

**TOWN OF CHINA GROVE, NORTH CAROLINA**

**FINANCIAL STATEMENTS**

June 30, 2021

**TOWN OF CHINA GROVE, NORTH CAROLINA**

**BOARD OF COMMISSIONERS**

Charles Seaford - Mayor

Brandon Linn

Arthur Heggins

Don Bringle

Steve Stroud

Rodney Phillips - Mayor Pro-Tem

**OFFICIALS**

Ken Deal

Town Manager

Tara Dropp

Finance Officer

Pamela Mills

Town Clerk

# TOWN OF CHINA GROVE, NORTH CAROLINA

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

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

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

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

### ***Auditor's Responsibility***

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

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

To the Honorable Mayor and  
Members of the Town Council  
Town of China Grove  
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circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

### ***Opinions***

In my opinion, based on my audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of China Grove, North Carolina as of June 30, 2021, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 14, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 50 and 51, respectively, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 52 and 53 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

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

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

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

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

In accordance with *Government Auditing Standards*, I have also issued my report dated November 29, 2021 on my consideration of the Town of China Grove's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of China Grove's internal control over financial reporting and compliance.



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

## Management's Discussion and Analysis

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

### Financial Highlights

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

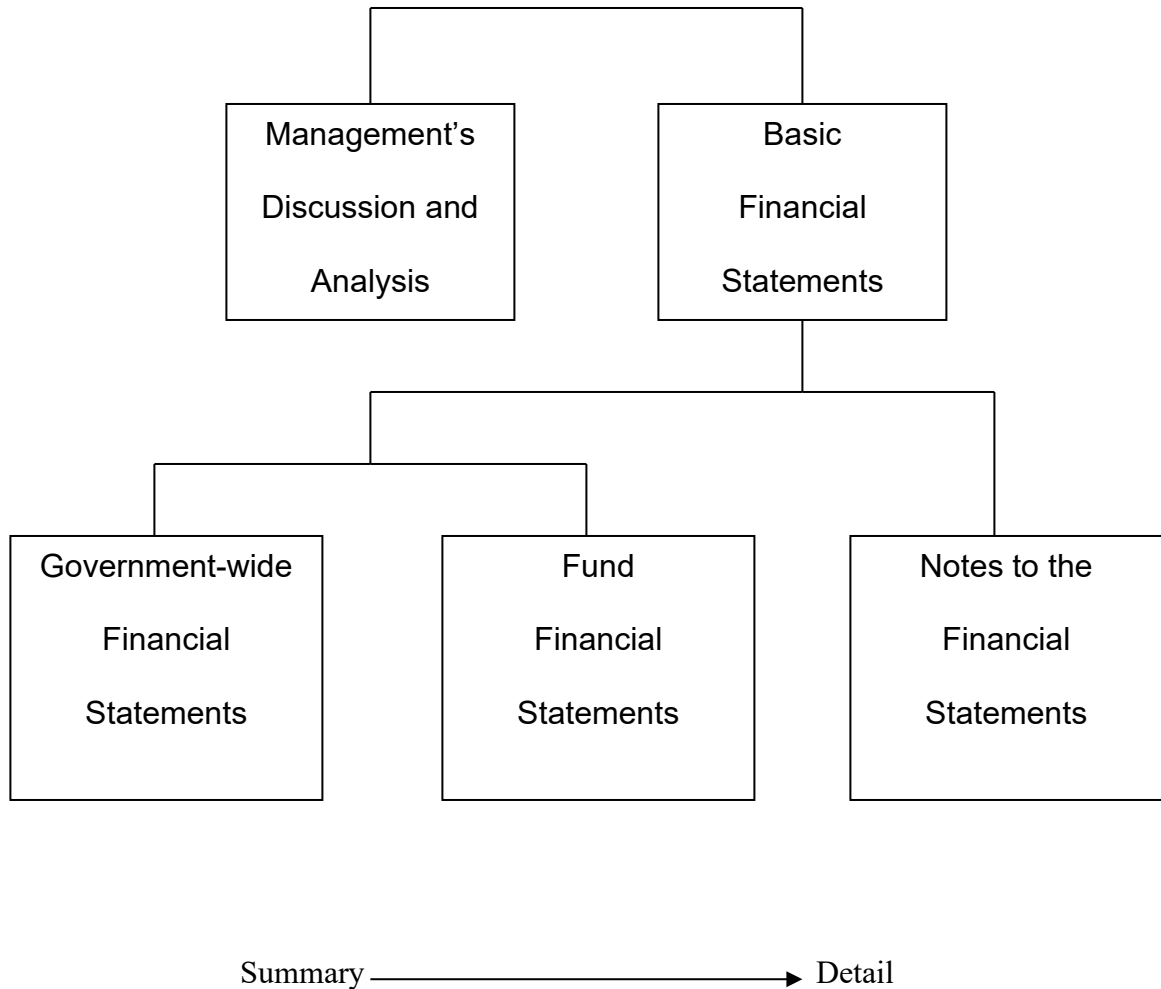
### Overview of the Financial Statements

