

CITY OF CHERRYVILLE, NORTH CAROLINA

FINANCIAL STATEMENTS

Year Ended June 30, 2021

City Council Members

H. L. Beam, Mayor
Jon Abernethy
Gary Freeman
Malcolm Parker
Jill Parker Puett

Administrative and Financial Staff

Jeff Cash, City Manager
Dixie Wall, Finance Director

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FINANCIAL SECTION

November 23, 2021

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor
and Members of the City Council
City of Cherryville, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cherryville, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Cherryville'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

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Cherryville ABC Board. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Cherryville ABC Board, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the City of Cherryville ABC Board were not audited in accordance with *Government Auditing Standards*.

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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cherryville, North Carolina as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 2 – 11, the Other Postemployment Benefits Schedule of Changes in the Total OPEB Liability and Related Ratios on page 65, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions on pages 61 and 62, respectively, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 63 and 64, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information

for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cherryville's basic financial statements. The introductory information, combining and individual fund statements, budgetary schedules, and other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory information and the statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2021 on our consideration of the City of Cherryville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Cherryville's internal control over financial reporting and compliance.

Butler & Spivey

Management's Discussion and Analysis

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

Financial Highlights

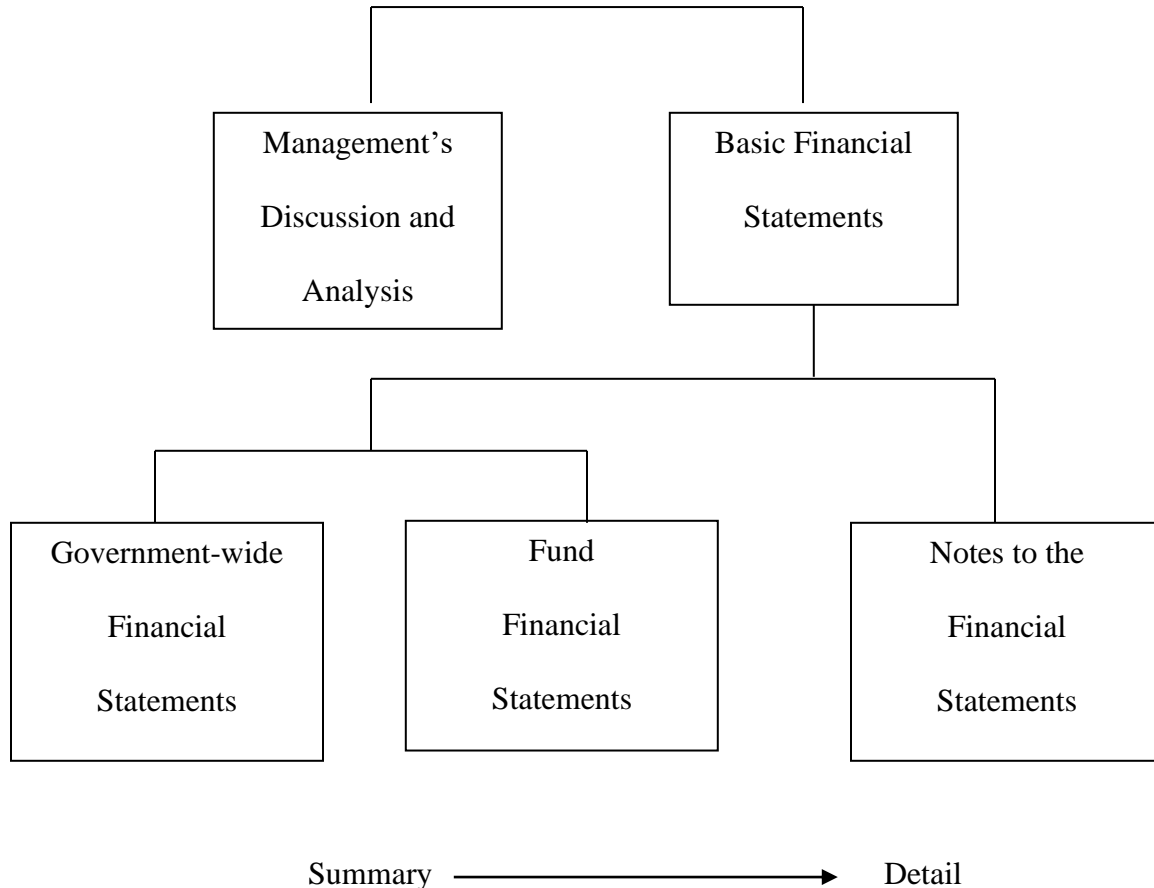
- The cumulative assets and deferred outflows of resources (net position) of the City of Cherryville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$20,361,170 (*net position*).
- The government's total net position for the fiscal year 2021 *increased* by \$4,647 due to a decrease in the governmental activities net position of (\$519,380) and an increase in the business type activities net position of \$524,027.
- As of the close of the current fiscal year, the City of Cherryville's governmental funds reported combined ending fund balances of \$5,826,565, an increase of \$3,505,402 in comparison with the prior year.
- At the end of the fiscal year 2021, the unassigned fund balance for the General Fund was \$1,080,621 or 21.8 percent of total general fund expenditures for the fiscal year.
- The City of Cherryville's total installment debt was decreased by \$88,630 during the current fiscal year as a result of scheduled principal payments. The total installment debt was increased by \$145,950 with the financing of asset additions.
- The City issued \$8,700,000 in general obligation bonds during the fiscal year 2021. The bonds were split \$3,300,000 and \$5,400,000 between the governmental funds and the business type activities, respectively.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Cherryville's basic financial statements. The City of Cherryville'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 City of Cherryville 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 City of Cherryville.

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 City's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City of Cherryville government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds 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 City of Cherryville's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Management's Discussion and Analysis City of Cherryville

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City'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 City's financial status as a whole.

The two government-wide statements report the City's net position and how it has changed. Net position is the difference between the City'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 City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer and electric services offered by the City. The final category is the component unit. Although legally separate from the City, the Cherryville ABC Board is important to the City. The City exercises control over the Board by appointing its members and the Board is required to distribute its profits to the City.

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

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Cherryville, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of City of Cherryville 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 City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Management's Discussion and Analysis City of Cherryville

The City of Cherryville adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. 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 – City of Cherryville has one proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. City of Cherryville uses the enterprise fund to account for its water and sewer activity and for its electric operations. 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 a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 23 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes required supplementary information concerning the City of Cherryville's progress in funding its obligations to provide pension benefits to its employees. Required supplementary information can be found beginning on page 61 of this report.

Interdependence with Other Entities – The City depends on financial resources flowing from or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

Management's Discussion and Analysis
City of Cherryville

Government-Wide Financial Analysis

The City of Cherryville's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 6,025,616	\$ 2,616,859	\$ 12,011,897	\$ 4,678,270	\$ 18,037,513	\$ 7,295,129
Capital assets	5,314,379	5,443,029	12,406,041	13,242,114	17,720,420	18,685,143
Deferred outflows of resources	778,654	427,805	439,335	295,222	1,217,989	723,027
Total assets	12,118,649	8,487,693	24,857,273	18,215,606	36,975,922	26,703,299
Long-term liabilities	7,448,213	3,201,930	7,267,004	1,152,793	14,715,217	4,354,723
Other liabilities	409,040	462,449	947,494	923,884	1,356,534	1,386,333
Deferred inflows of resources	135,324	177,862	407,677	47,858	543,001	225,720
Total liabilities	7,992,577	3,842,241	8,622,175	2,124,535	16,614,752	5,966,776
Net position:						
Net investment in capital assets	3,871,514	4,057,484	12,341,605	13,113,242	16,213,119	17,170,726
Restricted	600,927	841,004	37,478	37,471	638,405	878,475
Unrestricted	(346,369)	(253,036)	3,856,015	2,560,358	3,509,646	2,307,322
Total net position	\$ 4,126,072	\$ 4,645,452	\$ 16,235,098	\$ 15,711,071	\$ 20,361,170	\$ 20,356,523

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The cumulative assets and deferred outflows of the City of Cherryville exceeded liabilities and deferred inflows by \$20,361,170 as of June 30, 2021. The City's net position *increased* by \$4,647 for the fiscal year ended June 30, 2021. However, a large portion (77.94%) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment net of depreciation); less any related debt still outstanding that was issued to acquire those items. The City of Cherryville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Cherryville'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 City's net position \$638,405 (3.1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,509,646 is unrestricted.

Management's Discussion and Analysis
City of Cherryville

One aspect of the City's financial operations positively influenced the total unrestricted governmental net position. The City continued its diligence in collecting property taxes by maintaining a tax collection percentage of 98.74%. The statewide average in fiscal year 2019 was 98.78%.

