

**TOWN OF CHINA GROVE, NORTH CAROLINA**

**FINANCIAL STATEMENTS**

June 30, 2022



**HUNEYCUTT, PARSLEY & TAYLOR**  
CERTIFIED PUBLIC ACCOUNTANTS

**TOWN OF CHINA GROVE, NORTH CAROLINA**

**BOARD OF COMMISSIONERS**

Charles Seaford - Mayor

Cheryl Sheets

Rodney Phillips

Don Bringle

Steve Stroud

Arthur Heggins - Mayor Pro-Tem

**OFFICIALS**

Ken Deal

Town Manager

Tara Nichols

Finance Officer

Pamela Mills

Town Clerk

# TOWN OF CHINA GROVE, NORTH CAROLINA

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**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  
China Grove, North Carolina

### **Report on the Audit of Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of China Grove, North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Town of China Grove's basic financial statements as listed in the table of contents.

In our opinion, based upon our audit, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of China Grove as of June 30, 2022, and the respective changes in financial position and the respective budgetary comparison for the General Fund and major special revenue fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of China Grove and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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221 S Fayetteville St.  
Asheboro, NC 27203

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Albemarle, NC 28001

21 Sunrise Ave.  
Lexington, NC 27292

2731 Lynn Rd.  
Tryon, NC 28782

Huneycutt, Parsley & Taylor, CPAs, PLLC

***Responsibilities of Management for the Audit of the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raises substantial doubt about the Town of China Grove's ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS we

- exercised professional judgement and maintained professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of China Grove's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of China Grove's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 14, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions, on pages 48 and 49, 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 50 and 51 be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of China Grove's basic financial statements. The 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional

To the Honorable Mayor and  
Members of the Town Council  
Town of China Grove  
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procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit and the procedures performed as described above, the individual fund financial statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Huneycutt, Parsley & Taylor, CPAs, PLLC*

Huneycutt, Parsley & Taylor, CPAs, PLLC  
Asheboro, North Carolina  
January 26, 2022



## 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, 2022. 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

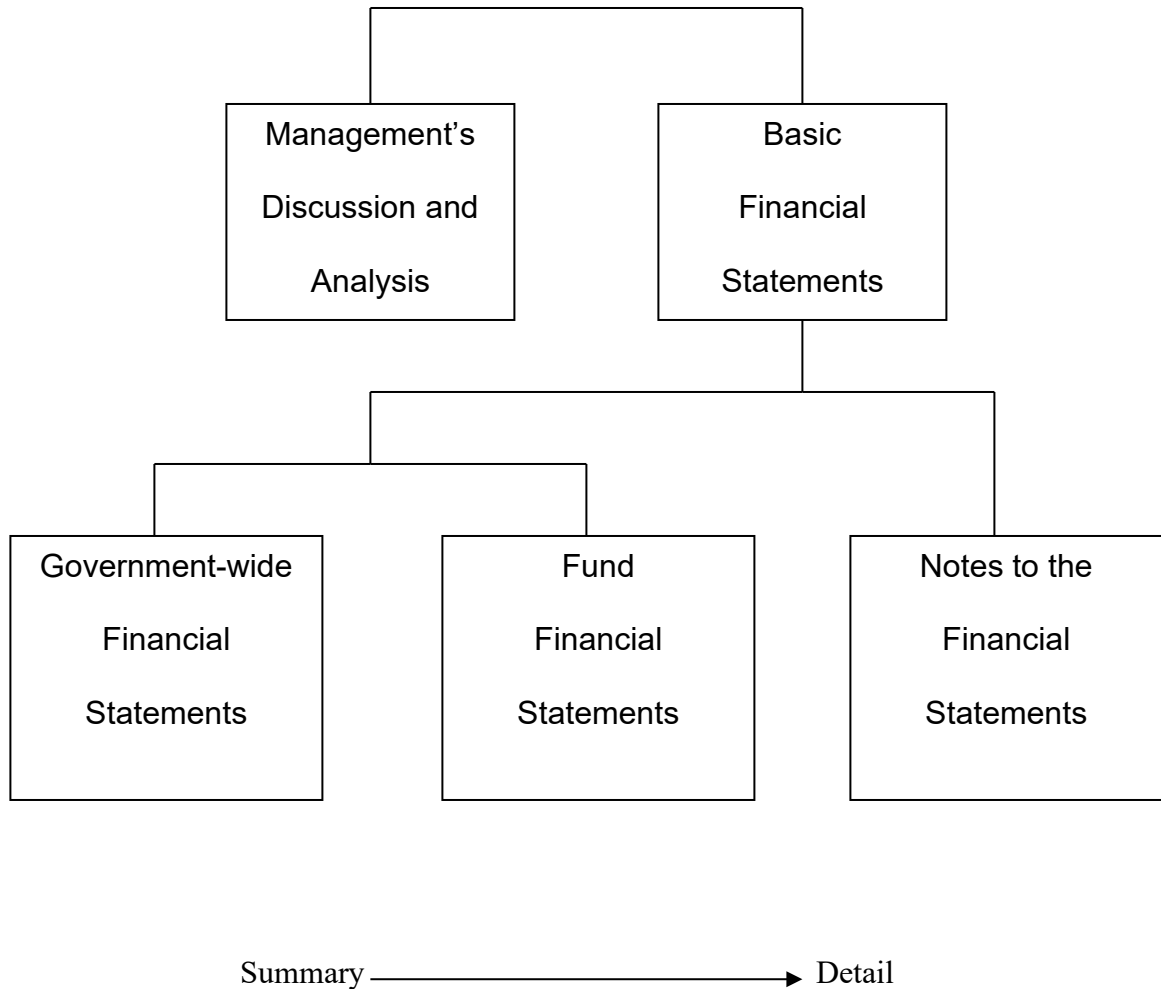
- The assets and deferred outflows of resources of the Town of China Grove *exceeded* its liabilities and deferred inflows of resources at the close of the fiscal year by \$ 4,890,600 (*net position*).
- The government's total net position increased by \$ 262,455, primarily due to Sales & Use Tax Revenue increasing by \$203,841 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 \$ 3,473,934, an increase of \$402,976 in comparison with the prior year. Approximately 30.8% of this total amount, or \$ 1,069,942 is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$ 2,403,992 which is 58.6% of total general fund expenditures for the fiscal year.
- The Town of China Grove total debt decreased \$ 372,078 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 22 through 50 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 51 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	
	2022	2021	2022	2021
Current and other assets	\$ 5,213,241	\$ 4,490,846	\$ 5,213,241	\$ 4,490,846
Capital assets	3,999,434	4,237,319	3,999,434	4,237,319
Total deferred outflow s of resources	814,674	593,969	814,674	593,969
Total assets and deferred inflow s of resources	10,027,349	9,322,134	10,027,349	9,322,134
Long-term liabilities outstanding	3,579,268	4,183,517	3,579,268	4,183,517
Other liabilities	977,324	433,305	977,324	433,305
Total deferred inflow s of resources	580,157	78,550	580,157	78,550
Total liabilities and deferred inflow s of resources	5,136,749	4,695,372	5,136,749	4,695,372
Net position:				
Net investment in capital assets	2,201,716	2,260,553	2,201,716	2,260,553
Restricted	1,006,850	776,165	1,006,850	776,165
Unrestricted	1,682,034	1,590,044	1,682,034	1,590,044
Total net position	\$ 4,890,600	\$ 4,626,762	\$ 4,890,600	\$ 4,626,762

