

TOWN OF CHINA GROVE, NORTH CAROLINA

FINANCIAL STATEMENTS

June 30, 2020

TOWN OF CHINA GROVE, NORTH CAROLINA

TOWN COUNCIL MEMBERS

Charles Seaford - Mayor

Brandon Linn

Arthur Heggins

Don Bringle

Steve Stroud

Rodney Phillips - Mayor Pro-Tem

OFFICIALS

Ken Deal

Town Manager

Dean Luebbe

Finance Officer

Pamela Mills

Town Clerk

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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, 2020, 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
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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, 2020, 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 45 and 46, 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 47 and 48 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 December 11, 2020 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 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.



William R. Huneycutt, CPA, PLLC
Asheboro, North Carolina
December 11, 2020

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, 2020. 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

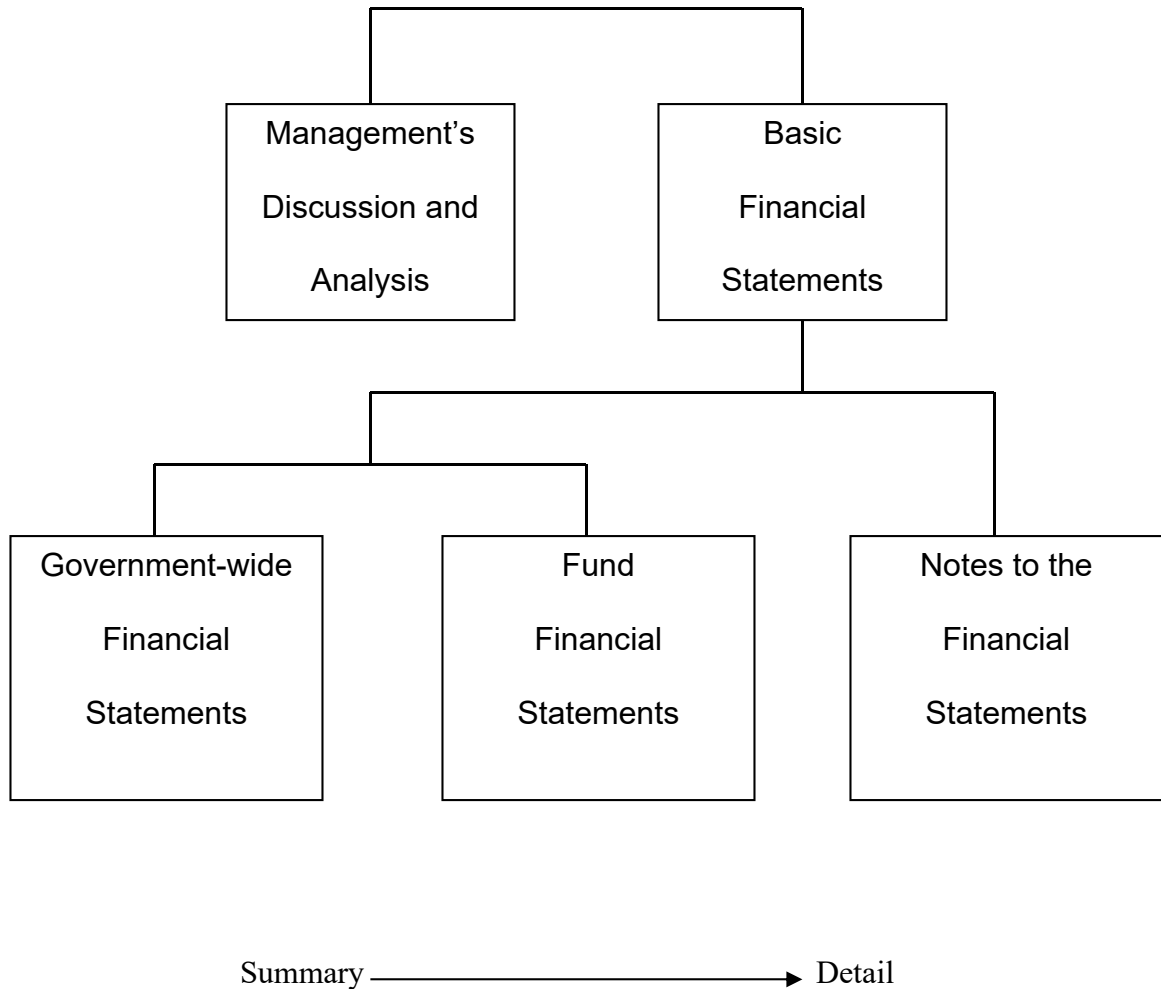
- The assets and deferred outflows of resources of the Town of China Grove *exceeded* its liabilities and deferred inflows of resources at the close of the fiscal year by \$ 4,349,858 (*net position*).
- The government's total net position decreased by \$ 120,221, primarily due to higher expenditures, and a reduction in capital asset additions due to the Covid 19 pandemic.
- As of the close of the current fiscal year, the Town of China Grove governmental funds reported combined ending fund balances of \$ 2,879,522, an increase of \$ 138,918 in comparison with the prior year. Approximately 22.5% of this total amount, or \$ 646,588 is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$ 2,054,434 which is 53.7% of total general fund expenditures for the fiscal year.
- The Town of China Grove total debt decreased \$ 331,784 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 serves 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 5) 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 22 through 44 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 45 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		Total	
	Activities			
	2020	2019	2020	2019
Current and other assets	\$ 4,474,087	\$ 4,495,919	\$ 4,474,087	\$ 4,495,919
Capital assets	4,115,384	4,386,983	4,115,384	4,386,983
Total deferred outflows of resources	430,216	467,706	430,216	467,706
Total assets and deferred inflows of resources	9,019,687	9,350,608	9,019,687	9,350,608
Long-term liabilities outstanding	4,263,461	4,478,984	4,263,461	4,478,984
Other liabilities	392,872	383,193	392,872	383,193
Total deferred inflows of resources	13,496	18,352	13,496	18,352
Total liabilities and deferred inflows of resources	4,669,829	4,880,529	4,669,829	4,880,529
Net position:				
Net investment in capital assets	1,979,115	2,128,410	1,979,115	2,128,410
Restricted	628,961	644,327	628,961	644,327
Unrestricted	1,741,782	1,697,342	1,741,782	1,697,342
Total net position	\$ 4,349,858	\$ 4,470,079	\$ 4,349,858	\$ 4,470,079

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 \$4,349,858 as of June 30, 2020. The Town's net position decreased by \$ 120,221 for the fiscal year ended June 30, 2020. The largest portion of net position (45.5%) 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 (14.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,741,782 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 97.31.
- Sales tax collections increased by \$54,037, as compared to the previous fiscal year.

