83% of this total amount, or \$227,767, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$227,767, or 76.74 % of total general fund expenditures for the fiscal year.
- The Town of Grover's total debt increased by \$20,300 during the current fiscal year due to the purchase of a service truck for the water fund.

#### Overview of the Financial Statements

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

## Required Components of Annual Financial Report

Figure 1



### **Basic Financial Statements**

The first two statements (Exhibits 1 and 2) in the basic financial statements are **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status. The next statements (Exhibits 3-9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental fund statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

### **Government-wide Financial Statements**

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



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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Grover. The final category is the Component Unit. Although legally separate from the Town, the Authority is important to the Town. The Town exercises control over the Authority by appointing its members.

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

## **Fund Financial Statements**

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

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

The Town of Grover maintains one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balance for the General Fund, which is considered to be a major fund.

The Town of Grover adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the

services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

**Proprietary Fund** – The Town of Grover has one proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Grover uses an enterprise fund to account for its water and sewer activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 41 of this report.

**Interdependence with Other Entities:** The Town depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

## Government-Wide Financial Analysis

### Grover Net Position

Figure 2

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 344,812	\$ 340,771	\$ 250,404	\$ 219,884	\$ 595,216	\$ 560,655
Net pension asset	-	-	-	-	-	-
Capital assets	215,552	231,650	1,673,992	1,695,040	1,889,544	1,926,690
Total assets	560,364	572,421	1,924,396	1,914,924	2,484,760	2,487,345
Deferred outflows of resources	21,301	14,199	18,145	12,095	39,446	26,294
Long term liabilities outstanding	-	-	-	-	-	-
Net Pension Liability	24,852	15,344	21,171	13,072	46,023	28,416
Other liabilities	13,861	25,826	69,287	47,529	83,148	73,355
Total liabilities	38,713	41,170	90,458	60,601	129,171	101,771
Deferred inflows of resources	1,495	2,683	1,275	2,287	2,770	4,970
Net position:						
Net investment in capital assets	215,552	231,650	1,653,692	1,695,040	1,869,244	1,926,690
Restricted	98,396	185,258	-	-	98,396	185,258
Unrestricted	227,509	125,859	197,116	169,091	424,625	294,950
Total net position	\$ 541,457	\$ 542,767	\$ 1,850,808	\$ 1,864,131	\$ 2,392,265	\$ 2,406,898

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Grover exceeded liabilities and deferred inflows by \$2,392,265 as of June 30, 2019. The Town's net position decreased by \$14,633 for the fiscal year ended June 30, 2019. However, the largest portion (78.14%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Grover uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Grover'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 Town of Grover's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$424,625 is unrestricted.

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

- Increased property tax revenue due to marginal Town growth with a tax collection percentage of 97.14%.

- The Town of Grover began working on contracts with Engineering Firms to design, fund and build an interconnection with neighboring City of Kings Mountain for the purposes of transferring its wastewater stream and closing its primary treatment facility. This action lowered the Town's fund balance substantially in FY 13-14. The project has not moved forward and other options are being discussed regarding the project and borrowing options. The issues with the current treatment facility still exist and the Town continues to search for viable options for treating its wastewater moving forward.

**The Town of Grover Changes in Net Position**

Figure 3

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues:						
Program revenues:						
Charges for services	\$ 50,886	\$ 46,246	\$ 426,534	\$ 386,980	\$ 477,420	\$ 433,226
Operating grants and contributions	30,983	192,336	46,700	-	77,683	192,336
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	112,390	104,804	27,636	-	140,026	104,804
Other taxes	106,082	111,123	-	-	106,082	111,123
Other	12,476	14,655	8,828	32,391	21,304	47,046
Total revenues	<u>312,817</u>	<u>469,164</u>	<u>509,698</u>	<u>419,371</u>	<u>822,515</u>	<u>888,535</u>
Expenses:						
General government	109,051	143,252	-	-	109,051	143,252
Public safety	28,933	88,826	-	-	28,933	88,826
Transportation	100,143	216,544	-	-	100,143	216,544
Environmental protection	65,244	58,899	-	-	65,244	58,899
Culture and recreation	10,756	8,911	-	-	10,756	8,911
Interest on long-term debt	-	-	-	-	-	-
Water and sewer	-	-	523,021	409,430	523,021	409,430
Total expenses	<u>314,127</u>	<u>516,432</u>	<u>523,021</u>	<u>409,430</u>	<u>837,148</u>	<u>925,862</u>
Increase in net position	<u>(1,310)</u>	<u>(47,268)</u>	<u>(13,323)</u>	<u>9,941</u>	<u>(14,633)</u>	<u>(37,327)</u>
Net position, beginning of year	<u>542,767</u>	<u>597,640</u>	<u>1,864,131</u>	<u>1,883,682</u>	<u>2,406,898</u>	<u>2,481,322</u>
Net position, end of year	<u>\$ 541,457</u>	<u>\$ 550,372</u>	<u>\$ 1,850,808</u>	<u>\$ 1,893,623</u>	<u>\$ 2,392,265</u>	<u>\$ 2,443,995</u>

**Governmental activities:** Governmental activities decreased the Town's net position by \$1,310. This is primarily due to projects completed using Powell Bill funds in excess of the current year's Powell Bill allocation and an increase in salaries due to the hiring of new Town Clerk.

**Business-type activities:** Business-type activities decreased the Town of Grover' net position by \$13,323. This is primarily due to a budgeted increase in expenditures.

## **Financial Analysis of the Town's Funds**

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

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

The general fund is the chief operating fund of the Town of Grover. At the end of the current fiscal year, fund balance available in the General Fund was \$227,767, while total fund balance reached \$326,163. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 76.74% of total General Fund expenditures, while total fund balance represents 109.89% of that same amount.

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

The actual operating revenues for the General Fund were more than the budget amount by \$3,074. Factors concerning the finances of this fund have already been addressed in the discussion of the Town of Grover' governmental activities.

**Proprietary Fund:** The Town of Grover' proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position at the fiscal year-end in the Water and Sewer Fund were \$197,116. Factors concerning the finances of this fund have already been addressed in the discussion of the Town of Grover' business-type activities.

