

REVIEWED

By SLGFD at 3:09 pm, Dec 29, 2021

TOWN OF CHINA GROVE, NORTH CAROLINA

FINANCIAL STATEMENTS

June 30, 2021

TOWN OF CHINA GROVE, NORTH CAROLINA

BOARD OF COMMISSIONERS

Charles Seaford - Mayor

Brandon Linn

Arthur Heggins

Don Bringle

Steve Stroud

Rodney Phillips - Mayor Pro-Tem

OFFICIALS

Ken Deal

Town Manager

Tara Dropp

Finance Officer

Pamela Mills

Town Clerk

TOWN OF CHINA GROVE, NORTH CAROLINA

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the Town Council
Town of China Grove, North Carolina

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of China Grove (the "Town"), North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of China Grove'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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

To the Honorable Mayor and
Members of the Town Council
Town of China Grove
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circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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 financial statement presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, based on my audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of China Grove, North Carolina as of June 30, 2021, and the respective changes in financial position and cash flows, where appropriate, 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.

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 4 through 14, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 50 and 51, respectively, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 52 and 53 be presented to supplement the basic financial statements. Such information, although not a required 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

To the Honorable Mayor and
Members of the Town Council
Town of China Grove
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Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of China Grove, North Carolina. The combining and individual fund 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 statements, budgetary schedules and other schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by me. In my opinion, based on my audit, the procedures performed as described above, the combining and individual fund 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*, I have also issued my report dated November 29, 2021 on my consideration of the Town of China Grove's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of China Grove's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "William R. Huneycutt, CPA, PLLC". The signature is written in a cursive, flowing style.

William R. Huneycutt, CPA, PLLC
Asheboro, North Carolina
November 29, 2021

Management's Discussion and Analysis

As management of the Town of China Grove, (the "Town"), we offer readers of the Town of China Grove's financial statements this narrative overview and analysis of the financial activities of the Town of China Grove for the fiscal year ended June 30, 2021. We encourage you to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

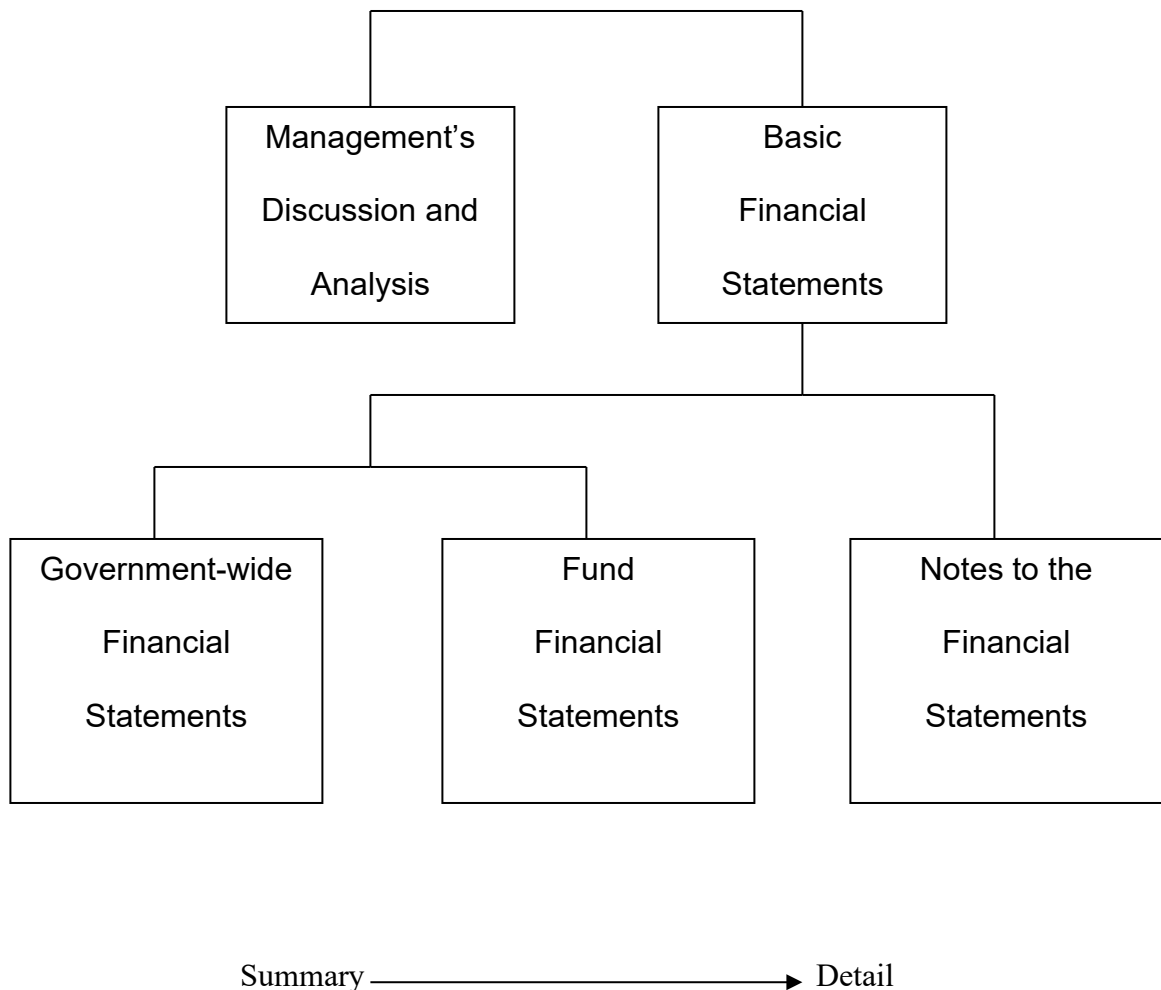
- The assets and deferred outflows of resources of the Town of China Grove *exceeded* its liabilities and deferred inflows of resources at the close of the fiscal year by \$ 4,626,762 (*net position*).
- The government's total net position increased by \$ 276,904, primarily due to Sales & Use Tax Revenue increasing by nearly \$142,000 from the previous fiscal year.
- As of the close of the current fiscal year, the Town of China Grove governmental funds reported combined ending fund balances of \$ 3,070,958, an increase of \$191,436 in comparison with the prior year. Approximately 25.8% of this total amount, or \$ 791,665 is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$ 2,217,170 which is 51.4% of total general fund expenditures for the fiscal year.
- The Town of China Grove total debt decreased \$ 368,993 during the current fiscal year. The key factor in this decrease was the debt service payments made during the fiscal year.

Overview of the Financial Statements

This discussion and analysis serve as an introduction to the Town of China Grove'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 China Grove.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 6) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements and 2) the budgetary comparison statements.

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide you, 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 show the governmental activities of the Town. The governmental activities include the Town's basic services such as public safety, parks and recreation, and general administration. Mostly property taxes, intergovernmental payments, and state and federal grant funds finance these activities. The Town of China Grove does not have any business-type activities or component units.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, 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. All of the funds of the Town are governmental funds.

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

Management Discussion and Analysis
Town of China Grove

relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town adopts an annual budget for its General Fund, as required by the NC 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 has complied with the budget ordinance and whether or not the Town has 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 final budget and the actual resources and charges.

Proprietary Funds – The Town does not have a Proprietary Fund at this time.

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 are on pages 21 through 48 of this report.

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 49 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. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

The Town of China Grove's Net Position

Figure 2

| | Governmental Activities | | Total | |
|--|----------------------------|--------------|--------------|--------------|
| | 2021 | 2020 | 2021 | 2020 |
| Current and other assets | \$ 4,490,846 | \$ 4,474,087 | \$ 4,490,846 | \$ 4,474,087 |
| Capital assets | 4,237,319 | 4,115,384 | 4,237,319 | 4,115,384 |
| Total deferred outflows of resources | 593,969 | 430,216 | 593,969 | 430,216 |
| Total assets and deferred inflows of resources | 9,322,134 | 9,019,687 | 9,322,134 | 9,019,687 |
| Long-term liabilities outstanding | 4,183,517 | 4,263,461 | 4,183,517 | 4,263,461 |
| Other liabilities | 433,305 | 392,872 | 433,305 | 392,872 |
| Total deferred inflows of resources | 78,550 | 13,496 | 78,550 | 13,496 |
| Total liabilities and deferred inflows of resources | 4,695,372 | 4,669,829 | 4,695,372 | 4,669,829 |
| Net position: | | | | |
| Net investment in capital assets | 2,260,553 | 1,979,115 | 2,260,553 | 1,979,115 |
| Restricted | 776,165 | 628,961 | 776,165 | 628,961 |
| Unrestricted | 1,590,044 | 1,741,782 | 1,590,044 | 1,741,782 |
| Total net position | \$ 4,626,762 | \$ 4,349,858 | \$ 4,626,762 | \$ 4,349,858 |

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 exceeded liabilities and deferred inflows by \$4,626,762 as of June 30, 2021. The Town's net position increased by \$ 276,904 for the fiscal year ended June 30, 2021. The largest portion of net position (48.9%) reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its 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's net position (16.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,590,044 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.96.
- Sales tax collections increased by \$140,716, as compared to the previous fiscal year.