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



## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

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

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

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

## **Government-wide Financial Statements**

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

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

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

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

## **Fund Financial Statements**

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

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

Management Discussion and Analysis  
Town of China Grove

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

The Town adopts an annual budget for its General Fund, as required by the NC General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town has complied with the budget ordinance and whether or not the Town has succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 21 through 48 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 49 of this report.

**Interdependence with Other Entities** – The Town depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

## Government-Wide Financial Analysis

### The Town of China Grove's Net Position

**Figure 2**

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

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town exceeded liabilities and deferred inflows by \$4,626,762 as of June 30, 2021. The Town's net position increased by \$ 276,904 for the fiscal year ended June 30, 2021. The largest portion of net position (48.9%) reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position (16.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,590,044 is unrestricted.

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

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

Management Discussion and Analysis  
Town of China Grove

**Town of China Grove's Changes in Net Position**

**Figure 3**

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

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

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

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

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

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$ 2,217,170 while total fund balance reached \$ 3,070,958. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 51.4% of total General Fund expenditures, while total fund balance represents 71.2% of that same amount.

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

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

## Capital Asset and Debt Administration

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

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

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

**Figure 4**

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

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

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

### Outstanding Long-term Liabilities

**Figure 5**

Governmental

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

### Town of China Grove's Outstanding Long-term Liabilities

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

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of China Grove is \$ 25,820,398. The Town has no bonds authorized but unissued at June 30, 2021.

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



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

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

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

### **Budget Highlights for the Fiscal Year Ending June 30, 2022**

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

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

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

### **Requests for Information**

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

Tara Dropp, CLGFO  
Town of China Grove  
Finance Officer  
333 North Main St.  
China Grove, NC 28023  
[tdropp@chinagrovecnc.gov](mailto:tdropp@chinagrovecnc.gov)

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

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

June 30, 2021

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

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

**TOWN OF CHINA GROVE, NORTH CAROLINA**

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2021

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

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

**TOWN OF CHINA GROVE, NORTH CAROLINA**

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
 June 30, 2021

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

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

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

For the Year Ended June 30, 2021

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

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

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

For the Year Ended June 30, 2021

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

Net changes in fund balances - total governmental funds	\$	191,436
<p>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.</p>		
Capital outlay expenditures which were capitalized	\$	477,748
Depreciation expense for governmental assets		<u>(355,813)</u>
		121,935
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		155,138
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues	(37,103)	
Change in unearned revenue for debt reimbursement- City of Salisbury	<u>(209,490)</u>	(246,593)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Principal payments on long-term debt	368,993	
Decrease in accrued interest payable	<u>2,453</u>	371,446
<p>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.</p>		
Compensated absences	(7,780)	
Pension expense	<u>(308,678)</u>	<u>(316,458)</u>
Total changes in net position of governmental activities	\$	<u><u>276,904</u></u>

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

**TOWN OF CHINA GROVE, NORTH CAROLINA****GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Year Ended June 30, 2021

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

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



## TOWN OF CHINA GROVE, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2021

#### Note 1 - Summary of Significant Accounting Policies

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

##### Reporting Entity

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

##### Basis of Presentation

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Town does not currently have any business-type activities.

