

**Town of China Grove
China Grove, North Carolina**

Audited Financial Statements

Year Ended June 30, 2023

Town of China Grove, North Carolina

Audited Financial Statements

For the Year Ended June 30, 2023

BOARD OF COMMISSIONERS

Charles Seaford - Mayor

Cheryl Sheets

Rodney Phillips

Don Bringle

Steve Stroud

Arthur Heggins - Mayor Pro-Team

OFFICIALS

Franklin Gover

Town Manager

Tara Nichols

Finance Officer

Pamela Mills

Town Clerk

Town of China Grove, North Carolina
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June 30, 2023

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Financial Section



S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
American Institute of CPAs
N. C. Association of CPAs

Independent Auditor's Report

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

Opinion

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, 2023, and the related notes to the financial statements, which collectively comprise the Town of China Grove, North Carolina's basic financial statements as listed in the table of contents.

In our opinion, the 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, North Carolina, as of June 30, 2023, and the respective changes in financial position and respective budgetary comparison for the General Fund in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, North Carolina, 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 opinion.

Responsibilities of Management for the Audit of the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 raise substantial doubt about the Town of China Grove, North Carolina's ability to continue as a going concern for 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 from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 generally accepted auditing standards 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

Exercise professional judgment and maintain 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, North Carolina'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of China Grove, North Carolina'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.

Other Matters

Required Supplementary Information

Management's Discussion and Analysis on pages 4 through 11, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions, on pages 45 and 46, respectively, and the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 47 and 48 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

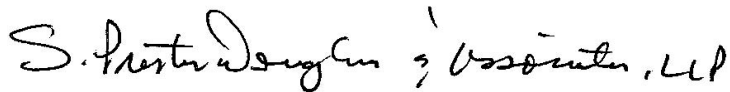
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of China Grove, North Carolina. The individual fund statements, budgetary schedules, other schedules are presented for purposes of additional analysis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

The individual fund financial statements, budgetary schedules, other schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2023, on our consideration of the Town of China Grove's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of China Grove's internal control over financial reporting and compliance.



Lumberton, North Carolina
November 22, 2023

Management's Discussion and Analysis

**Town of China Grove, North Carolina
Management’s Discussion and Analysis
June 30, 2023**

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, 2023. 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 the Town of China Grove exceeded its liabilities and deferred inflows at the close of the fiscal year by \$6,394,415 (net position).

The government’s total net position increased by \$1,503,815 primarily due the American Rescue Plan Act revenues totaling \$1,286,593. These funds totaling \$ 1,286,593 were transferred from the American Rescue Plan Act Fund to the General Fund during the year ended June 30, 2023.

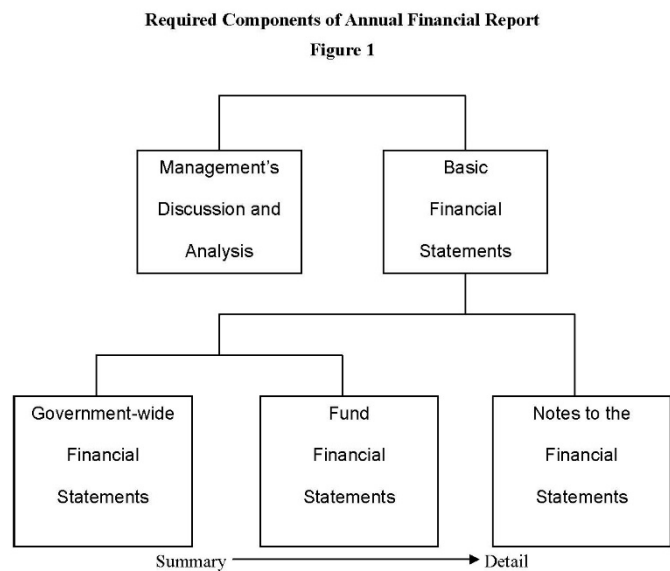
As of the close of the current fiscal year, the Town’s governmental funds reported combined ending fund balance of \$4,966,845. Approximately 20.61% of this total amount, or \$1,029,893 is restricted.

During the year,

The Town of China Grove total debt decreased \$390,689 during the current fiscal year. Payments made on debt were a key factor in the decrease of debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of China Grove basic financial statements. The Town’s basic financial statements comprise 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 also contains other supplementary information that will enhance the reader’s understanding of the financial condition of the Town of China Grove.



Town of China Grove, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2023

Financial Statements

The first two statements 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 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 pages 12 and 13 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 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.

Town of China Grove, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2023

Governmental Funds (continued). 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.

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 19 through 44 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 45 of this report.

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

Town of China Grove, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2023

Government-Wide Financial Analysis

The Town of China Grove Net Position
Figure 2

	Governmental Activities 2023	Governmental Activities 2022	Totals 2023	Totals 2022
Current and other assets	\$ 5,769,165	\$ 5,213,241	\$ 5,769,165	\$ 5,213,241
Capital assets	4,086,828	3,999,434	4,086,828	3,999,434
Deferred Outflows of Resources	999,449	814,674	999,449	814,674
Total assets and deferred outflows of resources	10,855,442	10,027,349	10,855,442	10,027,349
Current liabilities	840,248	977,324	840,248	977,324
Long-term liabilities	3,678,428	3,579,268	3,678,428	3,579,268
Deferred inflows of resources	245,959	580,157	245,959	580,157
Total liabilities and deferred inflows of resources	4,764,635	5,136,749	4,764,635	5,136,749
Net position				
Net investment in capital assets	1,901,070	2,201,716	1,901,070	2,201,716
Restricted	1,029,893	1,006,850	1,029,893	1,006,850
Unrestricted	3,463,452	1,682,034	3,463,452	1,682,034
Total net position	\$ 6,394,415	\$ 4,890,600	\$ 6,394,415	\$ 4,890,600

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 \$ 6,231,390 as of June 30, 2023. The Town's net position increased by \$ 1,340,790 for the fiscal year ended June 30, 2023. A total of \$ 1,901,070 (30.50%) reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position (16.52%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,300,427 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 98.54.
- Sales tax collections increased by \$140,380 as compared to the previous fiscal year.

