



CITY OF CHINA GROVE, TEXAS

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED

SEPTEMBER 30, 2023

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ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2023

CITY OFFICIALS

MAYOR

MARY ANN HAJEK

MAYOR PRO-TEM

LARRY KELLER, SR.

CITY COUNCIL

DAVID JOHNSON

GAIL BEAVER

MARK DUBAY

DAVID WINDHORST

CITY SECRETARY

MELINDA SAUCEDA

CITY ATTORNEY

DENTON, NAVARRO, ROCHA, BERNAL & ZECH, PC

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CITY OFFICIALSi
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Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Mayor and City Council
City of China Grove, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the City of China Grove, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of China Grove'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 the major fund of the City of China Grove, as of September 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 City of China Grove's ability to continue as a going concern for one year after the date that the financial statements are issued.

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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 City of China Grove's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of China Grove's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of China Grove's basic financial statements as a whole. The individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements are the responsibility of management and were derived from and relate 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, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Armstrong, Vaughan & Associates, P.C.

Armstrong, Vaughan & Associates, P.C.

February 28, 2024

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

The discussion and analysis of the City of China Grove's financial performance provides an overview of the City's financial activity for the year ended September 30, 2023. It should be read in conjunction with the financial statements.

Financial Highlights

- The City's overall net position was \$2.9 million at September 30, 2023, an increase of \$450 thousand from September 30, 2022.
- The City's total revenues were \$1.3 million, an increase of \$70 thousand from the prior year. Permit revenue decreased but was more than offset by increases in tax revenues from growth and utilization of the American Rescue Plan grant.
- The City's expenses were \$873 thousand, a decrease of \$45 thousand from the prior year. The City's decrease in expenses was mostly attributable to a decrease in professional fees associated with permit inspections and cessation of contributions to the volunteer fire department now that it is supported by the new emergency services district.

City Highlights

The City of China Grove was incorporated in May of 1960 under the Type B General Law form of government consisting of a Mayor and five aldermen (council members) voted at large, alternately, for a term of two years at an annual election. However, the council later voted (August, 1992) to change to a Type A General Law form of government.

Using this Annual Report

This annual report consists of three parts; Management's Discussion and Analysis, Financial Statements, and Required Supplementary Information. The Statements of Net Position and Activities provide information on the City as a whole with a focus on economic resources. The city's net position (the difference between assets and liabilities) are a way to measure financial health or financial position. The fund financial statements, present the City's operations with a focus on financial resources.

Statement of Net Position

Table 1 shows all of the assets and liabilities of the City and is presented on the accrual basis. The total net position is just under \$2.9 million.

Table 1 Statement of Net Position		
	9/30/2023	9/30/2022
Current Assets	\$ 1,947,415	\$ 1,590,663
Capital Assets	1,244,774	1,200,263
Total Assets	3,192,189	2,790,926
Current Liabilities	314,291	363,241
Total Liabilities	314,291	363,241
Net Investment in Capital Assets	1,244,774	1,200,263
Restricted	9,927	18,762
Unrestricted	1,623,197	1,208,660
Total Net Position	\$ 2,877,898	\$ 2,427,685

Statement of Activities

Table 2 summarizes the expenses and revenues of the City and is also presented on the accrual basis. Charges for services primarily consist of municipal court fines as well as permit fees, while tax revenues are made up of property, sales, franchise, and mixed beverage taxes.

Table 2
Changes in Net Position

	2023	2022
Program Revenues:		
Charges for Services	\$ 306,604	\$ 477,318
Capital Grants and Contributions	-	-
General Revenues		
Tax Revenues	898,330	764,041
General Grants	67,868	-
Other Revenues	50,263	11,268
Total Revenues	<u>1,323,065</u>	<u>1,252,627</u>
General Government	679,663	687,372
Public Safety	111,995	155,837
Public Works	81,194	74,650
Total Expenses	<u>872,852</u>	<u>917,859</u>
Change in Net Position	450,213	334,768
Beginning Net Position	2,427,685	2,092,917
Ending Net Position	<u>\$ 2,877,898</u>	<u>\$ 2,427,685</u>

Balance Sheet

The Balance sheet shows the financial assets, liabilities and fund balances for the City. Long-term assets and liabilities are not presented on this statement because the focus is on current financial resources.