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 \$4,890,600 as of June 30, 2022. The Town's net position increased by \$ 262,455 for the fiscal year ended June 30, 2022. The largest portion of net position (45.02%) 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 (20.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,682,034 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 98.33.
- Sales tax collections increased by \$203,841, 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	
	2022	2021	2022	2021
Revenues:				
Program revenues:				
Charges for services	\$ 152,676	\$ 17,155	\$ 152,676	\$ 17,155
Operating grants and contributions	417,888	423,213	417,888	423,213
Capital grants and contributions	-	-	-	-
General revenues:				
Property taxes	1,921,303	1,927,198	1,921,303	1,927,198
Grants and contributions not restricted to specific programs	1,731,706	1,531,087	1,731,706	1,531,087
Other	100,731	359,773	100,731	359,773
Total revenues	4,324,304	4,258,426	4,324,304	4,258,426
Expenses:				
General government	505,340	541,980	505,340	541,980
Public safety	2,223,589	2,141,174	2,223,589	2,141,174
Transportation	14,904	64,143	14,904	64,143
Environmental protection	851,974	760,416	851,974	760,416
Economic and physical development	146,147	175,021	146,147	175,021
Cultural and recreation	232,433	202,354	232,433	202,354
Interest on long-term debt	87,462	96,434	87,462	96,434
Total expenses	4,061,849	3,981,522	4,061,849	3,981,522
Change in net position	262,455	276,904	262,455	276,904
Net position, July 1	4,628,145	4,349,858	4,628,145	4,349,858
Net position, June 30	\$ 4,890,600	\$ 4,626,762	\$ 4,890,600	\$ 4,626,762

**Governmental activities.** Governmental activities increased the Town's net position by \$262,455. In FY22, Expenses were slightly less this year, in part due to decrease in repairs and decreased purchases of capital assets. Sales tax increased by 17% from FY21 levels and Sales and Service revenue was added in the amount of \$108,430.

### **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 \$ 2,403,992 while total fund balance reached \$ 3,473,934. 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 58.6% of total General Fund expenditures, while total fund balance represents 84.8% of that same amount.

At June 30, 2022, the governmental funds of the Town reported a combined fund balance of \$3,473,934 a 13.1% increase over last year. This is the result of a net change in fund balance of \$402,976.

**General Fund Budgetary Highlights:** During the fiscal year, the Town revised the budget. 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 activities as of June 30, 2022, totals \$ 3,999,434 (net of accumulated depreciation). These assets include buildings, roads and other infrastructure, land, machinery and equipment, and vehicles.

- The Fire Department purchased a Chevrolet Tahoe.
- The Police Department added a two Dodge Durangos.
- 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	
	2022	2021	2022	2021
Land	\$ 146,437	\$ 146,437	\$ 146,437	\$ 146,437
Buildings	2,259,011	2,321,793	2,259,011	2,321,793
Equipment	1,032,128	1,221,897	1,032,128	1,221,897
Infrastructure	529,156	511,654	529,156	511,654
Other Improvements	32,702	35,538	32,702	35,538
Total	\$ 3,999,434	\$ 4,237,319	\$ 3,999,434	\$ 4,237,319

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, 2022, the Town had no bonded debt.

### Outstanding Long-term Liabilities

**Figure 5**

	Governmental Activities		Total	
	2022	2021	2022	2021
Direct placement installment purchases	\$ 2,509,538	\$ 2,873,870	\$ 2,509,538	\$ 2,873,870
Capital Leases	16,460	24,206	16,460	24,206
Compensated absences	126,135	107,935	126,135	107,935
Net pension liability (LGERS)	370,210	761,854	370,210	761,854
Net pension liability (LEO)	556,925	415,652	556,925	415,652
Total	\$ 3,579,268	\$ 4,183,517	\$ 3,579,268	\$ 4,183,517

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

The Town's total outstanding long-term liabilities decreased by \$ 604,249 during the current fiscal year. The key factor in this decrease in long-term liabilities is a decrease of \$ 364,332 in direct placement installment purchases. Net pension liabilities related to LGERS and LEO decreased by \$ 250,371 in FY22.

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 \$ 25,913,483. The Town has no bonds authorized but unissued at June 30, 2022.

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 3.7% with the State's average unemployment of 3.8%.
- 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.
- Construction is underway at the Macy's Distribution Center on 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 bolstered by infill development and newly approved major subdivisions
- Sales tax revenues remain robust.

### **Budget Highlights for the Fiscal Year Ending June 30, 2023**

**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 \$2,015,000. This is approximately 47.3% 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 \$1,548,000 or 36.3% of the total General Fund Revenues. Combined, these three revenue sources account for approximately 83.6% of the General Fund Revenues. The Town has also initiated a sanitation fee that is estimated at \$250,000 for FY23.

This General Fund budget for the upcoming year is \$188,330 higher than anticipated revenues from the previous year's original budget. The Town did not appropriate fund balance to balance the FY23 budget. The tax rate increased by \$0.02, or \$0.56 cents per \$100 of valuation for FY23. 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 Nichols, 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, 2022

	Governmental Activities	Total
<b>Assets:</b>		
Current Assets:		
Cash and cash equivalents	\$ 2,640,661	\$ 2,640,661
Taxes receivable (net)	70,320	70,320
Debt reimbursement receivable from City of Salisbury-current portion	209,490	209,490
Prepaid items	63,092	63,092
Due from other governments	520,746	520,746
Restricted cash and cash equivalents	1,190,665	1,190,665
Total Current Assets	<u>4,694,974</u>	<u>4,694,974</u>
Non-Current Assets:		
Debt reimbursement receivable from City of Salisbury-due in more than one year	502,331	502,331
Right to use leased assets, net of amortization	15,936	15,936
Capital assets (Note 1):		
Land, non-depreciable improvements, and construction in progress	146,437	146,437
Other capital assets, net of depreciation	3,852,997	3,852,997
Total Capital Assets	<u>3,999,434</u>	<u>3,999,434</u>
<b>Total Assets</b>	<u>9,212,675</u>	<u>9,212,675</u>
<b>Deferred Outflows of Resources:</b>		
Pension deferrals	814,674	814,674
<b>Total Deferred Outflows of Resources</b>	<u>814,674</u>	<u>814,674</u>
<b>Liabilities:</b>		
Current Liabilities:		
Accounts payable and accrued interest	101,135	101,135
Accrued interest payable	36,094	36,094
Unearned revenue	27,966	27,966
Payable from restricted assets	812,129	812,129
Current portion of long-term liabilities	398,158	398,158
Total Current Liabilities	<u>1,375,482</u>	<u>1,375,482</u>
Long-term Liabilities:		
Net pension liability	370,210	370,210
Total pension liability	556,925	556,925
Due in more than one year	2,253,975	2,253,975
Total Long-term Liabilities	<u>3,181,110</u>	<u>3,181,110</u>
<b>Total Liabilities</b>	<u>4,556,592</u>	<u>4,556,592</u>
<b>Deferred Inflows of Resources:</b>		
Pension deferrals	580,157	580,157
<b>Total Deferred Inflows of Resources</b>	<u>580,157</u>	<u>580,157</u>
<b>Net Position:</b>		
Net investment in capital assets	2,201,716	2,201,716
Restricted for:		
Stabilization by state statute	628,076	628,076
Streets	238,186	238,186
Debt service	116,087	116,087
Other functions	24,501	24,501
Unrestricted	1,682,034	1,682,034
<b>Total Net Position</b>	<u>\$ 4,890,600</u>	<u>\$ 4,890,600</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, 2022