**Town of China Grove, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2023**

Government-wide Financial Analysis (continued)

**Town of China Grove Changes in Net Position
Figure 3**

	Governmental Activities 2023	Governmental Activities 2022	Totals 2023	Totals 2022
Revenues:				
Program revenues				
Charges for services	\$ 290,867	\$ 152,676	\$ 290,867	\$ 152,676
Operating grants and contributions	1,670,677	417,888	1,670,677	417,888
General revenues				
Property taxes	2,033,026	1,921,303	2,033,026	1,921,303
Grants and contributions not restricted	1,883,766	1,731,706	1,883,766	1,731,706
Other	321,421	100,731	321,421	100,731
Total revenues	<u>6,199,757</u>	<u>4,324,304</u>	<u>6,199,757</u>	<u>4,324,304</u>
Expenses:				
General government	550,861	505,340	550,861	505,340
Public safety	2,592,101	2,223,589	2,592,101	2,223,589
Transportation	28,725	14,904	28,725	14,904
Environmental protection	947,581	851,974	947,581	851,974
Economic and physical development	229,462	146,147	229,462	146,147
Cultural and recreation	263,177	232,433	263,177	232,433
Interest on long-term debt	84,035	87,462	84,035	87,462
Total expenses	<u>4,695,942</u>	<u>4,061,849</u>	<u>4,695,942</u>	<u>4,061,849</u>
Increase in net position	1,503,815	262,455	1,503,815	262,455
Net position - July 1	4,890,600	4,628,145	4,890,600	4,628,145
Net position - June 30	<u>\$ 6,394,415</u>	<u>\$ 4,890,600</u>	<u>\$6,394,415</u>	<u>\$ 4,890,600</u>

Town of China Grove, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2023

Government-wide Financial Analysis (continued)

Governmental activities. Governmental activities increased the Town's net position by \$1,340,790. In FY23, Expenses were slightly less this year, in part due to decrease in repairs and decreased purchases of capital assets. Sales tax increased by 10% from FY22 levels and Sales and Service revenue was added in the amount of \$290,867.

Financial Analysis of the Government'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 \$ 3,780,745 while total fund balance reached \$ 4,833,820. 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 80.36% of total General Fund expenditures, while total fund balance represents 101.82% of that same amount.

At June 30, 2023, the governmental funds of the Town reported a combined fund balance of \$4,996,845, a 43.8% increase over last year. This is the result of a net change in fund balance of \$1,522,911.

General Fund Budgetary Highlights

During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories:

- Amendments that adjust for the estimates that are prepared for the original budget ordinance, which reflect actual cost.
- Amendments that recognize new funding from external sources, such as federal and State grants.
- Amendments that appropriate increases that becomes necessary to maintain services and obligations from prior years not completed.

Town of China Grove, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2023

Capital Assets and Debt Administration

The Town's investment in capital assets for its governmental activities as of June 30, 2023, totals \$ 4,086,828 (net of accumulated depreciation). These assets include buildings, roads and other infrastructure, land, machinery and equipment, and vehicles.

- The Police Department added three Chevy Tahoe's.
- The Public Works Department added a knuckle boom truck.
- The increase in infrastructure is due to the patching of asphalt on various streets.

Town of China Grove Capital Assets
(Net of depreciation)

Figure 4

	Governmental Activities 2023	Governmental Activities 2022	Totals 2023	Totals 2022
Land & construction in progress	\$ 146,437	\$ 146,437	\$ 146,437	\$ 146,437
Buildings	2,196,229	2,259,011	2,196,229	2,259,011
Other improvements	47,294	32,702	47,294	32,702
Infrastructure	689,203	529,156	689,203	529,156
Equipment	1,007,665	1,032,128	1,007,665	1,032,128
Total capital assets, net	<u>\$ 4,086,828</u>	<u>\$ 3,999,434</u>	<u>\$ 4,086,828</u>	<u>\$ 3,999,434</u>

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

Long-term debt. As of June 30, 2023, the Town had no bonded debt.

Outstanding Liabilities

Figure 5

	Governmental Activities 2023	Governmental Activities 2022	Totals 2023	Totals 2022
Installment purchases	\$ 2,185,034	\$ 2,509,538	\$ 2,185,034	\$ 2,509,538
Lease liabilities	11,491	16,460	11,491	16,460
Compensated absences	138,376	126,135	138,376	126,135
Net pension liability (LGERS)	1,223,062	370,210	1,223,062	370,210
Net pension liability (LEO)	411,994	556,925	411,994	556,925
Total outstanding debt	<u>\$ 3,969,957</u>	<u>\$ 3,579,268</u>	<u>\$ 3,969,957</u>	<u>\$ 3,579,268</u>

The Town's total outstanding long-term liabilities increased by \$390,689 during the current fiscal year. The key factor in this increase in long-term liabilities is an increase of \$ 852,852 in net pension liability (LGERS). Net pension liabilities related to LGERS and LEO together increased by \$372,078 in FY23.

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, 2023.

Additional information regarding the Town's long-term debt can be found on page 40 to the Financial Statements.

**Town of China Grove, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2023**

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 3.2% with the State's average unemployment of 3.4%.
- China Grove's Central Business district has maintained a high occupancy rate with few vacancies. The downtown area has a variety of service and retail uses providing convenient access for citizens.
- The new Macy's Distribution Center on East NC 152 HWY will bring a significant number of jobs in 2025 and increase China Grove's tax base by hundreds of millions.
- 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, 2024

The General Fund budget for FY 23-24 is \$5,609,950, an 8.5% increase from the previous fiscal year's amended budget of \$5,167,177. The current Fiscal year budget has much needed Capital purchases and additional positions funded in Public Safety for both the Police and Fire Departments; there is also an increase in operational expenditures due to increased costs. The Town has also budgeted a 7% COLA increase for staff; however, we did not provide a Merit increase this year.