Statement of Revenues, Expenditures and Changes in Fund Balance

This statement shows the revenues and expenditures for the City. The revenue from property tax, sales tax, mixed beverage tax and franchise tax make up 68% of the total revenues. Revenues increased due to an increase in sales tax, ad valorem tax, interest income and grants. Expenditures were \$917 thousand for the fiscal year, an increase of \$88 thousand. The City saw a decrease in permit inspection costs and no volunteer fire contributions. These cost savings were offset by an increase in police personnel and capital projects. The City's fund balance increased \$403 thousand to \$1.6 million.

Capital Assets

The City has \$1.9 million in a variety of capital assets. The City Hall and City Street projects comprise the majority of the balance. The City purchased four police vehicles, a lighted marquee and a storage building during the fiscal year. The notes to the financial statements provide more details.

Budgetary Analysis

The City has one fund – general. Revenues exceeded the budget by \$306 thousand for most tax revenues and interest income. Expenditures were under budget by \$282 thousand, primarily from less street maintenance than anticipated.

Description of Current and Expected Conditions

The City's elected and appointed officials considered many factors when setting the fiscal year 2024 budget, tax rates, and fees that will be charged. The City's budget levels remain similar to previous years, with continuous efforts to save for "big ticket" capital items to ensure not needing to fund their purchases out of a single year's revenue. For fiscal year 2023-2024, the City included \$205 thousand for street repairs in addition to \$18 thousand for equipment upgrades.

Financial Outlook

When planning a budget and setting a tax rate for properties in China Grove, the Council has been able to keep the tax rate at a relatively low rate compared to similar entities.

The Council and City Management do not expect any other significant changes to the operations of the City.

Contacting the City's Financial Management

The financial report is designed to provide a general overview of the City's finances and to show the City's accountability to its taxpayers. If you have any questions about this report or need additional information, contact the City office at City of China Grove, 2412 FM 1516 S., China Grove, Texas 78263.

CITY OF CHINA GROVE
ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2023

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government – Wide Financial Statements
- Fund Financial Statements:
 - Governmental Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

CITY OF CHINA GROVE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 1,071,768
Certificates of Deposit	729,328
Accounts Receivable - Ad Valorem Taxes	27,959
Accounts Receivable - Other	118,360
Capital Assets:	
Land	56,021
Buildings & Improvements	424,806
Infrastructure	1,117,891
Furniture & Equipment	314,240
Accumulated Depreciation	(668,184)
TOTAL ASSETS	3,192,189
LIABILITIES	
Accounts Payable	21,235
Payroll Liabilities	6,254
Due to Other Governments	26,697
Unearned Grant Revenue	260,105
TOTAL LIABILITIES	314,291
NET POSITION	
Net Investment in Capital Assets	1,244,774
Restricted for Court Security	6,489
Restricted for Court Technology	3,438
Unrestricted	1,623,197
TOTAL NET POSITION	\$ 2,877,898

See accompanying notes to basic financial statements.

CITY OF CHINA GROVE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

FUNCTIONS AND PROGRAMS	Expenses	Program Revenues		Net Revenue (Expense)
		Charges for Services	Capital Grants and Contributions	Total Governmental Activities
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 679,663	\$ 57,071	\$ -	\$ (622,592)
Public Safety	111,995	249,533	-	137,538
Public Works	81,194	-	-	(81,194)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 872,852	\$ 306,604	\$ -	\$ (566,248)
 GENERAL REVENUES				
Taxes:				
Franchise				179,651
Sales Tax				345,207
Ad Valorem (Property)				362,597
Mixed Beverage				10,875
General Grants				67,868
Interest Income				47,582
Miscellaneous				2,681
TOTAL GENERAL REVENUES				1,016,461
 Change in Net Position				 450,213
 NET POSITION AT BEGINNING OF YEAR				 2,427,685
 NET POSITION AT END OF YEAR				 \$ 2,877,898

See accompanying notes to basic financial statements.