City of Cherryville Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 770,584	\$ 721,292	\$ 9,548,334	\$ 9,481,558	\$ 10,318,918	\$ 10,202,850
Operating grants and contributions	172,910	183,019			172,910	183,019
Capital grants and contributions	22,240	1,964,190	5,000		27,240	1,964,190
General revenues:						
Property taxes	2,473,837	2,068,822			2,473,837	2,068,822
Other taxes	1,261,377	1,208,495			1,261,377	1,208,495
Other	25,772	305,781	(32,898)	10,224	(7,126)	316,005
Total revenues	4,726,720	6,451,599	9,520,436	9,491,782	14,247,156	15,943,381
Expenses:						
General Government	1,175,104	807,879			1,175,104	807,879
Public safety	2,413,522	3,922,979			2,413,522	3,922,979
Transportation	472,752	514,463			472,752	514,463
Economic development	179,309	244,279			179,309	244,279
Sanitation	593,387	524,780			593,387	524,780
Recreation	346,834	251,336			346,834	251,336
Cemetery	65,192	64,442			65,192	64,442
Water and sewer			2,961,682	2,890,956	2,961,682	2,890,956
Electric			6,034,727	6,170,834	6,034,727	6,170,834
Total expenses	5,246,100	6,330,158	8,996,409	9,061,790	14,242,509	15,391,948
Increase in net position	(519,380)	121,441	524,027	429,992	4,647	551,433
Net position, beginning	4,645,452	4,524,011	15,711,071	15,281,079	20,356,523	19,805,090
Net position, ending	\$ 4,126,072	\$ 4,645,452	\$ 16,235,098	\$ 15,711,071	\$ 20,361,170	\$ 20,356,523

Management's Discussion and Analysis
City of Cherryville

Governmental activities. Governmental activities decreased the City's net position by (\$519,380). The decrease was the result of an overall increase in operating costs, specifically in the general government and public safety categories.

Business-type activities: Business-type activities increased the City of Cherryville's net position by \$524,027, accounting for the total growth in the government's net position and offsetting the decrease of the governmental activities.

Financial Analysis of the City's Funds

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

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

The general fund is the chief operating fund of the City of Cherryville. At the end of the current fiscal year, the City of Cherryville's fund balance available in the General Fund was \$1,080,621 while the total fund balance increased to \$5,826,565. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 21.8 percent of total General Fund expenditures.

At June 30, 2021, the governmental funds of City of Cherryville reported a combined fund balance of \$5,826,565 with a net increase in fund balance of \$3,505,402, a 251.02 percent increase from last year.

General Fund Budgetary Highlights: During the fiscal year, the City revised the budget on several occasions. 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 majority of the budget amendments made during the City's fiscal year involved budgeting for grant awards and donations given from various sources throughout the fiscal year.

Management's Discussion and Analysis
City of Cherryville

Proprietary Funds. The City of Cherryville's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$64,100, and those for the Electric Fund amounted to \$3,791,915. The total decrease in net position for the water and sewer fund and the increase in net position for Electric Fund were (\$611,946) and \$1,135,973, respectively.

Capital Asset and Debt Administration

Capital assets. The City of Cherryville's investment in capital assets for its governmental and business-type activities (net of accumulated depreciation) as of June 30, 2021, totals \$17,720,420 (see Figure 4). These assets include buildings, infrastructure, land, machinery and equipment, vehicles and improvements to property.

There were no significant demolitions or disposals of major capital assets during fiscal year 2021. Major capital asset transactions during the year included the following:

- Additions to equipment and system for Water and Sewer capital assets of \$45,000.
- Additions to equipment and system for Electric Fund capital assets of \$46,006.
- Additions to equipment and other improvements in the General Fund of \$346,000.

City of Cherryville's Capital Assets (net of depreciation)

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 862,700	\$ 862,700	\$ 102,929	\$ 102,929	\$ 965,629	\$ 965,629
Idle asset		50,000		100,000	-	150,000
Buildings and systems	2,182,341	2,269,464	11,123,368	11,599,375	13,305,709	13,868,839
Improvements other than buildings	1,271,006	1,305,059			1,271,006	1,305,059
Machinery and equipment	850,431	786,746	1,179,744	1,439,810	2,030,175	2,226,556
Infrastructure	147,901	169,060			147,901	169,060
Construction in progress					-	-
	<u>\$ 5,314,379</u>	<u>\$ 5,443,029</u>	<u>\$ 12,406,041</u>	<u>\$ 13,242,114</u>	<u>\$ 17,720,420</u>	<u>\$ 18,685,143</u>

Management's Discussion and Analysis
City of Cherryville

Additional information on the City of Cherryville's capital assets can be found in Note 2 of the Basic Financial Statements.

Long-term Debt: As of June 30, 2021, the City of Cherryville had total debt outstanding of \$11,104,820. Of this, \$8,700,000 is debt backed by the full faith and credit of the City. The remainder represents installment obligation financing debt secured by buildings, equipment and other assets.

City of Cherryville Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
General obligation bonds	\$ 3,300,000	\$	\$ 5,400,000	\$	\$ 8,700,000	\$
Bond premium	353,138		544,381		897,519	
Installment obligations	1,442,865	1,385,545	64,436	128,872	1,507,301	1,514,417
	\$ 5,096,003	\$ 1,385,545	\$ 6,008,817	\$ 128,872	\$ 11,104,820	\$ 1,514,417

The City of Cherryville's total financing debt obligations increased from \$1,514,417 to \$11,104,820 during the current fiscal year, an increase of \$9,950,403. The key factors in this increase were scheduled debt retirements of \$153,054 and the issuance of new debt in the form of General Obligation Public Improvement Bonds in the amount of \$8,700,000, plus bond premiums of \$897,519.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total value of taxable property located within that government's boundaries. At June 30, 2020, the City had a legal debt margin of approximately \$21,317,625.

As disclosed in the Official Statement of sale and issuance of the City's General Obligation Public Improvement Bonds, S&P Global Ratings gave the City's bonds a rating of AA-.

Economic Factors and Next Year's Budgets and Rates

The State of North Carolina unemployment numbers increased from 7.5% in June 2020 to 4.6% in June 2021. Gaston County's unemployment rate decreased to 5.3% for June 2021. Cherryville's unemployment rate is also reflective of the state and County's upward trending numbers.

Management's Discussion and Analysis City of Cherryville

During the COVID-19 pandemic the City has experienced revenue reductions in interest on operating bank and investment accounts. Rental revenues also decreased due to the closure of the community building to citizens for meetings/assemblies. However, sales tax revenue was expected to have a decrease but instead, the City has seen an increase even over FY 2021 budget revenues as much as 12% per month from FY 2020.

The City has been notified that it will receive approximately \$1,780,000 from the U.S. Treasury for the American Rescue Plan Act.

Due to COVID-19, the City received Coronavirus Aid, Relief, and Economic Security Act (CARES) funding in the amount of \$88,352, which was dedicated to operating a kiosk for citizens to pay utility bills contactless and to purchase PPE supplies.

The City of Cherryville has also seen an increase in commercial and residential zoning and building permits.

The following key economic indicators and initiatives positively impact the stability of the City:

- Modern Polymers, a Cherryville based company that manufactures parts for BMW and Mercedes automotive assembly facilities is one of Cherryville's largest employers.
- With several other large employers including Farris Fabricators, FleetNet, and Peak Resources, the City of Cherryville is not dependent on one large employer whose reduction would considerably influence City revenues.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: The City tax rate remained unchanged at 0.52 cents per one hundred dollars of valuation. Budgeted expenditures in the General Fund are expected to increase to \$5,390,774 in fiscal year 2022. This expected increase is due primarily to the cost of living and salary study adjustments and the purchase of a new street sweeper.

Business-type Activities: The City's water and sewer residential, commercial, and industrial rates will remain unchanged for customers in fiscal year 2022. Electric rates will remain constant for residential and commercial customers in fiscal year 2022.

Request for Information

This report is designed to provide an overview of the City's finances. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, City of Cherryville, 116 Mountain Street, Cherryville, NC 28021. You may also call 704-435-1711 or visit our website at www.cityofcherryville.com.