Property taxes make up 44.3% of General Fund revenues. Rowan County conducted a reappraisal effective January 2023. Due to the revaluation in 2023 the revenue neutral tax rate is 39.54 cents per \$100 valuation. Rowan County conducts a Reappraisal every four years. The last Reappraisal was effective January 1, 2019. Property values are up from \$327,746,469 in FY 22/23 to \$463,629,338 in the current fiscal year. The tax rate will decrease by \$0.06, this proposed Fiscal Year 2023-2024 Town of China Grove budget includes an Ad Valorem Tax rate of 50 cents per \$100 valuation. As of May 6, 2023, the estimated property valuation of \$463,629,338 creates revenues of approximately \$45,200 for each penny on the tax rate when applying the collection rate of 97.5%. Thus, a tax rate of 50 cents per \$100 valuation produces estimated ad valorem tax revenues of \$2,259,250.

Sales tax revenue makes up another 28.5% of General Fund revenues. Previously, sales tax has shown strong growth and the Town is fortunate for the healthy mix of commercial, industrial, and retail businesses that make their home in China Grove and Rowan County. The sales tax growth is projected to slow in the next Fiscal Year. We did appropriate \$438,000 for Capital needs from Fund Balance for this current budget. This allocation of funds will be used to replace vehicles in the Police Department, purchase equipment for the Fire Department, and the Planning Department will purchase a camera, plotter, and vehicle.

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@chinagrovenc.gov

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

Basic Financial Statements

Town of China Grove, North Carolina
Statement of Net Position
June 30, 2023

	Primary Government	
	Governmental	
	Activities	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,253,577	\$ 4,253,577
Taxes receivables, net	47,705	47,705
Debt reimbursement receivable from		
City of Salisbury-current position	209,490	209,490
Prepaid Items	23,182	23,182
Due from other governments	514,817	514,817
Restricted cash and cash equivalents	720,394	720,394
Total current assets	5,769,165	5,769,165
Non-current assets:		
Debt reimbursement receivable from		
City of Salisbury-due in more than one year	292,841	292,841
Right to use leased assets, net of amortization	10,767	10,767
Capital assets (Note 3):		
Land and non-depreciable improvements	146,437	146,437
Other capital assets, net of depreciation	3,940,391	3,940,391
Total capital assets	4,086,828	4,086,828
Total assets	10,159,601	10,159,601
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	999,449	999,449
Total deferred outflows of resources	999,449	999,449
LIABILITIES		
Current liabilities:		
Accounts payable and accrued interest	305,067	305,067
Accrued interest payable	33,594	33,594
Unearned revenue	10,155	10,155
Current portion of long term liabilities	291,529	291,529
Payable from restricted assets	199,903	199,903
Total current liabilities	840,248	840,248
Long-term liabilities:		
Net pension liability	1,223,062	1,223,062
Total pension liability	411,994	411,994
Due in more than one year	2,043,372	2,043,372
Total liabilities	4,518,676	4,518,676
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	245,959	245,959
Total deferred inflows of resources	245,959	245,959
NET POSITION		
Net investment in capital assets	1,901,070	1,901,070
Restricted for:		
Stabilization by State Statute	509,369	509,369
Streets	373,654	373,654
Debt Service	118,206	118,206
Other Functions	28,664	28,664
Unrestricted	3,463,452	3,463,452
Total net position	\$ 6,394,415	\$ 6,394,415

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, 2023

Functions/Programs	Expenses	Program Revenues			Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Total
Primary government:						
Governmental Activities:						
General government	\$ 550,861	\$ -	\$ 1,327,400	\$ -	\$ 776,539	\$ 776,539
Public safety	2,592,101	3,920	208,181	-	(2,380,000)	(2,380,000)
Transportation	28,725	-	131,480	-	102,755	102,755
Environmental protection	947,581	267,941	3,616	-	(676,024)	(676,024)
Economic and physical development	229,462	6,256	-	-	(223,206)	(223,206)
Cultural and recreation	263,177	12,750	-	-	(250,427)	(250,427)
Interest on long-term debt	84,035	-	-	-	(84,035)	(84,035)
Total governmental activities	\$ 4,695,942	\$ 290,867	\$ 1,670,677	\$ -	\$ (2,734,398)	\$ (2,734,398)

General revenues:

Taxes:			
Property taxes, levied for general purpose		2,033,026	2,033,026
Grants and contributions not restricted to specific programs		1,883,766	1,883,766
Insurance recovery		24,020	24,020
Investment earnings		65,953	65,953
Miscellaneous		231,448	231,448
Total general revenues		4,238,213	4,238,213
Change in net position		1,503,815	1,503,815
Net position, beginning		4,890,600	4,890,600
Net position, ending		\$ 6,394,415	\$ 6,394,415

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, 2023

	Major Funds		
	General Fund	American Rescue Plan Fund	Total Governmental Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 4,253,577	\$ -	\$ 4,253,577
Restricted cash and cash equivalents	720,394	-	720,394
Receivables, net	47,705	-	47,705
Prepaid Items	23,182	-	23,182
Due from other governments	514,817	-	514,817
Debt reimbursement receivable from City of Salisbury	502,331	-	502,331
Total assets	\$ 6,062,006	\$ -	\$ 6,062,006
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	\$ 305,067	\$ -	\$ 305,067
Unearned revenue	10,155	-	10,155
Performance bonds	199,903	-	199,903
Total liabilities	515,125	-	515,125
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Property taxes receivable	47,705	-	47,705
Debt reimbursement receivable from City of Salisbury	502,331	-	502,331
Total deferred inflows of resources	550,036	-	550,036
<u>FUND BALANCES</u>			
Non Spendable			
Prepaid expenses	23,182	-	23,182
Restricted			
Stabilization by State Statute	509,369	-	509,369
Transportation - Powell Bill	373,654	-	373,654
Police-drug enforcement	28,664	-	28,664
Debt service	118,206	-	118,206
Unassigned	3,943,770	-	3,943,770
Total fund balances	4,996,845	-	4,996,845
Total liabilities, deferred inflows of resources and fund balances	\$ 6,062,006	\$ -	\$ 6,062,006