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	\$ 505,340	\$ -	\$ 25,757	\$ -	\$ (479,583)	\$ (479,583)
Public safety	2,223,589	2,552	245,180	-	(1,975,857)	(1,975,857)
Transportation	14,904	-	131,728	-	116,824	116,824
Environmental protection	851,974	108,430	12,136	-	(731,408)	(731,408)
Economic and physical development	146,147	28,294	1,064	-	(116,789)	(116,789)
Cultural and recreational	232,433	13,400	2,023	-	(217,010)	(217,010)
Interest on long-term debt	87,462	-	-	-	(87,462)	(87,462)
Total Governmental Activities (See Note 1)	<u>4,061,849</u>	<u>152,676</u>	<u>417,888</u>	<u>-</u>	<u>(3,491,285)</u>	<u>(3,491,285)</u>
<b>General Revenues:</b>						
Taxes:						
Property taxes, levied for general purpose					1,921,303	1,921,303
Grants and contributions not restricted to specific programs					1,731,706	1,731,706
Unrestricted investment earnings					10,213	10,213
Insurance recovery					14,641	14,641
Miscellaneous					<u>75,877</u>	<u>75,877</u>
Total General Revenues					<u>3,753,740</u>	<u>3,753,740</u>
Change in Net Position					<u>262,455</u>	<u>262,455</u>
Net Position-Beginning as Previously Reported					4,626,762	4,626,762
Prior Period Adjustment					<u>1,383</u>	<u>1,383</u>
Net Position-Beginning as Restated					<u>4,628,145</u>	<u>4,628,145</u>
Net Position-Ending					<u>\$ 4,890,600</u>	<u>\$ 4,890,600</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, 2022

	Major Funds		Total Governmental Funds
	General	American Rescue Plan Act	
<b>Assets:</b>			
Cash and cash equivalents	\$ 2,640,661	\$ -	\$ 2,640,661
Restricted cash	576,524	614,141	1,190,665
Receivables, net	70,320	-	70,320
Prepaid items	63,092	-	63,092
Due from other governments	520,746	-	520,746
Debt reimbursement receivable from City of Salisbury	711,821	-	711,821
<b>Total Assets</b>	<b>\$ 4,583,164</b>	<b>\$ 614,141</b>	<b>\$ 5,197,305</b>
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 101,135	\$ -	\$ 101,135
Unearned revenue	27,966	614,141	642,107
Performance bonds	197,988	-	197,988
<b>Total Liabilities</b>	<b>327,089</b>	<b>614,141</b>	<b>941,230</b>
<b>Deferred Inflows of Resources:</b>			
Property taxes receivable	70,320	-	70,320
Debt reimbursement from City of Salisbury	711,821	-	711,821
<b>Total Deferred Inflows of Resources</b>	<b>782,141</b>	<b>-</b>	<b>782,141</b>
<b>Fund Balances:</b>			
Non Spendable			
Prepaid expenses	63,092	-	63,092
Restricted			
Stabilization by state statute	628,076	-	628,076
Streets	238,186	-	238,186
Police-drug enforcement	24,501	-	24,501
Debt service	116,087	-	116,087
Unassigned	2,403,992	-	2,403,992
<b>Total Fund Balances</b>	<b>3,473,934</b>	<b>-</b>	<b>3,473,934</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 4,583,164</b>	<b>\$ 614,141</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	\$ 7,536,507		
Accumulated depreciation	(3,537,073)		3,999,434
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Right to use assets at historical cost	\$ 21,105		
Accumulated amortization	(5,169)		15,936
Deferred outflows of resources related to pensions are not reported in the funds			
			814,674
Earned revenues considered deferred inflows of resources in fund statements.			
			782,141
Long-term liabilities used in governmental activities are not financial uses and, therefore, are not reported in the funds			
Gross long-term debt beginning	(3,006,011)		
Long-term debt included as net position below ( includes the addition of long-term debt and principal payments during the year.)	353,878		
Net pension liability	(370,210)		
Total pension liability	(556,925)		(3,579,268)
Deferred inflows of resources related to pensions are not reported in the funds			
			(580,157)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.			
			(36,094)
Net position of governmental activities			<u>\$ 4,890,600</u>

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, 2022

	Major Fund		Total
	General	American Rescue Plan Act	Governmental Fund
<b>Revenues:</b>			
Ad valorem taxes	\$ 1,925,594	\$ -	\$ 1,925,594
Unrestricted intergovernmental	1,731,706	-	1,731,706
Restricted intergovernmental	569,067	58,310	627,377
Permits and fees	44,246	-	44,246
Sales and services	108,430	-	108,430
Investment earnings	9,527	686	10,213
Miscellaneous	45,977	-	45,977
<b>Total Revenues</b>	<b>4,434,547</b>	<b>58,996</b>	<b>4,493,543</b>
<b>Expenditures:</b>			
Current:			
General government	476,277	4,075	480,352
Public safety	1,985,036	43,860	2,028,896
Transportation	32,406	-	32,406
Environmental protection	797,102	7,974	805,076
Economic and physical development	130,152	1,064	131,216
Cultural and recreational	217,531	2,023	219,554
Debt Service:			
Principal	368,977	-	368,977
Interest and other charges	89,736	-	89,736
<b>Total Expenditures</b>	<b>4,097,217</b>	<b>58,996</b>	<b>4,156,213</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>337,330</b>	<b>-</b>	<b>337,330</b>
<b>Other Financing Sources (Uses):</b>			
Lease liabilities issued	21,105	-	21,105
Insurance proceeds	44,541	-	44,541
<b>Total other financing sources (uses):</b>	<b>65,646</b>	<b>-</b>	<b>65,646</b>
<b>Net Change in Fund Balances</b>	<b>402,976</b>	<b>-</b>	<b>402,976</b>
<b>Fund Balances, Beginning</b>	<b>3,070,958</b>	<b>-</b>	<b>3,070,958</b>
<b>Fund Balances, Ending</b>	<b>\$ 3,473,934</b>	<b>\$ -</b>	<b>\$ 3,473,934</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, 2022