## Capital Asset and Debt Administration

**Capital assets:** The Town of Grover' investment in capital assets for its governmental and business-type activities as of June 30, 2019 totals \$1,889,544 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, park facilities, and vehicles.

### The Town of Grover Capital Assets

Figure 4

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land and construction in progress	\$ 72,288	\$ 72,288	\$ 328,737	\$ 328,737	\$ 401,025	\$ 401,025
Buildings and system	76,369	82,280	1,265,566	1,330,766	1,341,935	1,413,046
Improvements	58,625	71,495	2,010	2,583	60,635	74,078
Machinery and equipment	4,570	5,587	77,679	32,954	82,249	38,541
Vehicles and motorized equipment	3,700	-	-	-	3,700	-
Total capital assets (net of depreciation)	\$ 215,552	\$ 231,650	\$ 1,673,992	\$ 1,695,040	\$ 1,889,544	\$ 1,926,690

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

**Long-term Debt:** As of June 30, 2019, the Town of Grover had total outstanding debt of \$20,300.

**The Town of Grover Outstanding Debt**

Figure 5

	<b><u>Governmental</u></b>		<b><u>Business-type</u></b>		<b><u>Total</u></b>	
	<b><u>Activities</u></b>		<b><u>Activities</u></b>		<b><u>Total</u></b>	
	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
General obligation bonds	\$ -	\$ -	\$ 20,300	\$ -	\$ 20,300	\$ -
	-	-	-	-	-	-
Total capital assets (net of accumulated depreciation)	\$ -	\$ -	\$ 20,300	\$ -	\$ 20,300	\$ -

The Town of Grover's total debt increased \$20,300 during the fiscal year due to timely payments of debt during the year.

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 the Town of Grover is \$2,825,872.

Additional information regarding the Town of Grover' long-term debt can be found in note III. B. 5. of the basic financial statements.

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

The following key economic indicators reflect the growth and prosperity of the Town:

- The unemployment rate in the Cleveland County area has remained consistent.
- The Town of Grover's reputation as a family-oriented, quiet town has made the Town a highly desired place to live in the last several years. This has resulted in higher property tax valuations and increased revenues for services provided.

## **Budget Highlights for Fiscal Year Ending June 30, 2020**

**Governmental Activities:** Due to the current economic climate, growth is expected to be minimal.

**Business-type Activities:** The Town of Grover has begun efforts to itemize and organize its capital needs in the water system in order to create a Capital Improvement Program.

## **Requests for Information**

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, Town of Grover, P.O. Box 189, Grover, NC 28073.



## **Basic Financial Statements**

**Town of Grover, North Carolina**  
**Statement of Net Position**  
**June 30, 2019**

	Primary Government			Grover Tourism Authority
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 18,072	\$ 26,713	\$ 44,785	\$ 2,132
Investment-NCCMT	223,721	141,280	365,001	
Taxes receivables (net)	4,788	-	4,788	-
Accounts receivable (net)	6,290	37,864	44,154	-
Internal balances	(9,160)	9,160		
Due from other governments	22,759	1,913	24,672	22
Prepaid Assets	-	-	-	79
Restricted cash and cash equivalents	78,342	33,474	111,816	-
Total current assets	344,812	250,404	595,216	2,233
Non-current assets:				
Capital assets (Note 1):				
Land, non-depreciable improvements, and construction in progress	72,288	328,737	401,025	-
Other capital assets, net of depreciation	143,264	1,345,255	1,488,519	-
Total capital assets	215,552	1,673,992	1,889,544	-
Total assets	\$ 560,364	\$ 1,924,396	\$ 2,484,760	\$ 2,233
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
	21,301	18,145	39,446	-
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 13,861	\$ 15,513	\$ 29,374	\$ -
Customer deposits	-	33,474	33,474	-
Long-term liabilities:				
Net pension liability	24,852	21,171	46,023	-
Due within one year	-	1,701	1,701	-
Due in more than one year	-	18,599	18,599	-
Total liabilities	38,713	90,458	129,171	-
<b>DEFERRED INFLOWS OF RESOURCES</b>				
	1,495	1,275	2,770	-
<b>NET POSITION</b>				
Net investment in capital assets	215,552	1,653,692	1,869,244	-
Restricted for:				
Stabilization by State Statutes	20,054	-	20,054	22
Cemetery	47,980		47,980	
Streets	30,362	-	30,362	-
Unrestricted	227,509	197,116	424,625	2,211
Total net position	\$ 541,457	\$ 1,850,808	\$ 2,392,265	\$ 2,233

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

**Town of Grover, North Carolina**  
**Statement of Activities**  
**For the Year Ended June 30, 2019**

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Grover Tourism Development Authority
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental Activities:								
General government	\$ 109,051	\$ -	\$ -	\$ -	\$ (109,051)	\$ -	\$ (109,051)	\$ -
Public safety	28,933	-	-	-	(28,933)	-	(28,933)	-
Transportation	100,143	-	23,213	-	(76,930)	-	(76,930)	-
Environmental protection	65,244	50,886	-	-	(14,358)	-	(14,358)	-
Cultural and recreation	10,756	-	7,770	-	(2,986)	-	(2,986)	-
Interest on long-term debt	-	-	-	-	-	-	-	-
Total governmental activities (See Note 1)	314,127	50,886	30,983	-	(232,258)	-	(232,258)	-
Business-type activities:								
Water and sewer	523,021	426,534	46,700	-	-	(49,787)	(49,787)	-
Total business-type activities	523,021	426,534	46,700	-	-	(49,787)	(49,787)	-
Total primary government	\$ 837,148	\$ 477,420	\$ 77,683	\$ -	(232,258)	(49,787)	(282,045)	-
Component unit:								
Tourism Development Authority	\$ 960	-	-	-	-	-	-	(960)
Total component unit	\$ 960	\$ -	\$ -	\$ -	-	-	-	(960)
General revenues:								
Taxes:								
Property taxes, levied for general purpose					112,390	27,636	140,026	-
Other taxes					106,082	-	106,082	872
Unrestricted investment earnings					5,891	2,957	8,848	-
Gain (Loss) On Assets Sold					736	-	736	-
Miscellaneous					5,849	5,871	11,720	-
Total general revenues and transfers					230,948	36,464	267,412	872
Change in net position					(1,310)	(13,323)	(14,633)	(88)
Net position, beginning					542,767	1,864,131	2,406,898	2,321
Net position, ending					\$ 541,457	\$ 1,850,808	\$ 2,392,265	\$ 2,233