Management Discussion and Analysis
Town of China Grove

Town of China Grove's Changes in Net Position

Figure 3

| | Governmental Activities | | Total | |
|--|-------------------------|--------------|--------------|--------------|
| | 2021 | 2020 | 2021 | 2020 |
| Revenues: | | | | |
| Program revenues: | | | | |
| Charges for services | \$ 17,155 | \$ 18,288 | \$ 17,155 | \$ 18,288 |
| Operating grants and contributions | 423,213 | 303,098 | 423,213 | 303,098 |
| Capital grants and contributions | - | - | - | - |
| General revenues: | | | | |
| Property taxes | 1,927,198 | 1,942,336 | 1,927,198 | 1,942,336 |
| Grants and contributions not restricted to specific programs | 1,531,087 | 1,389,417 | 1,531,087 | 1,389,417 |
| Other | 359,773 | 103,522 | 359,773 | 103,522 |
| Total revenues | 4,258,426 | 3,756,661 | 4,258,426 | 3,756,661 |
| Expenses: | | | | |
| General government | 541,980 | 535,188 | 541,980 | 535,188 |
| Public safety | 2,141,174 | 2,040,543 | 2,141,174 | 2,040,543 |
| Transportation | 64,143 | 137,818 | 64,143 | 137,818 |
| Environmental protection | 760,416 | 715,292 | 760,416 | 715,292 |
| Economic and physical development | 175,021 | 76,763 | 175,021 | 76,763 |
| Cultural and recreation | 202,354 | 263,777 | 202,354 | 263,777 |
| Interest on long-term debt | 96,434 | 107,501 | 96,434 | 107,501 |
| Total expenses | 3,981,522 | 3,876,882 | 3,981,522 | 3,876,882 |
| Change in net position | 276,904 | (120,221) | 276,904 | (120,221) |
| Net position, July 1 | 4,349,858 | 4,470,079 | 4,349,858 | 4,470,079 |
| Net position, June 30 | \$ 4,626,762 | \$ 4,349,858 | \$ 4,626,762 | \$ 4,349,858 |

Governmental activities. Governmental activities increased the Town's net position by \$276,904. In FY21, Expenses were slightly higher, in part due to a repair that was covered by insurance proceeds and also the acquisition of capital assets. Property tax increased by approximately 3% and Sales tax increased by over 13% from FY20 levels. The strong increase in Sales Tax was unexpected and was part of the reason towns in NC were able to purchase the needed Capital that was delayed in FY20.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$ 2,217,170 while total fund balance reached \$ 3,070,958. 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 51.4% of total General Fund expenditures, while total fund balance represents 71.2% of that same amount.

At June 30, 2021, the governmental funds of the Town reported a combined fund balance of \$3,070,958 a 6.6% increase over last year. This is the result of a net change in fund balance of \$191,436.

General Fund Budgetary Highlights: During the fiscal year, the Town revised the budget six times. 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.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$ 4,237,319 (net of accumulated depreciation). These assets include buildings, roads and other infrastructure, land, machinery and equipment, and vehicles.

- The Town made improvements to the Board Room.
- The Fire Department purchased a Pumper/Tanker and had Ladder Truck Repairs
- The Police Department added a Dodge Ram and a Toyota 4 Runner.
- The Public Works Department added a 2022 Gator.
- The increase in infrastructure is due to the patching of asphalt on various streets.

Town of China Grove's Capital Assets
(Net of Depreciation)

Figure 4

| | Governmental Activities | | Total | |
|--------------------|----------------------------|--------------|--------------|--------------|
| | 2021 | 2020 | 2021 | 2020 |
| Land | \$ 146,437 | \$ 146,437 | \$ 146,437 | \$ 146,437 |
| Buildings | 2,321,793 | 2,384,576 | 2,321,793 | 2,384,576 |
| Equipment | 1,221,897 | 1,045,509 | 1,221,897 | 1,045,509 |
| Infrastructure | 511,654 | 500,016 | 511,654 | 500,016 |
| Other Improvements | 35,538 | 38,846 | 35,538 | 38,846 |
| Total | \$ 4,237,319 | \$ 4,115,384 | \$ 4,237,319 | \$ 4,115,384 |

Additional information on the Town's capital assets can be found in the Notes to The Financial Statements.

Long-term Liabilities. As of June 30, 2021, the Town had no bonded debt.

Outstanding Long-term Liabilities

Figure 5

| | Governmental Activities | | Total | |
|--|----------------------------|--------------|--------------|--------------|
| | 2021 | 2020 | 2021 | 2020 |
| Direct placement installment purchases | \$ 2,873,870 | \$ 3,234,298 | \$ 2,873,870 | \$ 3,234,298 |
| Capital Leases | 24,206 | 32,771 | 24,206 | 32,771 |
| Compensated absences | 107,935 | 100,155 | 107,935 | 100,155 |
| Net pension liability (LGERS) | 761,854 | 643,405 | 761,854 | 643,405 |
| Net pension liability (LEO) | 415,652 | 252,832 | 415,652 | 252,832 |
| Total | \$ 4,183,517 | \$ 4,263,461 | \$ 4,183,517 | \$ 4,263,461 |

Town of China Grove's Outstanding Long-term Liabilities

The Town's total outstanding long-term liabilities decreased by \$ 79,944 during the current fiscal year. The key factor in this decrease in long-term liabilities is a decrease of \$ 360,428 in direct placement installment purchases. Net pension liabilities related to LGERS and LEO increased by \$ 281,269 in FY21.

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 Town of China Grove is \$ 25,820,398. The Town has no bonds authorized but unissued at June 30, 2021.

Additional information regarding the Town's long-term debt can be found in Notes to the Financial Statements.

Economic Factors and Next Year's Budgets and Rates

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

- Rowan County's average unemployment rate is 5.0% with the State's average unemployment of 4.6%.
- China Grove's Central Business district has maintained a high occupancy rate with few vacancies. The downtown area has a variety of service and retail uses providing convenient access for citizens.
- China Grove is anticipating construction of a large industrial development along East NC 152 HWY that will bring a significant number of jobs and hundreds of millions of investments.
- The US 29 corridor is growing, and the Town anticipates accelerated growth to accompany the opening of the I-85/US 29/NC 152 interchange.
- China Grove's residential tax base is growing steadily.
- Despite the COVID '19 pandemic sales tax revenues remain robust.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: Operating revenues in the General Fund have remained fairly consistent over the past several years. The current trend is that the Town is relying more and more on ad valorem tax revenues. Total property tax revenues are anticipated to be \$1,922,000. This is approximately 47.2% of the total General Fund Revenue. The remaining revenue streams for the Town primarily include Sales Tax and Utility Franchise Taxes. These two revenues are projected to bring in \$1,442,000 or 35.4% of the total General Fund Revenues. Combined, these three revenue sources account for approximately 83% of the General Fund Revenues. The Town has also initiated a sanitation fee that is estimated at \$120,000 for FY22.

This General Fund budget for the upcoming year is \$124,947 higher than anticipated revenues from the previous year's original budget. The Town appropriated \$62,123 of fund balance to balance the FY22 budget. The Manager and Board remain focused on providing core services to the citizens of China Grove while maintaining a low tax rate.

Business – type Activities: The Town has turned over the Operations of the Utility System to Salisbury-Rowan Utilities.

Management Discussion and Analysis
Town of China Grove

Requests for Information

This report is designed to provide an overview of the Town 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:

Tara Dropp, CLGFO
Town of China Grove
Finance Officer
333 North Main St.
China Grove, NC 28023
tdropp@chinagrovecnc.gov

Phone (704) 857-2466
Fax (704) 855-1855

TOWN OF CHINA GROVE, NORTH CAROLINA**STATEMENT OF NET POSITION**

June 30, 2021

| | Governmental Activities | Total |
|---|----------------------------|---------------------|
| Assets: | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 2,572,918 | \$ 2,572,918 |
| Taxes receivable (net) | 74,611 | 74,611 |
| Debt reimbursement receivable from City of Salisbury-current portion | 209,490 | 209,490 |
| Prepaid items | 15,500 | 15,500 |
| Due from other governments | 434,861 | 434,861 |
| Restricted cash and cash equivalents | 471,646 | 471,646 |
| Total Current Assets | <u>3,779,026</u> | <u>3,779,026</u> |
| Non-Current Assets: | | |
| Debt reimbursement receivable from City of Salisbury-due in more than one year | 711,820 | 711,820 |
| Capital assets (Note 1): | | |
| Land, non-depreciable improvements, and construction in progress | 146,437 | 146,437 |
| Other capital assets, net of depreciation | 4,090,882 | 4,090,882 |
| Total Capital Assets | <u>4,237,319</u> | <u>4,237,319</u> |
| Total Assets | <u>8,728,165</u> | <u>8,728,165</u> |
| Deferred Outflows of Resources: | | |
| Pension deferrals | 593,969 | 593,969 |
| Total Deferred Outflows of Resources | <u>593,969</u> | <u>593,969</u> |
| Liabilities: | | |
| Current Liabilities: | | |
| Accounts payable and accrued interest | 197,167 | 197,167 |
| Accrued interest payable | 38,368 | 38,368 |
| Payable from restricted assets-Performance bonds | 197,770 | 197,770 |
| Current portion of long-term liabilities | 424,242 | 424,242 |
| Total Current Liabilities | <u>857,547</u> | <u>857,547</u> |
| Long-term Liabilities: | | |
| Net pension liability | 761,854 | 761,854 |
| Total pension liability | 415,652 | 415,652 |
| Due in more than one year | 2,581,769 | 2,581,769 |
| Total Long-term Liabilities | <u>3,759,275</u> | <u>3,759,275</u> |
| Total Liabilities | <u>4,616,822</u> | <u>4,616,822</u> |
| Deferred Inflows of Resources: | | |
| Pension deferrals | 49,520 | 49,520 |
| Unearned revenue | 29,030 | 29,030 |
| Total Deferred Inflows of Resources | <u>78,550</u> | <u>78,550</u> |
| Net Position: | | |
| Net investment in capital assets | 2,260,553 | 2,260,553 |
| Restricted for: | | |
| Stabilization by state statute | 498,063 | 498,063 |
| Streets | 138,496 | 138,496 |
| Debt service | 116,087 | 116,087 |
| Other functions | 23,519 | 23,519 |
| Unrestricted | 1,590,044 | 1,590,044 |
| Total Net Position | <u>\$ 4,626,762</u> | <u>\$ 4,626,762</u> |