Town of China Grove's Changes in Net Position

Figure 3

	Governmental Activities		Total	
	2020	2019	2020	2019
Revenues:				
Program revenues:				
Charges for services	\$ 18,288	\$ 19,480	\$ 18,288	\$ 19,480
Operating grants and contributions	303,098	309,567	303,098	309,567
Capital grants and contributions	-	35,000	-	35,000
General revenues:				
Property taxes	1,942,336	1,882,199	1,942,336	1,882,199
Grants and contributions not restricted to specific programs	1,389,417	1,347,609	1,389,417	1,347,609
Other	103,522	381,281	103,522	381,281
Total revenues	3,756,661	3,975,136	3,756,661	3,975,136
Expenses:				
General government	535,188	527,791	535,188	527,791
Public safety	2,040,543	1,835,349	2,040,543	1,835,349
Transportation	137,818	106,698	137,818	106,698
Environmental protection	715,292	708,853	715,292	708,853
Economic and physical development	76,763	76,554	76,763	76,554
Cultural and recreation	263,777	250,806	263,777	250,806
Interest on long-term debt	107,501	113,917	107,501	113,917
Total expenses	3,876,882	3,619,968	3,876,882	3,619,968
Change in net position	(120,221)	355,168	(120,221)	355,168
Net position, July 1	4,470,079	4,114,911	4,470,079	4,114,911
Net position, June 30	\$ 4,349,858	\$ 4,470,079	\$ 4,349,858	\$ 4,470,079

Governmental activities. Governmental activities decreased the Town's net position by \$120,221. In FY19, there were large revenues related to sale of assets and borrowing which did not occur in FY20. Expenses were slightly higher in FY20 in many departments. Property and sales tax both increased by over 3% from FY19 levels. In March of 2020, the Town, along with the rest of the country was affected by the Covid 19 pandemic. The fear and uncertainty surrounding Covid 19, caused retail and restaurants to reduce hours, and some Town related recreation activities were reduced in scale or postponed.

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 \$ 2,054,434 while total fund balance reached \$ 2,870,015. 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 53.7% of total General Fund expenditures, while total fund balance represents 75% of that same amount.

At June 30, 2020, the governmental funds of the Town reported a combined fund balance of \$2,879,522 a 5% increase over last year. This is the result of a net change in fund balance of \$138,918.

General Fund Budgetary Highlights: During the fiscal year, the Town revised the budget five 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, 2020, totals \$ 4,115,384 (net of accumulated depreciation). These assets include buildings, roads and other infrastructure, land, machinery and equipment, and vehicles.

- The Town continued its improvements to the Community Building adding blinds and a soundproof wall panels.
- The Town entered into a five year lease agreement for three copiers.
- The Fire Department purchased a vehicle stabilization lifting system.

Town of China Grove's Capital Assets
(net of depreciation)

Figure 4

	Governmental Activities		Total	
	2020	2019	2020	2019
Land	\$ 146,437	\$ 146,437	\$ 146,437	\$ 146,437
Buildings	2,384,576	2,433,638	2,384,576	2,433,638
Equipment	1,045,509	1,250,374	1,045,509	1,250,374
Infrastructure	500,016	512,330	500,016	512,330
Other Improvements	38,846	44,204	38,846	44,204
Total	\$ 4,115,384	\$ 4,386,983	\$ 4,115,384	\$ 4,386,983

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, 2020, the Town had no bonded debt.

Outstanding Long-term Liabilities

Figure 5

	Governmental Activities		Total	
	2020	2019	2020	2019
Direct placement installment purchases	\$ 3,234,298	\$ 3,590,941	\$ 3,234,298	\$ 3,590,941
Capital Leases	32,771	7,912	32,771	7,912
Compensated absences	100,155	128,044	100,155	128,044
Net pension liability (LGERS)	643,405	531,879	643,405	531,879
Net pension liability (LEO)	252,832	220,208	252,832	220,208
Total	\$ 4,263,461	\$ 4,478,984	\$ 4,263,461	\$ 4,478,984

Town of China Grove's Outstanding Long-term Liabilities

The Town's total outstanding long-term liabilities decreased by \$ 215,523 during the current fiscal year. The key factor in this decrease in long-term liabilities is a decrease of \$ 356,643 in direct placement installment purchases. Net pension liabilities related to LGERS and LEO increased by \$ 144,150 in FY20.

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 \$ 25,334,727. The Town has no bonds authorized but unissued at June 30, 2020.

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 8.2% with the State's average unemployment of 7.5%. Both percentages are approximately twice as high as the previous year due to the Covid 19 pandemic.
- 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.
- 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 continues to attract interest in the housing and retail sectors.

Budget Highlights for the Fiscal Year Ending June 30, 2021

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 \$1,934,600. This is 50% 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 \$1,268,500 or 33% of the total General Fund Revenues. Combined, these three revenue sources account for approximately 83% of the General Fund Revenues.

This General Fund budget for the upcoming year is \$134,700 higher than anticipated revenues from the previous year's original budget. The Town appropriated \$178,500 of fund balance to balance the FY21 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:

Dean Luebbe, CPA
Town of China Grove
Finance Officer
333 North Main St.
China Grove, NC 28023
dluebbe@chinagrovec.nc.gov

