

**Town of Cleveland
Cleveland, North Carolina
For the year ended
June 30, 2020**

**Independent Auditor's Reports
Basic Financial Statements
And
Information Accompanying the
Basic Financial Statements**

**Town of Cleveland
Cleveland, North Carolina
Board of Governance**

Mayor

Patrick Phifer

Mayor Pro Tem

Travis Summit

**Commissioner
Commissioner
Commissioner
Commissioner**

**John Bradford
Bryan Little
Gerald Osborne
Richard Taylor**

Town of Cleveland

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June 30, 2020

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EDDIE CARRICK, CPA, PC

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To Honorable Mayor and Board of Aldermen
Town of Cleveland
Cleveland, North Carolina

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Cleveland, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Cleveland, North Carolina, as of June 30, 2020, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, LEO Separation Allowance, Other Postemployment Benefits and LGERS Contributions and Proportionate Share of Net Pension Liability (Asset) schedules on pages 3-12 and 47-49, respectively, 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

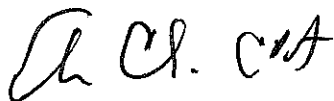
Supplementary and Other Information

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

The individual fund financial statements, budgetary schedules, and other schedules 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 my opinion, based on my audit, and the procedures performed as described above, the individual fund financial statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Emphasis of Matter

As discussed in Note V to the financial statements, in January 2020, the World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern." Given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. My opinion is not modified with respect to this matter.

A handwritten signature in black ink, appearing to read "E. Carrick CPA".

Eddie Carrick CPA, PC

Lexington, North Carolina

October 26, 2020

Town of Cleveland

302 East Main Street
P.O. Box 429
Cleveland, NC 27013
(704)278-4777

Management's Discussion and Analysis

As management of the Town of Cleveland, we offer the readers of the Town of Cleveland's financial statements this narrative overview and analysis of the financial activities of the Town of Cleveland for the fiscal year ended June 30, 2020. We encourage readers 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.

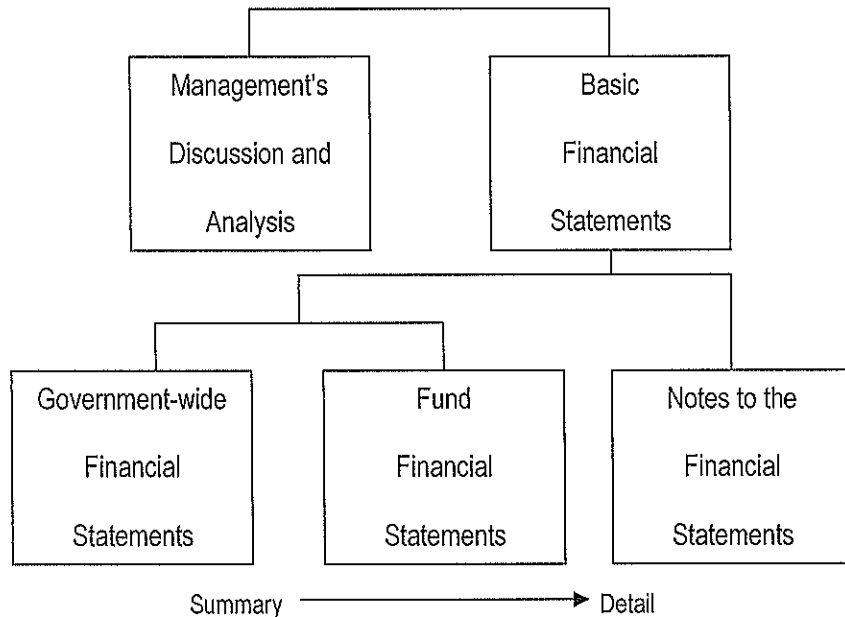
Financial highlights

- The assets and deferred outflow of resources of the Town of Cleveland exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$11,271,586 (*net position*).
- The government's total net position increased by \$333,156, primarily due to increased revenues and conservative spending.
- As of the close of the current fiscal year, the Town of Cleveland's governmental fund reported ending fund balances of \$3,666,584 with a net change of \$287,878 in fund balance. Approximately 5% of this total amount, or \$170,603, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,495,981, or 355% of total general fund expenditures for the fiscal year.
- The Town of Cleveland's total debt increased by \$7,719 due to decreases of accrued vacation of \$2,931, decrease of OPEB obligation of \$85,511 an increase in LEO Separation Allowance of \$35,602 and an increase in pension liability of \$60,559.

Overview of the Financial Statements

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

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

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

The next statements (Exhibit 3 through 8) 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 three parts to the Fund Financial Statements: 1) the governmental fund statements 2) the budgetary comparison statements and 3) the proprietary fund 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 General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide 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 they have 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 are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the Town's basic services such as safety and security, transportation and administration. Property tax and state shared revenues finance these activities. The business-type activities are those that the Town charges customers to provide. These include water and sewer services offered by the Town.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Cleveland, 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 General Statutes or the Town's budget ordinance. All of the funds of the Town of Cleveland can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most 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* which provides a short term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him 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 part of the fund financial statements.

Management Discussion and Analysis

Town of Cleveland

The Town of Cleveland adopts an annual budget for the General Fund, as required by the 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 the current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town 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 in the same format, language and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board 2) the final budget as amended by the board 3) the actual resources, charges to appropriations, and ending balances in the General Fund, and 4) the differences or variance between the final budget and actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary funds – The Town of Cleveland has one type of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Cleveland uses enterprise funds to account for its water and sewer activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to the full understanding of data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain supplemental information detailing the information provided in the basic financial statements and is presented to allow the reader to gain an in-depth understanding of the financial information presented.

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 government and other holders of publicly held U.S. Treasury Securities.

Management Discussion and Analysis
Town of Cleveland

Town of Cleveland's - Net Position (Figure 2)

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Current and other assets	\$ 3,771,430	\$ 3,467,256	\$ 2,620,585	\$ 2,340,123	\$ 6,392,015	\$ 5,807,379
Noncurrent assets	1,675,507	1,725,609	3,621,464	3,701,543	5,296,971	5,427,152
Deferred outflow of resources	193,208	152,781	-	-	193,208	152,781
Total assets and deferred outflow of resources	5,640,145	5,345,646	6,242,049	6,041,666	11,882,194	11,387,312
Long-term liabilities outstanding	364,552	356,833	-	-	364,552	356,833
Other Liabilities	37,093	25,123	58,741	22,786	95,834	47,909
Total liabilities	401,645	381,956	58,741	22,786	460,386	404,742
Deferred inflows	150,221	44,138	-	-	150,221	44,138
Net position:						
Net investment in capital assets	1,675,507	1,725,609	3,621,464	3,701,543	5,296,971	5,427,152
Restricted			-	-	-	-
Stabilization by State Statute	45,622	45,196	-	-	45,622	45,196
Streets	124,981	144,962	-	-	124,981	144,962
Unrestricted	3,242,170	3,003,785	2,561,842	2,317,336	5,804,012	5,321,121
Total net position	\$ 5,088,280	\$ 4,919,552	\$ 6,183,306	\$ 6,018,879	\$ 11,271,586	\$ 10,938,431

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 of Cleveland exceeded its liabilities and deferred inflows by \$11,271,586 as of June 30, 2020. The Town's net position increased by \$333,156 for the fiscal year ended June 30, 2020. However, a large portion (47%) reflects the Town of Cleveland's net investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The Town of Cleveland uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Cleveland's net investment in 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, \$170,603, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,804,012 is unrestricted.

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

- Increased local sales tax and ad valorem collection in the General Fund.