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

Exhibit 3

Town of Grover  
Balance Sheet  
Governmental Fund  
June 30, 2019

	General Fund	Total Governmental Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 18,072	\$ 18,072
Restricted cash	78,342	78,342
Investment-NCCMT	223,721	223,721
Receivables, net:		
Taxes	4,788	4,788
Accounts	6,290	6,290
Due from other governments	22,759	22,759
Prepaid Expenses	-	-
Total assets	<u>\$ 353,972</u>	<u>\$ 353,972</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 13,861	\$ 13,861
Due to other funds	9,160	9,160
Total liabilities	<u>23,021</u>	<u>23,021</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property taxes receivable	4,788	4,788
Fund balances:		
Non-spendable		
Prepaid Expenses	-	-
Restricted		
Stabilization by State Statute	20,054	20,054
Streets	30,362	30,362
Cemetery	47,980	47,980
Assigned		
Capital projects	-	-
Unassigned	227,767	227,767
Total fund balances	<u>326,163</u>	<u>326,163</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 353,972</u>	<u>\$ 353,972</u>

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	215,552
Net Pension Liability	(24,852)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	2,830
Changes in proportion and differences between employer contributions and proportional share of contributions are deferred outflows of resources on the Statement of Net Position	18,471
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	-
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	4,788
Pension related deferrals	(1,495)
Net position of governmental activities	<u>\$ 541,457</u>

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

**Town of Grover**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Fund**  
**For the Year Ended June 30, 2019**

	<b>Major Funds</b>	
	<b>General Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>		
Ad valorem taxes	\$ 111,597	\$ 111,597
Other taxes and licenses	61,925	61,925
Unrestricted intergovernmental	44,157	44,157
Restricted intergovernmental	30,983	30,983
Permits and fees	4,930	4,930
Sales and Services	50,886	50,886
Other revenues	919	919
Investment earnings	5,891	5,891
Total revenues	311,288	\$ 311,288
<b>EXPENDITURES</b>		
Current:		
General government	90,780	90,780
Public safety	28,933	28,933
Transportation	100,143	100,143
Environmental protection	62,499	62,499
Culture and recreation	10,756	10,756
Capital outlay	3,700	3,700
Total expenditures	296,811	296,811
Excess (deficiency) of revenues over expenditures	14,477	14,477
<b>OTHER FINANCING SOURCES (USES)</b>		
Sale of assets	736	736
Transfers (to) from other funds	-	-
Total other financing sources (uses)	736	736
Net change in fund balance	15,213	15,213
Fund balances, beginning	310,950	310,950
Fund balances, ending	\$ 326,163	\$ 326,163

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

**Town of Grover**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2019**

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

Net changes in fund balances - total governmental funds	\$ 15,213
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 depreciation exceeded capital outlay in the current period	(16,098)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	2,830
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in unavailable revenue for tax revenues	793
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	-
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.	
Book value of Assets Abandoned	-
Pension Expense	(4,048)
Rounding	-
Total changes in net position of governmental activities	<u>\$ (1,310)</u>

## Exhibit 6

Town of Grover  
General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2019

	General Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	105,000	105,000	111,597	6,597
Other taxes and licenses	60,200	60,200	61,925	1,725
Unrestricted intergovernmental	46,000	46,000	44,157	(1,843)
Restricted intergovernmental	29,950	30,754	30,983	229
Permits and fees	6,520	6,520	4,930	(1,590)
Sales and Services	54,950	54,950	50,886	(4,064)
Other Revenues	1,800	1,800	919	(881)
Investment earnings	2,990	2,990	5,891	2,901
Total revenues	307,410	308,214	311,288	3,074
Expenditures:				
Current:				
General government	131,425	131,425	94,480	36,945
Public safety	47,395	47,395	28,933	18,462
Transportation	123,500	123,500	100,143	23,357
Environmental protection	69,590	69,590	62,499	7,091
Cultural and recreation	28,000	28,804	10,756	18,048
Total expenditures	399,910	400,714	296,811	103,903
Revenues over (under) expenditures	(92,500)	(92,500)	14,477	106,977
Other financing sources (uses):				
Fund Balance Appropriated	87,500	87,500	-	(87,500)
Sale of Assets	5,000	5,000	736	(4,264)
Total other financing sources (uses)	92,500	92,500	736	(91,764)
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ -	15,213	\$ 15,213
Fund balances, beginning			310,950	
Fund balances, ending			\$ 326,163	

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

**Town of Grover**  
**Statement of Net Position**  
**Proprietary Fund**  
**June 30, 2019**

	<u>Water and Sewer Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 167,993
Restricted cash	33,474
Accounts receivable (net)	37,864
Sales Tax Receivable	1,913
Due from general fund	9,160
Prepaid Expenses	-
Total current assets	<u>250,404</u>
Noncurrent assets:	
Capital assets:	
Land and other non-depreciable assets	328,737
Construction In Progress	-
Other capital assets, net of depreciation	<u>1,345,255</u>
Capital assets (net)	<u>1,673,992</u>
Total noncurrent assets	<u>1,673,992</u>
Total assets	<u>\$ 1,924,396</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
	<u>18,145</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	15,513
Customer deposits	33,474
Current portion of long term debt	1,701
Total current liabilities	<u>50,688</u>
Noncurrent liabilities:	
Net pension liability	21,171
Noncurrent portion of long term debt	<u>18,599</u>
Total noncurrent liabilities	<u>39,770</u>
Total liabilities	<u>90,458</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
	<u>1,275</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,653,692
Unrestricted	197,116
Total net position	<u>\$ 1,850,808</u>

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



TOWN OF GROVER, NORTH CAROLINA  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN NET POSITION  
 WATER AND SEWER FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