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

TOWN OF CHINA GROVE, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2020

Exhibit 1

	Governmental Activities	Total
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,400,030	\$ 2,400,030
Taxes receivable (net)	91,430	91,430
Accrued interest receivable on taxes	20,284	20,284
Debt reimbursement receivable from City of Salisbury-current portion	209,490	209,490
Prepaid items	17,627	17,627
Due from other governments	377,119	377,119
Restricted cash and cash equivalents	436,797	436,797
Total current assets	3,552,777	3,552,777
Non-current assets:		
Debt reimbursement receivable from City of Salisbury-due in more than one year	921,310	921,310
Capital assets:		
Land, non-depreciable improvements, and construction in progress	146,437	146,437
Other capital assets, net of depreciation	3,968,947	3,968,947
Total capital assets	4,115,384	4,115,384
Total assets	8,589,471	8,589,471
Deferred Outflows of Resources		
Pension deferrals	430,216	430,216
Total deferred outflows of resources	430,216	430,216
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	139,586	139,586
Accrued interest payable	40,821	40,821
Unearned revenue	15,000	15,000
Current portion of long-term liabilities	420,012	420,012
Payable from restricted assets-Performance bonds	197,465	197,465
Total current liabilities	812,884	812,884
Long-term liabilities:		
Due in more than one year	3,843,449	3,843,449
Total liabilities	4,656,333	4,656,333
Deferred Inflows of Resources		
Pension deferrals	13,496	13,496
Total deferred inflows of resources	13,496	13,496
Net Position		
Net investment in capital assets	1,979,115	1,979,115
Restricted for:		
Stabilization by State Statute	377,119	377,119
Streets	104,420	104,420
Debt service	116,087	116,087
Other functions	31,335	31,335
Unrestricted	1,741,782	1,741,782
Total net position	\$ 4,349,858	\$ 4,349,858

TOWN OF CHINA GROVE, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Primary government:						
Governmental Activities:						
General government	\$ 535,188	\$ -	\$ 31,783	\$ -	\$ (503,405)	\$ (503,405)
Public Safety	2,040,543	3,363	153,218	-	(1,883,962)	(1,883,962)
Transportation	137,818	-	114,853	-	(22,965)	(22,965)
Environmental protection	715,292	-	3,244	-	(712,048)	(712,048)
Economic and physical development	76,763	7,575	-	-	(69,188)	(69,188)
Cultural and recreation	263,777	7,350	-	-	(256,427)	(256,427)
Interest on long-term debt	107,501	-	-	-	(107,501)	(107,501)
 Total governmental activities (See Note 1)	 \$ 3,876,882	 \$ 18,288	 \$ 303,098	 \$ -	 (3,555,496)	 (3,555,496)
General revenues:						
Taxes:						
Property taxes, levied for general purpose					1,942,336	1,942,336
Grants and contributions not restricted to specific programs					1,389,417	1,389,417
Farmers Day					37,136	37,136
Unrestricted investment earnings					37,505	37,505
Insurance recovery					4,495	4,495
Miscellaneous					24,386	24,386
 Total general revenues and transfers					 3,435,275	 3,435,275
 Change in net position					 (120,221)	 (120,221)
 Net position, beginning					 4,470,079	 4,470,079
 Net position, ending					 \$ 4,349,858	 \$ 4,349,858

TOWN OF CHINA GROVE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

Exhibit 3

	Major	Non-Major	Total
	General Fund	Capital Reserve Fund	Governmental Funds
Assets			
Cash and cash equivalents	\$ 2,400,030	\$ -	\$ 2,400,030
Restricted cash	427,290	9,507	436,797
Taxes receivable (net)	91,430	-	91,430
Prepaid items	17,627	-	17,627
Due from other governments	377,119	-	377,119
Debt reimbursement receivable from City of Salisbury	1,130,800	-	1,130,800
Total assets	4,444,296	9,507	4,453,803
Liabilities			
Accounts payable and accrued liabilities	139,586	-	139,586
Unearned revenue	15,000	-	15,000
Performance bonds	197,465	-	197,465
Total liabilities	352,051	-	352,051
Deferred Inflows of Resources			
Property taxes receivable	91,430	-	91,430
Debt reimbursement from City of Salisbury	1,130,800	-	1,130,800
Total deferred inflows of resources	1,222,230	-	1,222,230
Fund Balances			
Non Spendable			
Prepaid expenses	17,627	-	17,627
Restricted			
Stabilization by State Statute	377,119	-	377,119
Streets	104,420	-	104,420
Police-Drug enforcement	21,828	-	21,828
Debt service	116,087	-	116,087
Capital Reserve	-	9,507	9,507
Assigned			
Subsequent year's expenditures	178,500	-	178,500
Unassigned	2,054,434	-	2,054,434
Total fund balances	2,870,015	9,507	\$ 2,879,522
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,444,296	\$ 9,507	

TOWN OF CHINA GROVE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

Exhibit 3
(cont)

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

Total Fund Balance, Governmental Funds		\$ 2,879,522
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Gross capital assets at historical cost	\$ 7,224,849	
Accumulated depreciation	<u>(3,109,465)</u>	4,115,384
Deferred outflows of resources related to contributions to the pension plans in the current fiscal year are not reported in the funds		430,216
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		20,284
Earned revenues considered deferred inflows of resources in fund statements		1,222,230
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		(4,263,461)
Deferred inflows of resources related to pensions are not reported in the funds		(13,496)
Other long-term liabilities (accrued interest), are not due and payable in the current period and therefore are not reported in the funds.		<u>(40,821)</u>
Net position of governmental activities		<u><u>\$ 4,349,858</u></u>

TOWN OF CHINA GROVE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

Exhibit 4

	Major General Fund	Non-Major Capital Reserve Fund	Total Governmental Funds
Revenues			
Ad valorem taxes	\$ 1,905,353	\$ -	\$ 1,905,353
Unrestricted intergovernmental	1,389,417	-	1,389,417
Restricted intergovernmental	512,587	-	512,587
Permits and fees	18,288	-	18,288
Investment earnings	37,382	123	37,505
Miscellaneous	65,227	-	65,227
Total Revenues	3,928,254	123	3,928,377
Expenditures			
Current			
General Government	491,775	-	491,775
Public safety	1,750,951	-	1,750,951
Transportation	124,484	-	124,484
Environmental protection	651,335	-	651,335
Economic and physical development	76,763	-	76,763
Cultural and recreation	257,194	-	257,194
Debt Service			
Principal retirement	362,906	-	362,906
Interest	109,668	-	109,668
Total expenditures	3,825,076	-	3,825,076
Excess (deficiency) of revenues over expenditures	103,178	123	103,301
Other financing sources (uses):			
Proceeds from borrowing	31,122	-	31,122
Insurance recovery	4,495	-	4,495
Total other financing sources (uses)	35,617	-	35,617
Net change in fund balance	138,795	123	138,918
Fund balances, beginning	2,731,220	9,384	2,740,604
Fund balance, ending	\$ 2,870,015	\$ 9,507	\$ 2,879,522

TOWN OF CHINA GROVE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

Exhibit 4
(cont)

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

Net changes in fund balances - total governmental funds	\$	138,918
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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	\$	57,270	
Depreciation expense for governmental assets		(328,869)	(271,599)

Contributions to the pension plan (LGERS) in the current fiscal year are not included on the Statement of Activities		134,025
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Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities		3,638
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund.