Management Discussion and Analysis
Town of Cleveland

Town of Cleveland's Changes in Net Position (Figure 3)

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Revenues						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 570,123	\$ 670,491	\$ 570,123	\$ 670,491
Operating grants and contributions	30,912	31,896	-	-	30,912	31,896
General revenues:						
Property taxes	661,014	521,973	-	-	661,014	521,973
Other taxes	413,455	405,775	-	-	413,455	405,775
Other	169,371	143,508	16,811	24,022	186,182	167,530
Total revenues	<u>1,274,752</u>	<u>1,103,152</u>	<u>586,934</u>	<u>694,513</u>	<u>1,861,686</u>	<u>1,797,665</u>
Expenses:						
General government	468,423	430,845	-	-	468,423	430,845
Public safety	442,563	465,669	-	-	442,563	465,669
Transportation	96,010	52,747	-	-	96,010	52,747
Economic protection	57,942	56,851	-	-	57,942	56,851
Culture and recreation	41,086	132,475	-	-	41,086	132,475
Water	-	-	130,937	136,663	130,937	136,663
Sewer	-	-	291,569	258,125	291,569	258,125
Total expenses	<u>1,106,024</u>	<u>1,138,586</u>	<u>422,506</u>	<u>394,788</u>	<u>1,528,530</u>	<u>1,533,374</u>
Increase in net position	168,728	(35,434)	164,428	299,725	333,156	264,291
Net position, July 1	<u>4,919,552</u>	<u>4,954,986</u>	<u>6,018,878</u>	<u>5,719,153</u>	<u>10,938,430</u>	<u>10,674,139</u>
Net position, June 30	<u>\$ 5,088,280</u>	<u>\$ 4,919,552</u>	<u>\$ 6,183,306</u>	<u>\$ 6,018,878</u>	<u>\$ 11,271,586</u>	<u>\$ 10,938,430</u>

Governmental activities. Governmental activities increased the Town's net position by \$168,728 thereby accounting for 51% of the total increase in net position of the Town. The decrease in net position was the result of a concerted effort to control costs and manage expenditures. Management believes healthy investment in the Town will result in additional revenues, and in that vein added to the Town's net position by investing in capital assets. Increased efforts to maximize tax collections also contributed to the favorable net position. Tax revenue appreciably increased in the current year. Town management acknowledges that 2020 was a successful year and plans on improving upon these approaches as a long-term strategy to realize continued fiscal health.

Management Discussion and Analysis
Town of Cleveland

Key elements of this increase are as follows:

- Increased revenue collections
- Necessary capital outlay for equipment needs

Business-type activities: Business-type activities increased the Town's net position by \$164,428 accounting for 49% of the total increase in the government's net position. Key elements of this increase are as follows:

- Reduced income from sales

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Cleveland'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, unreserved 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, the Town of Cleveland's fund balance available in the General Funds was \$3,495,980, while total fund balance reached \$3,666,583. The Town currently has an available fund balance of 356% of general fund expenditures, while total fund balance represents 373% of the same amount.

At June 30, 2020, the governmental funds of the Town reported a combined fund balance of \$3,666,583 with a net increase in fund balance of \$287,878. Included in this change in fund balance are increases in fund balance in the General Fund.

General Fund Budgetary Highlights: During the fiscal year, the Town made several revisions to the budget. Generally, budget amendments fall into one of three categories:

- 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available
- 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants and
- 3) increases in appropriations that become necessary to maintain services.

The following describes differences between budget and actual numbers:

- The Town adjusted for various expenditures that did not reflect original estimations.

Management Discussion and Analysis
Town of Cleveland

Proprietary Funds: The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position in the Water and Sewer Funds at the end of the fiscal year amounted to \$2,561,842. The total change in net position was \$164,428. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$5,296,971 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year included the following additions:

- Water and sewer system improvements of \$94,651
- Equipment purchase of \$45,687
- Other improvements of \$17,287

Town of Cleveland's Capital Assets (net of depreciation) (Figure 4)

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Land	\$ 347,000	\$ 347,000	\$ 66,507	\$ 66,507	\$ 413,507	\$ 413,507
Buildings	615,264	633,148	-	-	615,264	633,148
Other improvements	170,751	178,909	-	-	170,751	178,909
Equipment	117,273	86,280	8,965	8,965	126,238	95,245
Plant and distribution	-	-	3,545,992	3,406,003	3,545,992	3,406,003
Infrastructure	328,672	348,918	-	-	328,672	348,918
Vehicles and motorized equipment	96,547	131,354	-	-	96,547	131,354
Construction in progress	-	-	-	220,068	-	220,068
	<u>\$ 1,675,507</u>	<u>\$ 1,725,609</u>	<u>\$ 3,621,464</u>	<u>\$ 3,701,543</u>	<u>\$ 5,296,971</u>	<u>\$ 5,427,152</u>

Additional information on the Town's capital assets can be found in the Note II.A.4 of the Basic Financial Statements.

Management Discussion and Analysis
Town of Cleveland

Long-term Debt. As of June 30, 2020, the Town of Cleveland had bonded debt outstanding of \$0.

Town of Cleveland's Outstanding Debt.

The Town of Cleveland's total debt increased by \$7,719 due to decreases of accrued vacation of \$2,931, decrease of OPEB obligation of \$85,511 an increase in LEO Separation Allowance of \$35,602 and an increase in pension liability of \$60,559.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Cleveland is \$18,905,657.

Additional information regarding the Town of Cleveland's long-term debt can be found in Note II.B.5 of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the local economy of the Town:

Due to Covid-19, Daimler Trucks, the largest employer in Cleveland, has decreased production which has decreased revenues in the Sewer Fund.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities:

Property tax remains constant at \$.28 / \$100 for fiscal year 20-21. Other revenues are expected to increase slightly due to the state of the economy. Reimbursement of \$84,900 is expected from the Water Fund and Sewer Fund for salaries and benefits for actual time employees spend working on water and sewer activities.

Management believes that increased revenues and continued restrictions on spending will maintain the Town's financial position. As the Town considers revenue sources, it has determined that a \$0.01 increase in the property tax rate will result in additional revenues of approximately \$23,341 at current values and collection rate. Though management believes current growth will generate enough revenue to support Town operations, a careful analysis of property tax revenue will be considered in future years' budgets.

Budgeted expenditures in the General Fund are expected to remain stable.

Management Discussion and Analysis
Town of Cleveland

Business-type Activities:

The water and sewer rates will not be increased. The administrative charge will be used to fund debt, depreciation and capital outlay for system upgrades. Expenses are expected to increase with the increased maintenance costs in both the water and sewer systems. Capital projects in the water and sewer funds will begin with financing from current revenue.

Requests for Information

This report is designed to provide an overview of the Town's 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 the Town Clerk, Town of Cleveland, PO Box 429, Cleveland, NC 27013 or call 704-278-4777.