OPERATING REVENUES	
Charges for Services	\$ 395,454
Other Operating Revenues	31,080
Total Operating Income	<u>426,534</u>
OPERATING EXPENSES	
Administration	87,080
Finance	34,513
Water Treatment & Distribution	209,096
Raw Water Pump Station	18,294
Water Purchases and Analysis	97,567
Depreciation	76,471
Total Operating Expenses	<u>523,021</u>
Operating Income (Loss)	<u>(96,487)</u>
NON-OPERATING REVENUES (EXPENSES)	
Miscellaneous Revenues	5,871
Investment Earnings	2,957
Operating Grants	46,700
Special Sewer Tax Levy	27,636
Capital Outlay	-
Interest on Long Term Debt	-
Total Non-Operating Revenues (Expenses)	<u>83,164</u>
CHANGE IN NET POSITION	(13,323)
TOTAL NET POSITION, BEGINNING	<u>1,864,131</u>
TOTAL NET POSITION, ENDING	<u>\$ 1,850,808</u>

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

TOWN OF GROVER, NORTH CAROLINA  
WATER AND SEWER FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED  
JUNE 30, 2019

EXHIBIT 9

	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash Received from Customers	\$ 414,141
Cash Paid for Goods and Services	(237,917)
Cash Paid to or on behalf of Employees	(197,638)
Customer Deposits - Net	<u>(4,139)</u>
Net Cash Provided by Operating Activities	<u>(25,553)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES:</b>	
(Increase) Decrease in due from General Fund	-
Cash from Grants	46,700
Cash from Miscellaneous Revenues	<u>33,507</u>
Net Cash Provided By Noncapital Financing	<u>80,207</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Debt Proceeds	20,300
Acquisition of Capital Assets	(55,423)
Principal Paid	-
Interest Paid	-
Net Cash Used for Capital and Related Financing Activities	<u>(35,123)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest on Investments	<u>2,957</u>
Net Increase (Decrease) in Cash and Cash Equivalents	22,488
Cash and Cash Equivalents at Beginning of Year	178,979
Cash and Cash Equivalents at End of Year	<u>\$ 201,467</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating Income (Loss)	<u>\$ (96,487)</u>
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Depreciation	76,471
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable and Accrued Interest	(12,088)
(Increase) Decrease in Prepaid Assets	4,056
(Increase) Decrease in deferred outflows of resources-pensions	(6,050)
Increase (Decrease) in net pension liability	8,099
Increase (Decrease) in deferred inflows of resources-pensions	(1,012)
Increase (Decrease) in Accounts Payable	5,597
Increase (Decrease) in Customer Deposits	<u>(4,139)</u>
Total Adjustments	<u>(5,537)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ (25,553)</u></u>

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

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

The accounting policies of the Town of Grover and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

### **A. Reporting Entity**

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

#### **Grover Tourism Development Authority**

The Grover Tourism Development Authority (the "Authority") is governed by a three member board appointed by the Town. The Town is authorized by State statute to collect an occupancy tax up to 3% on gross receipts derived from the rental of any room. Collections were remitted to the Authority less a 3% administration charge. Beginning July 1, 2016 the Town is not collecting the 3% administration charge. The Authority, which has a June 30 year end, is presented as a governmental fund (discrete presentation). Complete financial statements may be obtained at Town of Grover, P O Box 189, Grover, NC 28073.

### **B. Basis of Presentation**

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

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

*Fund Financial Statements:* The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The 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. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The Town reports the following major governmental funds:

**General Fund.** The General Fund is the general operating fund of the Town. 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, street maintenance and construction, and sanitation services.

The Town reports the following major enterprise fund:

**Water and Sewer Fund.** This fund is used to account for the Town's water and sewer operations.

#### C. Measurement Focus and Basis of Accounting

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

*Government-wide and Proprietary Fund Financial Statements.* The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. 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. Non-exchange transactions, in which the Town 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.

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

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues

Town of Grover, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2019

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 Town 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 on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Grover because the tax is levied by Cleveland County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

#### D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board and the board must adopt an interim budget that covers that time until the annual ordinance can be adopted. Transfers between line items or departments, within the same fund, may be made by the Town Clerk and/or Mayor, provided it is less than \$2,500. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

#### E. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town and the Authority 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 NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, 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 Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, the Town and the Authority consider that all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

3. Restricted Assets

Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136.41.1 through 136-41.4. Cemetery funds held in the general fund are restricted for the purpose of maintaining the Town's cemetery. Customer deposits in the enterprise fund are held by the Town before any services are supplied and are restricted to the service for which the deposit was collected.

Town of Grover's Restricted Cash

Governmental Activities		
General Fund		
	Streets	\$ 30,362
	Cemetery	47,980
Total governmental activities		<u>\$ 78,342</u>
Total business-type activities		<u>\$ 33,474</u>
Total Restricted Cash		<u><u>\$ 111,816</u></u>

Town of Grover, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2019

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on 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, 2018. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

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. Prepaid Items

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$3,000 and an estimated useful life in excess of two years. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 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.

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

Asset Class	Estimated Useful Lives
Infrastructure	20
Buildings	50
Vehicles and Motorized Equipment	5
Furniture and equipment	5-8
Improvements	10-15

#### 8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2019 fiscal year and other pension related deferrals. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category-property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

#### 9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Debt issuance costs are expensed in the reporting period in which they are incurred.

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

#### 10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to 15 days of earned vacation leave with such leave being fully vested when earned. Vacation days are accrued on a monthly basis and, until six months of employment have been fulfilled, no vacation days are actually paid. Accumulated earned vacation at June 30, 2019, was not material and, therefore, no expenditure or liability has been reported in the governmental funds or in the government-wide financial statements.

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

#### 11. Net Position/Fund Balances

##### Net Position

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



## Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Prepaid expenses-portion of fund balance that is not an available resource because it represents the year-end balance of funds expended for future use.

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

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

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

Restricted for Cultural and Recreation-portion of fund balance that is restricted for cemetery maintenance expenditures. This amount represents the balance of the total unexpended Cemetery funds.