BASIC FINANCIAL STATEMENTS

City of Cherryville, North Carolina
Statement of Net Position
June 30, 2021

	Primary Government			City of Cherryville ABC Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,374,681	\$ 3,779,127	\$ 5,153,808	\$ 318,430
Receivables:				
Taxes receivables (net)	100,739		100,739	-
Cemetery	6,500		6,500	-
Utilities	55,921		55,921	-
Other governments	338,621		338,621	-
Miscellaneous		3,090	3,090	-
Trade		1,595,588	1,595,588	-
Prepaid expenses		18,427	18,427	-
Internal balances	(179,499)	179,499	-	-
Inventory of supplies, at cost		370,945	370,945	199,646
Deposits				
Restricted cash and cash equivalents	4,328,653	6,065,221	10,393,874	-
Total current assets	6,025,616	12,011,897	18,037,513	518,076
Non-current assets:				
Capital assets (Note 4):				
Land and other non-depreciable assets	862,700	102,929	965,629	77,084
Depreciable capital assets:				
Other capital assets, net of depreciation	4,451,679		4,451,679	60,534
Electric System		1,534,607	1,534,607	-
Water & sewer system		10,768,505	10,768,505	-
Total depreciable capital assets, net of depreciation	4,451,679	12,303,112	16,754,791	60,534
Total capital assets	5,314,379	12,406,041	17,720,420	137,618
Total assets	11,339,995	24,417,938	35,757,933	655,694
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	656,865	357,156	1,014,021	26,792
OPEB deferrals	121,789	82,179	203,968	-
Total deferred outflows of resources	778,654	439,335	1,217,989	26,792
LIABILITIES				
Current liabilities:				
Accounts payable	98,946	559,882	658,828	140,620
Compensated absences	176,508	78,263	254,771	-
Emergency water loan		64,436	64,436	-
Accrued interest payable	18,356	13,512	31,868	-
Installment obligations	115,230		115,230	-
Payable from restricted assets		231,401	231,401	-
Total current liabilities	409,040	947,494	1,356,534	140,620
Long-term liabilities:				
Other post employment obligations	1,665,974	793,345	2,459,319	-
Net pension liability	801,466	529,278	1,330,744	16,438
Installment obligations	1,327,635		1,327,635	-
Bonds payable	3,300,000	5,400,000	8,700,000	-
Bond premium	353,138	544,381	897,519	-
Total noncurrent liabilities	7,448,213	7,267,004	14,715,217	16,438
Total liabilities	7,857,253	8,214,498	16,071,751	157,058
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	89,108	2,050	91,158	-
OPEB deferrals	46,216	31,185	77,401	-
Prepaid rent income		374,442	374,442	-
Total deferred inflows of resources	135,324	407,677	543,001	-
NET POSITION				
Net investment in capital assets	3,871,514	12,341,605	16,213,119	137,618
Restricted for:				
Stabilization by State Statute	401,042		401,042	-
Streets	199,885		199,885	-
All other			-	-
Working Capital			-	45,643
Electric Rate Stabilization		37,478	37,478	-
Unrestricted	(346,369)	3,856,015	3,509,646	342,167
Total net position	\$ 4,126,072	\$ 16,235,098	\$ 20,361,170	\$ 525,428

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

City of Cherryville, North Carolina
Statement of Activities
For the Year Ended June 30, 2021

Program Revenues					Net (Expense) Revenue and Changes in Net Position			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			City of Cherryville ABC Board
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental Activities:								
General government	\$ 1,175,104	\$	\$	\$ 22,240	\$ (1,152,864)	\$	\$ (1,152,864)	\$
Public safety	2,413,522				(2,413,522)		(2,413,522)	
Transportation	472,752		172,910		(299,842)		(299,842)	
Economic development	179,309				(179,309)		(179,309)	
Economic protection	593,387	684,318			90,931		90,931	
Recreation	346,834				(346,834)		(346,834)	
Cemetery	65,192	86,266			21,074		21,074	
Total governmental activities (See Note 1)	5,246,100	770,584	172,910	22,240	(4,280,366)		(4,280,366)	
Business-type activities:								
Water and sewer	2,961,682	2,366,744				(594,938)	(594,938)	
Electric	6,034,727	7,181,590				1,146,863	1,146,863	
Total business-type activities	8,996,409	9,548,334	-	-	-	551,925	551,925	
Total primary government	\$ 14,242,509	\$ 10,318,918	\$ 172,910	\$ 22,240	(4,280,366)	551,925	(3,728,441)	
Component unit:								
ABC Board	\$ 1,493,077	\$ 1,527,247	\$	\$				34,170
Total component unit	\$ 1,493,077	\$ 1,527,247	\$ -	\$ -	-	-	-	34,170
General revenues:								
Taxes:								
Property taxes, levied for general purpose					2,473,837		2,473,837	
Other taxes					1,261,377		1,261,377	
Investment earnings					1,490	1,550	3,040	(2,498)
Miscellaneous					24,282	(29,448)	(5,166)	
Total general revenues					3,760,986	(27,898)	3,733,088	(2,498)
Change in net position					(519,380)	524,027	4,647	31,672
Net position, beginning					4,645,452	15,711,071	20,356,523	493,756
Net position, ending					\$ 4,126,072	\$ 16,235,098	\$ 20,361,170	\$ 525,428

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

City of Cherryville, North Carolina
Balance Sheet
Governmental Funds
June 30, 2021

	General	Total Non-Major Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,374,681	\$ -	\$ 1,374,681
Restricted cash and cash equivalents	4,328,653	-	4,328,653
Receivables, net:			
Taxes	100,739	-	100,739
Due from other governments	308,223	-	308,223
Due from other funds	-	-	-
Other	92,819	-	92,819
Total assets	6,205,115	-	6,205,115
LIABILITIES			
Accounts payable and accrued liabilities	98,312	-	98,312
Due to other funds	179,499	-	179,499
	277,811	-	277,811
DEFERRED INFLOWS OF RESOURCES			
Property taxes and tags receivable	100,739	-	100,739
Total deferred inflows of resources	100,739	-	100,739
FUND BALANCES			
Restricted			
Stabilization by State Statute	401,042	-	401,042
Streets	199,885	-	199,885
All other	3,534,273	-	3,534,273
Reserved for USDA	48,167	-	48,167
Economic Development	562,577	-	562,577
Unassigned	1,080,621	-	1,080,621
Total fund balances	5,826,565	-	5,826,565
Total liabilities, deferred inflows of resources and fund balances	\$ 6,205,115	\$ -	

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

Exhibit 3
(cont)

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Capital assets used in governmental activities are not	
financial resources and, therefore, are not reported in the funds	\$ 5,314,379
Deferred outflows of resources related to pensions are not reported in the funds	656,865
Deferred outflows of resources related to OPEB are not reported in the funds	121,789
Deferred inflows of resources related to pensions are not reported in the funds	(89,108)
Deferred inflows of resources related to OPEB are not reported in the funds	(46,216)
Other long-term liabilities (bonds payable, accrued interest, and compensated absences) are not due and payable in the current period	<u>(7,658,202)</u>
Net position of governmental activities	<u><u>\$ 4,126,072</u></u>

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

City of Cherryville, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

	Major Funds		
	General Fund	Total Non-Major Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 2,432,451	\$	\$ 2,432,451
Other taxes and licenses	41,386		41,386
Unrestricted intergovernmental	1,261,377		1,261,377
Restricted intergovernmental	177,371		177,371
Permits and fees	14,030		14,030
Sales and services	770,584		770,584
Investment earnings	1,463		1,463
Grant revenue			-
Miscellaneous	219,550		219,550
Total revenues	4,918,212	-	4,918,212
EXPENDITURES			
Current:			
Administration	659,145		659,145
Economic development	178,008	120,406	298,414
Police	1,605,507		1,605,507
Fire	970,465		970,465
Public works	108,085		108,085
Streets	190,120		190,120
Powell Bill	191,194		191,194
Sanitation	700,956		700,956
Recreation	281,053		281,053
Cemetery	61,009		61,009
Total expenditures	4,945,542	120,406	5,065,948
Excess (deficiency) of revenues over expenditures	(27,330)	(120,406)	(147,736)
OTHER FINANCING SOURCES			
Bond proceeds	3,300,000		3,300,000
Bond premium	353,138		353,138
	3,653,138		3,653,138
Net changes in fund balance	3,625,808	(120,406)	3,505,402
Fund balances, beginning	2,200,757	120,406	2,321,163
Fund balances, ending	\$ 5,826,565	\$ -	\$ 5,826,565

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

City of Cherryville, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

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

Net changes in fund balances - total governmental funds	\$ 3,505,402
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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

Capital outlay expenditures which were capitalized	\$ 289,489		
Depreciation expense for governmental assets	(418,224)		
Loss on disposal of assets	<u>(41,567)</u>		(170,302)

Proceeds from the issuance of bonds are reported as other financing resources in governmental funds	(3,300,000)
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Premium on bonds issued reported as other financing resources in governmental funds	(353,138)
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Bond issuance costs expensed as legal costs	(124,257)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments on long-term debt	88,619		
Decrease in accrued interest payable	<u>(7,190)</u>		81,429

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	10,303		
Pension expense	(96,205)		
OPEB plan expense	<u>(72,612)</u>		(158,514)

Total changes in net position of governmental activities	<u>\$ (519,380)</u>
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The notes to the financial statements are an integral part of this statement.