CITY OF CHINA GROVE
BALANCE SHEET - GOVERNMENTAL FUND
SEPTEMBER 30, 2023

	General Fund
ASSETS	
Cash and Cash Equivalents	\$ 1,071,768
Certificates of Deposit	729,328
Accounts Receivable - Ad Valorem Taxes	27,959
Accounts Receivable - Other	118,360
TOTAL ASSETS	\$ 1,947,415
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
<i>Liabilities:</i>	
Accounts Payable	\$ 21,235
Payroll Liabilities	6,254
Due to Other Governments	26,697
Unearned Grant Revenue	260,105
<i>Total Liabilities</i>	314,291
<i>Deferred Inflow of Resources:</i>	
Unavailable Ad Valorem Tax	12,663
<i>Total Deferred Inflow of Resources</i>	12,663
<i>Fund Balances:</i>	
Restricted for Court Security	6,489
Restricted for Court Technology	3,438
Unassigned	1,610,534
<i>Total Fund Balances</i>	1,620,461
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCE	\$ 1,947,415

See accompanying notes to basic financial statements.

CITY OF CHINA GROVE
RECONCILIATION TO STATEMENT OF NET POSITION - GOVERNMENTAL FUND
SEPTEMBER 30, 2023

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS \$ 1,620,461

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

Property Taxes receivable are not available to pay for current expenditures and therefore, are deferred in the fund statements. 12,663

Capital Assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund. 1,244,774

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 2,877,898

See accompanying notes to basic financial statements.

CITY OF CHINA GROVE
 STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES – GOVERNMENTAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General Fund
REVENUES	
Franchise Fees	\$ 179,651
Sales Tax	345,207
Ad Valorem Tax	359,749
Mixed Beverage Tax	10,875
Fines and Forfeits	187,110
Grants	67,868
Impound Fees	56,155
Licenses and Permits	57,071
Interest	47,582
Miscellaneous	8,949
TOTAL REVENUES	1,320,217
EXPENDITURES	
Current:	
Personnel Services and Related Expenditures	497,757
Operating Supplies and Expenditures	134,979
Police Department Expenditures	67,887
Professional and Other Services	44,587
Street Maintenance	22,695
Capital Outlay	149,457
TOTAL EXPENDITURES	917,362
Net Change in Fund Balance	402,855
FUND BALANCE AT BEGINNING OF YEAR	1,217,606
FUND BALANCE AT END OF YEAR	\$ 1,620,461

See accompanying notes to basic financial statements.

CITY OF CHINA GROVE
RECONCILIATION TO STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		\$ 402,855
Amounts reported for governmental activities in the Statement of Activities are different because:		
The change in property taxes receivable reported in the statement of activities do not provide current financial resources and, therefore, are not reported as revenue in the governmental fund		2,847
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.		
Depreciation	\$(104,946)	
Capital Outlay	<u>149,457</u>	<u>44,511</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 450,213</u>

See accompanying notes to basic financial statements.

CITY OF CHINA GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of China Grove, Texas ("City") are presented in accordance with generally accepted accounting principles (GAAP) applicable to state and local governmental units as set forth by the Governmental Accounting Standards Board. A summary of the City's significant accounting policies consistently applied in the preparation of the accompanying financial statements follow:

1. REPORTING ENTITY

The City of China Grove was established in May of 1960 and is a Type A-General Law form of Government which elects a mayor and five council members at large.