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

Net changes in fund balances - total governmental funds	\$	402,976
<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	\$	148,921
Depreciation expense for governmental assets		<u>(363,983)</u>
		(215,062)
Rights to used leased asset capital outlay expenditures which were capitalized		21,105
Amortization expense for intangible assets		<u>(5,169)</u>
		15,936
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		187,052
<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		(4,291)
Change in unearned revenue for debt reimbursement-City of Salisbury		<u>(209,489)</u>
		(213,780)
<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>		
New long-term debt issued		(21,105)
Principal payments on long-term debt		368,977
Decrease in accrued interest payable		<u>2,274</u>
		350,146
<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		(18,200)
Pension expense		<u>(246,613)</u>
		(264,813)
Total changes in net position of governmental activities	\$	<u><u>262,455</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, 2022

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>				
Ad valorem taxes	\$ 1,922,000	\$ 1,925,532	\$ 1,925,594	\$ 62
Unrestricted intergovernmental	1,476,200	1,476,200	1,731,706	255,506
Restricted intergovernmental	536,900	611,025	569,067	(41,958)
Permits and fees	16,500	39,050	44,246	5,196
Sales and services	120,000	120,000	108,430	(11,570)
Investment earnings	20,200	20,200	9,527	(10,673)
Miscellaneous	32,447	37,547	45,977	8,430
<b>Total Revenues</b>	<b>4,124,247</b>	<b>4,229,554</b>	<b>4,434,547</b>	<b>204,993</b>
<b>Expenditures:</b>				
Current:				
General government	512,200	519,960	476,277	43,683
Public safety	1,928,400	2,124,525	1,985,036	139,489
Transportation	110,200	110,200	32,406	77,794
Environmental protection	796,370	847,155	797,102	50,053
Economic and physical development	146,300	198,508	130,152	68,356
Cultural and recreational	228,800	233,900	217,531	16,369
Debt Service:				
Principal retirement	375,300	375,300	368,977	6,323
Interest and other charges	88,800	88,800	89,736	(936)
<b>Total Expenditures</b>	<b>4,186,370</b>	<b>4,498,348</b>	<b>4,097,217</b>	<b>401,131</b>
<b>Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>(62,123)</b>	<b>(268,794)</b>	<b>337,330</b>	<b>606,124</b>
<b>Other Financing Sources (Uses):</b>				
Lease liabilities issued	-	-	21,105	21,105
Insurance proceeds	-	32,463	44,541	12,078
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>32,463</b>	<b>65,646</b>	<b>33,183</b>
<b>Fund Balance Appropriated</b>	<b>62,123</b>	<b>236,331</b>	<b>-</b>	<b>(236,331)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>402,976</b>	<b>\$ 402,976</b>
<b>Fund Balance, Beginning</b>			<b>3,070,958</b>	
<b>Fund Balance, Ending</b>			<b>\$ 3,473,934</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, 2022

#### 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 Town has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The Town reports the following major governmental funds:

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

**American Rescue Plan Fund-Special Revenue Fund.** This fund accounts for the transactions related to the American Rescue Plan Funds.

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

##### **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 also 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	\$	7,299
Police drug account-Federal		17,201
Debt service account-USDA loan		116,087
Developer performance bond		197,988
American rescue plan act		614,141
Restricted for street maintenance		237,949
Total Restricted Cash	\$	<u>1,190,665</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, 2021. 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

**Right to Use Assets**

The Town has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

## 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 2022 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 one item that meets the criterion for this category – 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.

###### Reimbursements for Pandemic-related Expenditures

In FY 2020/2021, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for the eligible state, local, territorial, and tribal governments. The Town was allocated \$1,344,903 of fiscal recovery funds to be paid in two equal installments. The first installment of \$672,452 was received in July 2021. The second installment will be received in July 2022. The town council has elected to use \$58,996 of the ARPA funds for premium pay and related payroll expenses. The Town plans on using the rest of the funds for salaries for law enforcement and fire department services.

## 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)

###### 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.

###### 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.



**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 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.

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.

## 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)

###### 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.

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

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

Noncompliance with North Carolina General Statutes:      None.

Contractual Violations:      None.

#### 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 agent in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict

**TOWN OF CHINA GROVE, NORTH CAROLINA**

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

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

**Assets (Continued)**

**Deposits (Concluded)**

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, 2022, the Town's deposits had a carrying amount of \$3,534,454 and a bank balance of \$3,555,340. Of the bank balance, \$705,788 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2022, the Town's petty cash fund totaled \$200.

**Investments**

At June 30, 2022, the Town of China Grove had \$296,672 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's (S&P). 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, 2022 is net of an allowance for doubtful accounts of \$ 17,911.

**TOWN OF CHINA GROVE, NORTH CAROLINA**

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

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

**Assets (Continued)**

**Capital Assets**

**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2022, 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	3,370,028	117,681	67,160	3,420,549
Infrastructure	640,174	31,240	-	671,414
Other improvements	158,989	-	-	158,989
Total capital assets being depreciated	<u>7,308,309</u>	<u>148,921</u>	<u>67,160</u>	<u>7,390,070</u>
<b>Less accumulated depreciation for:</b>				
Buildings	817,325	62,782	-	880,107
Equipment	2,148,131	284,627	44,337	2,388,421
Infrastructure	128,520	13,738	-	142,258
Other improvements	123,451	2,836	-	126,287
Total accumulated depreciation	<u>3,217,427</u>	<u>\$ 363,983</u>	<u>\$ 44,337</u>	<u>3,537,073</u>
Total capital assets being depreciated, net	<u>4,090,882</u>			<u>3,852,997</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 4,237,319</u>			<u>\$ 3,999,434</u>

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

General government	\$ 27,752
Public safety	245,156
Transportation	13,738
Environmental protection	45,592
Economic and physical development	14,931
Cultural and recreational	16,814
Total depreciation expense	<u>\$ 363,983</u>

## TOWN OF CHINA GROVE, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

##### Assets (Concluded)

##### Right to Use Leased Assets

The Town has recorded three right to use leased assets. The assets are right to use assets for leased copiers. The related leases are discussed in the Leases subsection of the Liabilities section of this note. The right to use lease assets are amortized on a straight-line basis over the terms of the related leases.

Right to use asset activity for the Primary Government for the year ended June 30, 2022, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Right to use assets:</b>				
Leased copiers	-	21,105	-	21,105
Total right to use assets	-	21,105	-	21,105
<b>Less accumulated amortization for:</b>				
Leased copiers	-	5,169	-	5,169
Total accumulated depreciation	-	\$ 5,169	\$ -	5,169
Right to use assets, net	\$ -			\$ 15,936

##### 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).

## 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)

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

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

*Contributions.* Contribution provisions are established by General Statue 128-30 and may be amended only by the North Carolina General Assembly. Town of China Grove employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of China Grove's contractually required contribution rate for the year ended June 30, 2022, was 12.04% of compensation for law enforcement officers and 11.41% 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 \$187,052 for the year ended June 30, 2022.