City of Cherryville, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021

	General Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 2,230,500	\$ 2,230,500	\$ 2,432,451	\$ 201,951
Other taxes and licenses	136,600	136,600	41,386	(95,214)
Unrestricted intergovernmental	1,197,782	1,197,782	1,261,377	63,595
Restricted intergovernmental	216,500	216,500	177,371	(39,129)
Permits and fees	7,000	7,000	14,030	7,030
Sales and services	753,720	753,720	770,584	16,864
Investment earnings	35,400	35,400	1,463	(33,937)
Miscellaneous	493,510	561,405	219,550	(341,855)
Total revenues	5,071,012	5,138,907	4,918,212	(220,695)
Expenditures:				
Current:				
Administration	507,430	507,430	659,145	(151,715)
Economic development	74,520	120,665	178,008	(57,343)
Police	1,662,550	1,662,550	1,605,507	57,043
Fire	1,182,684	1,197,684	970,465	227,219
Public works	113,820	113,820	108,085	5,735
Streets	278,263	278,263	190,120	88,143
Powell Bill	287,710	287,710	191,194	96,516
Sanitation	653,450	653,450	700,956	(47,506)
Recreation	225,010	235,510	281,053	(45,543)
Cemetery	85,575	81,825	61,009	20,816
Total expenditures	5,071,012	5,138,907	4,945,542	193,365
Revenues over (under) expenditures	-	-	(27,330)	(27,330)
Other financing resources:				
Bond proceeds			3,300,000	3,300,000
Bond premium			353,138	353,138
			3,653,138	3,653,138
Net change in fund balance	\$ -	\$ -	3,625,808	\$ 3,625,808
Fund balances, beginning			2,200,757	
Fund balances, ending			\$ 5,826,565	

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

City of Cherryville, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2021

	Major Enterprise Funds		
	Water and		
	Electric Fund	Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,060,678	\$ 718,449	\$ 3,779,127
Accounts receivable (net)	1,099,967	495,621	1,595,588
Other receivables		3,090	3,090
Inventories	298,996	71,949	370,945
Prepaid expenses	18,427		18,427
Due from other funds	146,166	33,333	179,499
Restricted cash and cash equivalents	192,582	5,872,639	6,065,221
Total current assets	4,816,816	7,195,081	12,011,897
Noncurrent assets:			
Capital assets:			
Land and other non-depreciable assets		102,929	102,929
Other capital assets, net of depreciation	1,534,607	10,768,505	12,303,112
Capital assets (net)	1,534,607	10,871,434	12,406,041
Total noncurrent assets	1,534,607	10,871,434	12,406,041
Total assets	\$ 6,351,423	\$ 18,066,515	\$ 24,417,938
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	\$ 141,496	\$ 215,660	\$ 357,156
OPEB deferrals	31,289	50,890	82,179
Total deferred outflows of resources	\$ 172,785	\$ 266,550	\$ 439,335
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	447,972	111,910	559,882
Accrued interest payable		13,512	13,512
Compensated absences - current	34,363	43,900	78,263
Emergency water loan - current		64,436	64,436
Liabilities payable from restricted assets:			
Customer deposits	155,104	76,297	231,401
Total current liabilities	637,439	310,055	947,494
Noncurrent liabilities:			
Other post employment benefits	302,058	491,287	793,345
Net pension liability	207,889	321,389	529,278
General obligation bonds payable		5,400,000	5,400,000
Premium on bonds payable		544,381	544,381
Total noncurrent liabilities	509,947	6,757,057	7,267,004
Total liabilities	1,147,386	7,067,112	8,214,498
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	949	1,101	2,050
OPEB deferrals	11,873	19,312	31,185
Total rent income		374,442	374,442
Total deferred inflows of resources	12,822	394,855	407,677
NET POSITION			
Net investment in capital assets	1,534,607	10,806,998	12,341,605
Restricted - rate stabilization	37,478	-	37,478
Unrestricted	3,791,915	64,100	3,856,015
Total net position	\$ 5,364,000	\$ 10,871,098	\$ 16,235,098

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

City of Cherryville, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2021

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
OPERATING REVENUES			
Charges for services	\$ 6,159,062	\$ 2,282,273	\$ 8,441,335
Water and sewer taps		48,150	48,150
Other operating revenues	1,022,528	36,321	1,058,849
Total operating revenues	7,181,590	2,366,744	9,548,334
OPERATING EXPENSES			
Salaries and benefits	779,016	641,665	1,420,681
Other operating expenses	1,116,231	520,978	1,637,209
Electric power purchases	3,895,199		3,895,199
Water treatment and distribution		719,411	719,411
Waste collection and treatment		496,830	496,830
Depreciation	244,281	582,798	827,079
Total operating expenses	6,034,727	2,961,682	8,996,409
Operating income (loss)	1,146,863	(594,938)	551,925
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	777	773	1,550
Grant and donation revenue	5,000		5,000
Other	(16,667)	(1,151)	(17,818)
Interest and other charges		(16,630)	(16,630)
Total nonoperating revenue (expenses)	(10,890)	(17,008)	(27,898)
Income (loss) before contributions and transfers	1,135,973	(611,946)	524,027
Transfers to other funds	-	-	-
Change in net position	1,135,973	(611,946)	524,027
Total net position, beginning	4,228,027	11,483,044	15,711,071
Total net position, ending	\$ 5,364,000	\$ 10,871,098	\$ 16,235,098

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

City of Cherryville, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 7,031,607	\$ 2,361,974	\$ 9,393,581
Cash paid for goods and services	(5,035,412)	(1,385,941)	(6,421,353)
Cash paid to or on behalf of employees for services	(727,618)	(629,743)	(1,357,361)
Customer deposits received		5,645	5,645
Customer deposits returned	(4,360)		(4,360)
Net cash provided (used) by operating activities	<u>1,264,217</u>	<u>351,935</u>	<u>1,616,152</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Increase in due from other funds	33,333	33,333	66,666
Total cash flows from noncapital financing activities	<u>33,333</u>	<u>33,333</u>	<u>66,666</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(46,006)	(45,000)	(91,006)
Installment principal payments		(64,435)	(64,435)
Interest paid on debt		(17,051)	(17,051)
Bond proceeds		5,400,000	5,400,000
Bond premium		353,138	353,138
Net cash provided (used) by capital and related financing activities	<u>(46,006)</u>	<u>5,626,652</u>	<u>5,580,646</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in Electric Rate Stabilization	8		8
Donations	5,000		5,000
Interest and dividends	777	773	1,550
	<u>5,785</u>	<u>773</u>	<u>6,558</u>
Net increase (decrease) in cash and cash equivalents	1,257,329	6,012,693	7,270,022
Balances, beginning	<u>1,995,931</u>	<u>578,395</u>	<u>2,574,326</u>
Balances, ending	<u>\$ 3,253,260</u>	<u>\$ 6,591,088</u>	<u>\$ 9,844,348</u>

(continued)

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

City of Cherryville, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 1,146,863	\$ (390,915)	\$ 755,948
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	244,281	582,798	827,079
Loss on disposal of asset		16,667	16,667
Changes in assets, deferred outflows of resources, and liabilities:			
(Increase) decrease in accounts receivable	(117,939)	13,598	(104,341)
Increase (decrease) in allowance for doubtful accounts	1,289	(150)	1,139
(Increase) decrease in other receivables		15,115	15,115
(Increase) decrease in inventory	(16,698)	110,842	94,144
(Increase) decrease in prepaid items	(3,031)		(3,031)
(Increase) decrease in due from other governments	(33,333)	(33,333)	(66,666)
(Increase) decrease in deferred outflows of resources - pensions	(29,097)	(46,861)	(75,958)
(Increase) decrease in deferred outflows of resources - OPEB	(25,902)	(42,253)	(68,155)
Increase (decrease) in net pension liability	47,878	77,871	125,749
Increase (decrease) in deferred inflows of resources - pensions	(508)	(826)	(1,334)
Increase (decrease) in deferred inflows of resources - OPEB	(3,845)	(5,888)	(9,733)
Increase (decrease) in deferred inflows of resources - prepaid rents		(9,114)	(9,114)
Increase (decrease) in accounts payable and accrued liabilities	23,974	56,769	80,743
Increase (decrease) in customer deposits	(4,360)	5,645	1,285
Increase (decrease) in accrued vacation pay	(4,345)	(67,557)	(71,902)
Increase (decrease) in OPEB liability	38,990	69,527	108,517
Total adjustments	117,354	742,850	860,204
Net cash provided by operating activities	\$ 1,264,217	\$ 351,935	\$ 1,616,152

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

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Cherryville and its discretely presented component unit 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 City of Cherryville is a municipal corporation that is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the City and its component unit, a legally separate entity for which the City is financially accountable. The discretely presented component unit presented below is reported in a separate column in the City's financial statements in order to emphasize that it is legally separate from the City.

City of Cherryville ABC Board

The members of the ABC Board's governing board are appointed by the City. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the City. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at City of Cherryville ABC Board, 112-A N Cherry Street, Cherryville, NC 28021.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a specific function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a specific program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including the fiduciary fund. 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 equal values. Non-operating revenues, such as subsidies result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The City reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the City. 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, sanitation services, and general government services.

The City reports the following non-major governmental funds:

Grant Project Special Revenue Fund. This fund is used to account for grant funds that are restricted for use for a particular purpose.

The City reports the following major enterprise funds:

Electric Fund. This fund is used to account for the City's electric operations.

Water and Sewer Fund. This fund is used to account for the City's water and sewer operations.

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the City 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 are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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 City enterprise funds are charges to customers for sales and services. The City 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.

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

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

acquisitions are reported as expenditures in governmental funds. Issuance of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City of Cherryville because the tax is levied by Gaston 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 City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the City'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 City'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 Grant Projects Special Revenue Fund and the Enterprise Capital Projects Funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes.