Town of Cleveland, North Carolina
Statement of Net Position
June 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents - unrestricted	\$ 3,527,789	\$ 2,562,847	\$ 6,090,636
Taxes receivable (net)	28,535	-	28,535
Accounts receivable (net)	-	46,037	46,037
Due from other governments	87,008	-	87,008
Cash and cash equivalents - restricted	128,099	11,700	139,799
Total current assets	<u>3,771,430</u>	<u>2,620,585</u>	<u>6,392,015</u>
Noncurrent assets:			
Capital Assets:			
Land and construction in process	347,000	286,575	633,575
Other capital assets, net of depreciation	1,328,507	3,334,889	4,663,396
Total noncurrent assets	<u>1,675,507</u>	<u>3,621,464</u>	<u>5,296,971</u>
Total assets	<u>5,446,937</u>	<u>6,242,049</u>	<u>11,688,986</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals - LGERS	111,385	-	111,385
Pension deferrals - LEO	68,918	-	68,918
OPEB deferrals	12,905	-	12,905
Total deferred outflows of resources	<u>193,208</u>	<u>-</u>	<u>193,208</u>
LIABILITIES			
Current liabilities:			
Accounts payable	30,166	47,041	77,207
Accrued salaries	3,809	-	3,809
Payable from restricted assets	3,118	11,700	14,818
Long-term liabilities:			
Pension liability - LGERS	182,972	-	182,972
Pension liability - LEO	151,743	-	151,743
OPEB liability	-	-	-
Accrued compensation	29,837	-	29,837
Total liabilities	<u>401,644</u>	<u>58,741</u>	<u>460,385</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid user fees	951	-	951
Pension deferrals - LGERS	-	-	-
Pension deferrals - LEO	4,236	-	4,236
OPEB deferrals	145,034	-	145,034
Total deferred inflows of resources	<u>150,221</u>	<u>-</u>	<u>150,221</u>
NET POSITION			
Net investment in capital assets	1,675,507	3,621,464	5,296,971
Restricted for:			
Stabilization by State Statute	45,622	-	45,622
Streets	124,981	-	124,981
Unrestricted	3,242,170	2,561,842	5,804,011
Total net position	<u>\$ 5,088,280</u>	<u>\$ 6,183,306</u>	<u>\$ 11,271,586</u>

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

Town of Cleveland, North Carolina
Statement of Activities
June 30, 2020

Function / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities							
General government	\$ 468,423	\$ -	\$ -	\$ -	\$ (468,423)	\$ -	\$ (468,423)
Public Safety	442,563	-	-	-	(442,563)	-	(442,563)
Transportation	96,010	-	30,912	-	(65,098)	-	(65,098)
Environmental protection	57,942	-	-	-	(57,942)	-	(57,942)
Culture and recreation	41,086	-	-	-	(41,086)	-	(41,086)
Total governmental activities (see Note 1)	<u>1,106,024</u>	<u>-</u>	<u>30,912</u>	<u>-</u>	<u>(1,075,112)</u>	<u>-</u>	<u>(1,075,111)</u>
Business-type activities:							
Water	130,937	143,048	-	-	-	12,111	12,111
Sewer	291,569	427,075	-	-	-	135,506	135,506
Total business-type activities	<u>422,506</u>	<u>570,123</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>147,617</u>	<u>147,617</u>
Total primary government	<u>\$ 1,528,530</u>	<u>\$ 570,123</u>	<u>\$ 30,912</u>	<u>\$ -</u>	<u>(1,075,112)</u>	<u>147,617</u>	<u>(927,494)</u>
General revenues:							
Taxes:							
Property taxes levied for general purposes					661,014	-	661,014
Other taxes					413,455	-	413,455
Unrestricted investment earnings					52,387	16,811	69,198
Miscellaneous					116,982	-	116,982
Transfers (to) from other funds					-	-	-
Total general revenues, special items, and transfers					<u>1,243,839</u>	<u>16,811</u>	<u>1,260,649</u>
Change in net position					168,728	164,428	333,156
Net position-beginning					<u>4,919,552</u>	<u>6,018,878</u>	<u>10,938,430</u>
Net position-ending					<u>\$ 5,088,280</u>	<u>\$ 6,183,306</u>	<u>\$ 11,271,586</u>

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

Town of Cleveland, North Carolina
Balance Sheet
Governmental Fund
June 30, 2020

	Major Fund General	Total Governmental Fund
Assets		
Cash and investments - unrestricted	\$ 3,527,789	\$ 3,527,789
Cash and investments - restricted	128,099	128,099
Taxes receivable, net	28,535	28,535
Due from other governments	87,008	87,008
Total assets	<u>\$ 3,771,430</u>	<u>\$ 3,771,431</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 30,167	\$ 30,167
Accrued salaries	3,809	3,809
Liabilities payable from restricted assets:		
Deposits	3,118	3,118
Total current liabilities	<u>37,093</u>	<u>37,093</u>
DEFERRED INFLOWS OF RESOURCES		
Prepaid user fees	951	951
Other unearned revenues	38,269	38,269
Property tax receivable	28,535	28,535
Total deferred inflows of resources	<u>67,754</u>	<u>67,756</u>
Fund balance:		
Restricted:		
Stabilization by State Statute	45,622	45,622
Streets	124,981	124,981
Assigned		
Assigned for subsequent years expenditures	-	-
Unassigned	3,495,980	3,495,980
Total fund balance	<u>3,666,583</u>	<u>3,666,583</u>
Total liabilities and fund balance	<u>\$ 3,771,430</u>	
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Capital assets used in governmental activities are not financial expenditures and therefore are not reported in the funds.		1,675,507
Deferred outflows of resources		
LGERS	\$ 111,385	
LEO	68,918	
OPEB	<u>12,906</u>	193,209
Liabilities for earned considered deferred inflows of resources revenues in fund statements		66,803
Deferred inflows of resources		
LGERS	-	
LEO	(4,236)	
OPEB	<u>(145,034)</u>	(149,270)
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Pension liability - LGERS		(182,972)
Pension liability - LEO		(151,743)
OPEB liability		-
Annual leave		<u>(29,837)</u>
Net position of governmental activities		<u>\$ 5,088,280</u>

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

Town of Cleveland, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020

	Major Fund General	Total Governmental Fund
Revenues		
Ad valorem taxes	\$ 657,469	\$ 657,469
Unrestricted intergovernmental revenues	413,455	413,455
Restricted intergovernmental revenues	30,912	30,912
Other general	169,370	169,370
Total revenues	<u>1,271,206</u>	<u>1,271,206</u>
Expenditures		
General government	442,341	442,341
Public safety	389,013	389,013
Transportation	61,998	61,998
Environmental protection	57,942	57,942
Culture and recreation	32,035	32,035
Total expenditures	<u>983,328</u>	<u>983,328</u>
Revenues over expenditures	<u>287,878</u>	<u>287,878</u>
OTHER FINANCING SOURCES (USES)		
None	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Net change in fund balance	287,878	287,878
Fund balance - beginning of year	<u>3,378,705</u>	<u>3,378,705</u>
Fund balance - end of year	<u>\$ 3,666,583</u>	<u>\$ 3,666,583</u>

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

Town of Cleveland, North Carolina
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2020

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

Net changes in fund balances - total governmental funds		\$ 287,878
Property tax receivable are not recognized as revenues in the governmental funds until collected but are recognized in the Statement of Activity as billed. This amount represents the net change in property tax receivables for the year		3,545
Change in other deferred revenues		-
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 (net of disposals)		
Capital outlay expenditures which were capitalized	\$ 62,974	
Depreciation expense for governmental assets	(113,076)	(50,102)
Change in LGERS pension expense due to:		
Changes in deferred outflows - pension	8,839	
Changes in deferred inflows - pension	634	
Changes in pension liability	(60,559)	(51,086)
Change in LEO pension expense due to:		
Changes in deferred outflows - pension	20,660	
Changes in deferred inflows - pension	1,084	
Changes in pension liability	(35,602)	(13,858)
Change in OPEB expense due to:		
Changes in deferred outflows - OPEB	10,928	
Changes in deferred inflows - OPEB	(107,019)	
Changes in OPEB liability	85,511	(10,580)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences and other		2,931
Total changes in net position of governmental activities		\$ 168,728