**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)**

*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, 2022, the Town reported a liability of \$370,210 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021, utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2021 (measurement date), the Town's proportion was .02414%, which was an increase of 0.00282% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Town recognized pension expense of \$166,786. At June 30, 2022, 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	\$ 117,777	\$ -
Changes of assumptions	232,586	-
Net difference between projected and actual earnings on pension plan investments	-	528,919
Changes in proportion and differences between Town contributions and proportionate share of contributions	33,567	20,971
Town contributions subsequent to the measurement date	187,052	-
Total	\$ <u>570,982</u>	\$ <u>549,890</u>

**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)**

\$187,052 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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ending June 30:**

2023	\$ 37,154
2024	(11,370)
2025	(29,892)
2026	(161,852)

*Actuarial Assumptions.* The total pension liability in the December 31, 2020 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 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

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

The assumptions used for the December 31, 2020 actuarial valuation are based on the experience study prepared as of December 31, 2019.

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



**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 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, 2021, 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	100%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2020 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 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 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the 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 6.50 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 (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Town's proportionate share of the net pension liability (asset)	\$ 1,437,125	\$ 370,210	\$ (507,799)

*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 Town law enforcement officers are covered by the Separation Allowance.

At December 31, 2020, the Separation Allowance's membership consisted of:

Inactive members currently receiving benefits	-
Active plan members	<u>13</u>
Total	<u><u>13</u></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, 2020, valuation. The total pension liability in the December 31, 2020, 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	2.25 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, 2022, the Town reported a total pension liability of \$556,925. The total pension liability was measured as of December 31, 2021, based on a December 31, 2020 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the Town recognized pension expense of \$79,825.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 118,688	\$ 8,304
Changes of assumptions	125,004	21,963
Total	<u>\$ 243,692</u>	<u>\$ 30,267</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:**

2023	\$ 37,942
2024	38,170
2025	34,962
2026	33,599
2027	30,971
Thereafter	37,781

**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 2.25 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 (1.25 percent) or 1-percentage-point higher (3.25 percent) than the current rate:

	<u>1% Decrease (1.25%)</u>	<u>Discount Rate (2.25%)</u>	<u>1% Increase (3.25%)</u>
Total pension liability	\$ 616,959	\$ 556,925	\$ 501,794

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

	<u>2022</u>
Beginning balance	\$ 415,652
Service Cost	33,861
Interest on the total pension liability	8,022
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	118,062
Changes of assumptions or other inputs	(18,672)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	\$ <u>556,925</u>

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

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an experience study completed by the Actuary for the Local Governmental Employees' Retirement System 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	\$ 166,786	\$ 79,825	\$ 246,611
Pension Liability	370,210	556,925	927,135
Proportionate share of the net pension liability	.02414%	n/a	

**Deferred Outflows of Resources**

Differences between expected and actual experience	117,777	118,688	236,465
Changes of assumptions	232,586	125,004	357,590
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	33,567	-	33,567
Benefit payments and administrative cost paid subsequent to the measurement date	187,052	-	187,052

**Deferred Inflows of Resources**

Differences between expected and actual experience	-	8,304	8,304
Changes of assumptions	-	21,963	21,963
Net difference between projected and actual earnings on plan investments	528,919	-	528,919
Changes in proportion and differences between contributions and proportionate share of contributions	20,971	-	20,971

## 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 for Law Enforcement Officers

*Plan Description.* The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to 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 \$78,234 for the reporting year. No amounts were forfeited.

##### Other Employment Benefits

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	\$ 236,465
Changes of assumptions	357,590
Net difference between projected and actual earnings	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	33,567
Town contributions subsequent to the measurement date	187,052
Benefit payments and administrative expenses subsequent to the measurement date-LEOSSA	-
Total	\$ <u>814,674</u>

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

	Statement of Net Position	General Fund Balance Sheet
Property taxes receivable	\$ -	\$ 70,320
Debt reimbursement from City of Salisbury	-	711,821
Differences between expected and actual experience	8,304	-
Changes of assumptions	21,963	-
Net difference between projected and actual earnings	528,919	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	20,971	-
Total	\$ <u>580,157</u>	\$ <u>782,141</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, 2022, there was no material pending or threatened litigation, claims or assessments involving the Town of China Grove.

**Long-Term Obligations**

**Leases**

The Town has entered into an agreement to lease three copiers. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception.

The agreement was executed on March 5, 2020, to lease three copiers and requires 63 monthly payments of \$494. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 6.75%, which is the Town's annual incremental borrowing rate. As a result of the lease, the Town has recorded right to use assets with a net book value of \$15,936 at June 30, 2022. The agreement allows for the purchase of the copiers at the end of the lease for fair market value.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 4,969	\$ 959
2024	5,315	613
2025	5,685	243
2026	491	3
Totals	<u>\$ 16,460</u>	<u>\$ 1,818</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**

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, 2022, including \$725,757 of interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2023	\$ 56,561	\$ 59,526
2024	58,541	57,546
2025	60,590	55,497
2026	62,710	53,377
2027	64,905	51,182
2028-2032	360,233	220,202
2033-2037	427,843	152,592
2038-2042	508,143	72,292
2043	101,218	3,543
Totals	\$ 1,700,744	\$ 725,757

**Installment Purchase**

The Town has entered into a \$1,678,136 direct placement contract from the Clean Water Revolving Loan Program, which is administered by the State of North Carolina, to upgrade its sewer system. The terms of the financing agreement state that interest will accrue at the rate of 2.57% per annum. Interest payments will be made semiannually, payable on or before May 1 and November 1, beginning 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.

**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, 2022, including \$2,156 of interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2023	\$ 83,907	2,156
Totals	\$ 83,907	\$ 2,156

**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.

Annual debt service payments of the installment purchase as of June 30, 2021, including \$43,420 of interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2023	\$ 125,583	\$ 14,473
2024	125,583	11,579
2025	125,583	8,684
2026	125,583	5,789
2027	125,582	2,895
Totals	\$ 627,914	\$ 43,420

**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 \$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, 2022, including \$2,903 of interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2023	\$ 64,072	\$ 2,484
2024	32,902	419
Totals	<u>\$ 96,974</u>	<u>\$ 2,903</u>

At June 30, 2022, the Town of China Grove, North Carolina had a legal debt margin of \$25,913,483.