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change departmental appropriations by more than \$2,500. 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.

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

1. Deposits and Investments

All deposits of the City and the ABC Board are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The City and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City and the ABC Board 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 City and the ABC Board 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 City's and the ABC Board's investments are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of twelve months or less when purchased to be cash and cash equivalents.

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Restricted Assets

Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4

City of Cherryville Restricted Cash

Governmental Activities

General Fund

Streets	\$ 199,885
Cemetery	31,918
Bonds	3,534,273
Economic Development	<u>562,577</u>

Total governmental activities \$4,328,653

Business-type activities

Electric Fund

Customer deposits	\$ 155,104
Rate stabilization fund	37,478

Water and Sewer Fund

Bonds	5,796,343
Customer deposits	<u>76,296</u>

Total business-type activities \$6,065,221

Total Restricted Cash \$10,393,874

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2020.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

The inventories of the City and the ABC Board are valued at cost (first-in, first-out), which approximates market.

The inventories of the City's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$15,000; infrastructure, \$20,000; equipment and furniture, \$5,000; vehicles \$10,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. 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:

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

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

Asset Class	Estimated Useful Lives
Buildings	40
Furniture and equipment	7

8. 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 City has one item that meets this criterion, pension deferrals for the 2021 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has several items that meet the criterion for this category - prepaid taxes, property taxes receivable, unearned rents, and pension deferrals.

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9. 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 statement 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 insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance 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 withheld from the actual debt proceeds received or not, are reported as debt service expenditures.

10. Compensated Absences

The vacation policy of the City provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year is considered to be immaterial; thus no current liability is reflected in the government-wide and proprietary financial statements.

The City'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 City does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 represents 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.

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

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

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

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 City of Cherryville’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.

Assigned fund balance – portion of fund balance that City of Cherryville intends to use for specific purposes.

Subsequent year’s expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$2,500.

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

The City of Cherryville 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-city funds, city 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 City.

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 City of Cherryville's employer contributions are recognized when due and the City of Cherryville has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

NOTE 2: DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

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

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

At June 30, 2021, the City's deposits had a carrying amount of \$2,242,993 and a bank balance of \$2,480,845. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2021, the City's cash change funds totaled \$600. The carrying amount of deposits for the ABC Board was \$316,130 and the bank balance was \$312,864. All of the bank balance was covered by federal depository insurance or by the collateral held under the pooling method. The ABC Board has cash on hand of \$2,300.

2. Investments

At June 30, 2021, the City of Cherryville had \$13,307,089 invested with the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAm by Standard and Poor's. The City has no policy regarding credit risk.

Interest Rate Risk. The City and the ABC Board have no formal investment policy regarding interest rate risk.

Credit Risk. The City and the ABC Board have no formal policy regarding credit risk.

3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2021 are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 2,056
Accounts receivable	1,141
Total General Fund	<u>3,197</u>
Enterprise Funds	15,814
Total	<u>\$ 19,011</u>

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

4. Capital Assets

Primary Government

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 862,700	\$ -	\$ -	\$ 862,700
Idle asset	50,000		50,000	-
Construction in progress		-		-
Total capital assets not being depreciated	912,700	-	50,000	862,700
Capital assets being depreciated:				
Other improvements	1,511,679			1,511,679
Buildings	6,394,968	-	10,500	6,384,468
Equipment	884,424	336,988		1,221,412
Vehicles and motorized equipment	2,966,044	9,615		2,975,659
Infrastructure	667,577	-		667,577
Total capital assets being depreciated	12,424,692	346,603	10,500	12,760,795
Less accumulated depreciation for:				
Other improvements	206,620	34,053		240,673
Buildings	4,125,504	80,094	3,471	4,202,127
Equipment	592,856	97,938		690,794
Vehicles and motorized equipment	2,470,866	184,980		2,655,846
Infrastructure	498,517	21,159		519,676
Total accumulated depreciation	7,894,363	418,224	3,471	8,309,116
Total capital assets being depreciated, net	4,530,329			4,451,679
Governmental activity capital assets, net	\$ 5,443,029			\$ 5,314,379

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

General government	\$ 15,056
Public safety	150,979

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

Transportation	99,119
Environmental protection	77,790
Cultural and recreational	72,353
Cemetery	<u>2,927</u>
Total depreciation expense	<u>\$ 418,224</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Electric Fund</i>				
Capital assets not being depreciated:				
Idle asset	\$ 50,000	\$ -	\$ 50,000	\$ -
Construction in progress	-	-		-
Total assets not being depreciated	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>-</u>
Capital assets being depreciated:				
Substations, lines, and related equipment	2,906,775	2,138		2,908,913
Furniture and equipment	474,480			474,480
Vehicles and motorized equipment	1,002,214	43,868		1,046,082
Computer equipment	69,147			69,147
Total capital assets being depreciated	<u>4,452,616</u>	<u>46,006</u>	<u>-</u>	<u>4,498,622</u>
Less accumulated depreciation for:				
Substations, lines, and related equipment	2,022,891	66,172		2,089,063
Furniture and equipment	134,653	68,935		203,588
Vehicles and motorized equipment	525,052	102,858		627,910
Computer equipment	37,138	6,316		43,454
Total accumulated depreciation	<u>2,719,734</u>	<u>\$ 244,281</u>	<u>\$ -</u>	<u>2,964,015</u>
Total capital assets being depreciated, net	<u>1,732,882</u>			<u>1,534,607</u>
Electric fund capital assets, net	<u>\$ 1,782,882</u>			<u>\$ 1,534,607</u>

Water and Sewer Fund

Capital assets not being depreciated:

Land	\$ 102,929	\$ -	\$ -	\$ 102,929
Idle asset	50,000	-	50,000	-
Total capital assets not being depreciated	<u>152,929</u>	<u>-</u>	<u>50,000</u>	<u>102,929</u>

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

Capital assets being depreciated:

Plant and distribution systems	21,390,465	45,000		21,435,465
Furniture and equipment	779,003			779,003
Vehicles and motorized equipment	170,006			170,006
Computer equipment	79,996			79,996
Total capital assets being depreciated	<u>22,419,470</u>	<u>45,000</u>	<u>-</u>	<u>22,464,470</u>

Less accumulated depreciation for:

Plant and distribution systems	10,674,974	456,973		11,131,947
Furniture and equipment	231,375	110,371		341,746
Vehicles and motorized equipment	156,966	7,645		164,611
Computer equipment	49,852	7,809		57,661
Total accumulated depreciation	<u>11,113,167</u>	<u>582,798</u>	<u>-</u>	<u>11,695,965</u>

Total capital assets being depreciated, net

<u>11,306,303</u>			<u>10,768,505</u>
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Water and Sewer fund capital assets, net

<u>11,459,232</u>			<u>10,871,434</u>
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Business-type activities capital assets, net

<u>\$ 13,242,114</u>			<u>\$ 12,406,041</u>
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Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2021, was as follows:

	<u>Beginning</u>			<u>Ending</u>
	<u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u>
Capital assets, non-depreciable:				
Land	\$ 77,084			\$ 77,084

Capital assets being depreciated:

Buildings	222,794			222,794
Furniture and equipment	98,724	23,494	10,637	111,581
Total	<u>321,518</u>	<u>23,494</u>	<u>10,637</u>	<u>334,375</u>

Less accumulated depreciation for:

Buildings	182,080	5,570		187,650
Furniture and equipment	90,335	3,900	8,044	86,191
Total	<u>272,415</u>	<u>9,470</u>	<u>8,044</u>	<u>273,841</u>

ABC capital assets, net of depreciation

<u>49,103</u>			<u>60,534</u>
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Total capital assets, net of depreciation

<u>\$126,187</u>			<u>\$137,618</u>
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City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

5. Idle Asset

The City purchased property formerly used as a bank on June 8, 2006. This property adjoins the property owned by the City currently used as City Hall. The intent at the time of purchase was to renovate and up-fit the property for use as the City Hall. These plans were abandoned in the years since the purchase. The City had no intended use for the property and placed the property up for sale. The original cost of the property was \$331,010. During the current fiscal year, the property sold for \$150,000.

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

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. City of Cherryville employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Cherryville's contractually required contribution rate for the year ended June 30, 2021, was 9.70% of compensation for law enforcement officers and 8.95% 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 City of Cherryville were \$327,725 for the year ended June 30, 2021.

Refunds of Contributions – City employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions, or any other benefit provided by LGERS.

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

At June 30, 2021, the City reported a liability of \$1,330,744 for its 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, 2020 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City'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 (measurement date), the City's proportion was 0.03724%, which was a decrease of 0.00006% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City recognized pension expense of \$472,389. At June 30, 2021, the City 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	\$ 168,050	\$ -
Changes of assumptions	99,033	-
Net difference between projected and actual earnings on pension plan investments	187,267	-
Changes in proportion and differences between City contributions and proportionate share of contributions	45,042	3,852
City contributions subsequent to the measurement date	327,725	-
Total	<u>\$ 827,117</u>	<u>\$ 3,852</u>

\$327,725 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ 139,887
2023	185,048
2024	115,183
2025	55,421
2026	-
Thereafter	-
	<hr/>
	\$ 495,539

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

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
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, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

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

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 2019 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.50%. 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

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

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 City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the City'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%)
City's proportionate share of the net pension liability (asset)	\$ 2,699,934	\$ 1,330,744	\$ 192,850

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

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description.