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

TOWN OF CHINA GROVE, NORTH CAROLINA

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and | |
|--|------------------|------------------|----------------|---------------|---------------------------|---------------------|
| | | Charges for | Operating | Capital | Governmental | Total |
| | | Services | Grants and | Grants and | Activities | |
| | | | Contributions | Contributions | | |
| Primary Government: | | | | | | |
| Governmental Activities: | | | | | | |
| General government | \$ 541,980 | \$ - | \$ 58,497 | \$ - | \$ (483,483) | \$ (483,483) |
| Public safety | 2,141,174 | 3,090 | 146,830 | - | (1,991,254) | (1,991,254) |
| Transportation | 64,143 | - | 109,622 | - | 45,479 | 45,479 |
| Environmental protection | 760,416 | - | 2,434 | - | (757,982) | (757,982) |
| Economic and physical development | 175,021 | 10,365 | 105,830 | - | (58,826) | (58,826) |
| Cultural and recreational | 202,354 | 3,700 | - | - | (198,654) | (198,654) |
| Interest on long-term debt | 96,434 | - | - | - | (96,434) | (96,434) |
| Total Governmental Activities (See Note 1) | <u>3,981,522</u> | <u>17,155</u> | <u>423,213</u> | <u>-</u> | <u>(3,541,154)</u> | <u>(3,541,154)</u> |
| General Revenues: | | | | | | |
| Taxes: | | | | | | |
| Property taxes, levied for general purpose | | | | | 1,927,198 | 1,927,198 |
| Grants and contributions not restricted to specific programs | | | | | 1,531,087 | 1,531,087 |
| Unrestricted investment earnings | | | | | 14,499 | 14,499 |
| Insurance recovery | | | | | 338,183 | 338,183 |
| Miscellaneous | | | | | 7,091 | 7,091 |
| Total General Revenues | | | | | <u>3,818,058</u> | <u>3,818,058</u> |
| Change in Net Position | | | | | <u>276,904</u> | <u>276,904</u> |
| Net Position-Beginning | | | | | <u>4,349,858</u> | <u>4,349,858</u> |
| Net Position-Ending | | | | | <u>\$ 4,626,762</u> | <u>\$ 4,626,762</u> |

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

TOWN OF CHINA GROVE, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

| | <u>Major Funds</u> | <u>Non-Major Fund</u> | <u>Total</u> |
|---|---------------------|------------------------|---------------------------|
| | <u>General</u> | <u>Capital Reserve</u> | <u>Governmental Funds</u> |
| Assets: | | | |
| Cash and cash equivalents | \$ 2,572,918 | \$ - | \$ 2,572,918 |
| Restricted cash | 471,646 | - | 471,646 |
| Receivables, net | 74,611 | - | 74,611 |
| Prepaid items | 15,500 | - | 15,500 |
| Due from other governments | 434,861 | - | 434,861 |
| Debt reimbursement receivable from City of Salisbury | 921,310 | - | 921,310 |
| Total Assets | \$ 4,490,846 | \$ - | \$ 4,490,846 |
| Liabilities: | | | |
| Accounts payable and accrued liabilities | \$ 197,167 | \$ - | \$ 197,167 |
| Unearned revenue | 29,030 | - | 29,030 |
| Performance bonds | 197,770 | - | 197,770 |
| Total Liabilities | 423,967 | - | 423,967 |
| Deferred Inflows of Resources: | | | |
| Property taxes receivable | 74,611 | - | 74,611 |
| Debt reimbursement from City of Salisbury | 921,310 | - | 921,310 |
| Total Deferred Inflows of Resources | 995,921 | - | 995,921 |
| Fund Balances: | | | |
| Non Spendable | | | |
| Prepaid expenses | 15,500 | - | 15,500 |
| Restricted | | | |
| Stabilization by state statute | 498,063 | - | 498,063 |
| Streets | 138,496 | - | 138,496 |
| Police-drug enforcement | 23,519 | - | 23,519 |
| Debt service | 116,087 | - | 116,087 |
| Assigned | | | |
| Subsequent year's expenditures | 62,123 | - | 62,123 |
| Unassigned | 2,217,170 | - | 2,217,170 |
| Total Fund Balances | 3,070,958 | - | 3,070,958 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 4,490,846 | \$ - | |
| Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because: | | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | | |
| Gross capital assets at historical cost | \$ 7,454,746 | | |
| Accumulated depreciation | (3,217,427) | | 4,237,319 |
| Deferred outflows of resources related to pensions are not reported in the funds | | | 593,969 |
| Earned revenues considered deferred inflows of resources in fund statements. | | | 995,921 |
| Long-term liabilities used in governmental activities are not financial uses and, therefore, are not reported in the funds | | | |
| Gross long-term debt beginning | | (3,367,224) | |
| Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.) | | 361,213 | (3,006,011) |
| Deferred inflows of resources related to pensions are not reported in the funds | | | (49,520) |
| Net pension liability | | | (761,854) |
| Total pension liability | | | (415,652) |
| Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds. | | | (38,368) |
| Net position of governmental activities | | | \$ 4,626,762 |

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

TOWN OF CHINA GROVE, NORTH CAROLINA**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2021

| | Major Fund | Non-Major | Total |
|--|---------------------|-----------------|---------------------|
| | General | Capital Reserve | Governmental Fund |
| Revenues: | | | |
| Ad valorem taxes | \$ 1,964,301 | \$ - | \$ 1,964,301 |
| Unrestricted intergovernmental | 1,531,087 | - | 1,531,087 |
| Restricted intergovernmental | 632,653 | - | 632,653 |
| Permits and fees | 17,155 | - | 17,155 |
| Investment earnings | 14,498 | 1 | 14,499 |
| Miscellaneous | 7,091 | - | 7,091 |
| Total Revenues | 4,166,785 | 1 | 4,166,786 |
| Expenditures: | | | |
| Current: | | | |
| General government | 494,232 | - | 494,232 |
| Public safety | 2,141,929 | - | 2,141,929 |
| Transportation | 75,588 | - | 75,588 |
| Environmental protection | 713,450 | - | 713,450 |
| Economic and physical development | 238,479 | - | 238,479 |
| Cultural and recreational | 182,025 | - | 182,025 |
| Debt Service: | | | |
| Principal | 368,943 | - | 368,943 |
| Interest and other charges | 98,887 | - | 98,887 |
| Total Expenditures | 4,313,533 | - | 4,313,533 |
| Excess (Deficiency) of Revenues Over Expenditures | (146,748) | 1 | (146,747) |
| Other Financing Sources (Uses): | | | |
| Transfers from other funds: | 9,508 | - | 9,508 |
| Transfers to other funds: | - | (9,508) | (9,508) |
| Insurance proceeds | 338,183 | - | 338,183 |
| Total other financing sources (uses): | 347,691 | (9,508) | 338,183 |
| Net Change in Fund Balances | 200,943 | (9,507) | 191,436 |
| Fund Balances, Beginning | 2,870,015 | 9,507 | 2,879,522 |
| Fund Balances, Ending | \$ 3,070,958 | \$ - | \$ 3,070,958 |

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

TOWN OF CHINA GROVE, NORTH CAROLINA**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2021

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

| | | |
|---|----|---------|
| Net changes in fund balances - total governmental funds | \$ | 191,436 |
|---|----|---------|

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

| | | |
|--|------------------|---------|
| Capital outlay expenditures which were capitalized | \$ 477,748 | |
| Depreciation expense for governmental assets | <u>(355,813)</u> | 121,935 |

| | | |
|--|--|---------|
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities | | 155,138 |
|--|--|---------|

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 | (37,103) | |
| Change in unearned revenue for debt reimbursement- City of Salisbury | <u>(209,490)</u> | (246,593) |

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

| | | |
|--------------------------------------|--------------|---------|
| Principal payments on long-term debt | 368,993 | |
| Decrease in accrued interest payable | <u>2,453</u> | 371,446 |

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

| | | |
|----------------------|------------------|------------------|
| Compensated absences | (7,780) | |
| Pension expense | <u>(308,678)</u> | <u>(316,458)</u> |

| | | |
|--|----|-----------------------|
| Total changes in net position of governmental activities | \$ | <u><u>276,904</u></u> |
|--|----|-----------------------|

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

TOWN OF CHINA GROVE, NORTH CAROLINA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2021

| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|--------------------|------------------|---------------------|---|
| Revenues: | | | | |
| Ad valorem taxes | \$ 1,926,900 | \$ 1,926,900 | \$ 1,964,301 | \$ 37,401 |
| Unrestricted intergovernmental | 1,301,500 | 1,301,500 | 1,531,087 | 229,587 |
| Restricted intergovernmental | 506,700 | 639,530 | 632,653 | (6,877) |
| Permits and fees | 20,000 | 20,000 | 17,155 | (2,845) |
| Investment earnings | 38,200 | 38,200 | 14,498 | (23,702) |
| Miscellaneous | 42,800 | 42,800 | 7,091 | (35,709) |
| Total Revenues | 3,836,100 | 3,968,930 | 4,166,785 | 197,855 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 525,100 | 525,100 | 494,232 | 30,868 |
| Public safety | 1,745,300 | 2,244,373 | 2,141,929 | 102,444 |
| Transportation | 125,500 | 125,500 | 75,588 | 49,912 |
| Environmental protection | 762,000 | 764,611 | 713,450 | 51,161 |
| Economic and physical development | 148,300 | 281,130 | 238,479 | 42,651 |
| Cultural and recreational | 240,400 | 240,400 | 182,025 | 58,375 |
| Debt Service: | | | | |
| Principal retirement | 369,100 | 369,100 | 368,943 | 157 |
| Interest and other charges | 98,900 | 98,900 | 98,887 | 13 |
| Total Expenditures | 4,014,600 | 4,649,114 | 4,313,533 | 335,581 |
| Revenues Over (Under) Expenditures | (178,500) | (680,184) | (146,748) | 533,436 |
| Other Financing Sources (Uses): | | | | |
| Transfers from other funds: | - | - | 9,508 | 9,508 |
| Insurance proceeds | - | 338,184 | 338,183 | (1) |
| Total Other Financing Sources (Uses) | - | 338,184 | 347,691 | 9,507 |
| Fund Balance Appropriated | 178,500 | 342,000 | - | (342,000) |
| Net Change in Fund Balance | \$ - | \$ - | 200,943 | \$ 200,943 |
| Fund Balance, Beginning | | | 2,870,015 | |
| Fund Balance, Ending | | | \$ 3,070,958 | |

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

TOWN OF CHINA GROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2021

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

The Town of China Grove (the “Town”) is a municipal corporation that is governed by an elected mayor and a five-member council. These financial statements present financial information of the Town as required by generally accepted accounting principles.

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the 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 Town does not currently have any business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a specific 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 specific 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 are presented when applicable. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The Town reports the following major governmental fund:

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 environmental protection.

TOWN OF CHINA GROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Concluded)

The Town reports the following non-major governmental fund:

Capital Project-Capital Reserve Fund. This fund is used to accumulate cash for future capital purchases.

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 Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide 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.

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other 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 revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are 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.

TOWN OF CHINA GROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Concluded)

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of China Grove because the tax is levied by Rowan County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. 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 are 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.

Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the 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 10%. All amendments must be approved by the governing board. 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.

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

Deposits and Investments

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

State law [G.S. 159-30 (c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's investments are generally reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

TOWN OF CHINA GROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)

Cash and Cash Equivalents

The Town considers all cash and investments to be cash and cash equivalents.

Restricted Assets

Cash in Police drug accounts is classified as restricted cash because its use is restricted for specific purposes. The Town has a USDA loan which requires the Town to keep an amount equal to one annual loan payment in a separate bank account. The Town has cash held in a separate account that is classified as restricted cash because it will be returned to a developer, including interest earned, upon completion of a project in the Town. 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.

Town of China Grove Restricted Cash

Governmental Activities

General Fund

| | | |
|-----------------------------------|----|----------------|
| Police drug account-State | \$ | 6,321 |
| Police drug account-Federal | | 17,197 |
| Debt service account-USDA loan | | 116,087 |
| Developer performance bond | | 197,770 |
| Restricted for street maintenance | | 134,271 |
| Total Restricted Cash | \$ | <u>471,646</u> |

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

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.

TOWN OF CHINA GROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)

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.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$15,000; infrastructure, \$20,000; furniture and equipment, \$5,000; and vehicles, \$10,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add 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 | 30-50 |
| Buildings | 50 |
| Improvements | 25 |
| Vehicles | 5-6 |
| Furniture and equipment | 5-10 |
| Computer equipment | 3 |

TOWN OF CHINA GROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)

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, pension deferrals for the 2021 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category – unearned revenue, property taxes receivable, debt reimbursement from the City of Salisbury, and pension deferrals.

Long-Term Obligations

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

Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The 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 taken, no accrual for sick leave has been made.

Net Position/Fund Balances

Net Position

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

TOWN OF CHINA GROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Concluded)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Concluded)

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Prepaid items – Portion of fund balance that is not an available resource because it represents the year-end balance of prepaid items, which are not spendable resources.

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

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

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 unexpended Powell Bill funds.

Restricted for Drug Enforcement – Funds seized in drug enforcement operations to be used only for drug enforcement related expenses.

Restricted for Debt Service – Funds required to be held in reserve for future debt payments.

TOWN OF CHINA GROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Concluded)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Concluded)

Fund Balances (Concluded)

Restricted for Capital Reserve – Funds set aside in a capital reserve fund to be used only for capital purchases.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of China Groves' 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.

The Town of China Grove does not have any fund balance classified as Committed.

Assigned Fund Balance – portion of fund balance that the Town of China Grove 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.

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

The Town of China Grove does not have a revenue spending policy that provides guidance for programs with multiple revenue sources.

The Town of China Grove has not adopted a minimum fund balance policy for the general fund.

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 China Grove's employer contributions are recognized when due and the Town of China Grove 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.

TOWN OF CHINA GROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 2 - Stewardship, Compliance, and Accountability

Significant Violations of Finance-Related Legal and Contractual Provisions

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2021, the expenditures made in the Town's Capital Reserve Fund exceeded the authorized appropriations made by the governing board for the transfers to other funds by \$3,908. This over-expenditure occurred due to the Town not including additional interest income in the budget. The Management and the Council will ensure compliance in future years.

Note 3 - Detail Notes on All Funds

Assets

Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in the Town's name. The amount of the pledged collateral is based on an 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 or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$2,879,990 and a bank balance of \$2,901,893. Of the bank balance, \$709,574 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2021, the Town's petty cash fund totaled \$100.

TOWN OF CHINA GROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Assets (Continued)

Investments

At June 30, 2021, the Town of China Grove had \$164,474 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's. The Town has no policy regarding credit risk.

Receivables – Allowance for Doubtful Accounts

The amount for taxes receivable presented in the Balance Sheet and Statement of Net Position for the year ended June 30, 2021 is net of an allowance for doubtful accounts of \$ 18,074.

Capital Assets

Primary Government

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

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--|-----------------------|-------------------|-------------------|---------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 146,437 | \$ - | \$ - | \$ 146,437 |
| Total capital assets not being depreciated | <u>146,437</u> | <u>-</u> | <u>-</u> | <u>146,437</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 3,139,118 | - | - | 3,139,118 |
| Equipment | 3,164,625 | 453,256 | 247,853 | 3,370,028 |
| Infrastructure | 615,680 | 24,494 | - | 640,174 |
| Other improvements | 158,989 | - | - | 158,989 |
| Total capital assets being depreciated | <u>7,078,412</u> | <u>477,750</u> | <u>247,853</u> | <u>7,308,309</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 754,542 | 62,783 | - | 817,325 |
| Equipment | 2,119,116 | 276,866 | 247,851 | 2,148,131 |
| Infrastructure | 115,664 | 12,856 | - | 128,520 |
| Other improvements | 120,143 | 3,308 | - | 123,451 |
| Total accumulated depreciation | <u>3,109,465</u> | <u>\$ 355,813</u> | <u>\$ 247,851</u> | <u>3,217,427</u> |
| Total capital assets being depreciated, net | <u>3,968,947</u> | | | <u>4,090,882</u> |
| Governmental activity capital assets, net | <u>\$ 4,115,384</u> | | | <u>\$ 4,237,319</u> |

TOWN OF CHINA GROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Assets (Concluded)

Capital Assets (Concluded)

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

| | |
|-----------------------------------|-------------------|
| General government | \$ 39,536 |
| Public safety | 231,032 |
| Transportation | 13,049 |
| Environmental protection | 44,065 |
| Economic and physical development | 11,198 |
| Cultural and recreational | 16,933 |
| Total depreciation expense | <u>\$ 355,813</u> |

Liabilities

Pension Plan Obligations

Local Governmental Employees' Retirement System

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of credit 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

TOWN OF CHINA GROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Pension Plan Obligations (Continued)

Local Governmental Employees' Retirement System (Continued)

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 Statue 128-30 and may be amended only by the North Carolina General Assembly. Town of China Grove 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 China Grove's contractually required contribution rate for the year ended June 30, 2021, was 10.84% of compensation for law enforcement officers and 10.20% 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 China Grove were \$155,138 for the year ended June 30, 2021.

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

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

At June 30, 2021, the Town reported a liability of \$761,854 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of

TOWN OF CHINA GROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Pension Plan Obligations (Continued)

Local Governmental Employees' Retirement System (Continued)

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, 2020 (measurement date), the Town's proportion was .021320%, which was a decrease of 0.00224% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$259,468. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 96,209 | \$ - |
| Changes of assumptions | 56,697 | - |
| Net difference between projected and actual earnings on pension plan investments | 107,211 | - |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 8,673 | 31,456 |
| Town contributions subsequent to the measurement date | 155,138 | - |
| Total | \$ 423,928 | \$ 31,456 |

\$155,138 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:

| | |
|------|-----------|
| 2022 | \$ 68,692 |
| 2023 | 90,052 |
| 2024 | 46,859 |
| 2025 | 31,729 |

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

| | |
|---------------------------|--|
| Inflation | 3.00 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 |

TOWN OF CHINA GROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Pension Plan Obligations (Continued)

Local Governmental Employees' Retirement System (Continued)

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 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 2019 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

TOWN OF CHINA GROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Pension Plan Obligations (Continued)

Local Governmental Employees' Retirement System (Concluded)

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

| | 1% Decrease (6.00%) | Discount Rate (7.00%) | 1% Increase (8.00%) |
|--|---------------------------|-----------------------------|---------------------------|
| Town's proportionate share of the net pension liability (asset) | \$ 1,545,720 | \$ 761,854 | \$ 110,407 |

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

Law Enforcement Officers Special Separation Allowance

Plan Description

The Town of China Grove administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

TOWN OF CHINA GROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Pension Plan Obligations (Continued)

Law Enforcement Officers Special Separation Allowance (Continued)

Plan Description (Concluded)

All full-time law enforcement officers are covered by the Separation Allowance. At December 31, 2019, the Separation Allowance's membership consisted of:

| | |
|---|-----------|
| Retirees receiving benefits | - |
| Terminated plan members entitled to but not yet receiving benefits | - |
| Active plan members | <u>12</u> |
| Total | <u>12</u> |

Summary of Significant Accounting Policies

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

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

Actuarial Assumptions

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

| | |
|------------------|---|
| Inflation | 2.50 percent |
| Salary increases | 3.25 to 7.75 percent, including inflation and productivity factor |
| Discount rate | 1.93 percent |

The discount rate used to measure the total pension liability (TPL) is the S&P Municipal Bond 20 Year High Grade Rate Index.

Mortality rates use Pub-2010 amount-weighted tables.

TOWN OF CHINA GROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Pension Plan Obligations (Continued)

Law Enforcement Officers Special Separation Allowance (Continued)

Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by the employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid no benefits for the reporting period.

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

At June 30, 2021, the Town reported a total pension liability of \$415,652. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$50,774.