The City's annual financial report includes the accounts of all City operations. The financial statements of the City of China Grove have been prepared in accordance with generally accepted accounting principles. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing government accounting and financial reporting principles.

In evaluating how to define the government for financial purposes, management has considered all potential component units. The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. Based on the foregoing criteria, there were no component units identified that would require inclusion in this report.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The **government-wide financial statements** include the statement of Net Position and the statement of activities. Government-wide statements report, except for City fiduciary activity, information on all of the activities of the City. Governmental activities are supported mainly by tax revenues, municipal court revenues, and interest on short-term investments.

The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate **fund financial statements** are provided for governmental funds which meet the criteria as a *major governmental fund*. The general fund is the only major fund of the City and there were no non-major funds.

CITY OF CHINA GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental fund:

The General Fund is the general operating fund of the City and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include sales and property taxes, franchise fees, charges for services and investment of idle funds. Primary expenditures are for general administration, public safety, public works and capital acquisition.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash deposits and investments with a maturity date within three (3) months of the date acquired by the City.

5. INVESTMENTS

State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in the state that are (i) guaranteed or insured by Federal Deposit Insurance Corporation, or its successor; or (ii) secured by obligations that are described by (a) – (d); or (e).

CITY OF CHINA GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. INVESTMENTS (Continued)

Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations. The City has all its monies in interest bearing checking accounts, savings accounts, money market accounts, certificates of deposit, or investments in TexPool. Earnings from these investments are added to each account monthly or quarterly. The City's investments include certificates of deposit (carried at amortized cost) and local government investment pools. These pools are 2a7-like which means they are not registered with the Securities and Exchange Commission as an investment company, but nevertheless have a policy that they will, and do, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. These pools are reported at a share price of \$1 which approximates their fair value.

6. ACCOUNTS RECEIVABLE

Property taxes are levied based on taxable value at January 1 and become due October 1, 2022 and are past due after January 31, 2023. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for the prior year's levy are shown net of an allowance for uncollectibles. Management has estimated that all past due property tax receivables are collectible, and, thus, the allowance is zero for September 30, 2023.

Accounts receivable from other sources includes franchise fees and amounts due from the state for sales tax collections. Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by the court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as unavailable revenue in the fund statements.

7. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period while a deferred inflow of resources is an acquisition of net position. These items are presented in a separate section following assets (deferred outflows) or liabilities (deferred inflows) on the statement of net position and the balance sheet.

Property tax revenues are recognized when they become both measurable and available in the fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Property tax revenues not expected to be available for the current period are reflected as unavailable revenue (a deferred inflow of resources).

CITY OF CHINA GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets, are reported in the governmental activities column in the government-wide financial statements. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Only assets greater than \$5 thousand are capitalized.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest has not been capitalized during the construction period on property plant and equipment.

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

<u>ASSETS</u>	<u>YEARS</u>
Buildings and improvements	15 to 40 years
Furniture and equipment	5 to 10 years
Infrastructure	20 years

9. FUND EQUITY

Fund balances in governmental funds are classified as follows:

Nonspendable – Represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact.

Restricted – Represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed – Represents amounts that can only be used for a specific purpose because of a formal action by the City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints through the same formal action.

Assigned – Represents amounts which the City intends to use for a specific purpose but do not meet the criteria of restricted or committed. The City Council is the only entity that may make assignments at this time.

Unassigned – Represents the residual balance that may be spent on any other purpose of the City.

When an expenditure is incurred for a purpose in which multiple classifications are available, the City considers restricted balances spent first, committed second, assigned third, and unassigned fourth.

CITY OF CHINA GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. NET POSITION

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. When expenses are incurred for which both restricted and unrestricted net position is available, the City reduces the restricted balance first.

11. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B -- UNINSURED DEPOSITS

As of September 30, 2023, the City's bank deposit balances have exceeded the coverage provided by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA). The total uncollateralized amount as of fiscal year-end was \$9,653.