Change in unavailable revenue for tax revenues	36,983	
Change in unearned revenue for debt reimbursement-City of Salisbury	(209,490)	(172,507)

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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in treatment of long-term debt and related items.

Net long-term debt issued	(31,122)	
Principal payments on long-term debt	362,906	
Decrease in accrued interest payable	\$ 2,168	333,952

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		27,889
Pension expense (LGERS)		(293,209)
Net pension obligation (LEOSSA)		(21,328)

Total changes in net position of governmental activities	\$	(120,221)
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TOWN OF CHINA GROVE, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
For the Year Ended June 30, 2020

Exhibit 5

	General Fund			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
Revenues				
Ad valorem taxes	\$ 1,874,000	\$ 1,874,000	\$ 1,905,353	\$ 31,353
Unrestricted intergovernmental	1,384,100	1,384,100	1,389,417	5,317
Restricted intergovernmental	504,400	504,400	512,587	8,187
Permits and fees	23,900	23,900	18,288	(5,612)
Investment earnings	25,000	25,000	37,382	12,382
Miscellaneous	58,500	98,300	65,227	(33,073)
Total revenues	3,869,900	3,909,700	3,928,254	18,554
Expenditures				
Current				
General government	483,600	496,100	491,775	4,325
Public safety	1,721,100	1,794,100	1,750,951	43,149
Transportation	115,500	135,500	124,484	11,016
Environmental protection	701,300	693,800	651,335	42,465
Economic and physical development	94,600	124,600	76,763	47,837
Cultural and recreational	277,400	277,900	257,194	20,706
Debt service				
Principal retirement	367,300	371,600	362,906	8,694
Interest	109,100	109,100	109,668	(568)
Total expenditures	3,869,900	4,002,700	3,825,076	177,624
Revenues over (under) expenditures	-	(93,000)	103,178	196,178
Other financing sources (uses):				
Proceeds from borrowing	-	-	31,122	31,122
Insurance recovery	-	-	4,495	4,495
Total other financing sources (uses)	-	-	35,617	35,617
Fund balance appropriated	-	93,000	-	(93,000)
Net change in fund balance	\$ -	\$ -	138,795	\$ 138,795
Fund balance, beginning			2,731,220	
Fund balance, ending			<u>\$ 2,870,015</u>	

TOWN OF CHINA GROVE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

I. 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:

A. Reporting Entity

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

B. Basis of Presentation

Government-wide Statements- The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the 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.

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.

TOWN OF CHINA GROVE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

C. Measurement Focus and Basis of Accounting

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

Government-wide 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. Nonexchange 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 registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the 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 is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

TOWN OF CHINA GROVE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal-year end. A project ordinance is adopted for the Capital Reserve Fund. 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.

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

1. 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. The NCCMT-Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2020, the Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

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

TOWN OF CHINA GROVE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

3. 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	\$ 4,634
Police drug account-federal	17,194
Debt service account-USDA loan	116,087
Developer performance bond	197,515
Restricted for street maintenance	91,860
Capital Reserve Fund	<u>9,507</u>
Total restricted cash	<u>\$ 436,797</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 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, 2019. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Prepaid Items

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

TOWN OF CHINA GROVE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of 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 value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	30 – 50
Buildings	50
Improvements	25
Vehicles	5 - 6
Furniture and equipment	5 - 10
Computer equipment	3

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2020 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 - prepaid taxes, property taxes receivable, debt reimbursement from the City of Salisbury, and pension deferrals.

9. 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.

TOWN OF CHINA GROVE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

10. 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.

11. 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 either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

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

The governmental fund types classify fund balances as follows:

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.

TOWN OF CHINA GROVE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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.

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 Grove’s 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.

12. Defined Benefit Cost-Sharing Plans

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

II. Stewardship, Compliance, and Accountability

A. Significant Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes: None.

2. Contractual Violations: None.

B. Deficit in Fund Balance of Individual Funds not appropriated in subsequent year’s budget ordinance: None.

C. Excess of Expenditures Over Appropriations: None.

TOWN OF CHINA GROVE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

III. Detail Notes on All Funds

A. Assets

1. 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 agent 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 agent 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, 2020, the Town's deposits had a carrying amount of \$2,049,179 and a bank balance of \$2,063,510. Of the bank balance, \$709,310 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2020, the Town's petty cash fund totaled \$450.

2. Investments

At June 30, 2020, the Town of China Grove had \$787,198 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.

3. Receivables – Allowance for Doubtful Accounts

The amount for taxes receivable presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2020 is net of an allowance for doubtful accounts of \$21,885.

TOWN OF CHINA GROVE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2020, 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	146,437	-	-	146,437
Capital assets being depreciated:				
Buildings	3,125,511	13,607	-	3,139,118
Equipment	3,120,962	43,663	-	3,164,625
Infrastructure	615,680	-	-	615,680
Other improvements	158,989	-	-	158,989
Total capital assets being depreciated	7,021,142	57,270	-	7,078,412
Less accumulated depreciation for:				
Buildings	691,873	62,669		754,542
Equipment	1,870,588	248,528		2,119,116
Infrastructure	103,350	12,314		115,664
Other improvements	114,785	5,358		120,143
Total accumulated depreciation	2,780,596	\$ 328,869	\$ -	3,109,465
Total capital assets being depreciated, net	4,240,546			3,968,947
Governmental activity capital assets, net	\$ 4,386,983			\$ 4,115,384

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

General government	\$ 38,642
Public safety	212,676
Transportation	13,334
Environmental protection	46,878
Cultural and recreation	17,339
Total depreciation expense	\$ 328,869

TOWN OF CHINA GROVE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

B. Liabilities

1. Pension Plan Obligations

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

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

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

Contributions- Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of 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, 2020, was 9.700% of compensation for law enforcement officers and 9.000% 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 \$134,025 for the year ended June 30, 2020.