Town of Cleveland, North Carolina
Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual - General Fund
For the Year Ended June 30, 2020

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:				
Ad valorem taxes	\$ 518,500	\$ 518,500	\$ 657,469	\$ 138,969
Unrestricted intergovernmental	374,800	374,800	413,455	38,655
Restricted intergovernmental	28,900	28,900	30,912	2,012
Other general revenues	201,750	201,750	169,370	(32,380)
Total revenues	<u>1,123,950</u>	<u>1,123,950</u>	<u>1,271,206</u>	<u>147,256</u>
Expenditures				
General government	503,175	480,091	442,341	37,750
Public safety	461,575	465,214	389,013	76,201
Transportation	49,400	116,695	61,998	54,697
Environmental protection	60,100	60,100	57,942	2,158
Cultural and recreation	49,700	53,480	32,035	21,445
Total expenditures	<u>1,123,950</u>	<u>1,175,580</u>	<u>983,328</u>	<u>192,252</u>
Revenues over (under) expenditures	<u>-</u>	<u>(51,630)</u>	<u>287,878</u>	<u>339,508</u>
Other financing sources (uses):				
Appropriated fund balance	-	51,630	-	(51,630)
Total other financing sources (uses)	<u>-</u>	<u>51,630</u>	<u>-</u>	<u>(51,630)</u>
Revenues over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>287,878</u>	<u>\$ 287,878</u>
Fund balance, beginning of year			<u>3,378,705</u>	
Fund balance, ending of year			<u>\$ 3,666,583</u>	

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

Town of Cleveland, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2020

	Major Enterprise Funds		
	Water Fund	Sewer Fund	Total
Assets:			
Current assets:			
Cash and investments	\$ 735,143	\$ 1,827,704	\$ 2,562,847
Cash and investments - restricted	5,850	5,850	11,700
Accounts receivable, net	11,647	34,390	46,037
Total current assets	<u>752,641</u>	<u>1,867,944</u>	<u>2,620,585</u>
Capital assets:			
Land and work in progress	99,858	186,717	286,575
Other capital assets, net of depreciation	1,475,167	1,859,722	3,334,889
Total Capital Assets	<u>1,575,025</u>	<u>2,046,439</u>	<u>3,621,464</u>
Total assets	<u>2,327,666</u>	<u>3,914,383</u>	<u>6,242,049</u>
Liabilities and Fund Equities			
Current Liabilities:			
Accounts payable	38,359	8,684	47,041
Liabilities payable from restricted assets:			
Customer deposits	5,850	5,850	11,700
Total current liabilities	<u>44,209</u>	<u>14,534</u>	<u>58,741</u>
Noncurrent Liabilities:			
Long-term debt	-	-	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>44,209</u>	<u>14,534</u>	<u>58,741</u>
Net Position:			
Net investment in capital assets	1,575,025	2,046,439	3,621,464
Unrestricted	<u>708,431</u>	<u>1,853,410</u>	<u>2,561,842</u>
Net position of business-type activities	<u>\$ 2,283,457</u>	<u>\$ 3,899,849</u>	<u>\$ 6,183,306</u>

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

Town of Cleveland, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2020

	Major Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating Revenues			
Charges for services	\$ 134,155	\$ 389,019	\$ 523,174
Contribution for expansion	-	23,835	23,835
Water and sewer taps	3,227	5,550	8,777
Miscellaneous income	5,666	8,671	14,337
Total operating revenues	<u>143,048</u>	<u>427,075</u>	<u>570,123</u>
Operating Expenses			
Water administration and operation	68,022	-	68,022
Sewer administration and distribution	-	179,768	179,768
Depreciation	62,915	111,801	174,716
Total operating expenses	<u>130,937</u>	<u>291,569</u>	<u>422,506</u>
Operating income (loss)	<u>12,111</u>	<u>135,506</u>	<u>147,617</u>
Non-Operating Revenues (Expenses)			
Interest on investments	3,878	12,933	16,811
Sales tax refund	-	-	-
Total non-operating revenues (expenses)	<u>3,878</u>	<u>12,933</u>	<u>16,811</u>
Change in net position	15,989	148,439	164,428
Total net position - beginning	<u>2,267,468</u>	<u>3,751,410</u>	<u>6,018,878</u>
Total net position - ending	<u>\$ 2,283,457</u>	<u>\$ 3,899,849</u>	<u>\$ 6,183,306</u>

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

Town of Cleveland, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

	Major Enterprise Funds		
	Water Fund	Sewer Fund	Total
Cash Flows From			
Operating Activities			
Cash received from customers	\$ 146,328	\$ 453,691	\$ 600,019
Cash paid for goods and services	(30,652)	(182,383)	(213,035)
Net cash provided by operating activities	115,676	271,308	386,984
Cash Flows From Non-Capital			
Financing Activities			
None	-	-	-
Net cash provided by non-capital financing activities	-	-	-
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets	(39,962)	(54,675)	(94,637)
Net cash (used) by capital and related financing activities	(39,962)	(54,675)	(94,637)
Cash Flows From Investing Activities			
Interest income	3,878	12,933	16,811
Net increase (decrease) in cash and cash equivalents	79,592	229,566	309,158
Balances - beginning of year	661,401	1,603,988	2,265,389
Balances - end of year	\$ 740,993	\$ 1,833,554	\$ 2,574,547
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	\$ 12,111	\$ 135,506	\$ 147,617
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	62,918	111,801	174,719
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	2,629	26,066	28,695
Increase (decrease) in accounts payable	37,368	(2,615)	34,753
Increase (decrease) in customer deposits	650	550	1,200
Net cash provided by operating activities	\$ 115,676	\$ 271,308	\$ 386,984
Interest paid	\$ -	\$ -	\$ -

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

Town of Cleveland, North Carolina

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Cleveland 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 Cleveland is a municipal corporation governed by an elected mayor and a five-member board of commissioners. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. For the year ended June 30, 2020 the Town had no component units.

B. Basis of presentation

Government-wide Statements: The statement of net position and the statement of activities display the information about the primary government. These statements include the activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. The 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 part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and 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 particular 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 and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational and capital requirements of a particular 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 – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially the same values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

NOTES TO FINANCIAL STATEMENTS (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 sanitation services.

The Town reports the following major enterprise funds:

Water Fund: This fund is used to account for the Town's water operations.

Sewer Fund: This fund is used to account for the Town's sewer operations.

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 and Proprietary Fund Financial Statements: The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses 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, includes 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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTES TO FINANCIAL STATEMENTS (Continued)

C. Measurement Focus and Basis of Accounting (continued)

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 financial sources.

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

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town because the tax is levied by Rowan County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then 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 Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Capital Projects Fund, and the Enterprise Fund Capital Projects Funds, which are consolidated with the operating funds for reporting purposes. 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. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

NOTES TO FINANCIAL STATEMENTS (Continued)

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 reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT-Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2020, The Term portfolio has a duration of 11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months. The Town does not have a formal investment or credit risk policy.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursements and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Town considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing for widening of local streets per G.S. 136-41.1 through 136-41.4. Customer deposits are also considered restricted cash.