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

*Fund Financial Statements:* The fund financial statements provide information about the Town's funds. Separate statements for each fund category are presented when applicable. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The Town reports the following major governmental fund:

**General Fund.** The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and environmental protection.

## TOWN OF CHINA GROVE, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### Note 1 - Summary of Significant Accounting Policies (Continued)

##### Basis of Presentation (Concluded)

The Town reports the following non-major governmental fund:

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

##### Measurement Focus and Basis of Accounting

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

*Government-wide Financial Statements.* The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

## **TOWN OF CHINA GROVE, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **Note 1 - Summary of Significant Accounting Policies (Continued)**

##### **Measurement Focus and Basis of Accounting (Concluded)**

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

##### **Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than 10%. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

###### **Deposits and Investments**

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

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

## TOWN OF CHINA GROVE, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### Note 1 - Summary of Significant Accounting Policies (Continued)

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

###### Cash and Cash Equivalents

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

###### Restricted Assets

Cash in Police drug accounts is classified as restricted cash because its use is restricted for specific purposes. The Town has a USDA loan which requires the Town to keep an amount equal to one annual loan payment in a separate bank account. The Town has cash held in a separate account that is classified as restricted cash because it will be returned to a developer, including interest earned, upon completion of a project in the Town. Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

###### Town of China Grove Restricted Cash

###### Governmental Activities General Fund

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

###### Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13 (a) ], the Town levies ad valorem taxes on property other than motor vehicles on July 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2020. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

###### Allowances for Doubtful Accounts

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

**TOWN OF CHINA GROVE, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**Note 1 - Summary of Significant Accounting Policies (Continued)**

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

**Prepaid Items**

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

**Capital Assets**

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

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

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

## TOWN OF CHINA GROVE, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### Note 1 - Summary of Significant Accounting Policies (Continued)

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

###### Deferred Outflows/Inflows of Resources

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

###### Long-Term Obligations

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

###### Compensated Absences

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

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

###### Net Position/Fund Balances

###### Net Position

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

**TOWN OF CHINA GROVE, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**Note 1 - Summary of Significant Accounting Policies (Concluded)**

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

**Fund Balances**

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

**TOWN OF CHINA GROVE, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**Note 1 - Summary of Significant Accounting Policies (Concluded)**

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

**Fund Balances (Concluded)**

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

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

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

Assigned Fund Balance – portion of fund balance that the Town of China Grove intends to use for specific purposes.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

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

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

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

**Defined Benefit Cost-Sharing Plans**

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



## TOWN OF CHINA GROVE, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### Note 2 - Stewardship, Compliance, and Accountability

##### Significant Violations of Finance-Related Legal and Contractual Provisions

###### Excess of Expenditures over Appropriations

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

#### Note 3 - Detail Notes on All Funds

##### Assets

###### Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

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

## TOWN OF CHINA GROVE, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### Note 3 - Detail Notes on All Funds (Continued)

##### Assets (Continued)

###### Investments

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

###### Receivables – Allowance for Doubtful Accounts

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

##### Capital Assets

###### **Primary Government**

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

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

## TOWN OF CHINA GROVE, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### Note 3 - Detail Notes on All Funds (Continued)

##### Assets (Concluded)

##### Capital Assets (Concluded)

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

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

##### Liabilities

##### Pension Plan Obligations

##### Local Governmental Employees' Retirement System

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

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of credit service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years

## TOWN OF CHINA GROVE, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### Note 3 - Detail Notes on All Funds (Continued)

##### Liabilities (Continued)

##### Pension Plan Obligations (Continued)

##### Local Governmental Employees' Retirement System (Continued)

of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

*Contributions.* Contribution provisions are established by General 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, 2021, was 10.84% of compensation for law enforcement officers and 10.20% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of China Grove were \$155,138 for the year ended June 30, 2021.