TOWN OF CHINA GROVE, NORTH CAROLINA
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For the Fiscal Year Ended June 30, 2020

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, 2020, the Town reported a liability of \$643,405 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019 (measurement date), the Town's proportion was 0.02356%, which was an increase of 0.00114% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$293,209. At June 30, 2020, 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	\$ 110,167	\$ -
Changes of assumptions	104,864	-
Net difference between projected and actual earnings on pension plan investments	15,693	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	16,120	2,518
Town contributions subsequent to the measurement date	134,025	-
Total	<u>\$ 380,869</u>	<u>\$ 2,518</u>

\$134,025 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	\$ 121,794
2022	40,714
2023	64,624
2024	17,196
2025	-
Thereafter	-

TOWN OF CHINA GROVE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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Actuarial Assumptions- The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2018 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, 2019 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 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
For the Fiscal Year Ended June 30, 2020

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)	\$ 1,471,585	\$ 643,405	\$ (44,980)

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

b. Law Enforcement Officers' Special Separation Allowance

1. 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 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2018 the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	13
Total	14

TOWN OF CHINA GROVE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

2. 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 and refunds are recognized when due and payable in accordance with the terms of the plan.

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

3. Actuarial Assumptions:

The entry age actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 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 are based on the RP-2014 base rates projected to the valuation date using MP-2015.

4. 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 the 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 \$3,638 as benefits came due for the reporting period.

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

At June 30, 2020, the Town reported a total pension liability of \$252,832. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$31,482.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 27,093	\$ -
Changes of assumptions	18,616	10,978
Benefit payments and administrative expenses subsequent to the measurement date	3,638	-
Total	<u>\$ 49,347</u>	<u>\$ 10,978</u>

TOWN OF CHINA GROVE, NORTH CAROLINA
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\$3,638 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	\$ 6,971
2022	6,971
2023	6,971
2024	7,199
2025	3,991
Thereafter	2,628

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 3.26 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 (2.26 percent) or 1-percentage point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	\$ 284,273	\$ 252,832	\$ 224,413

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

	2020
Beginning balance	\$ 220,208
Service cost	16,865
Interest on the total pension liability	7,646
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	17,275
Changes of assumptions or other inputs	11,147
Benefit payments	(20,309)
Other changes	-
Ending balance of the total pension liability	<u>\$ 252,832</u>

TOWN OF CHINA GROVE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

	LGERS	LEOSSA	TOTAL
Pension Expense	\$293,209	\$31,482	\$324,691
Pension Liability	643,405	252,832	896,237
Proportionate share of the net pension liability	0.02356%	n/a	
Deferred Outflows of Resources			
Difference between expected and actual experience	110,167	27,093	137,260
Changes of assumptions	104,864	18,616	123,480
Net difference between projected and actual earnings on plan investments	15,693	-	15,693
Changes in proportion and differences between contributions and proportionate share of contributions	16,120	-	16,120
Benefit payments and administrative costs paid subsequent to the measurement date	134,025	3,638	137,663
Deferred Inflows of Resources			
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	10,978	10,978
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	2,518	-	2,518

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

Funding Policy- Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary. 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 \$71,072 for the reporting year. No amounts were forfeited.

TOWN OF CHINA GROVE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

2. 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 employee's 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.

3. 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	\$ 137,260
Changes of assumptions	123,480
Net difference between projected and actual earnings on pension plan investments	15,693
Changes in proportion and differences between Town contributions and proportionate share of contributions	16,120
Town contributions subsequent to the measurement date	134,025
Benefit payments and administrative expenses subsequent to the measurement date-LEOSSA	3,638
	<u>\$ 430,216</u>

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

	Statement of Net Position (Exhibit 1)	General Fund Balance Sheet (Exhibit 3)
Property taxes receivable	\$ -	\$ 91,430
Debt reimbursement from City of Salisbury	-	1,130,800
Changes of assumptions	10,978	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,518	-
	<u>\$ 13,496</u>	<u>\$ 1,222,230</u>

TOWN OF CHINA GROVE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

4. 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. Through the pool, the Town obtains worker's compensation coverage up to the statutory limits.

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.

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.

5. Reconciliation of Powell Bill Expenditures

The following is a reconciliation of Powell Bill expenditures to the Powell Bill report filed:

Per financial statements-transportation	\$ 124,484
Rounding	<u>(1)</u>
Per Powell Bill Expenditures Report	<u><u>\$ 124,483</u></u>

TOWN OF CHINA GROVE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

6. Long-Term Obligations

a. 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, 2016, the Town leased two copiers, one for administrative department use and one for police department use. Each lease requires 60 minimum monthly payments of \$219.78, beginning in February 2016. The copier agreements allow for the purchase of the copiers at the end of the lease for fair market value. These two copiers were taken out of service on March 5, 2020. Accordingly, depreciation expenses stopped accruing as of that date.

During the fiscal year ended June 30, 2020, 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, 2020:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Equipment	\$ 57,496	\$ 24,053	\$ 33,443
Total	<u>\$ 57,496</u>	<u>\$ 24,053</u>	<u>\$ 33,443</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020 are as follows:

Year Ending June 30	
2021	\$ 8,565
2022	5,928
2023	5,928
2024	5,928
2025	5,928
Thereafter	<u>494</u>
Total minimum lease payments	32,771
Less amount representing interest	<u>-</u>
Present value of the minimum lease payments	<u>\$ 32,771</u>

TOWN OF CHINA GROVE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

b. 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, 2020, including \$850,482 of interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2021	\$ 52,800	\$ 63,287
2022	54,648	61,439
2023	56,561	59,526
2024	58,541	57,546
2025	60,590	55,497
2026-2030	336,281	244,154
2031-2035	399,396	181,039
2036-2040	474,358	106,077
2041-2043	315,018	21,917
	<u>\$ 1,808,193</u>	<u>\$ 850,482</u>

c. Installment Purchase

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 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, 2020, including \$12,938 of interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2021	\$ 83,907	\$ 6,469
2022	83,907	4,313
2023	83,906	2,156
	<u>\$ 251,720</u>	<u>\$ 12,938</u>

TOWN OF CHINA GROVE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

d. 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 November 1, 2007. The principal sum is to 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.