Town of Cleveland Restricted Cash

Governmental Activities		
General Fund	Streets	\$124,981
	Customer deposits	<u>3,118</u>
Total governmental activities		<u>128,099</u>
 Business-type Activities		
Water and Sewer Fund	Customer deposits	<u>11,700</u>
Total Business-type Activities		<u>11,700</u>
Total Restricted Cash		<u><u>\$139,799</u></u>

NOTES TO FINANCIAL STATEMENTS (Continued)

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property taxes other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1; however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2019. As allowed by State law, the Town has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life of more than two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The Town has elected not to capitalize general infrastructure assets acquired prior to July 1, 2003. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Life</u>
Infrastructure	30
Buildings	50
Improvements	25
Vehicles	6
Furniture and equipment	10
Computer equipment	3

Property, plant, and equipment of the proprietary funds are depreciated over their useful lives on a straight-line basis as follows:

<u>Asset Class</u>	<u>Life</u>
Water system components	20-40
Sewer system components	20-40
Equipment	10

NOTES TO FINANCIAL STATEMENTS (Continued)

7. 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 two items that meet this criterion, contributions made to the pension plan in the 2020 fiscal year and other pension and OPEB deferrals. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category – prepaid user fees, other unearned revenues, property taxes receivable, and deferrals of pension and OPEB expense that result from the implementation of GASB Statement 68.

8. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid issuance costs, are expensed in the reporting period in which they are incurred. Prepaid issuance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. 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 and proprietary funds, an expense and liability for compensated absences and the salary-related payments are recorded as the leave is earned.

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 accumulation of sick leave until it is actually taken, no accrual for sick leave has been made.

NOTES TO FINANCIAL STATEMENTS (Continued)

10. Net position / Fund Balances

Net position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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.

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 Cleveland's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

NOTES TO FINANCIAL STATEMENTS (Continued)

Assigned fund balance – portion of fund balance that the Town of Cleveland intends to use for specific purposes.

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 Cleveland has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-Town funds, Town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

11. Pensions

For purposes of measuring the net pension asset, 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's employer contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

II. Detail Notes on All Funds:

A. Assets:

1. Deposits

All the deposits of the Town are either insured or collateralized by using the Pooling Method. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing 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, and the 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 policy regarding custodial credit risk for deposits.

At June 30, 2020, the Town's deposits had a carrying amount of \$2,414,624 and a bank balance of \$2,415,822. The bank balances of the Town were covered by \$250,000 of federal depository insurance. The remaining balance of deposits is collateralized under the Pooling Method as enumerated above. Petty cash funds were \$268 at June 30, 2020.

NOTES TO FINANCIAL STATEMENTS (Continued)

2. Investments

At June 30, 2020, the Town's investment balances were as follows:

<u>Investments by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2020</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust – Government Portfolio	Amortized Cost	\$ 3,815,543	N/A	AAAm
Total:		\$ 3,815,543		

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

3. Receivable - Allowances for Doubtful Accounts / Reserves

The amounts presented in the Balance Sheet and the Statement of Net position are net of the following allowances for doubtful accounts and reserves:

	<u>Balance Sheet</u>	<u>SONP</u>
Ad valorem taxes	\$ 28,535	\$ -0-
Prepaid user fees	951	951
Due from other governments	38,269	-0-

NOTES TO FINANCIAL STATEMENTS (Continued)

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 347,000	\$ -	\$ -	\$ 347,000
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>347,000</u>	<u>-</u>	<u>-</u>	<u>347,000</u>
Capital assets being depreciated				
Buildings	969,245	-	-	969,245
Other improvements	721,231	17,287	-	738,518
Equipment	229,519	45,687	-	275,206
Vehicles and motorized equipment	361,293	-	-	361,293
Infrastructure	506,160	-	-	506,160
Total capital assets being depreciated	<u>2,787,448</u>	<u>62,974</u>	<u>-</u>	<u>2,850,422</u>
Less accumulated depreciation for:				
Buildings	336,097	17,884	-	353,981
Other improvements	542,322	25,445	-	567,767
Equipment	143,239	14,694	-	157,933
Vehicles and motorized equipment	229,939	34,807	-	264,746
Infrastructure	157,242	20,246	-	177,488
Total accumulated depreciation	<u>1,408,839</u>	<u>113,076</u>	<u>-</u>	<u>1,521,915</u>
Total capital assets being depreciated, net	<u>1,378,609</u>	<u>(50,102)</u>	<u>-</u>	<u>1,328,507</u>
Governmental activity, net capital assets	<u><u>\$ 1,725,609</u></u>	<u><u>\$ (50,102)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,675,507</u></u>

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

General government	\$ 26,073
Public safety	26,653
Transportation	34,012
Cultural and recreational	26,338
Total depreciation expense	<u>\$113,076</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

4. Capital Assets (continued)

Capital asset activity for the Business-type activities for the year ended June 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Water Fund</i>				
Capital assets not being depreciated				
Land	\$ 5,135	\$ -	\$ -	\$ 5,135
Construction in progress	-	-	-	-
	<u>5,135</u>	<u>-</u>	<u>-</u>	<u>5,135</u>
Capital assets being depreciated				
Plant and distribution systems	2,669,599	39,962	-	2,709,561
Furniture and maintenance equipment	-	-	-	-
Total capital assets being depreciated	<u>2,669,599</u>	<u>39,962</u>	<u>-</u>	<u>2,709,561</u>
Less accumulated depreciation for:				
Plant and distribution systems	1,076,756	62,915	-	1,139,671
Furniture and maintenance equipment	-	-	-	-
Total accumulated depreciation	<u>1,076,756</u>	<u>62,915</u>	<u>-</u>	<u>1,139,671</u>
Total capital assets being depreciated, net	<u>1,592,843</u>	<u>(22,953)</u>	<u>-</u>	<u>1,569,890</u>
Water Fund capital assets, net	<u>1,597,978</u>	<u>(22,953)</u>	<u>-</u>	<u>1,575,025</u>
<i>Sewer Fund</i>				
Capital assets not being depreciated				
Land	\$ 61,372	\$ -	\$ -	\$ 61,372
Construction in progress	-	-	-	-
	<u>61,372</u>	<u>-</u>	<u>-</u>	<u>61,372</u>
Capital assets being depreciated				
Plant and distribution systems	4,337,029	54,675	-	4,391,704
Furniture and maintenance equipment	84,141	-	-	84,141
Total capital assets being depreciated	<u>4,421,170</u>	<u>54,675</u>	<u>-</u>	<u>4,475,845</u>
Less accumulated depreciation for:				
Plant and distribution systems	2,303,801	111,801	-	2,415,602
Furniture and maintenance equipment	75,176	-	-	75,176
Total accumulated depreciation	<u>2,378,977</u>	<u>111,801</u>	<u>-</u>	<u>2,490,778</u>
Total capital assets being depreciated, net	<u>2,042,193</u>	<u>(57,126)</u>	<u>-</u>	<u>1,985,067</u>
Sewer Fund capital assets, net	<u>2,103,563</u>	<u>(57,126)</u>	<u>-</u>	<u>2,046,439</u>
Business-type activities capital assets, net	<u>\$ 3,701,543</u>	<u>\$ (80,079)</u>	<u>\$ -</u>	<u>\$ 3,621,464</u>

B. Liabilities:

1. Pension Plan Obligations:

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Cleveland is a participating employer in the statewide Local Governmental Employee's 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. LGERS provides

NOTES TO FINANCIAL STATEMENTS (Continued)

a. Local Governmental Employees' Retirement System (continued)

retirement and disability benefits to plan members and beneficiaries. Article 3 of GS Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplemental information for LGERS. The 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.

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town 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's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 9.07% 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 were \$34,428 for the year ended June 30, 2020.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

a. Local Governmental Employees' Retirement System (continued)

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

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

At June 30, 2020, the Town reported liabilities of \$182,972 for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020 (as measured at June 30, 2019), the Town's proportion was 0.00670%, which was an increase of 0.00154% from its proportion at June 30, 2019 (as measured as of June 30, 2018).