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

Town of China Grove, North Carolina
Balance Sheet
Governmental Funds (continued)
June 30, 2023

Total Fund Balance, Governmental Funds	\$	4,996,845
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		
Gross capital assets at historical cost	\$	8,126,771
Accumulated depreciation	<u>(4,039,943)</u>	4,086,828
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	21,105	
Accumulated depreciation	<u>(10,338)</u>	10,767
Deferred outflows of resources related to pensions are not reported in the funds.		999,449
Earned revenues considered deferred inflows of resources in fund statements.		550,036
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Gross long-term debt beginning	(2,652,133)	
Long-term debt included as ner position below (includes the addition of long-term debt and principal payments during the year.)	317,232	
Net pension liability	(1,223,062)	
Total pension liability	<u>(411,994)</u>	(3,969,957)
Deferred inflows of resources related to pensions are not reported in the funds.		(245,959)
Other long-term liabilities (accrued interest) are not due and payable in the current period ans therefore are not reported in the funds.		<u>(33,594)</u>
Net position of governmental activities	\$	<u>6,394,415</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 Balance
Governmental Funds
For the Year Ended June 30, 2023

	Major Funds		Total Governmental Funds
	General Fund	American Rescue Plan Fund	
Revenues:			
Ad valorem taxes	\$ 2,055,641	\$ -	\$ 2,055,641
Unrestricted intergovernmental	1,883,766	-	1,883,766
Restricted intergovernmental	601,889	1,286,593	1,888,482
Permits and fees	22,926	-	22,926
Sales and services	267,941	-	267,941
Investment earnings	57,638	-	57,638
Miscellaneous	67,131	-	67,131
Total revenues	4,956,932	1,286,593	6,243,525
Expenditures:			
Current:			
General government	507,764	-	507,764
Public safety	2,212,727	-	2,212,727
Transportation	188,772	-	188,772
Environmental protection	1,110,806	-	1,110,806
Economic and physical development	211,835	-	211,835
Cultural and recreational	259,747	-	259,747
Debt service:			
Principal retirement	329,473	-	329,473
Interest	86,535	-	86,535
Total expenditures	4,907,659	-	4,907,659
Excess (deficiency) of revenues over expenditures	49,273	1,286,593	1,335,866
Other financing sources (uses):			
Interfund transfers	1,286,593	(1,286,593)	-
Lawsuit settlement	163,025	-	163,025
Insurance proceeds	24,020	-	24,020
Total other financing sources (uses)	1,473,638	(1,286,593)	187,045
Net change in fund balance	1,522,911	-	1,522,911
Fund balances, beginning	3,473,934	-	3,473,934
Fund balances, ending	\$ 4,996,845	\$ -	\$ 4,996,845

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

Town of China Grove, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2023

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

Net changes in fund balances - total governmental funds	\$	1,522,911
<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	\$ 590,264	
Depreciation expense for governmental assets	<u>(502,870)</u>	87,394
<p>Right to used leased asset capital outlay expenditures which were capitalized</p>		
Amortization expense for intangible assets	<u>-</u> <u>(5,169)</u>	(5,169)
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>		
		200,740
<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	(22,615)	
Change in unearned revenue for debt reimbursement- City of Salisbury	<u>(209,490)</u>	(232,105)
<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 an effect on net position. These amounts are the net effect of these differences in the treatment of long-term debt and related items.</p>		
New long-term debt issued	-	
Principal payments on long-term debt	329,473	
Decrease in accrued interest expense	<u>2,500</u>	331,973
<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	(12,241)	
Pension revenue (expense)	<u>(389,688)</u>	<u>(401,929)</u>
Total changes in net position of governmental activities	\$	<u>1,503,815</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 Balance – Budget and Actual
General Fund
June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 2,015,000	\$ 2,015,000	\$ 2,055,641	\$ 40,641
Unrestricted intergovernmental	1,548,000	1,548,000	1,883,766	335,766
Restricted intergovernmental	497,100	579,190	601,889	22,699
Permits and fees	17,000	17,000	22,926	5,926
Sales and services	250,000	250,000	267,941	17,941
Investment earnings	10,500	10,500	57,638	47,138
Miscellaneous	37,100	37,100	67,131	30,031
Total revenues	<u>4,374,700</u>	<u>4,456,790</u>	<u>4,956,932</u>	<u>500,142</u>
Expenditures:				
Current:				
General government	534,700	587,270	507,764	79,506
Public safety	2,062,400	2,317,820	2,212,727	105,093
Transportation	110,200	285,200	188,772	96,428
Cultural and recreational	237,100	323,590	259,747	63,843
Environmental protection	901,000	1,572,997	1,110,806	462,191
Economic and physical development	103,600	257,200	211,835	45,365
Debt service:				
Principal retirement	339,200	329,473	329,473	-
Interest	86,500	96,227	86,535	9,692
Total expenditures	<u>4,374,700</u>	<u>5,769,777</u>	<u>4,907,659</u>	<u>862,118</u>
Revenues over (under) expenditures	<u>-</u>	<u>(1,312,987)</u>	<u>49,273</u>	<u>1,362,260</u>
Other financing sources (uses):				
Interfund transfers	-	175,000	1,286,593	1,111,593
Lease liabilities issued	-	200,000	-	(200,000)
Insurance proceeds	-	-	24,020	24,020
Total other financing sources (uses)	<u>-</u>	<u>375,000</u>	<u>1,310,613</u>	<u>935,613</u>
Fund balance appropriated	<u>-</u>	<u>937,987</u>	<u>-</u>	<u>(937,987)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,359,886</u>	<u>\$ 1,359,886</u>
Fund balance, beginning			<u>3,473,934</u>	
Fund balance, ending			<u>\$ 4,833,820</u>	

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

Notes to the Financial Statements

Town of China Grove, North Carolina
Notes to the Financial Statements
June 30, 2023

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:

A - Reporting Entity

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

B - Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the Town’s funds. Separate statements for each fund category are presented when applicable. The 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.