The City of Cherryville administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the City'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.

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

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

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	14
Total	<u>15</u>

2. Summary of Significant Accounting Policies

Basis of Accounting. The City 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. 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	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2019.

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

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

4. Contributions.

The City 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 City'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 City paid \$5,310 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, 2021, the City reported a total pension liability of \$490,232. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the City recognized pension expense of \$37,641.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 27,204	\$ 77,427
Changes of assumptions	155,105	9,879
County benefit payments and plan administrative expense made subsequent to the measurement date	4,595	-
Total	<u>\$ 186,904</u>	<u>\$ 87,306</u>

\$4,595 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

Year ended June 30:

2022	\$	9,977
2023		10,301
2024		10,410
2025		20,424
2026		29,951
Thereafter		13,940

Sensitivity of the City's total pension liability to changes in the discount rate. The following presents the City's total pension liability calculated using the discount rate of 1.93 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 538,330	\$ 490,232	\$ 446,046

Law Enforcement Officers' Special Separation Allowance

	2020
Beginning balance	\$ 272,156
Service Cost	18,878
Interest on the total pension liability	8,786
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	32,186
Changes of assumptions or other inputs	163,536
Benefit payments	(5,310)
Other changes	-
Ending balance of the total pension liability	<u>\$ 490,232</u>

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 472,389	\$ 37,641	\$ 510,030
Pension Liability	1,330,744	490,232	1,820,976
Proportionate share of the net pension liability	0.03724%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	168,050	27,204	195,254
Changes of assumptions	99,033	155,105	254,138
Net difference between projected and actual earnings on plan investments	187,267	-	187,267
Changes in proportion and differences between contributions and proportionate share of contributions	45,042	-	45,042
Benefit payments and administrative costs paid subsequent to the measurement date	327,725	4,595	332,320
Deferred Inflows of Resources			
Differences between expected and actual experience	-	77,427	77,427
Changes of assumptions	-	9,879	9,879
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	3,852	-	3,852

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the plan.

The City made contributions of \$47,090 for the reporting year. No amounts were forfeited.

d. Supplemental Retirement Income Plan for Employees Other Than Law Enforcement

Plan Description. All full-time employees of the City can elect to participate in the Supplemental Retirement Income Plan, a defined contribution plan.

Funding Policy. The City voluntarily contributes each month an amount equal to five percent of each employee's salary, and all amounts contributed are vested immediately.

The City made contributions of \$111,897 for the reporting year. No amounts were forfeited.

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

e. Other Postemployment Benefit

Healthcare Benefits

Plan Description.. Under the terms of a City resolution, the City administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The City Council has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided. This plan provides postemployment healthcare benefits to retirees of the City, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and 25 years of creditable service with the City. Also, the City's retirees can purchase coverage for their dependents at the City's group rates. The City pays the full cost of coverage for employees' benefits through private insurers. Retirees who qualify for coverage receive the same benefits as active employees. Coverage ceases for all retirees who are eligible for Medicare at age 65. The City Council may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation.

	General Employees	Law Enforcement Officers
Retirees receiving benefits	4	0
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	53	14
Total	<u>57</u>	<u>14</u>

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

Total OPEB Liability

The City's total OPEB liability of \$1,969,088 was measured as of June 30, 2020 (measurement date) based on data, assumptions, and results of the actuarial valuation as of June 30, 2019 (valuation date).

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2020 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	2.21 percent
Healthcare cost trend rates	
Pre-Medicare	7.00 percent for 2019 decreasing to an ultimate rate of 4.50 percent by 2026

The discount rate is based on the yield of the Bond Buyer 20-year General Obligation Municipal Bond Index as of the measurement date.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2020	\$ 1,702,704
Changes for the year	
Service cost	60,651
Interest	60,762
Changes of benefit terms	-
Differences between expected and actual experience	(104)
Changes in assumptions or other inputs	200,140
Benefit payments	(55,065)
Net changes	<u>266,384</u>
Balance at June 30, 2021	<u><u>\$ 1,969,088</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.50% to 2.21%.

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

	1% Decrease	Discount Rate (2.21%)	1% Increase
Total OPEB liability	\$ 2,141,073	\$ 1,969,088	\$ 1,811,882

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City'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:

	1% Decrease	Current	1% Increase
Total OPEB liability	\$ 1,758,147	\$ 1,969,088	\$ 2,215,118

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

For the year ended June 30, 2021, the City recognized OPEB expense of \$128,017. At June 30, 2021, the City 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	\$ 105	\$ 18,518
Changes of assumptions	203,863	58,884
Benefit payment and administrative costs made subsequent to the measurement date		
	<u>\$ 203,968</u>	<u>\$ 77,402</u>

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

\$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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2022	\$	6,604
2023		6,604
2024		14,518
2025		24,611
2026		27,809
Thereafter		46,420

2. Other Employment Benefits

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

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

Deferred Outflows and Inflows of Resources

The City has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 327,725
Benefit payments and administrative expenses for LEOSA made subsequent to measurement date	4,595
Differences between expected and actual experience	195,359
Changes in assumptions	458,001
Net difference between projected and actual earnings on pension plan investments	187,267
Changes in proportion and differences between employer contributions and proportionate share of contributions	45,042
Total	\$ 1,217,989

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable (General Fund)	\$ -	\$ 118,978
Prepaid rent income (Water and Sewer Fund)	374,442	-
Changes in assumptions	68,763	-
Differences between expected and actual experience	95,944	
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,852	
Total	\$ 543,001	\$ 118,978

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

3. Risk Management

The City 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 City participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability coverage of \$2 million per occurrence, auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the City upon request.

The City carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The City does not carry flood insurance because the City and its major properties are not in a flood plain as mapped by the State of North Carolina.

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The finance director is bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond.

4. Long-Term Obligations

a. General Obligation Public Improvement Bonds

In June of 2021, the City sold and issued \$8,700,000 of General Obligation Public Improvement Bonds. The bonds were issued under an approved bond order of the City Council dated July 13, 2020, separating general obligation amounts for Downtown Improvements of \$3,300,000 and Water and Sewer Improvements of \$5,400,000.

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

The City's general obligation bonds serviced by the governmental funds are reported in the government-wide Statement of Net Position. The general obligation bonds issued to finance water and sewer improvements, which will be retired by its resources, are reported in the Water and Sewer Fund. All general obligations are collateralized by the full faith and credit of the City.

The bonds mature in 20 years, carrying an interest rate of 4% for the first 9 years and 2% for the remaining 11 years. The bonds were issued at a premium, \$353,138 for the downtown improvements and \$544,381 for the water and sewer improvements. The premiums will be amortized annually over the life of the bonds and the amortization will be recorded in the respective funds. Maturities for the bonds are scheduled as shown in the following table.

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 165,000	\$ 92,400	\$ 195,000	\$ 145,200
2024	165,000	85,800	200,000	137,300
2025	165,000	79,200	210,000	129,100
2026	165,000	72,600	220,000	120,500
2027	165,000	66,000	230,000	111,500
2028-2032	825,000	232,650	1,275,000	413,750
2033-2037	825,000	123,750	1,460,000	235,300
2038-2042	825,000	41,250	1,610,000	81,800
Total	\$3,300,000	\$ 793,650	\$5,400,000	\$1,374,450

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

In September of 2005 the City entered into an installment financing agreement for a water and sewer project. The agreement was for \$460,000 requiring annual payments of \$39,734 including interest at 3.79%. This installment loan was paid out in 2020. In June of 2006, the City entered into an installment agreement for \$325,000 to finance the purchase of a building to be used for a City Hall. Payments are \$21,667 annually plus interest at 4.12%. This installment loan was paid out in 2020. In March of 2007, the City entered into an installment agreement to construct a new fire station for \$2,450,000. Upon completion, the US Department of Agriculture funded \$1,500,000 of this agreement. The remainder will be payable \$32,759 semi-annually plus interest at 3.91% through April 2022. The US Department of Agriculture loan is payable \$80,070 annually including interest at 4.5% through April 2048.

The City received a loan for \$1,088,000 from the Division of Environmental Health for a water construction project. The project was completed and placed in service in prior years. The obligation calls for annual principal payments of \$64,436 plus interest paid semi-annually at a 2.42% interest rate.