For the year ended June 30, 2020, the Town recognized pension expense of \$85,514. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 31,329	\$ -
Changes of assumptions	29,821	-
Net difference between projected and actual earnings on pension plan investments	4,463	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	11,344	-
Town contributions subsequent to the measurement date	34,428	-
Total	\$ 111,385	\$ -

NOTES TO THE FINANCIAL STATEMENTS (Continued)

a. Local Governmental Employees' Retirement System (continued)

\$34,428 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$	35,943
2021		13,308
2022		20,820
2023		5,887
2024		-
thereafter		-
	\$	<u>75,958</u>

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 percent
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study from December 31, 2010 through 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

a. Local Governmental Employees' Retirement System (continued)

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 418,490	\$ 182,972	\$ (12,792)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

a. Local Governmental Employees' Retirement System (continued)

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

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description.

The Town of Cleveland administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

Inactive members receiving benefits	1
Active plan members	5
Total	<u>6</u>

2. Summary of Significant Accounting Policies

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

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

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2019 valuation (using a December 31, 2018 date rolled forward). The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 percent

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2018.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

4. Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$15,568 as benefits came due for the reporting period.

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

At June 30, 2020, the Town reported a total pension liability of \$151,743. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$29,251.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 60,123	\$ -
Changes of assumptions	8,795	4,236
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	\$ 68,918	\$ 4,236

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

Year ended June 30:	Deferred Outflow of Resources	Deferred Inflow of Resources	Amount recognized in Pension Expense as an Increase or (decrease) to Pension Expense
2021	\$ 16,188	\$ 1,084	\$ 15,104
2022	16,188	1,084	15,104
2023	16,185	1,084	15,101
2024	14,264	984	13,280
2025	6,093	-	6,093
Thereafter	-	-	-

\$0 paid as benefits came due and \$0 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.26 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	\$ 165,462	\$ 151,743	\$ 139,258

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

	2020	2019
Beginning balance	\$ 116,141	\$ 74,576
Service Cost	6,847	5,442
Interest on the total pension liability	5,833	3,750
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	30,317	52,703
Changes of assumptions or other inputs	6,531	(6,404)
Benefit payments	(13,926)	(13,926)
Other changes	-	-
Ending balance of the total pension liability	<u>\$ 151,743</u>	<u>\$ 116,141</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study from December 31, 2010 through 2014.

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

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

	LGERs	LEOSSA	Total
Pension Expense	\$ 85,514	\$ 29,251	\$ 114,765
Pension Liability	182,972	151,743	334,715
Proportionate share of the net pension liability	0.00670%	na	
Deferred of Outflows of Resources			
Differences between expected and actual experience	31,329	60,123	91,452
Changes of assumptions	29,821	8,795	38,616
Net difference between projected and actual earnings on plan investments	4,463	-	4,463
Changes in proportion and differences between contributions and proportionate share of contributions	11,344	-	11,344
Benefit payments and administrative costs paid subsequent to the measurement date	34,428	-	34,428
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	4,236	4,236
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of GS Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

Funding Policy. Article 12E of GS Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The Town also provides this benefit to other eligible Town employees. Contributions for the year ended June 30, 2020 were \$22,802, which consisted of \$18,433 from the Town and \$4,369 from the employees.

2. Other Post-Employment Benefits

Plan Description: Under the terms of a Town resolution, the Town provides for a health care benefit plan for those who leave service with thirty years of qualified service with the state retirement system with the Town. The Town pays for the full cost of these benefits through private insurers. The Town Commissioners may amend the plan.

As of December 31, 2019, membership in the plan consisted of the following:

Retirees	1
Terminated plan members entitled to but not receiving benefits	0
Active plan members	<u>5</u>
Total	6

Total OPEB Liability

The Town's total OPEB liability of \$-0- was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.5 -7.75 percent, average, including inflation
Discount rate	3.50 percent
Healthcare cost trend rates	7.0% for 2018 decreasing to an ultimate rate of 4.50% by 2026

The discount rate used the TOL was based on the June average of the Bond Buyer General Obligation 20 Year Municipal Bond Index published weekly by The Bond Buyer.

Notes to the Financial Statements (continued)

e. Other Post-Employment Benefits (cont)

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 7/1/2019	\$ 85,511
Changes for the year	
Service cost	21,188
Interest	16,482
Changes of benefit terms	2,004
Differences between expected and actual experience	(129,933)
Changes in assumptions or other inputs	12,952
Benefit payments	<u>(8,204)</u>
Net changes	<u>(85,511)</u>
Balance at 6/30/2020	\$ -

Changes in assumptions and other inputs reflect a change in the discount rate from 3.56% to 3.89%.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study as of December 2014.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate (3.50%)</u>	<u>1% Increase</u>
Total OPEB liability	\$ 35,986	\$ -	\$ (32,063)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% increase</u>
Total OPEB liability	\$ (38,896)	\$ -	\$ 45,885

Notes to the Financial Statements (continued)

e. Other Post-Employment Benefits (cont)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the Town recognized OPEB expense of \$19,105. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,737	\$ 115,018
Changes of assumptions	11,168	30,016
Benefit payments and administrative costs made subsequent to the measurement date	-	
Total	<u>\$ 12,905</u>	<u>\$ 145,034</u>

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ (20,890)
2021	(20,890)
2022	(20,890)
2023	(20,890)
2024	(20,890)
Thereafter	(27,676)

3. Deferred Outflows / Inflows of Resources

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

Deferred pension and OPEB outflows	<u>\$193,208</u>
	<u>\$193,208</u>

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

	Statement of <u>Net position</u>	General Fund <u>Balance Sheet</u>
Prepaid user fees	\$ 951	\$ 951
Other unearned revenues	-0-	38,268
Property tax receivables	-0-	28,535
Pension and OPEB deferrals	<u>149,270</u>	<u>-0-</u>
-	<u>\$ 150,221</u>	<u>\$ 67,754</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

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 self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools the Town obtains general liability and auto liability coverage of \$5 million per occurrence, property coverage up to the total insurance values of the property policy and workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for total property losses in a single year, with reinsurance limit based upon a percentage of total insurance values.

The Town carries commercial insurance for all other risks of loss. The Town has not had a significant reduction in coverage during the last year. Claims have not exceeded coverage in any of the past three fiscal years.

The Town is being mapped by FEMA for flood plains. The Town has no flood coverage at this time.

In accordance with GS 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 \$50,000. The remaining employees that have access to funds are bonded under a blanket bond.

5. Long-Term Obligations

General Fund:

The long-term obligation of the General Fund is as follows:

Accrued vacation	\$ 29,837
LGERS pension liability	182,972
LEO Separation Allowance	151,743
Other post-employment benefits	<u>-0-</u>
	<u>\$ 364,552</u>

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Cleveland is \$18,905,657.

NOTES TO FINANCIAL STATEMENTS (Continued)

5. Long-Term Obligations (continued)

b. Changes in long-term liabilities:

	Balance			Balance	Current Portion
	June 30, 2019	Increases	Decreases	June 30, 2020	of Balance
Governmental activities:					
Accrued vacation	\$ 32,768	\$ -	\$ 2,931	\$ 29,837	\$ -
LEO Separation Allowance	116,141	35,602	-	151,743	-
Other post employment benefits	85,511	-	85,511	-	-
Pension liability	122,413	60,559	-	182,972	
Business-type activities:					
None	-	-	-	-	-
	<u>\$ 356,833</u>	<u>\$ 96,161</u>	<u>\$ 88,442</u>	<u>\$ 364,552</u>	<u>\$ -</u>

Compensated absences for governmental activities have typically been liquidated in the General Fund.