Town of China Grove, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B - Basis of Presentation (continued)

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.

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

C - Measurement Focus and Basis of Accounting

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

Government-wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. 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)
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C - Measurement Focus and Basis of Accounting (continued)

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.

D - Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments to the original budget must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 159-30 (c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's investments are generally reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. 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)
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

2. Cash and Cash Equivalents

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

3. Restricted Assets

Cash in Police drug accounts is classified as restricted cash because its use is restricted for specific purposes. The Town has a USDA loan which requires the Town to keep an amount equal to one annual loan payment in a separate bank account. The Town has cash held in a separate account that is classified as restricted cash because it will be returned to a developer, including interest earned, upon completion of a project in the Town. Powell Bill funds are 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	\$	11,438
	Police drug account-Federal		17,226
	Debt service account-USDA loan		118,206
	Developer performance bond		200,107
	American Rescue Plan Act		-
	Restricted for street maintenance		373,418
Total Restricted Cash		\$	<u><u>720,395</u></u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2022. 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 revenue is reported net of such discounts.

5. Allowance for Doubtful Accounts

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

6. Prepaid Items

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

Town of China Grove, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$15,000; infrastructure, \$20,000; furniture and equipment, \$5,000; and vehicles, \$10,000. Donated capital assets received prior to June 30, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015, are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical 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
Infrastructure	30-50
Buildings	50
Improvements	25
Vehicles	5-6
Furniture and equipment	5-10
Computer equipment	3

8. 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.

9. 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 2023 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.

10. Long-Term Obligations

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

Town of China Grove, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

11. 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.

12. 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 2023. 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.

13. 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.

Town of China Grove, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

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

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

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

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

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)
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

14. 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

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

1. Noncompliance with North Carolina General Statutes

None

2. Contractual Violations

None

B - Deficit in Fund Balance or Net Position of Individual Funds

None

C - Excess of Expenditures over Appropriations

None

Town of China Grove, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS

A - Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's 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 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, 2023, the Town's deposits had a carrying amount of \$4,752,467 and a bank balance of \$4,9739,72. Of the bank balance, \$750,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2023, the Town's petty cash fund totaled \$700.

2. Investments

At June 30, 2023, the Town of China Grove had \$220,805 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.

3. 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, 2023 is net of an allowance for doubtful accounts of \$ 17,911.

Town of China Grove, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2023, was as follows:

Governmental activities:	Beginning			Ending
	Balances	Increases	Decreases	Balances
Capital assets not being depreciated:				
Land	\$ 146,437	\$ -	\$ -	\$ 146,437
Total capital assets not being depreciated	<u>146,437</u>	<u>-</u>	<u>-</u>	<u>146,437</u>
Capital assets being depreciated:				
Buildings	3,139,118	-	-	3,139,118
Equipment	3,420,549	385,703	-	3,806,252
Infrastructure	671,414	186,532	-	857,946
Other improvements	158,989	18,029	-	177,018
Total capital assets being depreciated:	<u>7,390,070</u>	<u>590,264</u>	<u>-</u>	<u>7,980,334</u>
Less accumulated depreciation for:				
Buildings	880,107	62,782	-	942,889
Equipment	2,388,421	410,166	-	2,798,587
Infrastructure	142,258	26,485	-	168,743
Other improvements	126,287	3,437	-	129,724
Total accumulated depreciation	<u>3,537,073</u>	<u>502,870</u>	<u>-</u>	<u>4,039,943</u>
Total capital assets being depreciated, net	<u>3,852,997</u>			<u>3,940,391</u>
Governmental activities capital assets, net	<u>\$ 3,999,434</u>			<u>\$ 4,086,828</u>

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

General government	\$ 26,883
Public safety	381,123
Transportation	26,485
Environmental protection	36,033
Economic and physical development	14,931
Culture and recreation	17,415
Total depreciation expense	<u>\$ 502,870</u>

Town of China Grove, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

4. Capital Assets (continued)

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, 2023, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Right to use assets:				
Leased copiers	\$ 21,105	\$ -	\$ -	\$ 21,105
Total right to use assets	21,105	-	-	21,105
Less accumulated amortization for:				
Leased copiers	5,169	5,169	-	10,338
Total accumulated depreciation	5,169	5,169	-	10,338
 Right to use assets, net	 \$ 15,936			 \$ 10,767

B - Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of China Grove is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the 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.

Town of China Grove, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan Obligations (continued)

a. 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 Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of China Grove employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of China Grove's contractually required contribution rate for the year ended June 30, 2023, 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 \$200,740 for the year ended June 30, 2023.

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.

Town of China Grove, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

1. Pension Plan Obligations (continued)

B - Liabilities (continued)

a. Local Governmental Employees' Retirement System (continued)

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

At June 30, 2023, the Town reported a liability of \$1,223,062 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022, 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 .02168%, which was a decrease of .00246% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Town recognized pension expense of \$335,557. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,684	\$ -
Changes of assumptions	9,250	-
Net difference between projected and actual earnings on pension plan investments	-	21,034
Changes in proportion and differences between Town contributions and proportionate share of contributions	5,111	-
Town contributions subsequent to the measurement date	13,420	-
Total	\$ 32,465	\$ 21,034

Town of China Grove, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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

\$200,740 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 ended June 30:	
2024	\$ 165,486
2025	149,931
2026	30,375
2027	192,585

Actuarial Assumptions. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3 percent
Salary increases	3.5 to 8.10 percent, including inflation and productivity factor
Discount Rate	6.5 percent

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, 2021 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)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (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 weighing 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, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	33.0%	0.9%
Global Equity	38.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Credit	7.0%	5.0%
Inflation Protection	6.0%	2.7%
Total	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2022 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 percent. All rates of return and inflation are annualized.