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

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

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

**TOWN OF CHINA GROVE, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**Note 3 - Detail Notes on All Funds (Continued)**

**Liabilities (Continued)**

**Pension Plan Obligations (Continued)**

**Local Governmental Employees' Retirement System (Continued)**

future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020 (measurement date), the Town's proportion was .021320%, which was a decrease of 0.00224% from its proportion measured as of June 30, 2019.

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

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

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

**Year Ending June 30:**

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

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

Inflation	3.00 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

**TOWN OF CHINA GROVE, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**Note 3 - Detail Notes on All Funds (Continued)**

**Liabilities (Continued)**

**Pension Plan Obligations (Continued)**

**Local Governmental Employees' Retirement System (Continued)**

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

<b><u>Asset Class</u></b>	<b><u>Target Allocation</u></b>	<b><u>Long-Term Expected Real Rate of Return</u></b>
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	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

## TOWN OF CHINA GROVE, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### Note 3 - Detail Notes on All Funds (Continued)

##### Liabilities (Continued)

##### Pension Plan Obligations (Continued)

##### Local Governmental Employees' Retirement System (Concluded)

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

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

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

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

##### Law Enforcement Officers Special Separation Allowance

##### Plan Description

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

**TOWN OF CHINA GROVE, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

Note 3 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Pension Plan Obligations (Continued)

Law Enforcement Officers Special Separation Allowance (Continued)

Plan Description (Concluded)

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

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

Summary of Significant Accounting Policies

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

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

Actuarial Assumptions

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

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

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

Mortality rates use Pub-2010 amount-weighted tables.



**TOWN OF CHINA GROVE, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**Note 3 - Detail Notes on All Funds (Continued)**

**Liabilities (Continued)**

**Pension Plan Obligations (Continued)**

**Law Enforcement Officers Special Separation Allowance (Continued)**

**Contributions**

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

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

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

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

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

**Year Ending June 30:**

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

**TOWN OF CHINA GROVE, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**Note 3 - Detail Notes on All Funds (Continued)**

**Liabilities (Continued)**

**Pension Plan Obligations (Continued)**

**Law Enforcement Officers Special Separation Allowance (Continued)**

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

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

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

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

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

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

**TOWN OF CHINA GROVE, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**Note 3 - Detail Notes on All Funds (Continued)**

**Liabilities (Continued)**

**Pension Plan Obligations (Continued)**

**Law Enforcement Officers Special Separation Allowance (Concluded)**

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

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

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

**Deferred Outflows of Resources**

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

**Deferred Inflows of Resources**

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

## TOWN OF CHINA GROVE, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### Note 3 - Detail Notes on All Funds (Continued)

##### Liabilities (Continued)

##### Pension Plan Obligations (Concluded)

##### Supplemental Retirement Income Plan

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

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

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

##### Other Employment Benefit

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

**TOWN OF CHINA GROVE, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**Note 3 - Detail Notes on All Funds (Continued)**

**Liabilities (Continued)**

**Deferred Outflows and Inflows of Resources**

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

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

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

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

**Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in a self-funded risk-financing pool administered by the North Carolina League of Municipalities.

The Town carries commercial insurance for general liability, auto coverage, and property coverage. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town has purchased commercial flood insurance.