6. Commitments

At June 30, 2020, there were no long-term commitments.

7. Interfund Balances and Activities

There were no Interfund receivables / payables at June 30, 2020.

C. Net Investment in Capital Assets

	Governmental	Business-type
Capital Assets	\$ 1,675,507	\$ 3,621,464
less: long-term debt	-	-
add: unexpended debt proceeds	-	-
Net investment in capital assets	<u>\$ 1,675,507</u>	<u>\$ 3,621,464</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

D. Fund Balance

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

Total fund balance - General Fund	\$ 3,666,583
Less:	
Stabilization by State Statute	45,622
Streets - Powell Bill	124,981
Subsequent years expenditures - 20-21	-
Remaining Fund Balance	<u>\$ 3,495,980</u>

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

Encumbrances	General Fund	Non-Major Funds
	\$0	

III. Major Customer

Freightliner, an international company that manufactures trucks, has a production plant within the Town's limits. For the year ended June 30, 2020, it represented approximately 70% of sewer billings.

IV. Summary and Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

V. Significant Effects of Subsequent Events

Subsequent events occurring after the statement of financial position date have been evaluated through October 26, 2020, which is the date the financial statements were available to be issued. There were no subsequent events that came to our attention after the audit that would have a significant effect on the Town.

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a "Public Health Emergency of International Concern", which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. The outbreak presents uncertainty and risk with respect to the Authority and its ability to carry out its activities which could impact its financial results.

Town of Cleveland, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
June 30, 2020

Schedule of Changes in Total Pension Liability

	2020	2019	2018	2017
Beginning balance	\$ 116,141	\$ 74,576	\$ 64,142	\$ 58,440
Service Cost Interest on total pension liability	6,847	5,442	4,008	15,589
Interest	5,833	3,750	4,357	6,846
Differences between expected and actual experience in the measurement of the total pension liability	30,317	52,703	-	-
Changes of assumptions or other inputs	6,531	(6,404)	6,711	(16,733)
Benefit payments	(13,926)	(13,926)	(4,642)	-
Other changes	-	-	-	-
Ending balance of the total pension liability	<u>\$ 151,743</u>	<u>\$ 116,141</u>	<u>\$ 74,576</u>	<u>\$ 64,142</u>

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

Schedule of Total Pension Liability as a Percentage of Covered Payroll

	2020	2019	2018	2017
Total pension liability	\$ 151,743	\$ 116,141	\$ 74,576	\$ 64,142
Covered payroll	225,899	132,314	165,154	209,520
Total pension liability as a percentage of covered payroll	67.17%	87.78%	45.16%	30.61%

Notes to the schedules:

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

Town of Cleveland, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2020

Total OPEB liability	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 85,511	\$ 69,332	\$ 64,142	\$ 55,167
Service Cost	21,188	21,911	23,690	22,191
Interest on total pension liability	16,482	14,532	12,233	11,576
Differences between expected and actual experience in the measurement of the total pension liability	(129,933)	2,217	(4,416)	(3,417)
Changes of assumptions or other inputs	12,952	(15,625)	(26,317)	(21,375)
Benefit payments	(8,204)	(6,856)	-	-
Other changes	2,004	-	-	-
Ending balance of the total OPEB liability	<u>\$ -</u>	<u>\$ 85,511</u>	<u>\$ 69,332</u>	<u>\$ 64,142</u>
Covered payroll	NA	NA	NA	NA
Total OPEB liability as a percentage of covered payroll	NA	NA	NA	NA

Notes to Schedule

Changes in assumptions: Changes of assumptions and other inputs reflects the effects of changes in the discount rate of each period. The following are the discount rates used in each period.

<u>Fiscal year</u>	<u>Rate</u>
2020	3.50%
2019	3.89%
2018	3.65%

Town of Cleveland, North Carolina
Town of Cleveland's Contributions
Local Government Employees' Retirement System
Required Supplementary Information
Last Seven Fiscal Years

Town of Cleveland's Contributions

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 34,428	\$ 28,579	\$ 28,366	\$ 25,691	\$ 24,456	\$ 23,673	\$ 23,140
Contributions in relation to the contractually required contribution	34,428	28,579	28,366	25,691	24,456	23,673	23,140
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cleveland's covered-employee payroll	\$ 368,664	\$ 349,470	\$ 358,194	\$ 335,156	\$ 349,730	\$ 334,190	\$ 329,638
Contributions as a percentage of covered-employee payroll	9.34%	8.18%	7.92%	7.67%	6.99%	7.08%	7.14%

Town of Cleveland's Proportionate Share of Net Pension Liability (Asset)

	2020	2019	2018	2017	2016	2015	2014
Cleveland's proportion of the net pension liability (asset) (%)	0.00670%	0.00516%	0.00475%	0.00509%	0.00549%	0.00550%	0.00600%
Cleveland's proportion of the net pension liability (asset) (\$)	\$ 182,972	\$ 122,413	\$ 72,567	\$ 108,027	\$ 24,639	\$ (32,436)	\$ 70,511
Cleveland's covered-employee payroll	\$ 349,470	\$ 358,194	\$ 335,156	\$ 349,730	\$ 334,190	\$ 329,638	\$ 342,523
Cleveland's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	52.36%	34.18%	21.65%	30.89%	7.37%	(9.84%)	20.59%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	91.68%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

Town of Cleveland, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	Budget	Actual	Variance Favorable (Unfavorable)	Actual Year end June 30, 2019
REVENUES:				
Ad valorem taxes				
Current and prior years		\$ 657,055		\$ 519,774
Penalties and interest		414		1,168
	<u>\$ 518,500</u>	<u>657,469</u>	<u>\$ 138,969</u>	<u>520,942</u>
Unrestricted intergovernmental				
Local option sales tax		218,761		208,491
Beer and wine tax		3,837		3,833
ABC profit distribution		3,001		2,736
Solid waste disposal tax		678		621
Utility franchise tax		187,178		190,094
	<u>374,800</u>	<u>413,455</u>	<u>38,655</u>	<u>405,775</u>
Restricted intergovernmental				
Powell Bill allocation		28,843		28,996
Investment earnings		2,069		2,900
	<u>28,900</u>	<u>30,912</u>	<u>2,012</u>	<u>31,896</u>
Other general revenues				
Investment earnings		52,387		36,827
Reimbursement from water / sewer		93,501		85,760
Miscellaneous		23,482		21,332
	<u>201,750</u>	<u>169,370</u>	<u>(32,380)</u>	<u>143,919</u>
Total revenues	<u>1,123,950</u>	<u>1,271,206</u>	<u>147,256</u>	<u>1,102,532</u>