NOTE C -- DEPOSITS AND INVESTMENTS

The City's investments at September 30, 2023 include \$832,828 on deposit in TexPool, 2a7-like public funds investment pool. TexPool operates in accordance with the provisions of the Texas Public Funds Investment Act and are rated AAAM. The investment in TexPool is included in cash and cash equivalents.

Investment Rate Risk. The City manages exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year.

Credit Risk. The City's investment policy limits restricts the types of investments it may purchase to obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas; obligations of states, agencies, contracts, cities, and other political subdivisions rated as to investment quality of not less than A or its equivalent by a nationally recognized investment firm. U.S. Government Securities are not considered to have credit risk and do not require disclosure of credit quality.

The City may also invest funds in government investment pools provided the pool maintains a AAA rating. As of September 30, 2023, the investments in TexPool were rated AAAM by Standard & Poor's.

CITY OF CHINA GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE C -- DEPOSITS AND INVESTMENTS (Continued)

The City's investments in pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool operates in a manner consistent with Rule 2a7. Therefore, the investments are reported at \$1 per share, which approximates fair value.

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As discussed in Note B, the City's deposits were not fully collateralized as of September 30, 2023.

Custodial Credit Risk - Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2023, the City was not exposed to custodial credit risk.

Investment Rate Risk. The City and component unit manage exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year.

Public Funds Investment Act Compliance. The City is required the State to assign an investment officer whom will review, quarterly at minimum, the City's investments. The investment officer must all complete annual, state-approved, investment training. Finally, the City must adopted an investment policy annually. The City failed to maintain compliance with training and review requirements.

NOTE D -- PROPERTY TAX CALENDAR

The City's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of the prior January 1, which is the date a lien attaches to all taxable property in the City. Assessed values are established by the Bexar County Appraisal District. Assessed values are reduced by lawful exemptions to arrive at taxable values. The total taxable value as of January 1, 2023, upon which the fiscal 2023 levy was based was \$199 million (i.e., market value less exemptions). The estimated market value was \$275 million, making the taxable value 72% of the estimated market value.

The City is permitted by the Constitution of the State of Taxes to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. Pursuant to a decision of the Attorney General of the State of Texas, up to \$1.50 per \$100 of assessed valuation may be used for the payment of long-term debt. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended December 31, 2023, was \$.204049 per \$100 of assessed value, which means that the City has a tax margin of \$2.296 for each \$100 of assessed value and could increase its annual levy by approximately \$3.4 million based upon the present assessed valuation before the limit is reached. However, the City generally may not increase the maintenance and operations portion of the property tax rate (that funds the General Fund) more than 3.5% annually (based on a three-year average) without an election.

CITY OF CHINA GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE E -- ACCOUNTS RECEIVABLE - OTHER

Accounts Receivable – Other as of September 30, 2023 consisted of the following balances owed to the City:

Mixed Drink Taxes	\$	1,937
Franchise Taxes		38,073
Sales Tax		78,350
	\$	118,360

NOTE F -- CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023 was as follows:

<i>Governmental Activities</i>	Balance 10/1/2022	Additions	Disposals/ Transfers	Balance 9/30/2023
Land	\$ 56,021	\$ -	\$ -	\$ 56,021
Buildings and Improvements	424,806	-	-	424,806
Infrastructure	1,117,891	-	-	1,117,891
Furniture & Equipment	164,783	149,457	-	314,240
	1,763,501	149,457	-	1,912,958
Less Accumulated Depreciation:				
Buildings and Improvements	(194,253)	(12,386)	-	(206,639)
Infrastructure	(272,685)	(55,895)	-	(328,580)
Furniture & Equipment	(96,300)	(36,665)	-	(132,965)
	(563,238)	(104,946)	-	(668,184)
Governmental Capital Assets, Net	\$ 1,200,263	\$ 44,511	\$ -	\$ 1,244,774

Land is not depreciated.