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

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Assigned Fund Balance-portion of fund balance that Town of Grover intends to use for specific purposes.

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$2,500.

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

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

The Town of Grover has not officially adopted a minimum fund balance policy.

## **12. Defined Benefit Cost-Sharing Plans**

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

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

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

None

## **III. Detail Notes on All Funds**

### **A. Assets**

#### **1. Deposits**

All the deposits of the Town and the Authority are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's or the Authority's agents in the units'

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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 Town and the Authority, these deposits are considered to be held by the Town's and the Authority'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 Town, the Authority, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and the Authority under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The Town and the Authority have no policy regarding custodial credit risks 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.

At June 30, 2019, the Town's deposits had a carrying amount of \$78,045 and a bank balance of \$89,575. Of the bank balance, \$89,575 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2019, the Town's petty cash fund totaled \$214. The Authority's deposits had a carrying amount of \$2,132 and a bank balance amount of \$2,089.

	Total	Restricted Cash per Exhibit 1	Cash and Cash Equivalents per Exhibit 1	Investment in NCCMT per Exhibit 1
Cash	78,259	(33,474)	44,785	
Investment in NCCMT	443,343	(78,342)	-	365,001
Total	521,602	(111,816)	44,785	365,001

## 2. Investments

Investment Type	Valuation Measurement Method	Book Value at 6/30/19	Maturity	Rating
NC Capital Management Trust – Cash Portfolio	Fair Value Level 1	\$ 443,343	N/A	AAAm
Total:		\$ 443,343		

At June 30, 2019, the Town of Grover had \$443,343 invested with the North Carolina Capital Management Trust Government Portfolio which carried a credit rating of AAAm by Standard and Poor's. The Cash Portfolio was valued at Fair Value. The Town has no policy regarding credit risk of its investments.

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3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position is net of the following allowances for doubtful accounts:

Fund	6/30/2019
General fund:	
Taxes Receivable	\$ 3,241
Accounts Receivable	2,000
Total	\$ 5,241
Enterprise Funds	6,300
Total	\$ 11,541

4. Capital Assets

**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 72,288	\$ -	\$ -	\$ 72,288
Construction in progress	-	-	-	-
Total capital assets not being depreciated	72,288	-	-	72,288
<b>Capital assets being depreciated:</b>				
Buildings	252,396	-	-	252,396
Equipment	58,741	-	2,360	56,381
Vehicles and motorized equipment	57,463	3,700	5,000	56,163
Improvements	175,475	-	-	175,475
Total capital assets being depreciated	544,075	3,700	7,360	540,415
<b>Less accumulated depreciation for:</b>				
Buildings	170,117	5,910	-	176,027
Equipment	53,155	1,016	2,360	51,811
Vehicles and motorized equipment	57,463	-	5,000	52,463
Improvements	103,978	12,872	-	116,850
Total accumulated depreciation	384,713	19,798	7,360	397,151
Total capital assets being depreciated, net	159,362			143,264
<b>Governmental activity capital assets, net</b>	<b>\$ 231,650</b>			<b>\$ 215,552</b>

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

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General Government	\$ 17,053
Public Safety	-
Environmental protection	2,745
Cultural and recreational	-
Total depreciation expense	<u>\$ 19,798</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciate:				
Land	\$ 328,737	\$ -	\$ -	\$ 328,737
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	<u>328,737</u>	<u>-</u>	<u>-</u>	<u>328,737</u>
Capital assets being depreciated:				
Water & Sewer Systems	2,158,042	-	-	2,158,042
Buildings	977,796	-	-	977,796
Improvements	5,740	-	-	5,740
Equipment	196,045	55,423	10,594	240,874
Total capital assets being depreciated	<u>3,337,623</u>	<u>55,423</u>	<u>10,594</u>	<u>3,382,452</u>
Less accumulated depreciation for:				
Water & Sewer Systems	1,690,996	45,644	-	1,736,640
Buildings	114,076	19,556	-	133,632
Improvements	3,156	574	-	3,730
Equipment	163,092	10,697	10,594	163,195
Total accumulated depreciation	<u>1,971,320</u>	<u>76,471</u>	<u>10,594</u>	<u>2,037,197</u>
Total capital assets being depreciated, net	<u>1,366,303</u>			<u>1,345,255</u>
Water and Sewer fund capital assets, net	<u>\$ 1,695,040</u>			<u>\$ 1,673,992</u>

## B. Liabilities

### 1. Pension Plan Obligations

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

*Plan Description.* The Town of Grover 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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR 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](http://www.osc.nc.gov).

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

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Grover employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Grover's contractually required contribution rate for the year ended June 30, 2019, was 10.470% of compensation for law enforcement officers and 9.820% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Grover were \$10,480 for the year ended June 30, 2019.

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

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

At June 30, 2019, the Town reported a liability of \$46,023 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to

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calculate the net pension asset was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Town's proportion was 0.00194%, which was an increase of 0.00008% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$12,735. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 7,100	\$ 238
Changes of assumptions	12,213	-
Net difference between projected and actual earnings on pension plan investments	6,317	-
Changes in proportion and differences between City contributions and proportionate share of contributions	3,336	2,532
City contributions subsequent to the measurement date	10,480	-
Total	<u>\$ 39,446</u>	<u>\$ 2,770</u>

\$10,480 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2020	\$ 11,567
2021	7,857
2022	2,303
2023	4,469
2024	-
Thereafter	-
	<u>\$ 26,196</u>

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*Actuarial Assumptions.* The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 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



Town of Grover, North Carolina  
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annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
City's proportionate share of the net pension liability (asset)	\$ 110,552	\$ 46,023	\$ (7,898)

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

**b. Supplemental Retirement Income Plan for Law Enforcement Officers**

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

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

Contributions for the year ended June 30, 2019 were \$0, which consisted of \$0 from the Town and \$0 from the law enforcement officers.