Town of Cleveland, North Carolina
General Fund (Continued)
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year end June 30, 2019</u>
EXPENDITURES:				
General Government				
Town Commissioners				
Salaries		\$ 29,712		\$ 29,711
Other operating expenditures		10,907		15,718
	<u>\$ 55,615</u>	<u>40,619</u>	<u>\$ 14,996</u>	<u>45,429</u>
Administration				
Salaries and benefits		139,599		131,230
Other operating expenditures		42,274		35,912
Capital outlay		-		26,527
	<u>194,486</u>	<u>181,873</u>	<u>12,613</u>	<u>193,669</u>
Tax collection and advertising	<u>5,700</u>	<u>5,700</u>	<u>-</u>	<u>5,699</u>
Election cost	<u>2,405</u>	<u>2,400</u>	<u>5</u>	<u>-</u>
Maintenance				
Salaries and benefits		156,659		117,478
Other operating expenditures		17,562		28,701
Capital outlay		37,527		9,926
	<u>221,885</u>	<u>211,748</u>	<u>10,137</u>	<u>156,105</u>
Total general government	<u>480,091</u>	<u>442,341</u>	<u>37,750</u>	<u>400,902</u>
Public Safety				
Fire				
Supplies		127		-
Assistance to CCVFD		47,839		37,624
	<u>49,339</u>	<u>47,966</u>	<u>1,373</u>	<u>37,624</u>
Police				
Salaries and benefits		258,126		276,392
Other operating expenditures		74,761		82,878
Capital outlay		8,160		54,373
	<u>415,875</u>	<u>341,047</u>	<u>74,828</u>	<u>413,643</u>
Total public safety	<u>465,214</u>	<u>389,013</u>	<u>76,201</u>	<u>451,267</u>
Transportation				
Streets and highways				
Powell Bill expenditures		50,894		3,773
Powell Bill capital outlay		-		-
Other operating expenditures		11,104		10,819
	<u>116,695</u>	<u>61,998</u>	<u>54,697</u>	<u>14,592</u>

Town of Cleveland, North Carolina
General Fund (Continued)
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
EXPENDITURES:				
Environmental Protection				
Solid Waste				
Capital outlay		\$ -		\$ 2,709
Other operating expenditures		57,942		56,851
	<u>\$ 60,100</u>	<u>57,942</u>	<u>\$ 2,158</u>	<u>59,560</u>
 Culture and Recreation				
Other operating expenditures		14,748		6,115
Contribution to library		-		100,000
Capital outlay		17,287		-
Total culture and recreation	<u>53,480</u>	<u>32,035</u>	<u>21,445</u>	<u>106,115</u>
 Total expenditures	<u>1,175,580</u>	<u>983,328</u>	<u>192,252</u>	<u>1,032,435</u>
 Revenues (over) expenditures	<u>(51,630)</u>	<u>287,878</u>	<u>339,508</u>	<u>70,097</u>
 OTHER FINANCING (USES) SOURCES:				
Appropriated fund balance	<u>51,630</u>	<u>-</u>	<u>51,630</u>	<u>-</u>
	<u>51,630</u>	<u>-</u>	<u>51,630</u>	<u>-</u>
Revenues over expenditures and other financing uses	<u>\$ -</u>	<u>287,878</u>	<u>\$ 287,878</u>	<u>70,097</u>
 Fund balances - beginning of year		<u>3,378,705</u>		<u>3,308,608</u>
 Fund balances - end of year		<u>\$ 3,666,583</u>		<u>\$ 3,378,705</u>

Town of Cleveland, North Carolina
Water Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2019</u>
REVENUES				
Operating revenues				
Consumer charges		\$ 134,155		\$ 139,315
Water taps		3,227		-
Miscellaneous income		5,666		6,202
	<u>\$ 140,700</u>	<u>143,048</u>	<u>\$ 2,348</u>	<u>145,517</u>
Non-operating revenues				
Interest on investments		3,878		3,793
Sales tax refund		-		1,814
	<u>6,100</u>	<u>3,878</u>	<u>(2,222)</u>	<u>5,607</u>
Total revenues	<u>146,800</u>	<u>146,926</u>	<u>126</u>	<u>151,124</u>
EXPENDITURES				
Administration and operations				
Reimbursement to general fund		36,134		33,423
Other operating expenditures		31,888		41,476
Capital outlay		39,962		27,127
	<u>146,800</u>	<u>107,984</u>	<u>38,816</u>	<u>102,026</u>
Revenues over expenditures	<u>-</u>	<u>38,942</u>	<u>38,942</u>	<u>49,098</u>
Other financing sources (uses)				
Appropriated fund balance	-	-	-	-
Transfer to water project	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue over (under) expenditures	<u>\$ -</u>	<u>\$ 38,942</u>	<u>\$ 38,942</u>	<u>\$ 49,098</u>
Reconciliation of modified accrual basis to full accrual basis:				
Revenues over expenditures		\$ 38,942		\$ 49,098
Capital outlay		39,962		27,127
Loss on disposal		-		(416)
Depreciation		(62,915)		(61,764)
Change in Net Position		<u>\$ 15,989</u>		<u>\$ 14,045</u>

Town of Cleveland, North Carolina
Sewer Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	Budget	Actual	Variance Favorable (Unfavorable)	Actual Year ended June 30, 2019
REVENUES				
Operating revenues				
Consumer charges		\$ 389,019		\$ 514,655
Contribution for expansion		23,835		-
Sewer taps		5,550		-
Miscellaneous income		8,671		10,744
	<u>\$ 502,800</u>	<u>427,075</u>	<u>\$ (75,725)</u>	<u>525,399</u>
Non-operating revenues				
Interest on investments		12,933		11,080
Sales tax refund		-		7,335
	<u>14,000</u>	<u>12,933</u>	<u>(1,067)</u>	<u>18,415</u>
Total revenues	<u>516,800</u>	<u>440,008</u>	<u>(76,792)</u>	<u>543,814</u>
EXPENDITURES				
Administration and operations				
Reimbursement to general fund		57,367		52,337
Other operating expenditures		122,401		98,015
Capital outlay		54,675		138,170
Total expenditures	<u>516,800</u>	<u>234,443</u>	<u>282,357</u>	<u>288,522</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 205,565</u>	<u>\$ 205,566</u>	<u>\$ 255,292</u>
Reconciliation of modified accrual basis to full accrual basis:				
Revenues and other financing sources over expenditures		\$ 205,565		\$ 255,292
Depreciation		(111,801)		(107,773)
Loss on disposal		-		(9)
Capital outlay		54,675		138,170
Change in Net Position		<u>\$ 148,439</u>		<u>\$ 285,680</u>

Town of Cleveland, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2020

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2020		\$ 670,127	\$ 661,909	\$ 8,218
2019	\$ 8,144	-	3,734	4,410
2018	3,869	-	548	3,321
2017	2,372	-	79	2,293
2016	2,343	-	263	2,080
2015	2,046	-	71	1,975
2014	1,838	59	-	1,897
2013	1,790	69	-	1,859
2012	1,371	13	-	1,384
2011	969	129	-	1,098
2010	248	-	248	-
	<u>\$ 24,990</u>	<u>\$ 670,397</u>	<u>\$ 666,852</u>	<u>\$ 28,535</u>

Reconciliation with revenues:

Taxes-Ad Valorem-General

\$ 657,055

Discounts, releases and other adjustments

9,797

Total collections and credits

\$ 666,852

Town of Cleveland, North Carolina
Analysis of Current Tax Levy
Town-Wide Levy
For the Year Ended June 30, 2020

	Total Property Valuation	Rate	Amount of Levy	Total Levy	
				Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current years rate	\$ 239,331,071	0.28	\$ 670,127	\$ 650,831	\$ 19,296
Total	<u>239,331,071</u>		<u>670,127</u>	<u>650,831</u>	<u>19,296</u>
Discoveries:					
Current year taxes	-	0.28	-	-	-
Total	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
Abatements	<u>(3,010,357)</u>		<u>(8,429)</u>	<u>(8,429)</u>	<u>-</u>
Net Levy	<u>\$ 236,320,714</u>		661,698	642,402	19,296
Uncollected taxes at June 30, 2020			<u>8,218</u>	<u>8,218</u>	<u>-</u>
Current year's taxes collected			<u>\$ 653,480</u>	<u>\$ 634,184</u>	<u>\$ 19,296</u>
Percent current year collected			<u>98.76%</u>	<u>98.72%</u>	<u>100.00%</u>