Annual debt service payments of the installment purchases as of June 30, 2021 are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 115,230	\$ 79,013	\$ 64,436	\$ 780
2023	51,516	55,407		
2024	53,388	54,315		
2025	55,332	53,173		
2026-2030	119,037	246,857		
2031-2035	188,897	209,541		
2036-2040	235,400	163,038		
2041-2045	293,351	105,087		
2046-2048	330,714	32,869		
Total	\$1,442,865	\$ 999,300	\$ 64,436	\$ 780

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

At June 30, 2021, the City of Cherryville had a legal debt margin of \$21,317,625. There were no authorized but unissued bonds at that date.

b. Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Installment purchase	\$ 1,385,545	\$ 145,950	\$ 88,630	\$ 1,442,865	\$ 115,230
Compensated absences	186,810		10,302	176,508	176,508
Total OPEB liability	1,017,876	157,866		1,175,742	
Net pension liability (LGERS)	615,105	186,361		801,466	
Total pension obligation (LEO)	272,156	218,076		490,232	
Governmental activity long-term liabilities	<u>\$ 3,477,492</u>	<u>\$ 708,253</u>	<u>\$ 98,932</u>	<u>\$ 4,086,813</u>	<u>\$ 291,738</u>
Business-type activities:					
Installment purchase	\$ -	\$ -	\$ -	\$ -	\$ -
Emergency Water Loan	128,872	-	64,436	64,436	64,436
Total OPEB liability	684,828	108,517		793,345	
Net pension liability (LGERS)	403,529	125,749		529,278	
Compensated absences	150,165		71,902	78,263	78,263
Business-type activity long-term liabilities	<u>\$ 1,367,394</u>	<u>\$ 234,266</u>	<u>\$ 136,338</u>	<u>\$ 1,465,322</u>	<u>\$ 142,699</u>

c. Interfund Balances and Activity

Balances due to / from other funds at June 30, 2021 consist of the following:

Due to the Electric Fund for the allocation of costs from the:

General Fund \$146,166

Due to the Water and Sewer Fund for the allocation of costs from the:

General Fund \$33,333

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

d. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$ 5,314,379	\$ 12,406,041
Less: long-term debt	1,442,865	64,436
Add: unexpended debt proceeds		
Net investment in capital assets	<u>\$ 3,871,514</u>	<u>\$ 12,341,605</u>

e. Fund Balance

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

<i>Total fund balance-General Fund</i>	<u>\$5,826,565</u>
Less:	
Stabilization by State Statute	401,042
Streets-Powell Bill	199,885
Committed for USDA reserves	48,167
All other	3,534,273
Committed for Economic Development	562,577
Remaining Fund Balance	<u>1,080,621</u>

f. Prepaid Rental Revenue

In August 2012, the City entered into an agreement with a private company to lease space on water tanks owned and utilized by the City's Water and Sewer Fund for a term of 50 years. The company paid a one-time, non-refundable advance payment in the amount of \$455,710. For the business-type activity statements, this revenue is recognized over the

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

period it is earned (50 years) on a straight-line basis. The unearned balance, \$374,442 at June 30, 2021, is presented in the Business-type Activities and the Proprietary Funds Statements of Net Position as a deferred inflow of resources.

NOTE 3: JOINTLY GOVERNED ORGANIZATIONS

The City, in conjunction with eight counties and fifty other municipalities, established the Centralina Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The City paid membership fees of \$1,433 to the Council during the fiscal year ended June 30, 2021.

The City, in conjunction with twenty other local governments, is a member of the North Carolina City Electric Agency (Electric Agency). The Electric Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Electric Agency's governing board. The twenty-one members, who receive power from the Electric Agency, have signed power sales agreement to purchase a specified share of the power generated by the Electric Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The City's purchases of power for the fiscal year ended June 30, 2021 were \$3,895,199.

NOTE 4: SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The City has received proceeds from several 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.

REQUIRED SUPPLEMENTARY FINANCIAL DATA

City of Cherryville, North Carolina
City of Cherryville's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Seven Fiscal Years *

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015
Cherryville's proportion of the net pension liability (asset) (%)	0.03724%	0.03730%	0.03724%	0.40450%	0.04355%	0.04310%	0.04162%
Cherryville's proportion of the net pension liability (asset) (\$)	\$ 1,330,744	\$ 1,018,634	\$ 883,460	\$ 617,964	\$ 924,279	\$ 193,433	\$ (245,454)
Cherryville's covered payroll	\$ 3,154,404	\$ 2,772,834	\$ 2,733,573	\$ 2,733,573	\$ 2,683,416	\$ 2,717,483	\$ 2,605,003
Cherryville's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	42.19%	36.74%	32.32%	22.61%	34.44%	7.12%	(9.42%)
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	91.63%	94.18%	94.18%	91.47%	98.09%	102.64%

* 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.

**City of Cherryville, North Carolina
City of Cherryville's Contributions
Required Supplementary Information
Last Seven Fiscal Years**

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 327,725	\$ 271,744	\$ 233,727	\$ 211,397	\$ 201,755	\$ 186,693	\$ 184,508
Contributions in relation to the contractually required contribution	327,725	271,744	233,727	211,397	201,755	186,693	184,508
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cherryville's covered payroll	\$ 3,154,404	\$ 2,772,834	\$ 2,733,573	\$ 2,733,573	\$ 2,683,416	\$ 2,717,483	\$ 2,605,003
Contributions as a percentage of covered payroll	10.39%	10.15%	8.55%	7.73%	7.52%	6.87%	7.08%

City of Cherryville, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2021

	2021	2020	2019	2018	2017
Beginning balance	\$ 272,156	\$ 275,549	\$ 362,221	\$ 323,129	\$ 309,942
Service Cost	18,878	15,322	16,871	17,578	17,143
Interest on the total pension liability	8,786	9,933	11,362	12,372	10,970
Changes of benefit terms		-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	32,186	(33,246)	(95,641)	(11,932)	-
Changes of assumptions or other inputs	163,536	9,908	(13,954)	26,282	(9,616)
Benefit payments	(5,310)	(5,310)	(5,310)	(5,208)	(5,310)
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 490,232</u>	<u>\$ 272,156</u>	<u>\$ 275,549</u>	<u>\$ 362,221</u>	<u>\$ 323,129</u>

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

City of Cherryville, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2021

	2021		2020		2019		2018		2017
Total pension liability	\$ 490,232	\$	272,156	\$	275,549	\$	362,221	\$	323,129
Covered payroll	720,047		621,821		591,973		613,686		599,059
Total pension liability as a percentage of covered payroll	68.08%		43.77%		46.55%		59.02%		53.94%

Notes to the schedules:

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

City of Cherryville, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service cost	60,651	60,422	62,630	67,975
Interest	60,762	61,848	55,650	47,165
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(104)	(24,685)	198	(320)
Changes of assumptions	200,140	39,887	(50,172)	(85,629)
Benefit payments	<u>(55,065)</u>	<u>(48,908)</u>	<u>(34,422)</u>	<u>(31,524)</u>
Net change in total OPEB liability	266,384	88,564	33,884	(2,333)
Total OPEB liability - beginning	<u>1,702,704</u>	<u>1,614,140</u>	<u>1,580,256</u>	<u>1,582,589</u>
Total OPEB liability - ending	<u><u>1,969,088</u></u>	<u><u>1,702,704</u></u>	<u><u>1,614,140</u></u>	<u><u>1,580,256</u></u>
 Covered payroll	 2,670,874	 2,670,874	 3,116,422	 2,564,819
Total OPEB liability as a percentage of covered payroll	73.72%	63.75%	51.79%	61.61%

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect 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>
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

INDIVIDUAL FUND FINANCIAL STATEMENTS

City of Cherryville, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 2,156,623	\$
Vehicle taxes		262,575	
Penalties and interest		13,253	
Total	<u>2,230,500</u>	<u>2,432,451</u>	<u>201,951</u>
Other taxes and licenses:			
Motor vehicle licenses		41,386	
Total	<u>136,600</u>	<u>41,386</u>	<u>(95,214)</u>
Unrestricted intergovernmental:			
Local option sales taxes		810,591	
Gaston County hold harmless tax		20,514	
Utility franchise tax		365,183	
Beer and wine tax		25,089	
ABC profit distribution		40,000	
Total	<u>1,197,782</u>	<u>1,261,377</u>	<u>63,595</u>
Restricted intergovernmental:			
Powell Bill allocation		172,910	
Solid waste disposal tax		4,461	
Total	<u>216,500</u>	<u>177,371</u>	<u>(39,129)</u>
Permits and fees:			
Zoning permits		12,355	
Court fees		1,675	
Total	<u>7,000</u>	<u>14,030</u>	<u>7,030</u>
Sales and services:			
Cemetery sales		86,266	
Yard waste fees		99,244	
Garbage late fees		4,173	
Fire protection charges		5,855	
Sanitary landfill fees		575,046	
Recreation department fees	<u>753,720</u>	<u>770,584</u>	<u>16,864</u>
Investment earnings:			
General Fund		1,324	
Interest earned-Powell Bill		139	
	<u>35,400</u>	<u>1,463</u>	<u>(33,937)</u>

cont.