Town of China Grove, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan Obligations (continued)

a. Local Governmental Employees' Retirement System (concluded)

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

Discount rate. The discount rate used to measure the total pension liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 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)	\$ 2,207,469	\$ 1,223,062	\$ 411,853

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.

b. 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)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan Obligations (continued)

b. Law Enforcement Officers Special Separation Allowance (continued)

All full-time Town law enforcement officers are covered by the Separation Allowance.

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

	<u>Employees</u>
Inactive employees or beneficiaries currently receiving benefits	-
Active plan members	12
Total	12

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	4.31 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)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan Obligations (continued)

b. Law Enforcement Officers Special Separation Allowance (continued)

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

	2023
Balance at June 30, 2022	\$ 556,925
Changes for the year	
Service costs	29,048
Interest	12,516
Changes of benefit terms	-
Differences between expected and actual experience	(89,338)
Changes in assumptions	(95,886)
Benefit payments	(1,291)
Net changes	(144,951)
Ending balance of the total pension liability	\$ 701,876

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, 2021 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)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan Obligations (continued)

b. 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:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension Expense	\$ 335,557	\$ 55,423	\$ 390,980
Pension Liability	1,223,062	411,994	1,635,056
Proportionate share of the net pension liability		n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	52,701	97,768	150,469
Changes of assumptions	112,034	101,513	213,547
Net difference between projected and actual earnings on plan investments	404,235	-	404,235
Changes in proportion and differences between contributions and proportionate share of contributions	20,458	-	20,458
Benefit payments and administrative costs paid subsequent to the measurement date	200,740	-	200,740
Deferred of Inflows of Resources			
Differences between expected and actual experience	5,167	84,615	89,782
Changes of assumptions	-	100,304	100,304
Changes in proportion and differences between contributions and proportionate share of contributions	55,873	-	55,873

c. Supplemental Retirement 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.

Town of China Grove, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan Obligations (concluded)

c. Supplemental Retirement Plan for Law Enforcement Officers (continued)

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.

2. Other Employment Benefits

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

3. Deferred Outflows and Inflows of Resources

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

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 150,469
Changes of assumptions	213,547
Net difference between projected and actual earnings on pension plan investments	404,235
Changes in proportion and differences between Town contributions and proportionate share of contributions	20,458
Town contributions subsequent to the measurement date	200,740
Total	\$ 989,449

Town of China Grove, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

3. Deferred Outflows and Inflows of Resources (continued)

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable, less penalties (General Fund)	\$ -	\$ 47,705
Debt reimbursement from City of Salisbury	-	711,821
Differences between expected and actual experience	8,304	
Changes in 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	\$ 580,157	\$ 759,526

4. Risk Management

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

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

The Town has purchased commercial flood insurance.

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

Town of China Grove, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

5. Long-Term Obligations

a. 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, 2023. 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, 2023, are as follows:

Years Ending June 30:	Governmental-Type Activities	
	Principal	Interest
2024	\$ 5,315	\$ 613
2025	5,685	243
2026	491	3
Total	\$ 11,491	\$ 859

Town of China Grove, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

5. Long-Term Obligations

b. Installment Purchase

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

Annual debt service payments of the installment purchase as of June 30, 2023, including \$725,757 of interest, are as follows:

Years Ending June 30:	Principal	Interest
2024	\$ 58,541	\$ 57,546
2025	60,590	55,497
2026	62,710	53,337
2027	64,905	51,182
2028	64,905	51,182
2029-2032	289,527	174,821
2033-2039	614,500	198,109
2040-2042	310,141	38,120
2043	123,982	4,366
Total	\$ 1,649,801	\$ 684,160

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

Annual debt service payments of the installment purchase as of June 30, 2023, including \$2,156 of interest, are as follows:

Town of China Grove, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

5. Long-Term Obligations (concluded)

b. Installment Purchase (concluded)

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, 2023, including \$28,947 of interest, are as follows:

Years Ending June 30:	Principal	Interest
2024	\$ 125,583	\$ 11,579
2025	125,583	8,684
2026	125,583	5,789
2027	125,583	2,895
Total	\$ 502,332	\$ 28,947

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, 2023, including \$419 of interest, are as follows:

Years Ending June 30:	Governmental-Type Activities	
	Principal	Interest
2024	\$ 32,902	\$ 419
Total	\$ 32,902	\$ 419

At June 30, 2023, the Town of China Grove, North Carolina had a legal debt margin of \$25,913,483.

Town of China Grove, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (concluded)

B - Liabilities (continued)

6. Changes in Long-Term Liabilities:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Governmental activities:					
Direct borrowing installment purchase	\$ 2,509,538	\$ -	\$ 324,504	\$ 2,185,034	\$ 217,026
Lease Payable	16,460	-	4,969	11,491	5,315
Compensated absences	126,135	12,241	-	138,376	69,188
Net pension liability (LGRS)	370,210	852,852	-	1,223,062	-
Total OPEB liability	<u>556,925</u>	<u>-</u>	<u>144,931</u>	<u>411,994</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 3,579,268</u>	<u>\$ 865,093</u>	<u>\$ 474,404</u>	<u>\$ 3,969,957</u>	<u>\$ 291,529</u>

NOTE 4 - NET INVESTMENT IN CAPITAL ASSETS

Capital Assets	\$ 4,086,828
Right to use leased assets	10,767
Less:	
Town Hall/Fire Dept USDA loans	1,649,801
Revolving Loan	502,331
Loan to purchase fire truck	32,902
Lease payable	11,491
Net investment in capital assets	<u>\$ 1,901,070</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	\$ 4,996,845
Less:	
Prepaid items	23,182
Stabilization by State Statute	509,369
Streets-Powell Bill	373,654
Police-Drug enforcement	28,664
Debt service	118,206
Remaining Fund Balance	<u>\$ 3,943,770</u>

Town of China Grove, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 5 - FUND BALANCE (continued)

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.