Depreciation Expense was allocated to the following governmental functions

General Government	\$	12,427
Public Safety		34,020
Public Works		58,499
	\$	104,946

CITY OF CHINA GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE G -- RISK MANAGEMENT

The City has identified possible risk of losses arising from events such as the following:

1. Torts.
2. Theft of, damage to, or destruction of assets.
3. Errors and omissions.
4. Job-related illnesses or injuries to employees.
5. Acts of God.

The City contracts with Texas Municipal League providers to provide insurance coverage for identified risks. TML is a multi-government group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are set annually by TML. Liability by the City is generally limited to the contributed amounts.

NOTE H – UNEARNED GRANT REVENUE

In the prior fiscal year the City received an award of \$327,972 under the American Rescue Plan Act, which is refundable if not spent on approved purposes. Thus, the revenue is not recognized until the City spends the funds on those purposes.

NOTE I -- COMMITMENTS AND CONTINGENCIES

The City committed to a five year software as a service agreement to commence in November 2023 for court software. The agreement requires annual payments of \$9,885 with a potential for annual increases up to 5%.

NOTE J -- LITIGATION

The City is not aware of any pending or threatened claims against the City.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund

CITY OF CHINA GROVE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Franchise Fees	\$ 140,000	\$ 140,000	\$ 179,651	\$ 39,651
Sales Tax	220,600	220,600	345,207	124,607
Ad Valorem Tax	275,513	275,513	359,749	84,236
Mixed Beverage Tax	9,000	9,000	10,875	1,875
Fines and Forfeits	200,275	200,275	187,110	(13,165)
License and Permit Income	38,000	38,000	57,071	19,071
Impound Fees	58,000	58,000	56,155	(1,845)
Interest Income	3,000	3,000	47,582	44,582
Grants	-	67,868	67,868	-
Miscellaneous Income	1,500	1,500	8,949	7,449
TOTAL REVENUES	945,888	1,013,756	1,320,217	306,461
EXPENDITURES				
<i>Personnel Services & Related Expenditures:</i>				
Salaries and Retirement	477,002	551,318	462,203	89,115
Payroll Taxes	36,567	42,251	35,554	6,697
<i>Total Personnel Services & Related Expenditures</i>	513,569	593,569	497,757	95,812
<i>Operating Supplies & Expenditures:</i>				
Building Maintenance	17,300	17,300	21,487	(4,187)
Inspection Fee	12,000	12,000	32,349	(20,349)
Utilities	24,400	24,400	18,976	5,424
Office Supplies and Operations	17,000	17,000	16,530	470
Insurance and Bonds	24,000	24,000	25,539	(1,539)
Elections	3,000	3,000	3,367	(367)
Dues and Subscriptions	1,500	1,500	1,232	268
Municipal Court	1,100	6,700	10,088	(3,388)
Miscellaneous	12,800	7,200	5,411	1,789
<i>Total Operating Supplies & Expenditures</i>	\$ 113,100	\$ 113,100	\$ 134,979	\$ (21,879)

CITY OF CHINA GROVE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
 BUDGET AND ACTUAL
 GENERAL FUND (CONTINUED)
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (CONT.):				
<i>Professional and Other Services:</i>				
Legal	\$ 39,300	\$ 39,300	\$ 36,161	\$ 3,139
Accounting	7,500	7,500	7,500	-
Animal Control	3,000	3,000	926	2,074
<i>Total Professional and Other Services</i>	<u>49,800</u>	<u>49,800</u>	<u>44,587</u>	<u>5,213</u>
<i>Police Department</i>	<u>80,000</u>	<u>80,000</u>	<u>67,887</u>	<u>12,113</u>
<i>Street Maintenance</i>	<u>333,000</u>	<u>253,000</u>	<u>22,695</u>	<u>230,305</u>
<i>Capital Outlay</i>	<u>42,000</u>	<u>109,868</u>	<u>149,457</u>	<u>(39,589)</u>
TOTAL EXPENDITURES	<u>1,131,469</u>	<u>1,199,337</u>	<u>917,362</u>	<u>281,975</u>
NET CHANGE IN FUND BALANCE	(185,581)	(185,581)	402,855	588,436
BEGINNING FUND BALANCE	<u>1,217,606</u>	<u>1,217,606</u>	<u>1,217,606</u>	<u>-</u>
ENDING FUND BALANCE	<u>\$1,032,025</u>	<u>\$1,032,025</u>	<u>\$1,620,461</u>	<u>\$ 588,436</u>