**TOWN OF CHINA GROVE, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**Note 3 - Detail Notes on All Funds (Continued)**

**Liabilities (Continued)**

**Risk Management (Concluded)**

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

**Claims, Judgments and Contingent Liabilities**

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

**Long-Term Obligations**

**Capital Leases**

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

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

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

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

**TOWN OF CHINA GROVE, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

Note 3 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Long-Term Obligations (Continued)

Capital Leases (Concluded)

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

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

Installment Purchase

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

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

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

**TOWN OF CHINA GROVE, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**Note 3 - Detail Notes on All Funds (Continued)**

**Liabilities (Continued)**

**Long-Term Obligations (Continued)**

**Installment Purchase (Continued)**

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

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

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

**Installment Purchase**

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



**TOWN OF CHINA GROVE, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**Note 3 - Detail Notes on All Funds (Continued)**

**Liabilities (Continued)**

**Long-Term Obligations (Continued)**

**Installment Purchase (Continued)**

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

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

**Installment Purchase**

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

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

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

**TOWN OF CHINA GROVE, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

Note 3 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Long-Term Obligations (Concluded)

Installment Purchase (Concluded)

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

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

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

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

Changes in Long-Term Liabilities

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

**TOWN OF CHINA GROVE, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**Note 4 - Net Investment in Capital Assets**

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

**Note 5 - Fund Balance**

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

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

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

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

**Note 6 - Joint Venture**

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

## **TOWN OF CHINA GROVE, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)**

#### **Note 6 - Joint Venture (Concluded)**

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

#### **Note 7 - Summary Disclosure of Significant Contingencies**

##### **Federal Assisted Programs**

The Town has received proceeds from a federal grant. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agency. No provision has been made in the accompanying financial statements for the refund of grant moneys.

#### **Note 8 - Significant Effects of Subsequent Events**

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

## **REQUIRED SUPPLEMENTARY FINANCIAL DATA**

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

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

**TOWN OF CHINA GROVE, NORTH CAROLINA**

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

Local Government Employees' Retirement System

	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
China Grove's proportion of the net pension liability (asset) (%)	.02132%	.02356%	.02242%	.01923%	.01656%	.01438%	.01569%	.01600%
China Grove's proportion of the net pensions liability (asset) (\$)	\$ 761,854	\$ 643,405	\$ 531,879	\$ 293,781	\$ 351,459	\$ 64,537	\$ (92,531)	\$ 192,861
China Grove's covered-employee payroll	\$ 1,458,974	\$ 1,382,678	\$ 1,227,513	\$ 1,067,802	\$ 917,486	\$ 817,698	\$ 805,672	\$ 791,217
China Grove's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	52.22%	46.53%	43.33%	27.51%	38.31%	7.89%	(11.48%)	24.38%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

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

**TOWN OF CHINA GROVE, NORTH CAROLINA**

**TOWN OF CHINA GROVE'S CONTRIBUTIONS**  
**REQUIRED SUPPLEMENTARY INFORMATION**

Last Eight Fiscal Years

Local Government Employees' Retirement System

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

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

**TOWN OF CHINA GROVE, NORTH CAROLINA**

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

June 30, 2021

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

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



**TOWN OF CHINA GROVE, NORTH CAROLINA**

**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL**

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**

June 30, 2021

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

Note to the schedules:

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

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

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

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

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

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

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

**TOWN OF CHINA GROVE, NORTH CAROLINA**

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

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

**TOWN OF CHINA GROVE, NORTH CAROLINA**

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

For the Fiscal Year Ended June 30, 2021

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

**TOWN OF CHINA GROVE, NORTH CAROLINA**

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

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

**TOWN OF CHINA GROVE, NORTH CAROLINA**

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

For the Fiscal Year Ended June 30, 2021

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

**TOWN OF CHINA GROVE, NORTH CAROLINA**

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

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

**TOWN OF CHINA GROVE, NORTH CAROLINA**

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

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

**TOWN OF CHINA GROVE, NORTH CAROLINA**

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

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



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

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

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

June 30, 2021

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

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

For the Fiscal Year Ended June 30, 2021

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



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

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

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

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses or significant deficiencies.

### **Compliance and Other Matters**

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

### **Town of China Grove, North Carolina's Response to Finding**

Town of China Grove, North Carolina's response to the finding identified in my audit is described in the accompanying schedule of finding. Town of China Grove, North Carolina's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

### **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  
November 29, 2021