Encumbrances	General Fund	Non-Major Fund
	\$10,852	\$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 this money 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, 2023, the Town did not report any revenues and expenditures for these payments because no benefit payments were made through the Firemen’s Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2023. 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 - SUBSEQUENT EVENTS

Subsequent to June 30, 2023, 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 2023 as settlement from the litigation.

The Town has evaluated all subsequent events through November 22, 2023, the date the financial statements were available to be issued.

Required Supplementary Financial Data

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

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

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

Local Government Employees' Retirement System

	<u>2023</u>	<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) as a percentage of its covered-employee payroll	0.02168%	0.24140%	0.02132%	0.02356%	0.02242%	0.01923%	0.01656%	0.01438%	0.01569%	0.01600%
China Grove's proportion of the net pension liability (asset)	\$ 1,223,062	\$ 370,210	\$ 761,854	\$ 643,405	\$ 531,879	\$ 293,781	\$ 351,459	\$ 64,537	\$ (92,531)	\$ 192,861
China Grove's covered-employee payroll	1,595,942	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	76.64%	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	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	94.35%	94.35%	94.35%

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

Local Government Employees' Retirement System

	<u>2023</u>	<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	\$ 200,740	\$ 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>200,740</u>	<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>	<u>\$ -</u>
China Grove's covered-employee payroll	\$ 1,623,842	\$ 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	12.36%	11.72%	10.34%	9.19%	8.00%	7.89%	7.66%	6.94%	7.24%	7.18%

Town of China Grove, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning Balance	\$ 556,925	\$ 415,652	\$ 252,832	\$ 220,208	\$ 220,256	\$ 193,959
Service Cost	29,048	33,861	17,616	16,865	16,786	12,573
Interest on the total pension liability	12,516	8,022	8,158	7,646	6,639	7,095
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(89,338)	118,062	(11,124)	17,275	9,169	10,685
Changes of assumptions or other inputs	(95,866)	(18,672)	153,370	11,147	(12,333)	16,253
Benefit payments	(1,291)	-	(5,200)	(20,309)	(20,309)	(20,309)
Other changes	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 411,994</u>	<u>\$ 556,925</u>	<u>\$ 415,652</u>	<u>\$ 252,832</u>	<u>\$ 220,208</u>	<u>\$ 220,256</u>

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, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability	\$ 411,994	\$ 556,925	\$ 556,925	\$ 415,652	\$ 252,832	\$ 220,208
Covered payroll	743,705	789,826	789,826	640,896	662,005	603,872
Total pension liability as a percentage of covered payroll	55.40%	70.51%	70.51%	64.85%	38.19%	36.47%

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%.

Individual Fund Statements and Schedules

Town of China Grove, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 2,042,504	\$
Interest and penalties		13,137	
Total	<u>2,015,000</u>	<u>2,055,641</u>	<u>40,641</u>
Unrestricted intergovernmental:			
Local option sales taxes		1,545,066	
Telecommunications tax		20,788	
Utility franchise tax		242,408	
Piped natural gas tax		15,702	
Video franchise tax		18,553	
Beer and wine excise tax		20,328	
ABC profit distribution		20,921	
Total	<u>1,548,000</u>	<u>1,883,766</u>	<u>335,766</u>
Restricted intergovernmental:			
Fire tax		6,894	
Fire tax supplement		11,041	
Powell Bill allocation		131,480	
Salisbury/Rowan Schools-SRO		146,053	
Debt reimbursement from City of Salisbury		217,805	
Public safety allocation		40,083	
Project revenue-MPO		40,807	
Solid waste disposal		3,616	
Controlled substance tax		4,110	
Total	<u>579,190</u>	<u>601,889</u>	<u>22,699</u>
Permits and fees:			
Police fines and citations		3,920	
Zoning Fees		6,256	
Community building rental		12,750	
Total	<u>17,000</u>	<u>22,926</u>	<u>5,926</u>
Sales and services:			
Sanitation collection fees		267,941	
Total	<u>250,000</u>	<u>267,941</u>	<u>17,941</u>
Investment earnings	<u>10,500</u>	<u>57,638</u>	<u>47,138</u>

Town of China Grove, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
For the Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Miscellaneous:			
Farmers Day revenue	\$	\$ 50,031	\$
Sale of materials and fixed assets		3,250	
CIG sponsors/donations		7,000	
Miscellaneous revenues		6,850	
Total	<u>37,100</u>	<u>67,131</u>	<u>30,031</u>
Total revenues	<u>4,456,790</u>	<u>4,956,932</u>	<u>500,142</u>
Expenditures:			
General government:			
Salaries and employee benefits		8,785	
Other operating expenditures		28,797	
Total	<u>40,800</u>	<u>37,582</u>	<u>3,218</u>
Administration:			
Salaries and employee benefits		313,417	
Other operating expenditures		156,765	
Total	<u>546,470</u>	<u>470,182</u>	<u>76,288</u>
Total general government	<u>587,270</u>	<u>507,764</u>	<u>79,506</u>
Public safety:			
Police:			
Salaries and employee benefits		1,139,498	
Other operating expenditures		210,469	
Capital outlay		158,096	
Total	<u>1,580,420</u>	<u>1,508,063</u>	<u>72,357</u>
Fire:			
Salaries and employee benefits		490,436	
Other operating expenditures		214,228	
Total	<u>737,400</u>	<u>704,664</u>	<u>32,736</u>
Total Public Safety	<u>2,317,820</u>	<u>2,212,727</u>	<u>105,093</u>
Transportation:			
Streets and highways:			
Maintenance and repairs		2,240	
Capital outlay		186,532	
Total	<u>285,200</u>	<u>188,772</u>	<u>96,428</u>
Total Transportation	<u>285,200</u>	<u>188,772</u>	<u>96,428</u>