Town of Grover, North Carolina  
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The Town has elected to contribute to the Supplemental Retirement Income for general employees as well as for law enforcement officers. Contributions for the year ended June 30, 2019 for general employees were \$10,729 which consisted of \$5,336 from the Town and \$5,393 from the general employees.

d. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government Employees Retirement System (Death Benefit Plan), a multi-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

2. Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 10,480
Other Pension related deferrals	28,966
Total	\$ 39,446

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ -	
Taxes receivable (General Fund)	-	4,788
Pension deferrals	2,770	

### 3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$2 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to the statutory limits, and employee health coverage up to a \$1 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town does not have flood insurance.

The finance officer is covered by a \$50,000 fidelity bond. Other employees are covered under a \$50,000 blanket bond through the NC League of Municipalities Risk Management Services/Interlocal Risk Financing Fund of NC.

### 4. Claims, Judgments and Contingent Liabilities

At June 30, 2019, the Town was not involved in any lawsuits.

### 5. Long-Term Obligations

a. During the fiscal year ended June 30, 2019 the Town entered into a direct borrowing with the USDA for a loan to purchase a 2018 Ford F250 Service Truck. The loan requires 10 annual payments of 2,488 which includes interest at 3.875% and a maturity date of 2/11/29. The debt is secured by the Service Truck.

Annual debt service payments of the direct borrowing as of June 30, 2019 are as follows:

Year Ending June 30	Governmental Activities		Business Activities	
	Principal	Interest	Principal	Interest
2020	\$ -	\$ -	\$ 1,701	\$ 787
2021	-	-	1,767	721
2022	-	-	1,836	652
2023	-	-	1,907	581
2024	-	-	1,981	507
2025-2029	-	-	11,108	1,332
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,300</u>	<u>\$ 4,580</u>

Town of Grover, North Carolina  
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For the Fiscal Year Ended June 30, 2019

**b. Changes in Long-Term Liabilities**

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Current Portion of Balance
Governmental activities:					
Installment purchase	\$ -	\$ -	\$ -	\$ -	\$ -
Net Pension Liability (LGERS)	15,344	24,852	15,344	24,852	-
Governmental activity long-term liabilities	\$ 15,344	\$ 24,852	\$ 15,344	\$ 24,852	\$ -
Business-type activities:					
Direct borrowing-USDA	\$ -	\$ 20,300	\$ -	\$ 20,300	\$ 1,701
Net Pension Liability (LGERS)	13,072	21,171	13,072	21,171	-
Business-type activity long-term liabilities	\$ 13,072	\$ 41,471	\$ 13,072	\$ 41,471	\$ 1,701

**C. Net Investment in Capital Assets**

	Governmental Activities	Business-Type Activities
Capital Assets, net of depreciation	\$ 215,552	\$ 1,673,992
Debt	-	(20,300)
Unspent Bond Proceeds	-	-
Accounts Payable-related to capital outlay	-	-
	<u>\$ 215,552</u>	<u>\$ 1,653,692</u>

**D. Interfund Balances and Activity**

Balances due to/Due from other funds at June 30, 2019 consist of the following:

Due to the Proprietary Fund from the General Fund: \$9,160

The interfund balances resulted from expenses paid from the pooled checking account by the Proprietary Fund on behalf of the General Fund. These funds will be repaid.

Town of Grover, North Carolina  
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E. Fund Balance

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

<b><u>Total fund balance-General Fund</u></b>	<b><u>\$326,163</u></b>
Less;	
Prepaid Expenses	-
Stabilization by State Statute	20,054
Streets - Powell Bill	30,362
Cemetery	47,980
Appropriated Fund Balance in 2020 budget	2,500
Remaining Fund Balance	225,267

**IV. Summary Disclosure of Significant Contingencies**

**Federal and State Assisted Programs**

The Town has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant 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.

**V. Change in Accounting Principles/Restatement**

The Town implemented Governmental Accounting Standards Board (GASB) statement 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, in the fiscal year ending June 30, 2019. This standard provides guidance on note disclosures related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. Implementation of this standard did not have a material effect on the Town's financial statements.

#### Required Supplemental Financial Data

- Schedule of Proportionate Share of Net Pension Liability (Asset) - Local Government Employees' Retirement System
- Schedule of Contributions - Local Government Employees' Retirement System

Town of Grover, North Carolina  
Town of Lawndale's Proportionate Share of Net Pension Liability (Asset)  
Required Supplementary Information  
Last Six Fiscal Years\*

Local Government Employees' Retirement System

	2019	2018	2017	2016	2015	2014
Grover's proportion of the net pension liability (asset) (%)	0.00194%	0.00186%	0.00195%	0.00284%	0.00309%	0.00270%
Grover's proportion of the net pension liability (asset) (\$)	\$ 46,023	\$ 28,416	\$ 41,386	\$ 12,746	\$ (18,223)	\$ 32,545
Grover's covered-employee payroll	\$ 133,417	\$ 100,749	\$ 97,187	\$ 138,969	\$ 157,435	\$ 111,007
Grover's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	34.50%	28.20%	42.58%	9.17%	( 11.57%)	29.32%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

Town of Grover, North Carolina  
Town of Grover's Contributions  
Required Supplementary Information  
Last Six Fiscal Years

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 10,480	\$ 12,954	\$ 9,620	\$ 8,615	\$ 11,543	\$ 10,396
Contributions in relation to the contractually required contribution	\$ 10,480	\$ 12,954	\$ 9,620	\$ 8,615	\$ 11,543	\$ 10,396
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Grover's covered-employee payroll	\$ 106,720	\$ 133,417	\$ 100,749	\$ 97,187	\$ 138,969	\$ 157,435
Contributions as a percentage of covered-employee payroll	9.82%	9.71%	9.55%	8.86%	8.31%	6.60%



### Supplementary Statements

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This section contains additional statements required by the Local Government Commission in North Carolina.