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 21,546 | \$ 9,714 |
| Changes of assumptions | 148,495 | 8,350 |
| Total | <u>\$ 170,041</u> | <u>\$ 18,064</u> |

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:

| | |
|------------|-----------|
| 2022 | \$ 25,000 |
| 2023 | 25,000 |
| 2024 | 25,228 |
| 2025 | 22,020 |
| 2026 | 20,657 |
| Thereafter | 34,072 |

TOWN OF CHINA GROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Pension Plan Obligations (Continued)

Law Enforcement Officers Special Separation Allowance (Continued)

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 1.93 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

| | <u>1% Decrease (.93%)</u> | <u>Discount Rate (1.93%)</u> | <u>1% Increase (2.93%)</u> |
|-------------------------|-------------------------------|----------------------------------|--------------------------------|
| Total pension liability | \$ 465,541 | \$ 415,652 | \$ 370,099 |

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

| | <u>2021</u> |
|--|-------------------|
| Beginning balance | \$ 252,832 |
| Service Cost | 17,616 |
| Interest on the total pension liability | 8,158 |
| Changes of benefit terms | - |
| Differences between expected and actual experience in the measurement of the total pension liability | (11,124) |
| Changes of assumptions or other inputs | 153,370 |
| Benefit payments | (5,200) |
| Other changes | - |
| Ending balance of the total pension liability | \$ <u>415,652</u> |

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

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

TOWN OF CHINA GROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Pension Plan Obligations (Continued)

Law Enforcement Officers Special Separation Allowance (Concluded)

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

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

| | LGERS | LEOSSA | Total |
|--|------------|-----------|------------|
| Pension Expense | \$ 259,468 | \$ 50,774 | \$ 310,242 |
| Pension Liability | 761,854 | 415,652 | 1,177,506 |
| Proportionate share of the net pension liability | .02132% | n/a | |

Deferred Outflows of Resources

| | | | |
|--|---------|---------|---------|
| Differences between expected and actual experience | 96,209 | 21,546 | 117,755 |
| Changes of assumptions | 56,697 | 148,495 | 205,192 |
| Net difference between projected and actual earnings on plan investments | 107,211 | - | 107,211 |
| Changes in proportion and differences between contributions and proportionate share of contributions | 8,673 | - | 8,673 |
| Benefit payments and administrative cost paid subsequent to the measurement date | 155,138 | - | 155,138 |

Deferred Inflows of Resources

| | | | |
|--|--------|-------|--------|
| Differences between expected and actual experience | - | 9,714 | 9,714 |
| Changes of assumptions | - | 8,350 | 8,350 |
| Net difference between projected and actual earnings on plan investments | - | - | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | 31,456 | - | 31,456 |

TOWN OF CHINA GROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Pension Plan Obligations (Concluded)

Supplemental Retirement Income Plan

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 all full-time employees of 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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary. In addition to this requirement, the Town has elected to contribute to the Plan an amount equal to 5 percent of the salary of each full-time employee not engaged in law enforcement. All amounts contributed are vested immediately. Employees may make voluntary contributions to the plan.

The Town made contributions of \$79,997 for the reporting year. No amounts were forfeited.

Other Employment Benefit

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

TOWN OF CHINA GROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Deferred Outflows and Inflows of Resources

Deferred outflows of resources reported on the Statement of Net Position is comprised of the following:

| Source | Amount |
|---|-------------------|
| Differences between expected and actual experience | \$ 117,755 |
| Changes of assumptions | 205,192 |
| Net difference between projected and actual earnings | 107,211 |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 8,673 |
| Town contributions subsequent to the measurement date | 155,138 |
| Benefit payments and administrative expenses subsequent to the measurement date-LEOSSA | - |
| Total | <u>\$ 593,969</u> |

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

| | Statement of Net Position | General Fund Balance Sheet |
|---|------------------------------|-------------------------------|
| Property taxes receivable | \$ - | \$ 74,611 |
| Debt reimbursement from City of Salisbury | - | 921,310 |
| Differences between expected and actual experience | 9,714 | - |
| Changes of assumptions | 8,350 | - |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 31,456 | - |
| Total | <u>\$ 49,520</u> | <u>\$ 995,921</u> |

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 a self-funded risk-financing pool administered by the North Carolina League of Municipalities.

The Town carries commercial insurance for general liability, auto coverage, and property coverage. 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 has purchased commercial flood insurance.

TOWN OF CHINA GROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Risk Management (Concluded)

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$117,000. The Town does not carry an individual bond on a tax collector because it outsources its tax collection to Rowan County. The remaining employees that have access to funds are bonded under a blanket bond for \$100,000.

Claims, Judgments and Contingent Liabilities

At June 30, 2021, there was no material pending or threatened litigation, claims or assessments involving the Town of China Grove.

Long-Term Obligations

Capital Leases

The Town has entered into agreements to lease certain equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

During the fiscal year ended June 30, 2021, the Town leased three copiers. One is for administrative department use, one is for police department use, and one is for fire department use. The combined lease requires 63 monthly payments of \$494, beginning in May 2020. The copier agreement allows for the purchase of the copiers at the end of the lease for fair market value.

The following is an analysis of the assets recorded under capital leases at June 30, 2021:

| <u>Classes of Property</u> | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net Book Value</u> |
|----------------------------|------------------|-------------------------------------|---------------------------|
| Equipment | \$ 57,496 | \$ 34,673 | \$ 22,823 |
| Total | \$ <u>57,496</u> | \$ <u>34,673</u> | \$ <u>22,823</u> |

TOWN OF CHINA GROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Long-Term Obligations (Continued)

Capital Leases (Concluded)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2021 are as follows:

| Year Ending June 30 | |
|---|------------------|
| 2022 | \$ 5,928 |
| 2023 | 5,928 |
| 2024 | 5,928 |
| 2025 | 5,928 |
| 2026 | 494 |
| Total minimum lease payments | 24,206 |
| Less: amount representing interest | - |
| Present value of the minimum lease payments | \$ <u>24,206</u> |

Installment Purchase

The Town has entered into two separate direct placement contracts in the amounts of \$1,854,725 and \$280,000 from the United States Department of Agriculture (USDA). The funds were used to renovate and upgrade an existing Town-owned building for use as its Town Hall and Fire Department. The terms of the financing contracts require 30 annual payments beginning December 2013. The interest rate for the loans is 3.5%.

Annual debt service payments of the installment purchase as of June 30, 2021, including \$787,195 of interest, are as follows:

| Year Ending June 30 | Governmental Activities | |
|---------------------|-------------------------|------------|
| | Principal | Interest |
| 2022 | \$ 54,648 | \$ 61,439 |
| 2023 | 56,561 | 59,526 |
| 2024 | 58,541 | 57,546 |
| 2025 | 60,590 | 55,497 |
| 2026 | 62,710 | 53,377 |
| 2027-2031 | 348,051 | 232,384 |
| 2032-2036 | 413,375 | 167,060 |
| 2037-2041 | 490,960 | 89,475 |
| 2042-2043 | 209,956 | 10,891 |
| Totals | \$ 1,755,392 | \$ 787,195 |

TOWN OF CHINA GROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Long-Term Obligations (Continued)

Installment Purchase (Continued)

The Town has entered into a \$1,678,136 direct placement contract from the Clean Water Revolving Loan Program, which is administered by the State of North Carolina, to upgrade its sewer system. The terms of the financing agreement state that interest will accrue at the rate of 2.57% per annum. Interest payments will be made semiannually, payable on or before May 1 and November 1, beginning on May 1, 2004. The principal sum shall be repaid in equal annual installments of \$83,907 beginning on May 1, 2004. Because these financing contract payments are being reimbursed by the City of Salisbury, the principal amount is included in "Debt reimbursement receivable from City of Salisbury" on Exhibit 1 and Exhibit 3.

Annual debt service payments of the installment purchase as of June 30, 2021, including \$6,470 of interest, are as follows:

| Year Ending June 30 | Governmental Activities | |
|---------------------|-------------------------|-----------------|
| | Principal | Interest |
| 2022 | \$ 83,907 | \$ 4,313 |
| 2023 | 83,906 | 2,157 |
| Totals | <u>\$ 167,813</u> | <u>\$ 6,470</u> |

Installment Purchase

The Town has entered into a \$2,511,656 direct placement contract from the Clean Water Revolving Loan Program, which is administered by the State of North Carolina, to extend its sewer system. The terms of the financing agreement state that interest will accrue at the rate of 2.305% per annum. Interest payments will be made semiannually, payable on or before May 1 and November 1, beginning on November 7, 2007. The principal sum shall be repaid in 20 equal annual installments of \$125,582.80 beginning on May 1, 2008. Because these financing contract payments are being reimbursed by the City of Salisbury, the principal amount is included in "Debt reimbursement receivable from City of Salisbury" on Exhibit 1 and Exhibit 3.

TOWN OF CHINA GROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Long-Term Obligations (Continued)

Installment Purchase (Continued)

Annual debt service payments of the installment purchase as of June 30, 2021, including \$60,788 of interest, are as follows:

| Year Ending June 30 | Governmental Activities | |
|---------------------|-------------------------|------------------|
| | Principal | Interest |
| 2022 | \$ 125,583 | \$ 17,368 |
| 2023 | 125,583 | 14,473 |
| 2024 | 125,583 | 11,579 |
| 2025 | 125,583 | 8,684 |
| 2026 | 125,583 | 5,789 |
| 2027-2031 | 125,582 | 2,895 |
| Totals | <u>\$ 753,497</u> | <u>\$ 60,788</u> |

Installment Purchase

The Town has entered into a \$400,000 direct placement contract from a local financial institution to purchase a fire truck during the year ended June 30, 2017. The financing contract calls for 26 quarterly payments beginning April 2017. The financing contract has an interest rate of 3.35%.

Annual debt service payments of the installment purchase as of June 30, 2021, including \$7,519 of interest, are as follows:

| Year Ending June 30 | Governmental Activities | |
|---------------------|-------------------------|-----------------|
| | Principal | Interest |
| 2022 | \$ 61,941 | \$ 4,615 |
| 2023 | 64,072 | 2,484 |
| 2024 | 32,888 | 420 |
| Totals | <u>\$ 158,901</u> | <u>\$ 7,519</u> |

TOWN OF CHINA GROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Long-Term Obligations (Concluded)

Installment Purchase (Concluded)

The Town has entered into a \$114,000 direct placement contract from a local financial institution to purchase vehicles during the year ended June 30, 2019. The financing contract calls for quarterly interest payments beginning March 2019 and annual principal payments beginning December 2019. The financing contract has an interest rate of 3.66%.

Annual debt service payments of the installment purchase as of June 30, 2021, including \$696 of interest, are as follows:

| Year Ending June 30 | Governmental Activities | |
|---------------------|-------------------------|----------|
| | Principal | Interest |
| 2022 | \$ 38,267 | \$ 696 |
| Totals | \$ 38,267 | \$ 696 |

At June 30, 2021, the Town of China Grove, North Carolina had a legal debt margin of \$25,820,398.