Annual debt service payments of the installment purchase as of June 30, 2020, including \$81,051 of interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2021	\$ 125,583	\$ 20,263
2022	125,583	17,368
2023	125,583	14,473
2024	125,583	11,579
2025	125,583	8,684
2026-2027	251,165	8,684
	<u>\$ 879,080</u>	<u>\$ 81,051</u>

e. Installment Purchase

The Town 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, 2020, including \$14,194 of interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2021	\$ 59,881	\$ 6,675
2022	61,941	4,615
2023	64,072	2,484
2024	32,878	420
	<u>\$ 218,772</u>	<u>\$ 14,194</u>

TOWN OF CHINA GROVE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

f. Installment Purchase

The Town 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, 2020, including \$2,793 of interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2021	\$ 38,267	\$ 2,097
2022	38,266	696
	<u>\$ 76,533</u>	<u>\$ 2,793</u>

At June 30, 2020, the Town of China Grove, North Carolina had a legal debt margin of \$25,334,727.

g. Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Direct placement					
Installment purchases	\$ 3,590,941	\$ -	\$ 356,643	\$ 3,234,298	\$ 360,438
Capitalized leases	7,912	31,122	6,263	32,771	8,565
Compensated absences	128,044	-	27,889	100,155	51,009
Net pension liability (LGERS)	531,879	111,526	-	643,405	-
Net pension liability (LEO)	220,208	32,624	-	252,832	-
Governmental activities long-term liabilities	<u>\$ 4,478,984</u>	<u>\$ 175,272</u>	<u>\$ 390,795</u>	<u>\$ 4,263,461</u>	<u>\$ 420,012</u>

C. Net Investment in Capital Assets

Capital assets	\$ 4,115,384
Less:	
Capital leases	32,771
Town Hall/Fire Dept USDA loans	1,808,193
Loan to purchase fire truck	218,772
Loan to purchase vehicles	<u>76,533</u>
Net investment in capital assets	<u>\$ 1,979,115</u>

TOWN OF CHINA GROVE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

D. 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	\$ 2,870,015
Less:	
Prepaid items	17,627
Stabilization by State Statute	377,119
Streets (Powell Bill funds)	104,420
Police-Drug enforcement	21,828
Debt service	116,087
Appropriated Fund Balance in 2020-21 budget	178,500
Working Capital/Fund Balance Policy	<u>-</u>
Remaining Fund Balance	<u><u>\$ 2,054,434</u></u>

IV. 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, 2020, 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 governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2020. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

VI. Subsequent Events

Management has evaluated the subsequent events through December 11, 2020, the date the financial statements were available to be issued.

Town of China Grove, North Carolina
Town of China Grove's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Seven Fiscal Years*

Local Government Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014
China Grove's proportion of the net pension liability (asset) (%)	0.02356%	0.02242%	0.01923%	0.01656%	0.01438%	0.01569%	0.01600%
China Grove's proportion of the net pension liability (asset) (\$)	\$ 643,405	\$ 531,879	\$ 293,781	\$ 351,459	\$ 64,537	\$ (92,531)	\$ 192,861
China Grove's covered-employee payroll	\$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	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**	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.

Town of China Grove, North Carolina
Town of China Grove's Contributions
Required Supplementary Information
Last Seven Fiscal Years

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 134,025	\$ 110,621	\$ 96,875	\$ 81,746	\$ 63,663	\$ 59,213	\$ 57,818
Contributions in relation to the contractually required contribution	<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>
China Grove's covered-employee payroll	\$ 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	9.19%	8.00%	7.89%	7.66%	6.94%	7.24%	7.18%

Town of China Grove, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2020

	2020	2019	2018	2017
Beginning balance	\$ 220,208	\$ 220,256	\$ 193,959	\$ 200,663
Service Cost	16,865	16,786	12,573	12,251
Interest on the total pension liability	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	17,275	9,169	10,685	-
Changes of assumptions or other inputs	11,147	(12,333)	16,253	(5,447)
Benefit payments	(20,309)	(20,309)	(20,309)	(20,309)
Other changes	-	-	-	-
Ending balance of the total pension liability	<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, 2020

	2020	2019	2018	2017
Total pension liability	\$ 252,832	\$ 220,208	\$ 220,256	\$ 193,959
Covered payroll	662,005	603,872	545,544	502,400
Total pension liability as a percentage of covered payroll	38.19%	36.47%	40.37%	38.61%

Notes 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, 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%

TOWN OF CHINA GROVE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes			
Taxes	\$ 1,862,000	\$ 1,891,082	\$ 29,082
Penalties and interest	12,000	14,271	2,271
Total	1,874,000	1,905,353	31,353
Unrestricted intergovernmental			
Local option sales taxes	1,040,000	1,060,129	20,129
Telecommunications sales tax	34,700	28,571	(6,129)
Utility sales tax	247,000	238,833	(8,167)
Piped natural gas sales tax	9,600	9,012	(588)
Video franchise fee	21,800	19,998	(1,802)
Beer and wine tax	19,000	18,434	(566)
ABC profit distribution	12,000	14,440	2,440
Total	1,384,100	1,389,417	5,317
Restricted intergovernmental			
Powell Bill allocation	115,500	114,853	(647)
Fire tax	3,000	4,788	1,788
Fire tax supplement	7,750	7,956	206
Salisbury/Rowan Schools-SRO	133,900	139,897	5,997
Debt reimbursement from City of Salisbury	241,300	241,273	(27)
Public safety grants	-	357	357
Solid waste disposal	2,950	3,244	294
Controlled substance tax	-	219	219
Total	504,400	512,587	8,187
Permits and fees			
Police fines and citations	4,000	3,363	(637)
Zoning and development fees	3,500	7,475	3,975
Code enforcement revenue	-	100	100
Community building rent	12,000	7,350	(4,650)
Storm water review fees	4,400	-	(4,400)
Total	23,900	18,288	(5,612)
Investment earnings	25,000	37,382	12,382
Miscellaneous			
Farmers Day revenue	37,000	37,136	136
Sale of materials and fixed assets	5,000	690	(4,310)
Parade entry fees	7,000	7,503	503
ClG sponsors/donations	8,000	5,100	(2,900)
Miscellaneous revenue	41,300	14,798	(26,502)
Total	98,300	65,227	(33,073)
Total revenues	\$ 3,909,700	\$ 3,928,254	\$ 18,554