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TOWN OF GROVER, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2019  
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

SCHEDULE 1

	June 30, 2019		VARIANCE	6/30/2018
	BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES				
Advalorem Taxes:				
Current Year	\$ 105,000	\$ 106,888	\$ 1,888	\$ 102,941
Prior Years	-	3,522	3,522	2,098
Interest	-	1,187	1,187	755
Total	105,000	111,597	6,597	105,794
Other Taxes & Licenses:				
Local Option Sales Tax	55,000	57,977	2,977	58,669
Occupancy Tax	2,000	872	(1,128)	1,935
Alcohol Beverage Tax	3,200	3,076	(124)	3,087
Total	60,200	61,925	1,725	63,691
Unrestricted Intergovernmental Revenue:				
Franchise Tax	46,000	44,157	(1,843)	45,507
Restricted Intergovernmental Revenue:				
Grants	7,754	7,770	16	8,466
"State Street Aid" Allocation	23,000	23,213	213	23,561
	30,754	30,983	229	32,027
Permits, fees, other receipts:				
Cemetery	5,400	3,380	(2,020)	8,550
License and Permits	120	120	-	120
Sanitation Fees	54,950	50,886	(4,064)	46,216
Rental Fees	1,000	1,430	430	890
Other	1,800	919	(881)	1,431
Total	63,270	56,735	(6,535)	57,207
Investment Earnings:				
Interest-General Fund	1,990	4,204	2,214	1,822
Interest-Powell Bill	1,000	1,687	687	1,309
Total	2,990	5,891	2,901	3,131
TOTAL REVENUES	\$ 308,214	\$ 311,288	\$ 3,074	\$ 307,357

TOWN OF GROVER, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2019  
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

SCHEDULE 1

	June 30, 2019		VARIANCE	6/30/2018
	BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)	ACTUAL
EXPENDITURES:				
General Government:				
Operating Expenses	\$ 23,400	\$ 18,898	\$ 4,502	\$ 28,732
Salaries and Benefits	-	-	-	-
Professional Services	26,000	13,568	12,432	25,847
Total	49,400	32,466	16,934	54,579
Administration:				
Salaries	12,390	8,020	4,370	7,675
Capital Outlay	-	-	-	-
Operating Expenditures	13,525	5,107	8,418	8,742
Total	25,915	13,127	12,788	16,417
Public Buildings:				
Salaries and Employee Benefits	37,460	32,383	5,077	28,418
Operating Expenditures	14,950	12,804	2,146	6,370
Capital Outlay	3,700	3,700	-	4,300
Total	56,110	48,887	7,223	39,088
TOTAL GENERAL GOVERNMENT	\$ 131,425	\$ 94,480	\$ 36,945	\$ 110,084
Public Safety:				
Salaries	13,995	1,624	12,371	40,706
Capital Outlay	-	-	-	-
Operating Expenses	33,400	27,309	6,091	25,926
Total	47,395	28,933	18,462	66,632
Transportation:				
Operating Expenses	14,500	11,825	2,675	8,449
Capital Outlay	-	-	-	-
Street Repair-Powell Bill	109,000	88,318	20,682	35,913
Total	123,500	100,143	23,357	44,362

TOWN OF GROVER, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2019  
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

SCHEDULE 1

	June 30, 2019		VARIANCE FAVORABLE (UNFAVORABLE)	6/30/2018 ACTUAL
	BUDGET	ACTUAL		
Environmental Protection:				
Cemetery	\$ 8,640	\$ 7,166	\$ 1,474	\$ 10,909
Sanitation	60,950	55,333	5,617	53,529
Capital Outlay	-	-	-	-
Total	<u>69,590</u>	<u>62,499</u>	<u>7,091</u>	<u>64,438</u>
Recreation:				
Operating Expenses	28,804	10,756	18,048	14,585
Capital Outlay	-	-	-	-
	<u>28,804</u>	<u>10,756</u>	<u>18,048</u>	<u>14,585</u>
TOTAL EXPENDITURES	<u>400,714</u>	<u>296,811</u>	<u>103,903</u>	<u>300,101</u>
REVENUES OVER (UNDER) EXPENDITURES	(92,500)	14,477	106,977	7,256
OTHER FINANCING SOURCES (USES)				
Fund Balance Appropriated	87,500	-	(87,500)	-
Sale of Assets	<u>5,000</u>	<u>736</u>	<u>(4,263)</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	15,213	<u>\$ 15,213</u>	7,256
FUND BALANCE				
Beginning of Year, July 1		310,950		303,694
End of Year, June 30		<u>\$ 326,163</u>		<u>\$ 310,950</u>

TOWN OF GROVER, NORTH CAROLINA  
WATER AND SEWER FUND

Schedule 2

STATEMENT OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL (NON GAAP)  
FOR THE YEAR ENDED JUNE 30, 2019

(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	June 30, 2019		Variable	06/30/18
	Budget	Actual	Favorable (Unfavorable)	Actual
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 370,000	\$ 395,454	\$ 25,454	\$ 353,258
Other Operating Revenues	29,750	31,080	1,330	28,180
Total Operating Revenue	<u>399,750</u>	<u>426,534</u>	<u>26,784</u>	<u>381,438</u>
<b>NON OPERATING REVENUES</b>				
Special Sewer Tax Levy	30,000	27,636	(2,364)	30,114
Operating Grants	162,700	46,700	(116,000)	55,000
Investment Earnings	1,700	2,957	1,257	2,041
Fund Balance Appropriated	30,050	-	(30,050)	-
USDA Loan Proceeds	-	20,300	20,300	-
Miscellaneous	450	5,871	5,421	507
TOTAL REVENUES	<u>\$ 624,650</u>	<u>\$ 529,998</u>	<u>\$ (94,652)</u>	<u>\$ 469,100</u>
<b>OPERATING EXPENDITURES</b>				
ADMINISTRATION:				
Salaries and Employee Benefits	\$ 46,710	\$ 46,253	\$ 457	\$ 39,025
Office Expense	4,740	6,770	(2,030)	4,454
Bad Debts	-	(4,700)	4,700	-
Grant Expenditures	25,985	25,064	921	55,000
Other Operating	14,220	12,656	1,564	12,832
Total	<u>91,655</u>	<u>86,043</u>	<u>5,612</u>	<u>111,311</u>
FINANCE:				
Professional Fees	<u>34,245</u>	<u>34,513</u>	<u>(268)</u>	<u>33,201</u>
WATER TREATMENT & DISTRIBUTION				
Salaries and Employee Benefits	144,915	151,385	(6,470)	130,693
Maintenance and Repairs	64,110	55,736	8,374	39,825
Other Operating Expenses	1,975	1,975	-	1,949
Total	<u>211,000</u>	<u>209,096</u>	<u>1,904</u>	<u>172,467</u>
RAW WATER PUMP STATION				
Utilities	<u>17,800</u>	<u>18,294</u>	<u>(494)</u>	<u>15,809</u>
WATER PURCHASES AND ANALYSIS	<u>97,200</u>	<u>97,567</u>	<u>(367)</u>	<u>89,871</u>
Total Operating Expenditures	<u>451,900</u>	<u>445,513</u>	<u>6,387</u>	<u>422,659</u>
<b>OTHER EXPENDITURES</b>				
Capital Outlay	172,750	55,423	117,327	22,884
Debt Interest	-	-	-	847
Debt Principle	-	-	-	32,984
Total Other Expenditures	<u>172,750</u>	<u>55,423</u>	<u>117,327</u>	<u>56,715</u>
TOTAL EXPENDITURES	<u>\$ 624,650</u>	<u>\$ 500,936</u>	<u>\$ 123,714</u>	<u>\$ 479,374</u>