Town of China Grove, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
For the Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Environmental Protection:			
Public Works:			
Salaries and employee benefits	\$	\$ 432,473	\$
Other operating expenditures		450,727	
Capital outlay		227,606	
Total	<u>1,572,997</u>	<u>1,110,806</u>	<u>462,191</u>
Total environmental protection	<u>1,572,997</u>	<u>1,110,806</u>	<u>462,191</u>
Economic and Physical Development:			
Planning:			
Salaries and employee benefits		166,098	
Other operating expenditures		45,737	
Total	<u>257,200</u>	<u>211,835</u>	<u>45,365</u>
Total economic and physical development	<u>257,200</u>	<u>211,835</u>	<u>45,365</u>
Culture and recreation:			
Recreation:			
Salaries and employee benefits		68,429	
Other operating expenditures		144,228	
Capital outlay		18,029	
Total	<u>294,500</u>	<u>230,686</u>	<u>63,814</u>
Farmers Day:			
Other operating expenditures		29,061	
Total	<u>29,090</u>	<u>29,061</u>	<u>29</u>
Total cultural and recreation	<u>323,590</u>	<u>259,747</u>	<u>63,843</u>

Town of China Grove, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
For the Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Debt service:			
Principal retirement	\$	\$ 329,473	\$
Interest		86,535	
Total	<u>425,700</u>	<u>416,008</u>	<u>9,692</u>
Total expenditures	<u>5,769,777</u>	<u>4,907,659</u>	<u>862,118</u>
Revenues over (under) expenditures	<u>(1,312,987)</u>	<u>49,273</u>	<u>1,362,260</u>
Other financing sources (uses):			
Interfund transfers	175,000	1,286,593	1,111,593
Leases (as lessee)	200,000	-	(200,000)
Lawsuit settlement	-	163,025	163,025
Insurance proceeds	-	24,020	24,020
Total	<u>375,000</u>	<u>1,473,638</u>	<u>1,098,638</u>
Fund balance appropriated	937,987	-	(937,987)
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,522,911</u>	<u>\$ 1,522,911</u>
Fund balance, beginning		<u>3,473,934</u>	
Fund balance, ending		<u>\$ 4,996,845</u>	

Other Schedules

This section contains additional information on property taxes.

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

Town of China Grove, North Carolina
Schedule of Ad Valorem Taxes Receivable
For the Year Ended June 30, 2023

<u>Fiscal Year</u>	<u>Uncollected Balances June 30, 2022</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balances June 30, 2023</u>
2022-2023	\$ -	\$ 2,052,244	\$ 2,022,214	\$ 30,030
2021-2022	32,142	-	19,805	12,337
2020-2021	18,067	-	7,723	10,344
2019-2020	5,678	-	4,788	890
2018-2019	10,559	-	8,196	2,363
2017-2018	7,123	-	1,872	5,251
2016-2017	5,068	-	3,558	1,510
2015-2016	2,936	-	2,245	691
2014-2015	2,158	-	1,464	694
2013-2014	2,493	-	987	1,506
2012-2013	2,007	-	2,007	-
	<u>\$ 88,231</u>	<u>\$ 2,052,244</u>	<u>\$ 2,074,859</u>	<u>\$ 65,616</u>

Less: allowance for uncollectible accounts:	<u>17,911</u>
General Fund	
	<u>\$ 47,705</u>

Ad valorem taxes receivable - net

Reconcilement with Revenues:

Ad valorem taxes - General Fund	\$ 2,072,179
Reconciling items:	
Interest collected	(13,137)
Taxes written off	22
Discounts allowed	14,368
Adjustments	<u>1,427</u>
Total collections and credits	<u>\$ 2,074,859</u>

Town of China Grove, North Carolina
Analysis of Current Year Tax Levy
For the Year Ended June 30, 2023

	<u>Town-Wide Levy</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy:					
Property taxed at					
current year's rate	\$ 366,124,821	0.56	\$ 2,050,299	\$ 1,830,291	\$ 220,008
Penalties	174,286		976	1,064	-
Total original levy	<u>366,299,107</u>		<u>2,051,275</u>	<u>1,831,355</u>	<u>220,008</u>
Discoveries - current year	262,857	0.56	1,472	1,472	-
Abatements	(89,821)	0.56	(503)	(503)	-
Total property valuation	<u>\$ 366,472,143</u>				
Net levy			2,052,244	1,832,324	220,008
Uncollected taxes at June 30, 2023			<u>(30,030)</u>	<u>(30,030)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 2,022,214</u>	<u>\$ 1,802,294</u>	<u>\$ 220,008</u>
Current levy collection percentage			<u>98.54%</u>	<u>98.36%</u>	<u>100.00%</u>

Compliance Section



S. Preston Douglas & Associates, LLP
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
American Institute of CPAs
N. C. Association of CPAs

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of China Grove, North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of China Grove's basic financial statements and have issued our report thereon dated November 22, 2023.

Report on Internal Control over Financial Reporting

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

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


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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of China Grove financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our opinion. The results of our tests did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "S. Preston Douglas, CPA". The signature is written in a cursive style.

Lumberton, North Carolina
November 22, 2023

**Town of China Grove, North Carolina
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2023**

Section I. Summary of Auditor's Results
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Financial Statements

Type of auditor's report issued:	Unmodified.
Internal control over financial reporting:	
<ul style="list-style-type: none"> • Material weakness(es) identified? _____ yes <u> X </u> no • Significant deficiency(s) identified that are not considered to be material weaknesses _____ yes <u> X </u> none reported • Noncompliance material to financial statements _____ yes <u> X </u> no 	