TOWN OF CHINA GROVE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2020

	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	1,100	199	901
Travel and schools	1,000	530	470
Advertising	300	-	300
Membership and dues	7,400	7,622	(222)
Miscellaneous	1,000	1,234	(234)
Election expense	2,000	2,866	(866)
Grant match bus service	7,500	7,500	-
Donations	5,800	5,190	610
	<u>35,000</u>	<u>33,926</u>	<u>1,074</u>
Administration			
Salaries and wages	242,300	246,110	(3,810)
Salaries and wages-overtime	4,000	3,598	402
Payroll tax	18,900	18,304	596
Employee benefits	48,000	50,804	(2,804)
Workers compensation	1,200	1,889	(689)
Professional fees-accounting	17,100	16,800	300
Professional fees-legal	6,200	4,920	1,280
Office supplies	2,400	2,765	(365)
Materials and supplies	1,000	1,060	(60)
Contracted services	17,000	6,989	10,011
Technical support	16,400	16,865	(465)
Travel and schools	5,000	2,354	2,646
Telephone and postage	5,200	4,332	868
Utilities	8,600	8,658	(58)
Printing and codification	4,000	1,974	2,026
Repair and maintenance	500	-	500
Repair and maintenance-building	1,000	3,078	(2,078)
Advertising	-	849	(849)
Bank service fees	300	1,867	(1,567)
Memberships and dues	1,000	726	274
Miscellaneous	3,000	2,693	307
Leases and maintenance	-	297	(297)
Insurance	18,800	18,402	398
Rowan County tax services	28,000	28,051	(51)
Capital outlay	11,200	14,464	(3,264)
	<u>461,100</u>	<u>457,849</u>	<u>3,251</u>
Total general government	<u>\$ 496,100</u>	<u>\$ 491,775</u>	<u>\$ 4,325</u>

TOWN OF CHINA GROVE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Public safety			
Police department			
Salaries and wages	\$ 607,700	\$ 619,978	\$ (12,278)
School resource officers	97,300	99,371	(2,071)
Salaries and wages-overtime	4,000	4,201	(201)
Payroll tax	54,300	52,724	1,576
Employee benefits	196,900	190,300	6,600
Workers compensation	19,700	19,687	13
Materials and supplies	8,000	5,298	2,702
Fuel and oil	24,000	18,227	5,773
Uniforms	8,000	13,703	(5,703)
Weapons	4,000	3,390	610
Contract services	14,000	17,600	(3,600)
Technical support	8,000	6,697	1,303
Travel and schools	12,000	18,690	(6,690)
Telephone and postage	2,400	2,058	342
Cell phones and pagers	10,000	13,500	(3,500)
Utilities	7,600	6,480	1,120
Repairs and maintenance	20,000	16,822	3,178
Repairs and maintenance-building	7,000	6,008	992
Memberships and dues	400	450	(50)
Miscellaneous	3,000	2,509	491
Insurance	18,400	18,083	317
Capital outlay	73,000	10,374	62,626
Total police department	\$ 1,199,700	\$ 1,146,150	\$ 53,550

TOWN OF CHINA GROVE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Fire department			
Salaries and wages-regular	\$ 236,100	\$ 248,118	\$ (12,018)
Salaries and wages-overtime	7,800	6,930	870
Salaries and wages-part time	33,000	47,593	(14,593)
Salaries and wages-per call	1,200	-	1,200
Payroll tax	21,300	22,396	(1,096)
Employee benefits	77,500	78,918	(1,418)
Workers compensation	9,400	9,959	(559)
Food and provisions	1,000	916	84
Medical supplies	3,000	1,788	1,212
Material and supplies	15,000	13,732	1,268
Fuel and oil	10,000	8,340	1,660
Uniforms	4,000	2,332	1,668
Turn out gear	20,000	20,017	(17)
Contracted services	37,400	40,284	(2,884)
Travel and schools	4,000	1,126	2,874
Telephone and postage	1,800	1,648	152
Cell phones and pagers	3,500	4,847	(1,347)
Utilities	8,600	8,377	223
Repairs and maintenance	40,000	35,716	4,284
Repairs and maintenance-buildings	15,000	10,897	4,103
Memberships and dues	300	475	(175)
Miscellaneous	2,000	648	1,352
Insurance	17,500	16,829	671
Capital outlay	25,000	22,915	2,085
Total fire department	594,400	604,801	(10,401)
Total public safety	1,794,100	1,750,951	43,149
Transportation			
Streets and highways			
Repairs and maintenance	25,000	12,867	12,133
Drainage	-	196	(196)
Paving	110,500	111,421	(921)
Total transportation	\$ 135,500	\$ 124,484	\$ 11,016

TOWN OF CHINA GROVE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Environmental protection			
Public works			
Employee wages-regular	\$ 231,800	\$ 227,370	\$ 4,430
Employee wages-overtime	10,000	6,387	3,613
Payroll taxes	18,500	17,300	1,200
Employee benefits	69,500	68,677	823
Workers compensation	11,200	12,105	(905)
Professional fees	-	3,064	(3,064)
Materials and supplies	10,000	5,864	4,136
Fuel and oil	14,000	11,883	2,117
Uniforms	1,500	1,519	(19)
Safety equipment and materials	500	3,658	(3,158)
Contracted services	-	1,102	(1,102)
Travel and schools	200	150	50
Telephone and postage	1,800	1,546	254
Cell phones and pagers	4,500	2,955	1,545
Utilities	5,500	5,515	(15)
Street lights	42,500	37,835	4,665
Repairs and maintenance	22,000	17,070	4,930
Repairs and maintenance-buildings	5,000	-	5,000
Memberships and dues	200	110	90
Miscellaneous	300	352	(52)
Equipment rental	1,000	-	1,000
Insurance	11,800	12,503	(703)
Garbage and recycling contract	190,000	181,788	8,212
Landfill charges	28,000	27,694	306
Stormwater expenses	10,000	3,642	6,358
Downtown appearance	4,000	1,246	2,754
Total environmental protection	693,800	651,335	42,465
Economic and physical development			
Planning			
Salaries and wages-part time	24,600	26,890	(2,290)
Payroll tax	1,800	2,022	(222)
Workers compensation insurance	-	449	(449)
Professional fees	50,000	8,971	41,029
Materials and supplies	5,000	589	4,411
Fuel	1,500	279	1,221
Contracted services	14,000	12,315	1,685
Technology	7,200	4,250	2,950
Travel and schools	2,000	1,178	822
Telephone and postage	1,500	824	676
Repairs and maintenance	1,200	2,888	(1,688)
Advertising	2,000	2,706	(706)
Memberships and dues	700	1,091	(391)
Miscellaneous	200	-	200
Marketing	500	-	500
Tourism and economic development	7,000	6,953	47
Insurance	5,400	5,358	42
Total economic and physical development	\$ 124,600	\$ 76,763	\$ 47,837