**Changes in Long-Term Liabilities**

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022	Current Portion of Balance
Governmental Activities:					
Installment purchases	\$ 2,873,870	\$ -	\$ 364,332	\$ 2,509,538	\$ 330,122
Lease liabilities	24,206	21,105	28,851	16,460	4,969
Compensated Absences	107,935	18,200	-	126,135	63,067
Net pension liability (LGRS)	761,854	-	391,644	370,210	-
Total pension liability (LEO)	<u>415,652</u>	<u>141,273</u>	<u>-</u>	<u>556,925</u>	<u>-</u>
Governmental Activity Long-Term Liabilities	<u>\$ 4,183,517</u>	<u>\$ 180,578</u>	<u>\$ 784,827</u>	<u>\$ 3,579,268</u>	<u>\$ 398,158</u>

**TOWN OF CHINA GROVE, NORTH CAROLINA**

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

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

Capital assets	\$ 3,999,434
Less:	
Town Hall/Fire Dept USDA loans	1,700,744
Loan to purchase fire truck	<u>96,974</u>
Net investment in capital assets	<u>\$ 2,201,716</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	\$ 3,473,934
Less:	
Prepaid items	63,092
Stabilization by State Statute	628,076
Streets - Powell Bill	238,186
Police-Drug enforcement	24,501
Debt service	<u>116,087</u>
Remaining Fund Balance	<u>\$ 2,403,992</u>

The outstanding encumbrance is needed to pay for three police vehicles that were ordered that will not be received until the 2022-2023 fiscal year.

<b><u>Encumbrances</u></b>	<b><u>General Fund</u></b>	<b><u>Non-Major Fund</u></b>
	\$107,330	\$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, 2022, 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, 2022. 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**

Subsequent to June 30, 2022, the Town filed a lawsuit. The defendant in this lawsuit failed to complete streets in the Miller's Grove subdivision. The Town received \$163,025 in December 2022 as settlement from the litigation.

The Town has evaluated all subsequent events through January 26, 2023, the date the financial statements were available to be issued.

#### **Note 9 – Change in Accounting Principle/Restatement**

The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, in the fiscal year ending June 30, 2022. As a result of implementing the statement, the Town increased the beginning net position by \$1,383.

## **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 Nine Fiscal Years\*

Local Government Employees' Retirement System

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
China Grove's proportion of the net pension liability (asset) (%)	.02414%	.02132%	.02356%	.02242%	.01923%	.01656%	.01438%	.01569%	.01600%
China Grove's proportion of the net penions liability (asset) (\$)	370,210 \$	761,854 \$	643,405 \$	531,879 \$	293,781 \$	351,459 \$	64,537 \$	(92,531) \$	192,861
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 \$	791,217
China Grove's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	24.68%	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**	95.51	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 Nine Fiscal Years

Local Government Employees' Retirement System

	<u>2022</u>	<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	\$ 187,052	\$ 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>187,052</u>	<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>	\$ <u>-</u>
China Grove's covered-employee payroll	\$ 1,595,942	\$ 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	11.72%	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, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 415,652	\$ 252,832	\$ 220,208	220,256	\$ 193,959	\$ 200,663
Service cost	33,861	17,616	16,865	16,786	12,573	12,251
Interest on the total pension liability	8,022	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	118,062	(11,124)	17,275	9,169	10,685	-
Changes of assumptions or other inputs	(18,672)	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>556,925</u>	\$ <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, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 556,925	\$ 415,652	\$ 252,832	\$ 220,208	\$ 220,256	\$ 193,959
Covered payroll	789,826	640,896	662,005	603,872	545,544	502,400
Total pension liability as a percentage of covered payroll	70.51%	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 nor does the Plan provide pay related benefits.

December 31, 2021 Measurement Date: The Municipal Bond Index Rate increased from 1.93% to 2.25%.

December 31, 2020 Measurement Date: The Municipal Bond Index Rate decreased from 3.26% to 1.93%.  
Based on the results of an experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five-year period ending December 31, 2019, the following were updated: mortality rates, salary increase rates, service retirement rates, disability retirement rates, termination rates, real wage growth, and leave conversion service.

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%.  
The assumed inflation rate was reduced from 3% to 2.5% and assumed wage inflation was increased from 0.5% to 1.0%.

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, 2022

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Ad Valorem Taxes:			
Taxes	\$ 1,895,000	\$ 1,872,899	\$ (22,101)
Penalties and interest	15,532	17,810	2,278
Prior years taxes	15,000	34,885	19,885
Total	<u>1,925,532</u>	<u>1,925,594</u>	<u>62</u>
Unrestricted Intergovernmental:			
Local option sales tax	1,140,000	1,404,686	264,686
Telecommunications sales tax	28,000	20,250	(7,750)
Utility sales tax	245,000	237,173	(7,827)
Piped natural gas sales tax	9,000	13,950	4,950
Video franchise tax	20,000	20,126	126
Beer and wine excise tax	19,200	17,685	(1,515)
ABC profit distribution	15,000	17,836	2,836
Total	<u>1,476,200</u>	<u>1,731,706</u>	<u>255,506</u>
Restricted Intergovernmental:			
Powell bill allocation	110,000	131,728	21,728
Fire tax	5,000	5,528	528
Fire tax supplement	7,500	7,811	311
Salisbury/Rowan Schools-SRO	138,000	137,690	(310)
Debt reimbursement from City of Salisbury	231,400	231,171	(229)
Public safety allocation	74,125	50,000	(24,125)
Project revenue-MPO	40,000	-	(40,000)
Solid waste disposal	3,000	4,162	1,162
Controlled substance tax	2,000	977	(1,023)
Total	<u>611,025</u>	<u>569,067</u>	<u>(41,958)</u>
Permits and Fees:			
Police fines and citations	3,500	2,552	(948)
Zoning and development fees	19,000	24,044	5,044
Code enforcement revenue	4,250	4,250	-
Community building rent	12,300	13,400	1,100
Total	<u>39,050</u>	<u>44,246</u>	<u>5,196</u>
Sales and Services:			
Sanitation collection fees	120,000	108,430	(11,570)
Total	<u>120,000</u>	<u>108,430</u>	<u>(11,570)</u>
Investment earnings	<u>20,200</u>	<u>9,527</u>	<u>(10,673)</u>
Miscellaneous			
Miscellaneous events sponsors	1,000	3,000	2,000
Farmers Day revenue	8,500	8,734	234
Farmers Day sponsors	3,000	15,800	12,800
Farmers Day booths	6,600	6,605	5
Sale of materials and fixed assets	1,000	-	(1,000)
Parade entry fees	7,000	7,370	370
CIG sponsors/donations	7,500	-	(7,500)
Miscellaneous revenue	2,947	4,468	1,521
Total	<u>37,547</u>	<u>45,977</u>	<u>8,430</u>
<b>Total Revenues</b>	<b>\$ 4,229,554</b>	<b>\$ 4,434,547</b>	<b>\$ 204,993</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, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures:</b>			
General Government:			
Governing Body:			
Salaries and wages	\$ 8,300	\$ 8,270	\$ 30
Payroll tax	700	633	67
Materials and supplies	300	104	196
Travel and schools	600	150	450
Membership and dues	8,200	7,533	667
Miscellaneous	1,000	170	830
Grant match bus service	7,500	-	7,500
Election	3,000	3,616	(616)
Donations	5,000	5,000	-
Total	<u>34,600</u>	<u>25,476</u>	<u>9,124</u>
Administration:			
Salaries and wages	259,200	245,072	14,128
Salaries and wages-overtime	4,000	2,942	1,058
Payroll tax	19,900	18,389	1,511
LGERS	23,200	21,544	1,656
Prudential 401K	10,300	8,636	1,664
Insurance benefits	22,400	21,102	1,298
Workers compensation	2,000	1,906	94
Professional fees-legal	-	1,256	(1,256)
Professional fees	28,500	24,755	3,745
Office supplies	2,800	3,249	(449)
Materials and supplies	1,100	2,951	(1,851)
Contracted services	9,660	10,958	(1,298)
Technical support	19,500	13,692	5,808
Travel and schools	5,000	5,036	(36)
Telephone and postage	5,500	4,144	1,356
Utilities	10,300	8,109	2,191
Printing and codification	4,000	250	3,750
Repair and maintenance	2,500	322	2,178
Repair and maintenance-building	6,500	6,378	122
Advertising	1,000	932	68
Banks service fees	3,500	3,183	317
Memberships and dues	2,000	906	1,094
Miscellaneous	2,500	2,388	112
Insurance	20,000	20,090	(90)
Capital outlay	-	7,035	(7,035)
Rowan County tax services	20,000	15,576	4,424
Total	<u>485,360</u>	<u>450,801</u>	<u>34,559</u>
Total General Government	<u>519,960</u>	<u>476,277</u>	<u>43,683</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, 2022