CITY OF CHINA GROVE
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Budgetary Information – Budgets are prepared for the general fund in accordance with the modified accrual basis of accounting. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council and as such is a good management control device. The following fund has legally adopted an annual budget: General Fund.

Budgetary preparation and control is exercised at the fund level. Actual expenditures may not legally exceed appropriations at the fund level. In the current fiscal year, several line items were over budget due to development of a new commercial complex located partially within the City. The City does not use encumbrances.

SUPPLEMENTARY INFORMATION

Supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Contents

Comparative Balance Sheet - General Fund

Comparative Schedule of Revenues, Expenditures, and Change in Fund Balance – General Fund

CITY OF CHINA GROVE
COMPARATIVE BALANCE SHEETS
GENERAL FUND
SEPTEMBER 30, 2023 AND 2022

	2023	2022
ASSETS		
Cash and Cash Equivalents	\$ 1,071,768	\$ 766,158
Certificates of Deposit	729,328	712,491
Accounts Receivable - Ad Valorem Taxes	27,959	9,815
Accounts Receivable - Other	118,360	102,198
TOTAL ASSETS	\$ 1,947,415	\$ 1,590,662
 LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE		
<i>Liabilities:</i>		
Accounts Payable	\$ 21,235	\$ 7,660
Payroll Liabilities	6,254	4,780
Due to Other Governments	26,697	22,829
Unearned Grant Revenue	260,105	327,972
<i>Total Liabilities</i>	314,291	363,241
 <i>Deferred Inflow of Resources:</i>		
Unavailable Ad Valorem Tax	12,663	9,815
<i>Total Deferred Inflow of Resources</i>	12,663	9,815
 <i>Fund Balances:</i>		
Restricted for:		
Court Security	6,489	7,942
Court Technology	3,438	10,820
Unassigned	1,610,534	1,198,844
<i>Total Fund Balances</i>	1,620,461	1,217,606
 TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	 \$ 1,947,415	 \$ 1,590,662

CITY OF CHINA GROVE
 COMPARATIVE SCHEDULES OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 GENERAL FUND
 FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
REVENUES		
Franchise Fees	\$ 179,651	\$ 167,288
Sales Tax	345,207	275,190
Ad Valorem Tax	359,749	309,952
Mixed Beverage Tax	10,875	9,265
Fines and Forfeits	187,110	200,430
Grants	67,868	-
Impound Fees	56,155	67,690
Licenses and Permits	57,071	209,180
Interest	47,582	5,013
Miscellaneous	8,949	6,273
TOTAL REVENUES	1,320,217	1,250,281
EXPENDITURES		
Current:		
Personnel Services and Related Expenditures	497,757	413,810
Operating Supplies and Expenditures	134,979	206,133
Police Department Expenditures	67,887	65,384
Emergency Services	-	60,000
Professional and Other Services	44,587	59,903
Street Maintenance	22,695	16,152
Capital Outlay	149,457	8,000
TOTAL EXPENDITURES	917,362	829,382
Net Change in Fund Balance	402,855	420,899
FUND BALANCE AT BEGINNING OF YEAR	1,217,606	796,707
FUND BALANCE AT END OF YEAR	\$ 1,620,461	\$ 1,217,606