Changes in Long-Term Liabilities

| | Balance July 1, 2020 | Increases | Decreases | Balance June 30, 2021 | Current Portion of Balance |
|--|-------------------------|------------|------------|--------------------------|-------------------------------|
| Governmental Activities: | | | | | |
| Installment purchases | \$ 3,234,298 | \$ - | \$ 360,428 | \$ 2,873,870 | \$ 364,346 |
| Capitalized leases | 32,771 | - | 8,565 | 24,206 | 5,928 |
| Compensated Absences | 100,155 | 7,780 | - | 107,935 | 53,968 |
| Net pension liability (LGERS) | 643,405 | 118,449 | - | 761,854 | - |
| Total pension liability (LEO) | 252,832 | 162,820 | - | 415,652 | - |
| Governmental Activity Long-Term Liabilities | \$ 4,263,461 | \$ 289,049 | \$ 368,993 | \$ 4,183,517 | \$ 424,242 |

TOWN OF CHINA GROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 4 - Net Investment in Capital Assets

| | |
|----------------------------------|----------------------------|
| Capital assets | \$ 4,237,319 |
| Less: | |
| Capital leases | 24,206 |
| Town Hall/Fire Dept USDA loans | 1,755,392 |
| Loan to purchase fire truck | 158,901 |
| Loan to purchase vehicles | <u>38,267</u> |
| Net investment in capital assets | \$ <u><u>2,260,553</u></u> |

Note 5 - Fund Balance

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

| | |
|--|----------------------------|
| Total fund balance - General Fund | \$ 3,070,958 |
| Less: | |
| Prepaid items | 15,500 |
| Stabilization by State Statute | 498,063 |
| Streets - Powell Bill | 138,496 |
| Police-Drug enforcement | 23,519 |
| Debt service | 116,087 |
| Appropriated Fund Balance in 2021 Budget | <u>62,123</u> |
| Remaining Fund Balance | \$ <u><u>2,217,170</u></u> |

The outstanding encumbrance is needed to pay for two police vehicles that were ordered that will not be received until the 2021-2022 fiscal year.

| <i>Encumbrances</i> | <i>General Fund</i> | <i>Non-Major Fund</i> |
|----------------------------|----------------------------|------------------------------|
| | \$63,202 | \$0 |

Note 6 - Joint Venture

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums which insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways. The Town obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the Town's fire department by the board of trustees. During the fiscal year ended June 30, 2021, the Town did not report any revenues and expenditures for these payments because no benefit payments were made through the Firemen's Relief Fund. The participating

TOWN OF CHINA GROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

Note 6 - Joint Venture (Concluded)

governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2021. The Firemen's Relief Fund does not issue separately audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

Note 7 - Summary Disclosure of Significant Contingencies

Federal Assisted Programs

The Town has received proceeds from a federal grant. 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 agency. No provision has been made in the accompanying financial statements for the refund of grant moneys.

Note 8 - Significant Effects of Subsequent Events

The Town has evaluated all subsequent events through November 29, 2021, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY FINANCIAL DATA

This section contains additional information required by
generally accepted accounting principles.

- Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance

TOWN OF CHINA GROVE, NORTH CAROLINA

TOWN OF CHINA GROVE'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
 Last Eight Fiscal Years*

Local Government Employees' Retirement System

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| China Grove's proportion of the net pension liability (asset) (%) | .02132% | .02356% | .02242% | .01923% | .01656% | .01438% | .01569% | .01600% |
| China Grove's proportion of the net pensions liability (asset) (\$) | \$ 761,854 | \$ 643,405 | \$ 531,879 | \$ 293,781 | \$ 351,459 | \$ 64,537 | \$ (92,531) | \$ 192,861 |
| China Grove's covered-employee payroll | \$ 1,458,974 | \$ 1,382,678 | \$ 1,227,513 | \$ 1,067,802 | \$ 917,486 | \$ 817,698 | \$ 805,672 | \$ 791,217 |
| China Grove's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 52.22% | 46.53% | 43.33% | 27.51% | 38.31% | 7.89% | (11.48%) | 24.38% |
| Plan fiduciary net position as a percentage of the total pension liability** | 88.61% | 90.86% | 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.

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

TOWN OF CHINA GROVE, NORTH CAROLINA

TOWN OF CHINA GROVE'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
 Last Eight Fiscal Years

Local Government Employees' Retirement System

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|----------------|----------------|----------------|---------------|---------------|---------------|---------------|---------------|
| Contractually required contribution | \$ 155,138 | \$ 134,025 | \$ 110,621 | \$ 96,875 | \$ 81,746 | \$ 63,663 | \$ 59,213 | \$ 57,818 |
| Contributions in relation to the contractually required contribution | <u>155,138</u> | <u>134,025</u> | <u>110,621</u> | <u>96,875</u> | <u>81,746</u> | <u>63,663</u> | <u>59,213</u> | <u>57,818</u> |
| Contribution deficiency (excess) | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> |
| China Grove's covered-employee payroll | \$ 1,499,872 | \$ 1,458,974 | \$ 1,382,678 | \$ 1,227,513 | \$ 1,067,802 | \$ 917,486 | \$ 817,698 | \$ 805,672 |
| Contributions as a percentage of covered-employee payroll | 10.34% | 9.19% | 8.00% | 7.89% | 7.66% | 6.94% | 7.24% | 7.18% |

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

TOWN OF CHINA GROVE, NORTH CAROLINA

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

June 30, 2021

| | <u>2021</u> | | <u>2020</u> | | <u>2019</u> | | <u>2018</u> | | <u>2017</u> |
|--|-------------------|----|----------------|--|----------------|----|----------------|----|----------------|
| Beginning balance | \$ 252,832 | \$ | 220,208 | | 220,256 | \$ | 193,959 | \$ | 200,663 |
| Service cost | 17,616 | | 16,865 | | 16,786 | | 12,573 | | 12,251 |
| Interest on the total pension liability | 8,158 | | 7,646 | | 6,639 | | 7,095 | | 6,801 |
| Changes of benefit terms | - | | - | | - | | - | | - |
| Differences between expected and actual experience in the measurement of the total pension liability | (11,124) | | 17,275 | | 9,169 | | 10,685 | | - |
| Changes of assumptions or other inputs | 153,370 | | 11,147 | | (12,333) | | 16,253 | | (5,447) |
| Benefit payments | (5,200) | | (20,309) | | (20,309) | | (20,309) | | (20,309) |
| Other changes | - | | - | | - | | - | | - |
| Ending balance of the total pension liability | \$ <u>415,652</u> | \$ | <u>252,832</u> | | <u>220,208</u> | \$ | <u>220,256</u> | \$ | <u>193,959</u> |

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

TOWN OF CHINA GROVE, NORTH CAROLINA

SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

June 30, 2021

| | <u>2021</u> | | <u>2020</u> | | <u>2019</u> | | <u>2018</u> | | <u>2017</u> |
|--|-------------|----|-------------|----|-------------|----|-------------|----|-------------|
| Total pension liability | \$ 415,652 | \$ | 252,832 | \$ | 220,208 | \$ | 220,256 | \$ | 193,959 |
| Covered payroll | 640,896 | | 662,005 | | 603,872 | | 545,544 | | 502,400 |
| Total pension liability as a percentage of covered payroll | 64.85% | | 38.19% | | 36.47% | | 40.37% | | 38.61% |

Note to the schedules:

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

December 31, 2020 Measurement Date: The Municipal Bond Index Rate decreased from 3.26% to 1.93%

December 31, 2019 Measurement Date: The Municipal Bond Index Rate decreased from 3.64% to 3.26%

December 31, 2018 Measurement Date: The Municipal Bond Index Rate increased from 3.16% to 3.64%

December 31, 2017 Measurement Date: The Municipal Bond Index Rate decreased from 3.86% to 3.16%

December 31, 2016 Measurement Date: The Municipal Bond Index Rate increased from 3.57% to 3.86%

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

TOWN OF CHINA GROVE, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2021

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---|---------------------|---------------------|---|
| Revenues: | | | |
| Ad Valorem Taxes: | | | |
| Taxes | \$ 1,900,900 | \$ 1,892,053 | \$ (8,847) |
| Penalties and interest | 12,000 | 19,992 | 7,992 |
| Prior years taxes | 14,000 | 52,256 | 38,256 |
| Total | <u>1,926,900</u> | <u>1,964,301</u> | <u>37,401</u> |
| Unrestricted Intergovernmental: | | | |
| Local option sales tax | 956,500 | 1,200,845 | 244,345 |
| Telecommunications sales tax | 31,500 | 27,766 | (3,734) |
| Utility sales tax | 250,000 | 235,305 | (14,695) |
| Piped natural gas sales tax | 9,500 | 11,844 | 2,344 |
| Video franchise tax | 21,000 | 19,743 | (1,257) |
| Beer and wine excise tax | 19,400 | 18,059 | (1,341) |
| ABC profit distribution | 13,600 | 17,525 | 3,925 |
| Total | <u>1,301,500</u> | <u>1,531,087</u> | <u>229,587</u> |
| Restricted Intergovernmental: | | | |
| Powell bill allocation | 114,800 | 109,622 | (5,178) |
| Fire tax | 3,000 | 3,116 | 116 |
| Fire tax supplement | 7,700 | 7,740 | 40 |
| Salisbury/Rowan Schools-SRO | 142,000 | 134,289 | (7,711) |
| Debt reimbursement from City of Salisbury | 236,200 | 236,222 | 22 |
| Cares Act Relief funds | 105,830 | 105,830 | - |
| Project revenue-MPO | 27,000 | 31,715 | 4,715 |
| Solid waste disposal | 3,000 | 2,434 | (566) |
| Controlled substance tax | - | 1,685 | 1,685 |
| Total | <u>639,530</u> | <u>632,653</u> | <u>(6,877)</u> |
| Permits and Fees: | | | |
| Police fines and citations | 4,000 | 3,090 | (910) |
| Zoning and development fees | 6,000 | 10,025 | 4,025 |
| Code enforcement revenue | - | 340 | 340 |
| Community building rent | 10,000 | 3,700 | (6,300) |
| Total | <u>20,000</u> | <u>17,155</u> | <u>(2,845)</u> |
| Investment earnings | <u>38,200</u> | <u>14,498</u> | <u>(23,702)</u> |
| Miscellaneous | | | |
| Farmers Day revenue | 6,200 | 89 | (6,111) |
| Farmers Day sponsors | 7,600 | - | (7,600) |
| Farmers Day booths | 7,500 | - | (7,500) |
| Sale of materials and fixed assets | 1,000 | 4,050 | 3,050 |
| Parade entry fees | 7,000 | 35 | (6,965) |
| CIG sponsors/donations | 8,000 | 400 | (7,600) |
| Miscellaneous revenue | 5,500 | 2,517 | (2,983) |
| Total | <u>42,800</u> | <u>7,091</u> | <u>(35,709)</u> |
| Total Revenues | \$ 3,968,930 | \$ 4,166,785 | \$ 197,855 |