	Budget	Actual	Variance Positive (Negative)
<b>Expenditures (continued):</b>			
Public Safety:			
Police Department:			
Salaries and wages	\$ 658,200	\$ 623,340	\$ 34,860
School resource officers	111,700	110,308	1,392
Salaries and wages-overtime	7,800	7,355	445
Payroll tax	57,200	54,417	2,783
LGERS	98,600	92,148	6,452
Prudential 401K	39,150	37,288	1,862
Insurance benefits	97,100	93,844	3,256
Workers compensation	19,200	15,406	3,794
Materials and supplies	8,000	6,233	1,767
Unleaded and diesel	25,000	32,259	(7,259)
Uniforms	32,125	28,658	3,467
Weapons	9,900	8,023	1,877
Contract services	27,500	25,164	2,336
Technical support	8,000	1,031	6,969
Travel and schools	13,000	12,448	552
Telephone and postage	12,300	9,675	2,625
Cell phones and pagers	6,300	6,504	(204)
Utilities	6,100	2,584	3,516
Repairs and maintenance	15,000	20,434	(5,434)
Repairs and maintenance-building	7,600	7,550	50
Memberships and dues	500	250	250
Miscellaneous	3,000	1,959	1,041
Insurance	20,600	20,531	69
Capital outlay	115,000	77,864	37,136
Total	<u>1,398,875</u>	<u>1,295,273</u>	<u>103,602</u>
Fire Department:			
Salaries and wages-regular	259,500	255,265	4,235
Salaries and wages-overtime	13,800	11,907	1,893
Salaries and wages-part time	61,500	49,373	12,127
Payroll tax	25,000	23,732	1,268
LGERS	35,500	32,389	3,111
Prudential 401K	13,800	12,970	830
Insurance benefits	44,800	48,482	(3,682)
Workers compensation	10,000	8,906	1,094
Food and provisions	1,000	411	589
Medical supplies	3,800	3,718	82
Material and supplies	15,800	16,210	(410)
Unleaded and diesel	11,000	17,179	(6,179)
Uniforms	3,500	2,922	578
Turn out gear	20,000	5,866	14,134
Contracted services	45,500	39,582	5,918
Travel and schools	3,500	3,690	(190)
Telephone and postage	5,700	4,468	1,232
Cell phones and pagers	250	247	3

**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, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures (continued):</b>			
Fire Department (concluded):			
Utilities	\$ 9,700	\$ 8,055	\$ 1,645
Repairs and maintenance	57,000	56,034	966
Repairs and maintenance-buildings	15,000	15,713	(713)
Memberships and dues	1,000	1,000	-
Miscellaneous	1,500	537	963
Insurance	17,500	17,220	280
Capital outlay	50,000	53,887	(3,887)
Total	<u>725,650</u>	<u>689,763</u>	<u>35,887</u>
Total Public Safety	<u>2,124,525</u>	<u>1,985,036</u>	<u>139,489</u>
Transportation:			
Streets and Highways:			
Professional fees	-	280	(280)
Maintenance and repairs	30,200	886	29,314
Paving	80,000	31,240	48,760
Total	<u>110,200</u>	<u>32,406</u>	<u>77,794</u>
Total Transportation	<u>110,200</u>	<u>32,406</u>	<u>77,794</u>
Environmental Protection:			
Public Works:			
Employee wages-regular	256,200	243,804	12,396
Employee wages-overtime	7,000	6,348	652
Payroll taxes	19,041	18,056	985
LGERS	30,177	29,234	943
Prudential 401K	12,635	11,975	660
Insurance benefits	37,342	40,263	(2,921)
Workers compensation	12,000	11,006	994
Materials and supplies	10,000	7,118	2,882
Unleaded and diesel	16,200	21,205	(5,005)
Uniforms	1,600	1,394	206
Safety equipment and materials	1,000	-	1,000
Contracted services	2,300	2,271	29
Travel and schools	260	260	-
Telephone and postage	5,600	4,501	1,099
Utilities	5,800	5,341	459
Street lights	42,000	36,600	5,400
Repairs and maintenance	71,000	70,614	386
Repairs and maintenance-buildings	5,000	4,697	303
Memberships and dues	200	-	200
Miscellaneous	1,500	1,188	312
Equipment rental	1,000	315	685

**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, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures (continued):</b>			
Environmental Protection (concluded):			
Public Works (concluded):			
Insurance	\$ 13,000	\$ 12,792	\$ 208
Garbage and recycling contract	244,000	228,424	15,576
Landfill charges	35,800	29,930	5,870
Stormwater expenses	14,500	9,766	4,734
Downtown appearance	2,000	-	2,000
Total	<u>847,155</u>	<u>797,102</u>	<u>50,053</u>
Total Environmental Protection	<u>847,155</u>	<u>797,102</u>	<u>50,053</u>
Economic and Physical Development:			
Planning:			
Salaries and wages-part time	28,100	27,959	141
Payroll tax	2,200	2,139	61
Workers compensation insurance	500	304	196
Professional fees	122,208	68,679	53,529
Materials and supplies	2,500	411	2,089
Unleaded and diesel	1,300	1,358	(58)
Contracted services	10,000	2,375	7,625
Technology	10,000	8,416	1,584
Travel and schools	1,500	50	1,450
Telephone and postage	2,000	1,739	261
Repairs and maintenance	2,000	298	1,702
Advertising	2,500	3,575	(1,075)
Memberships and dues	800	-	800
Miscellaneous	200	232	(32)
Tourism and economic development	7,000	7,008	(8)
Insurance	5,700	5,609	91
Total	<u>198,508</u>	<u>130,152</u>	<u>68,356</u>
Total Economic and Physical Development	<u>198,508</u>	<u>130,152</u>	<u>68,356</u>
Cultural and Recreation:			
Recreation:			
Salaries and wages-regular	56,400	53,114	3,286
Salaries and wages-overtime	3,500	2,812	688
Payroll tax	4,400	4,237	163
LGERS	6,400	6,414	(14)
Prudential 401K	2,900	2,551	349
Insurance benefits	7,500	8,020	(520)
Materials and supplies	200	608	(408)
Fuel and oil	-	111	(111)
Contracted services	39,800	46,125	(6,325)
Christmas activities	8,500	7,988	512