TOWN OF GROVER, NORTH CAROLINA  
WATER AND SEWER FUND  
STATEMENT OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL (NON GAAP)  
FOR THE YEAR ENDED JUNE 30, 2019  
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

Schedule 2

Note: Prepared on the budgetary basis which is modified accrual.

RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS

Total Revenues from page 1 of 2	\$ 529,998
Total Expenditures from page 1 of 2	<u>500,936</u>
Excess Revenues over (under) Expenditures	29,062
Depreciation	(76,471)
GASB Pension Adjustment	(1,037)
USDA Loan Proceeds	(20,300)
Capital Outlay	<u>55,423</u>
Change in Net Position at Exhibit 8	<u><u>\$ (13,323)</u></u>

## Other Schedules

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This section contains additional information required on property taxes.

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- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

TOWN OF GROVER, NORTH CAROLINA  
SCHEDULE OF TAXES RECEIVABLE  
FISCAL YEAR ENDED JUNE 30, 2019

SCHEDULE 3

	Balance 7/1/2018	2018 Levy	Collections	Discoveries Adjustments	Balance 6/30/2019
2008 Levy	\$ 513		\$ -	\$ (513)	\$ -
2009 Levy	351		-	-	351
2010 Levy	509		84	-	425
2011 Levy	443		124	-	319
2012 Levy	489		120	-	369
2013 Levy	708		174	-	534
2014 Levy	492		187	-	305
2015 Levy	632		368	-	264
2016 Levy	1,517		1,160	-	357
2017 Levy	2,444		1,305	-	1,139
2018 Levy	-	138,751	134,785		3,966
Totals	<u>\$ 8,098</u>	<u>\$ 138,751</u>	<u>\$ 138,307</u>	<u>\$ (513)</u>	<u>\$ 8,029</u>
Less: Allowance for uncollectible accounts					4,104
Ad Valorem taxes receivable - net					<u>\$ 3,925</u>

Adjustments are to write off old taxes and adjust remaining balances to actual per reconciliations.

Reconcilement with revenues:

Ad valorem taxes - general fund	\$ 111,597
Ad valorem taxes - water fund	27,636
	<u>139,233</u>

Reconciling items:

Adjustments	-
Interest collected	(1,187)
Discounts allowed	261
Total Collections	<u>\$ 138,307</u>



TOWN OF GROVER, NORTH CAROLINA  
ANALYSIS OF CURRENT TAX LEVY  
TOWN WIDE LEVY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SCHEDULE 4

	Town 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	\$ 35,577,179	\$ 0.39	\$ 138,751	\$ 120,178	\$ 18,573
Discoveries:					
Current year taxes	-	0.39	-	-	-
Prior year taxes	-	-	-	-	-
Total	<u>35,577,179</u>	<u>0.39</u>	<u>138,751</u>	<u>120,178</u>	<u>18,573</u>
Abatements	-		-	-	-
Total property valuation	<u><u>\$ 35,577,179</u></u>				
Net Levy			138,751	120,178	18,573
Uncollected taxes at June 30, 2018			<u>3,966</u>	<u>3,966</u>	<u>-</u>
Current year's taxes collected			<u><u>\$ 134,785</u></u>	<u><u>\$ 116,212</u></u>	<u><u>\$ 18,573</u></u>
Current levy collection percentage			<u><u>97.14%</u></u>	<u><u>96.70%</u></u>	<u><u>100.00%</u></u>

Supplementary Information:

Compliance Section

**INDEPENDENT AUDITOR'S 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***

To the Mayor and  
Members of the Town Council  
Town of Grover, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of Town of Grover, Fayetteville, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Town of Grover, North Carolina's basic financial statements and have issued our report thereon dated December 6, 2019. The financial statements of The Grover Tourism Development Authority were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with The Grover Tourism Development Authority.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Town of Grover, North Carolina's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Grover, North Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Grover, North Carolina'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described below that we consider to be a significant deficiency:

2018-1:

Criteria: The Town should have the technical ability to prepare their financial statements in accordance with generally accepted accounting principles.

Condition: The Town does not have the technical ability to prepare their financial statements. This could allow fraud or misstatements to go undetected.

Cause: The Town does not have any staff with the technical ability to prepare the financial statements.

Recommendation: The Town should designate a staff member to take courses to become technically proficient.

Views of responsible officials and corrective action plan: Management agrees with the finding. The Town is very small and cannot hire additional personnel. The Town will consider getting additional training for the Finance Officer so he can acquire the technical knowledge to prepare financial statements or provide training for the part-time accountant to develop the technical knowledge.

### **Compliance and Other Matters**

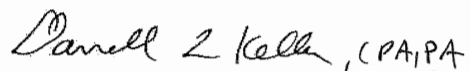
As part of obtaining reasonable assurance about whether Town of Grover, North Carolina's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a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

### **Town of Grover, North Carolina's Response to Findings**

Town of Grover, North Carolina's response to the findings identified in our audit is described previously. Town of Grover, North Carolina's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.



Darrell L. Keller, CPA, PA  
Kings Mountain, North Carolina  
December 6, 2019