TOWN OF CHINA GROVE, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021

| | Budget | Actual | Variance Positive (Negative) |
|---------------------------------|----------|----------|------------------------------------|
| Expenditures: | | | |
| General Government: | | | |
| Governing Body: | | | |
| Salaries and wages | \$ 8,200 | \$ 8,160 | \$ 40 |
| Payroll tax | 700 | 625 | 75 |
| Materials and supplies | 300 | - | 300 |
| Travel and schools | 600 | 300 | 300 |
| Advertising | - | 130 | (130) |
| Membership and dues | 7,500 | 7,695 | (195) |
| Miscellaneous | 1,300 | 171 | 1,129 |
| Grant match bus service | 7,500 | - | 7,500 |
| Donations | 5,800 | 5,500 | 300 |
| Total | 31,900 | 22,581 | 9,319 |
| Administration: | | | |
| Salaries and wages | 270,100 | 265,438 | 4,662 |
| Salaries and wages-overtime | 4,000 | - | 4,000 |
| Payroll tax | 20,700 | 20,692 | 8 |
| LGERS | 56,900 | 20,767 | 36,133 |
| Prudential 401K | - | 13,014 | (13,014) |
| Insurance benefits | - | 23,072 | (23,072) |
| Workers compensation | 1,900 | 1,748 | 152 |
| Professional fees-accounting | 22,300 | 21,250 | 1,050 |
| Professional fees-legal | 6,000 | 5,563 | 437 |
| Professional fees | - | 950 | (950) |
| Office supplies | 2,500 | 4,601 | (2,101) |
| Materials and supplies | 1,100 | 1,716 | (616) |
| Contracted services | 6,000 | 9,763 | (3,763) |
| Technical support | 17,500 | 14,079 | 3,421 |
| Travel and schools | 7,000 | 5,221 | 1,779 |
| Telephone and postage | 5,200 | 4,494 | 706 |
| Utilities | 8,600 | 8,700 | (100) |
| Printing and codification | 4,000 | - | 4,000 |
| Repair and maintenance | - | 16 | (16) |
| Repair and maintenance-building | 1,000 | 1,273 | (273) |
| Banks service fees | 2,100 | 3,028 | (928) |
| Memberships and dues | 700 | 1,615 | (915) |
| Miscellaneous | 3,000 | 5,727 | (2,727) |
| Leases and maintenance | 200 | 250 | (50) |
| Insurance | 18,400 | 25,333 | (6,933) |
| Capital outlay | 4,000 | - | 4,000 |
| Rowan County tax services | 30,000 | 13,341 | 16,659 |
| Total | 493,200 | 471,651 | 21,549 |
| Total General Government | 525,100 | 494,232 | 30,868 |

TOWN OF CHINA GROVE, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021

| | Budget | Actual | Variance Positive (Negative) |
|----------------------------------|------------------|------------------|------------------------------------|
| Expenditures (continued): | | | |
| Public Safety: | | | |
| Police Department: | | | |
| Salaries and wages | \$ 606,700 | \$ 622,013 | \$ (15,313) |
| School resource officers | 99,400 | 100,881 | (1,481) |
| Salaries and wages-overtime | 4,000 | 2,440 | 1,560 |
| Payroll tax | 54,000 | 55,519 | (1,519) |
| LGERS | 208,100 | 82,135 | 125,965 |
| Prudential 401K | - | 38,002 | (38,002) |
| Insurance benefits | - | 87,966 | (87,966) |
| Workers compensation | 19,700 | 18,190 | 1,510 |
| Materials and supplies | 8,000 | 7,899 | 101 |
| Unleaded and diesel | 22,000 | 19,470 | 2,530 |
| Uniforms | 8,000 | 8,713 | (713) |
| Weapons | 4,000 | 2,572 | 1,428 |
| Contract services | 24,000 | 17,856 | 6,144 |
| Technical support | 8,000 | 8,254 | (254) |
| Travel and schools | 6,000 | 3,606 | 2,394 |
| Telephone and postage | 9,200 | 5,460 | 3,740 |
| Cell phones and pagers | 11,400 | 11,061 | 339 |
| Utilities | 7,200 | 6,838 | 362 |
| Repairs and maintenance | 23,519 | 14,659 | 8,860 |
| Repairs and maintenance-building | 7,000 | 4,845 | 2,155 |
| Memberships and dues | 500 | 250 | 250 |
| Miscellaneous | 3,000 | 2,349 | 651 |
| Insurance | 18,100 | 19,600 | (1,500) |
| Capital outlay | 148,000 | 85,266 | 62,734 |
| Total | <u>1,299,819</u> | <u>1,225,844</u> | <u>73,975</u> |
| Fire Department: | | | |
| Salaries and wages-regular | 240,400 | 249,083 | (8,683) |
| Salaries and wages-overtime | 7,800 | 7,932 | (132) |
| Salaries and wages-part time | 52,000 | 50,922 | 1,078 |
| Payroll tax | 22,400 | 24,192 | (1,792) |
| LGERS | 81,000 | 27,544 | 53,456 |
| Prudential 401K | - | 13,503 | (13,503) |
| Insurance benefits | - | 44,244 | (44,244) |
| Workers compensation | 10,000 | 8,688 | 1,312 |
| Food and provisions | 1,000 | 883 | 117 |
| Medical supplies | 3,000 | 2,385 | 615 |
| Material and supplies | 15,000 | 17,983 | (2,983) |
| Unleaded and diesel | 9,000 | 9,529 | (529) |
| Uniforms | 4,000 | 1,804 | 2,196 |
| Turn out gear | 20,000 | 10,724 | 9,276 |
| Contracted services | 39,300 | 39,581 | (281) |
| Travel and schools | 4,000 | 4,900 | (900) |
| Telephone and postage | 1,800 | 2,900 | (1,100) |
| Cell phones and pagers | 3,500 | 3,843 | (343) |

TOWN OF CHINA GROVE, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2021

| | <u>Budget</u> | <u>Actual</u> | Variance Positive (Negative) |
|-----------------------------------|------------------|------------------|------------------------------------|
| Expenditures (continued): | | | |
| Fire Department (concluded): | | | |
| Utilities | \$ 8,600 | \$ 8,509 | \$ 91 |
| Repairs and maintenance | 137,554 | 137,095 | 459 |
| Repairs and maintenance-buildings | 15,000 | 10,107 | 4,893 |
| Memberships and dues | 300 | 322 | (22) |
| Miscellaneous | 2,000 | 1,031 | 969 |
| Insurance | 16,900 | 16,944 | (44) |
| Capital outlay | 250,000 | 221,437 | 28,563 |
| Total | <u>944,554</u> | <u>916,085</u> | <u>28,469</u> |
| Total Public Safety | <u>2,244,373</u> | <u>2,141,929</u> | <u>102,444</u> |
| Transportation: | | | |
| Streets and Highways: | | | |
| Professional fees | - | 350 | (350) |
| Engineering | 26,000 | - | 26,000 |
| Maintenance and repairs | 25,000 | 28,148 | (3,148) |
| Paving | 74,500 | 47,090 | 27,410 |
| Total | <u>125,500</u> | <u>75,588</u> | <u>49,912</u> |
| Total Transportation | <u>125,500</u> | <u>75,588</u> | <u>49,912</u> |
| Environmental Protection: | | | |
| Public Works: | | | |
| Employee wages-regular | 237,600 | 239,044 | (1,444) |
| Employee wages-overtime | 7,000 | 1,582 | 5,418 |
| Payroll taxes | 18,200 | 18,312 | (112) |
| LGERS | 73,200 | 26,189 | 47,011 |
| Prudential 401K | - | 12,615 | (12,615) |
| Insurance benefits | - | 36,870 | (36,870) |
| Workers compensation | 12,100 | 11,169 | 931 |
| Materials and supplies | 10,000 | 8,809 | 1,191 |
| Unleaded and diesel | 14,000 | 13,403 | 597 |
| Uniforms | 1,600 | 1,676 | (76) |
| Safety equipment and materials | 1,000 | 113 | 887 |
| Contracted services | 1,000 | 1,088 | (88) |
| Travel and schools | 200 | 150 | 50 |
| Telephone and postage | 1,800 | 3,140 | (1,340) |
| Cell phones and pagers | 4,500 | 1,800 | 2,700 |
| Utilities | 5,500 | 5,930 | (430) |
| Street lights | 50,000 | 37,715 | 12,285 |
| Repairs and maintenance | 52,611 | 31,061 | 21,550 |
| Repairs and maintenance-buildings | 5,000 | 1,213 | 3,787 |
| Memberships and dues | 200 | 110 | 90 |
| Miscellaneous | 500 | 744 | (244) |
| Equipment rental | 1,000 | 407 | 593 |