**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, 2022

	<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	12,200	1,349	10,851
Community building expenses	16,100	11,799	4,301
Parade expenses	5,500	5,124	376
Events miscellaneous expenses	7,500	7,085	415
Travel	1,500	256	1,244
Telephone and postage	800	564	236
Utilities	7,500	7,462	38
Repairs and maintenance	600	539	61
Advertising	3,500	1,875	1,625
Memberships and dues	1,100	265	835
Miscellaneous	700	263	437
Insurance	7,000	6,888	112
Parks and Rec non-capital	5,000	4,045	955
Little League	4,000	6,971	(2,971)
Total	<u>202,600</u>	<u>186,465</u>	<u>16,135</u>
Farmers Day:			
Materials and supplies	1,500	1,007	493
Travel	100	-	100
Advertising	780	672	108
Miscellaneous	80	28	52
Entertainment	11,750	12,250	(500)
Sound equipment and stage	1,800	1,750	50
T-shirts	7,620	7,610	10
Rentals	5,450	5,533	(83)
Porta-potties	2,220	2,216	4
Total	<u>31,300</u>	<u>31,066</u>	<u>234</u>
Total Cultural and Recreation	<u>233,900</u>	<u>217,531</u>	<u>16,369</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, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures (concluded):</b>			
Debt Service:			
Principal retirement	375,300	368,977	6,323
Interest	88,800	89,736	(936)
Total	<u>464,100</u>	<u>458,713</u>	<u>5,387</u>
<b>Total Expenditures</b>	<u>4,498,348</u>	<u>4,097,217</u>	<u>401,131</u>
<b>Revenues Over (Under) Expenditures</b>	\$ <u>(268,794)</u>	\$ <u>337,330</u>	\$ <u>606,124</u>
<b>Other Financing Sources (Uses):</b>			
Lease liabilities issued	-	21,105	21,105
Insurance proceeds	32,463	44,541	12,078
Total	<u>32,463</u>	<u>65,646</u>	<u>33,183</u>
<b>Fund Balance Appropriated</b>	<u>236,331</u>	<u>-</u>	<u>(236,331)</u>
<b>Net Change in Fund Balance</b>	\$ <u><u>-</u></u>	402,976	\$ <u><u>402,976</u></u>
<b>Fund Balance, Beginning</b>		<u>3,070,958</u>	
<b>Fund Balance, Ending</b>		\$ <u><u>3,473,934</u></u>	

**TOWN OF CHINA GROVE, NORTH CAROLINA****SPECIAL REVENUE FUND-AMERICAN RESCUE PLAN ACT FUNDS****SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL**

From Inception and For the Year Ended June 30, 2022

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues:</b>					
ARP Funds	\$ 1,344,903	\$ -	\$ 58,310	\$ 58,310	\$ (1,286,593)
ARP Interest	-	-	686	686	686
<b>Total Revenues</b>	<u>1,344,903</u>	<u>-</u>	<u>58,996</u>	<u>58,996</u>	<u>(1,285,907)</u>
<b>Expenditures:</b>					
Premium pay	60,000	-	58,996	58,996	1,004
Law enforcement services-salaries	1,148,294	-	-	-	1,148,294
Fire department services-salaries	136,609	-	-	-	136,609
<b>Total Expenditures</b>	<u>1,344,903</u>	<u>-</u>	<u>58,996</u>	<u>58,996</u>	<u>1,285,907</u>
<b>Revenues Over (Under) Expenditures</b>	\$ <u>-</u>	\$ <u>-</u>	-	\$ <u>-</u>	\$ <u>-</u>
<b>Fund Balance, Beginning</b>			-		
<b>Fund Balance, Ending</b>			\$ <u>-</u>		

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

June 30, 2022

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2021</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2022</u>
2021-2022	\$ -	\$ 1,919,725	\$ 1,887,583	\$ 32,142
2020-2021	35,822	-	17,755	18,067
2019-2020	12,161	-	6,483	5,678
2018-2019	14,707	-	4,148	10,559
2017-2018	8,407	-	1,284	7,123
2016-2017	5,822	-	754	5,068
2015-2016	4,110	-	1,174	2,936
2014-2015	2,891	-	733	2,158
2013-2014	3,357	-	864	2,493
2012-2013	2,917	-	910	2,007
2011-2012	2,491	-	2,491	-
	<u>\$ 92,685</u>	<u>\$ 1,919,725</u>	<u>\$ 1,924,179</u>	88,231
Less: Allowance for uncollectible accounts:				
Ad valorem taxes receivable				<u>17,911</u>
Ad valorem taxes receivable - net				<u>\$ 70,320</u>
Reconcilement with Revenues:				
Ad valorem taxes collected:				
General fund				\$ 1,925,594
Reconciling items:				
Interest collected				(17,810)
Taxes written off				2,491
Discounts allowed				13,941
Adjustments				<u>(37)</u>
Total Collections and Credits				<u>\$ 1,924,179</u>

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

For the Fiscal Year Ended June 30, 2022

	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	\$ 356,553,333	\$ 0.54	\$ 1,925,388	\$ 1,724,141	\$ 201,247
Penalties	-		1,171	1,171	-
<b>Total Original Levy</b>	<u>356,553,333</u>		<u>1,926,559</u>	<u>1,725,312</u>	<u>201,247</u>
<b>Discoveries:</b>					
Current year taxes	20,556	0.54	111	111	-
<b>Total Discoveries</b>	<u>20,556</u>		<u>111</u>	<u>111</u>	<u>-</u>
<b>Abatements</b>	<u>(1,286,111)</u>	0.54	<u>(6,945)</u>	<u>(655)</u>	<u>(6,290)</u>
<b>Total Property Valuation</b>	<u>\$ 355,287,778</u>				
Net levy			1,919,725	1,724,768	194,957
Uncollected taxes at June 30, 2022			<u>(32,142)</u>	<u>(32,142)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 1,887,583</u>	<u>\$ 1,692,626</u>	<u>\$ 194,957</u>
Current levy collection percentage			<u>98.33%</u>	<u>98.14%</u>	<u>100.00%</u>