TOWN OF CHINA GROVE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Cultural and recreation			
Recreation			
Salaries & wages-regular	\$ 53,900	\$ 53,350	\$ 550
Salaries & wages-overtime	3,500	2,339	1,161
Payroll tax	4,400	4,189	211
Employee benefits	14,900	15,097	(197)
Materials and supplies	200	87	113
Fuel and oil	100	-	100
Contracted services	42,200	39,936	2,264
Christmas activities	8,200	13,335	(5,135)
Christmas in the Grove	12,000	5,019	6,981
Community building expenses	13,000	22,141	(9,141)
Parade expenses	5,600	4,690	910
Events misc expense	10,600	4,032	6,568
Travel	1,500	94	1,406
Telephone and postage	800	553	247
Utilities	7,700	7,879	(179)
Repair and maintenance	500	813	(313)
Advertising	4,300	2,310	1,990
Membership and dues	500	611	(111)
Miscellaneous	200	427	(227)
Insurance	5,900	6,452	(552)
Playground expense	15,000	18,984	(3,984)
Little League	6,500	3,682	2,818
Capital outlay	28,800	13,607	15,193
Total recreation	240,300	219,627	20,673
Farmers Day			
Materials and supplies	7,500	5,396	2,104
Travel	300	38	262
Farmers Day advertising	1,300	3,005	(1,705)
Miscellaneous	2,000	326	1,674
Entertainment	9,500	9,850	(350)
Sound equipment & stage	4,000	4,200	(200)
Fireworks	3,500	3,500	-
T-shirts	4,000	5,325	(1,325)
Rentals	4,400	4,709	(309)
Rowan Septic	1,100	1,218	(118)
Total Farmers Day	37,600	37,567	33
Total cultural and recreation	\$ 277,900	\$ 257,194	\$ 20,706

TOWN OF CHINA GROVE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Debt service			
Principal retirement	\$ 371,600	\$ 362,906	\$ 8,694
Interest	109,100	109,668	(568)
Total debt service	480,700	472,574	8,126
Total expenditures	4,002,700	3,825,076	177,624
Revenues over (under) expenditures	\$ (93,000)	\$ 103,178	\$ 196,178
Other financing sources (uses)			
Proceeds from borrowing	\$ -	\$ 31,122	\$ 31,122
Insurance proceeds	-	4,495	4,495
Total other financing sources (uses)	-	35,617	35,617
Fund balance appropriated	93,000	-	(93,000)
Net change in fund balance	\$ -	138,795	\$ 138,795
Fund balances			
Fund balance, beginning		2,731,220	
Fund balance, ending		\$ 2,870,015	

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, 2020

	Budget	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Interest	\$ 15,000	\$ 18,784	\$ 123	\$ 18,907	\$ 3,907
Total revenues	15,000	18,784	123	18,907	3,907
Other financing sources (uses)					
Transfer from General Fund	180,000	180,000	-	180,000	-
Transfer to General Fund	(195,000)	(189,400)	-	(189,400)	5,600
Total other financing sources (uses)	(15,000)	(9,400)	-	(9,400)	5,600
Net change in fund balance	\$ -	\$ 9,384	123	\$ 9,507	\$ 9,507
Fund balance, beginning			9,384		
Fund balance, ending			\$ 9,507		

TOWN OF CHINA GROVE, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2020

Fiscal Year	Uncollected Balance June 30, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2019-2020	\$ -	\$ 1,951,365	\$ 1,898,834	\$ 52,531
2018-2019	26,584	-	6,060	20,524
2017-2018	15,439	-	2,786	12,653
2016-2017	7,786	-	1,092	6,694
2015-2016	5,581	-	664	4,917
2014-2015	4,081	-	423	3,658
2013-2014	3,911	-	20	3,891
2012-2013	3,543	-	20	3,523
2011-2012	3,319	-	358	2,961
2010-2011	1,963	-	-	1,963
2009-2010	1,659	-	1,659	-
	<u>\$ 73,866</u>	<u>\$ 1,951,365</u>	<u>\$ 1,911,916</u>	113,315

Less allowance for uncollectible accounts:

General Fund

21,885

Ad valorem taxes receivable-net

91,430

Reconcilement with revenues:

Ad valorem taxes - General Fund

1,905,353

Reconciling items

Interest and fees collected

(6,936)

Discounts allowed

12,363

Taxes written off

1,136

Total collections and credits

\$ 1,911,916

TOWN OF CHINA GROVE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
TOWN-WIDE LEVY
For the Year Ended June 30, 2020

	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	\$349,651,612	\$.54	\$1,888,645	\$ 1,764,210	\$ 124,435
Prior year's rate	8,314,906	.58	47,733	-	47,733
Penalties	-		17,385	17,385	-
Total	357,966,518		1,953,763	1,781,595	172,168
Discoveries					
Current year taxes	67,037	.54	362	362	-
Total	67,037		362	362	-
Abatements	(511,100)		(2,760)	(1,236)	(1,524)
Total property valuation	<u>\$357,522,455</u>				
Net levy			1,951,365	1,780,721	170,644
Uncollected taxes at June 30, 2020			(52,531)	(52,531)	-
Current year's taxes collected			<u>\$1,898,834</u>	<u>\$ 1,728,190</u>	<u>\$ 170,644</u>
Current levy collection percentage			<u>97.31%</u>	<u>97.05%</u>	<u>100.00%</u>



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HUNEYCUTT

CERTIFIED PUBLIC ACCOUNTANT #LLC

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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, 2020](#), 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 December 11, [2020](#).

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) to determine the 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
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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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of 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.



William R. Huneycutt, CPA, PLLC
Asheboro, North Carolina
December 11, 2020