TOWN OF CHINA GROVE, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---|----------------|----------------|---|
| Expenditures (continued): | | | |
| Environmental Protection (concluded): | | | |
| Public Works (concluded): | | | |
| Insurance | \$ 12,600 | \$ 12,408 | \$ 192 |
| Capital outlay | - | 19,593 | (19,593) |
| Garbage and recycling contract | 220,000 | 190,116 | 29,884 |
| Landfill charges | 28,000 | 31,448 | (3,448) |
| Stormwater expenses | 5,000 | 5,591 | (591) |
| Downtown appearance | 2,000 | 1,154 | 846 |
| Total | <u>764,611</u> | <u>713,450</u> | <u>51,161</u> |
| Total Environmental Protection | <u>764,611</u> | <u>713,450</u> | <u>51,161</u> |
| Economic and Physical Development: | | | |
| Planning: | | | |
| Salaries and wages-part time | 26,500 | 27,075 | (575) |
| Payroll tax | 2,000 | 2,178 | (178) |
| Workers compensation insurance | 500 | 485 | 15 |
| Professional fees-planner | - | 2,050 | (2,050) |
| Professional fees | 97,000 | 60,247 | 36,753 |
| Materials and supplies | 5,000 | 984 | 4,016 |
| Unleaded and diesel | 1,500 | 462 | 1,038 |
| Contracted services | 14,000 | 6,430 | 7,570 |
| Technology | 7,500 | 9,834 | (2,334) |
| Travel and schools | 2,000 | 711 | 1,289 |
| Telephone and postage | 1,500 | 1,077 | 423 |
| Repairs and maintenance | 2,500 | 2,872 | (372) |
| Advertising | 2,000 | 2,384 | (384) |
| Memberships and dues | 700 | 225 | 475 |
| Miscellaneous | 200 | 185 | 15 |
| Capital outlay (CARES Act) | 105,830 | 108,687 | (2,857) |
| Tourism and economic development | 7,000 | 7,000 | - |
| Insurance | 5,400 | 5,593 | (193) |
| Total | <u>281,130</u> | <u>238,479</u> | <u>42,651</u> |
| Total Economic and Physical Development | <u>281,130</u> | <u>238,479</u> | <u>42,651</u> |
| Cultural and Recreation: | | | |
| Recreation: | | | |
| Salaries and wages-regular | 54,300 | 54,490 | (190) |
| Salaries and wages-overtime | 3,500 | 479 | 3,021 |
| Payroll tax | 4,200 | 4,376 | (176) |
| LRS | 15,700 | 6,436 | 9,264 |
| Prudential 401K | - | 2,863 | (2,863) |
| Insurance benefits | - | 6,827 | (6,827) |
| Materials and supplies | 200 | 362 | (162) |
| Fuel and oil | 100 | - | 100 |
| Contracted services | 42,200 | 41,113 | 1,087 |
| Christmas activities | 8,200 | 19,399 | (11,199) |

TOWN OF CHINA GROVE, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--------------------------------------|----------------|----------------|---|
| Expenditures (continued): | | | |
| Cultural and Recreation (concluded): | | | |
| Recreation (concluded): | | | |
| Christmas in the Grove | 12,000 | 250 | 11,750 |
| Community building expenses | 16,000 | 11,608 | 4,392 |
| Parade expenses | 4,600 | 760 | 3,840 |
| Events miscellaneous expenses | 7,500 | 4,691 | 2,809 |
| Travel | 1,200 | 138 | 1,062 |
| Telephone and postage | 600 | 546 | 54 |
| Utilities | 8,000 | 8,754 | (754) |
| Repairs and maintenance | 1,000 | 810 | 190 |
| Advertising | 4,300 | - | 4,300 |
| Memberships and dues | 500 | 570 | (70) |
| Miscellaneous | 700 | 5,056 | (4,356) |
| Insurance | 6,500 | 6,729 | (229) |
| Parks and Rec non-capital | 5,000 | - | 5,000 |
| Little League | 6,500 | 3,417 | 3,083 |
| Total | <u>202,800</u> | <u>179,674</u> | <u>23,126</u> |
| Farmers Day: | | | |
| Materials and supplies | 5,000 | 185 | 4,815 |
| Travel | 300 | 28 | 272 |
| Advertising | 1,800 | 1,552 | 248 |
| Miscellaneous | 500 | 177 | 323 |
| Entertainment | 10,500 | - | 10,500 |
| Sound equipment and stage | 4,200 | - | 4,200 |
| Fireworks | 3,500 | - | 3,500 |
| T-shirts | 5,400 | 128 | 5,272 |
| Rentals | 5,100 | 281 | 4,819 |
| Porta-potties | 1,300 | - | 1,300 |
| Total | <u>37,600</u> | <u>2,351</u> | <u>35,249</u> |
| Total Cultural and Recreation | <u>240,400</u> | <u>182,025</u> | <u>58,375</u> |

TOWN OF CHINA GROVE, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---|---------------------|----------------------------|---|
| Expenditures (concluded): | | | |
| Debt Service: | | | |
| Principal retirement | 369,100 | 368,943 | 157 |
| Interest | 98,900 | 98,887 | 13 |
| Total | <u>468,000</u> | <u>467,830</u> | <u>170</u> |
| Total Expenditures | <u>4,649,114</u> | <u>4,313,533</u> | <u>335,581</u> |
| Revenues Over (Under) Expenditures | \$ <u>(680,184)</u> | \$ <u>(146,748)</u> | \$ <u>533,436</u> |
| Other Financing Sources (Uses): | | | |
| Transfers from other funds: | - | 9,508 | 9,508 |
| Insurance proceeds | 338,184 | 338,183 | (1) |
| Total | <u>338,184</u> | <u>347,691</u> | <u>9,507</u> |
| Fund Balance Appropriated | <u>342,000</u> | <u>-</u> | <u>(342,000)</u> |
| Net Change in Fund Balance | \$ <u><u>-</u></u> | 200,943 | \$ <u><u>200,943</u></u> |
| Fund Balance, Beginning | | <u>2,870,015</u> | |
| Fund Balance, Ending | | \$ <u><u>3,070,958</u></u> | |

TOWN OF CHINA GROVE, NORTH CAROLINA

CAPITAL PROJECT-CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
 From Inception and For the Year Ended June 30, 2021

| | Budget | Prior Years | Actual Current Year | Total to Date | Variance Positive (Negative) |
|---|------------------|------------------|---------------------------|------------------|------------------------------------|
| Revenues: | | | | | |
| Interest | \$ 15,000 | \$ 18,907 | \$ 1 | \$ 18,908 | \$ 3,908 |
| Total Revenues | <u>15,000</u> | <u>18,907</u> | <u>1</u> | <u>18,908</u> | <u>3,908</u> |
| Other financing sources (uses): | | | | | |
| Transfer from General Fund | 180,000 | 180,000 | - | 180,000 | - |
| Transfer to General Fund | <u>(195,000)</u> | <u>(189,400)</u> | <u>(9,508)</u> | <u>(198,908)</u> | <u>(3,908)</u> |
| Total other financing sources (uses) | <u>(15,000)</u> | <u>(9,400)</u> | <u>(9,508)</u> | <u>(18,908)</u> | <u>(3,908)</u> |
| Net Change in Fund Balance | \$ <u>-</u> | \$ <u>9,507</u> | (9,507) | \$ <u>-</u> | \$ <u>-</u> |
| Fund Balance, Beginning | | | <u>9,507</u> | | |
| Fund Balance, Ending | | | \$ <u>-</u> | | |

TOWN OF CHINA GROVE, NORTH CAROLINA**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**

June 30, 2021

| <u>Fiscal Year</u> | <u>Uncollected Balance June 30, 2020</u> | <u>Additions</u> | <u>Collections and Credits</u> | <u>Uncollected Balance June 30, 2021</u> |
|---|--|----------------------------|------------------------------------|--|
| 2020-2021 | \$ - | \$ 1,939,463 | \$ 1,903,641 | \$ 35,822 |
| 2019-2020 | 52,531 | - | 40,370 | 12,161 |
| 2018-2019 | 20,524 | - | 5,817 | 14,707 |
| 2017-2018 | 12,653 | - | 4,246 | 8,407 |
| 2016-2017 | 6,694 | - | 872 | 5,822 |
| 2015-2016 | 4,917 | - | 807 | 4,110 |
| 2014-2015 | 3,658 | - | 767 | 2,891 |
| 2013-2014 | 3,891 | - | 534 | 3,357 |
| 2012-2013 | 3,523 | - | 606 | 2,917 |
| 2011-2012 | 2,961 | - | 470 | 2,491 |
| 2010-2011 | <u>1,963</u> | <u>-</u> | <u>1,963</u> | <u>-</u> |
| | \$ <u><u>113,315</u></u> | \$ <u><u>1,939,463</u></u> | \$ <u><u>1,960,093</u></u> | 92,685 |
| Less: Allowance for uncollectible accounts: | | | | |
| Ad valorem taxes receivable | | | | <u>18,074</u> |
| Ad valorem taxes receivable - net | | | \$ | <u><u>74,611</u></u> |
| Reconcilement with Revenues: | | | | |
| Ad valorem taxes collected: | | | | |
| General fund | | | \$ | 1,964,301 |
| Reconciling items: | | | | |
| Interest collected | | | | (19,992) |
| Taxes written off | | | | 1,963 |
| Discounts allowed | | | | 13,210 |
| Adjustments | | | | <u>611</u> |
| Total Collections and Credits | | | \$ | <u><u>1,960,093</u></u> |

TOWN OF CHINA GROVE, NORTH CAROLINA**ANALYSIS OF CURRENT TAX LEVY****TOWN-WIDE LEVY**

For the Fiscal Year Ended June 30, 2021

| | 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 | \$ 360,134,259 | \$ 0.54 | \$ 1,944,725 | \$ 1,755,420 | \$ 189,305 |
| Penalties | - | | 966 | 966 | - |
| Total Original Levy | <u>360,134,259</u> | | <u>1,945,691</u> | <u>1,756,386</u> | <u>189,305</u> |
| Discoveries: | | | | | |
| Current year taxes | 3,148 | 0.54 | 17 | 17 | - |
| Total Discoveries | <u>3,148</u> | | <u>17</u> | <u>17</u> | <u>-</u> |
| Abatements | <u>(1,156,481)</u> | 0.54 | <u>(6,245)</u> | <u>(500)</u> | <u>(5,745)</u> |
| Total Property Valuation | <u>\$ 358,980,926</u> | | | | |
| Net levy | | | 1,939,463 | 1,755,903 | 183,560 |
| Uncollected taxes at June 30, 2021 | | | <u>(35,822)</u> | <u>(35,822)</u> | <u>-</u> |
| Current year's taxes collected | | | <u>\$ 1,903,641</u> | <u>\$ 1,720,081</u> | <u>\$ 183,560</u> |
| Current levy collection percentage | | | <u>98.15%</u> | <u>97.96%</u> | <u>100.00%</u> |



WILLIAM R.
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**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 Honorable Mayor and
Members of the Town Council
Town of China Grove, North Carolina

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of China Grove, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of China Grove, North Carolina's basic financial statements and have issued my report thereon dated November 29, 2021.

Internal Control Over Financial Reporting

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

To the Honorable Mayor and
Members of the Town Council
Town of China Grove, North Carolina
Page 2

My 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 have not been identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses or significant deficiencies.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

A handwritten signature in black ink that reads "William R. Huneycutt, CPA, PLLC". The signature is written in a cursive, flowing style.

William R. Huneycutt, CPA, PLLC

Asheboro, North Carolina
November 29, 2021