City of Cherryville, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Miscellaneous:			
Rents and leases		8,729	
Other revenues		210,821	
Total	561,405	219,550	(341,855)
Total revenues	5,138,907	4,918,212	(220,695)
Expenditures:			
Administration			
Governing board:			
Salaries and employee benefits		38,493	
Election expense			
Total	45,850	38,493	7,357
Administration:			
Salaries and employee benefits		155,510	
Professional services		19,399	
Other operating expenditures		326,878	
Debt service		118,865	
Total	461,580	620,652	(159,072)
Total administration	507,430	659,145	(151,715)
Economic development:			
Salaries and employee benefits		62,928	
Grants		13,912	
Other operating expenditures		101,168	
Cherryville Main Street program			
Total economic development	120,665	178,008	(57,343)
Police:			
Salaries and employee benefits		1,349,827	
Vehicle maintenance		37,306	
Other operating expenditures		208,759	
Capital outlay		9,615	
Total Police	1,662,550	1,605,507	57,043
Fire:			
Salaries and employee benefits		644,009	
Maintenance		17,179	
Other operating expenditures		129,207	
Debt Service		150,070	
Capital outlay		30,000	
Total Fire	1,197,684	970,465	227,219
Public Works:			
Salaries and employee benefits		71,216	
Other operating expenditures		36,869	
Total Public Works	113,820	108,085	5,735

cont.

City of Cherryville, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Streets:			
Salaries and employee benefits		116,253	
Maintenance		41,025	
Other operating expenditures		32,842	
Capital outlay			
Total Streets	<u>278,263</u>	<u>190,120</u>	<u>88,143</u>
Powell Bill:			
Salaries and employee benefits		62,971	
Maintenance		1,220	
Other operating expenditures		127,003	
Capital outlay			
Total Powell Bill	<u>287,710</u>	<u>191,194</u>	<u>96,516</u>
Sanitation:			
Salaries and employee benefits		367,315	
Other operating expenditures		54,808	
Tipping fees		117,795	
Capital outlay		161,038	
Total sanitation	<u>653,450</u>	<u>700,956</u>	<u>(47,506)</u>
Recreation:			
Salaries and employee benefits		94,885	
Maintenance and repairs		70,831	
Other operating expenditures		115,337	
Debt service			
Total recreation	<u>235,510</u>	<u>281,053</u>	<u>(45,543)</u>
Cemetery:			
Salaries and employee benefits		8,302	
Contract services		51,200	
Other operating expenditures		1,507	
Total Cemetery	<u>81,825</u>	<u>61,009</u>	<u>20,816</u>
Total expenditures	<u>5,138,907</u>	<u>4,945,542</u>	<u>193,365</u>
Excess of revenue over (under) expenditures		(27,330)	
Other financing sources:			
Bond proceeds		3,300,000	
Bond premium		353,138	
		<u>3,653,138</u>	
Net change in fund balance	<u>\$ -</u>	<u>3,625,808</u>	<u>\$ 3,625,808</u>
Fund balances, beginning		<u>2,200,757</u>	
Fund balances, ending		<u>\$ 5,826,565</u>	

**City of Cherryville
Balance Sheet
Nonmajor Governmental Funds
For the Year Ended June 30, 2021**

	Grant Project Fund	Total Nonmajor Governmental Funds
Assets		
Due from other funds	_____	\$ _____ -
Total assets	<u>\$ _____ -</u>	<u>\$ _____ -</u>
Liabilities and Fund Balances		
Liabilities:		
Accounts payable and accrued liabilities	\$ _____	\$ _____
Fund balances:		
Restricted Fire Grant		_____ -
Total liabilities and fund balances	<u>\$ _____ -</u>	<u>\$ _____ -</u>

City of Cherryville, North Carolina
Special Revenue Fund - Grant Project Fund
Schedule of Revenues and Expenditures
and Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2021

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Revenues					
Fire Grant Project					
Restricted intergovernmental:					
Fire Grant - Federal	\$1,660,187	\$ 1,660,187		\$ 1,660,187	\$ -
Fire Grant - Local	169,797	169,797		169,797	
	<u>\$1,829,984</u>	<u>\$ 1,829,984</u>	<u>\$ -</u>	<u>\$ 1,829,984</u>	
 Expenditures					
Township Grant Project:					
Capital outlay					
Purchase of radios	<u>1,829,984</u>	<u>1,709,578</u>	<u>120,406</u>	<u>1,829,984</u>	<u>-</u>
 Revenues over expenditures	<u>\$ -</u>	<u>\$ 120,406</u>	<u>(120,406)</u>	<u>\$ -</u>	<u>\$ -</u>
 Fund balance, beginning			<u>120,406</u>		
 Fund balance, ending			<u>\$ -</u>		

City of Cherryville, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Electric sales		\$ 6,035,991	
Other operating revenues		1,064,751	
	<u>\$ 6,202,474</u>	<u>7,100,742</u>	<u>\$ 898,268</u>
Nonoperating revenues:			
Other		5,000	
Interest		777	
	<u>1,250</u>	<u>5,777</u>	<u>4,527</u>
Total revenues	<u>6,203,724</u>	<u>7,106,519</u>	<u>902,795</u>
Expenditures:			
Electric operations:			
Salaries and employee benefits		755,844	
Travel and training		7,254	
Total	<u>777,200</u>	<u>763,098</u>	<u>14,102</u>
Operating expenditures:			
Insurance		68,265	
System maintenance		208,303	
Vehicle maintenance		6,998	
Contract services		226,924	
Other operating expenditures		211,484	
Sales tax on electric sales		359,614	
Total	<u>1,285,496</u>	<u>1,081,588</u>	<u>203,908</u>
Electrical power purchases	<u>3,976,028</u>	<u>3,895,199</u>	<u>80,829</u>
Capital outlay:			
Equipment		46,006	
Total	<u>165,000</u>	<u>46,006</u>	<u>118,994</u>
			-
Total expenditures	<u>6,203,724</u>	<u>5,785,891</u>	<u>417,833</u>
Revenues over expenditures	-	1,320,628	1,320,628 (cont.)

City of Cherryville, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues and other financing sources over expenditures	<u><u> </u></u>	<u><u>\$ 1,320,628</u></u>	<u><u>\$ 1,320,628</u></u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Loss on disposal of fixed asset		(16,667)	
Capital outlays		46,006	
Depreciation		(244,281)	
Increase (decrease) in accrued revenues		53,458	
Decrease in accrued compensated absences		4,346	
Decrease in deferred outflows of resources - pensions		29,097	
Decrease in deferred inflows of resources-pensions		508	
Increase in net pension liability		(47,878)	
Increase in deferred outflows of resources-OPEB		25,901	
Decrease in deferred inflows of resources-OPEB		3,845	
Increase in accrued OPEB		(38,990)	
Total		<u><u>(184,655)</u></u>	
Change in net position		<u><u>\$ 1,135,973</u></u>	

City of Cherryville, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Water sales		\$ 1,212,396	
Sewer charges		1,075,969	
Water and sewer taps		48,150	
Other operating revenues		36,322	
	<u>\$ 2,403,750</u>	<u>2,372,837</u>	<u>\$ (30,913)</u>
Nonoperating revenues:			
Interest earnings		728	
Other		6,401	
	<u>155,500</u>	<u>7,129</u>	<u>(148,371)</u>
Total revenues	<u>2,559,250</u>	<u>2,379,966</u>	<u>(179,284)</u>
Expenditures:			
Water and sewer administration:			
Salaries and employee benefits		613,339	
Travel and training		3,593	
Supplies		9,349	
Vehicle maintenance		9,030	
Insurance		60,595	
Other operating expenditures		233,532	
Debt service		67,555	
	<u>1,131,900</u>	<u>996,993</u>	<u>134,907</u>
Water treatment and distribution:			
Salaries and employee benefits		382,472	
Chemicals		82,583	
Other operating expenditures		280,859	
Capital outlay - other improvements		45,000	
	<u>862,000</u>	<u>790,914</u>	<u>71,086</u>
Waste collection and treatment:			
Salaries and employee benefits		254,253	
Chemicals		7,905	
Supplies		5,379	
Other operating expenditures		247,104	
Capital outlay - equipment			
Capital outlay - other improvements			
	<u>565,350</u>	<u>514,641</u>	<u>50,709</u>

(cont.)

City of Cherryville, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Total expenditures	2,559,250	2,302,548	256,702
Revenues over(under) expenditures	-	77,418	77,418
Fund balance appropriated			-
Revenues and other sources over expenditures and other uses	\$ -	\$ 77,418	\$ 77,418

**Reconciliation from budgetary basis
(modified accrual) to full accrual:**

Revenues and other sources over expenditures and other uses	\$ 77,418
Reconciling items:	
Principal retirement	67,555
Capital outlay	45,000
Depreciation and amortization	(582,797)
Loss on disposal of asset	(16,667)
Increase in accrued revenues	6,092
Interest on bond cash	45
Bond costs expensed	(220,179)
Increase in accrued interest payable	(13,512)
Decrease in accrued compensated absences	67,557
Decrease in deferred inflows of resources - prepaid rents	9,114
Decrease in deferred outflows of resources-pensions	46,860
Decrease in deferred inflows of resources -pensions	826
Increase in net pension liability	(77,871)
Increase in deferred outflows of resources-OPEB	42,253
Decrease in deferred inflows of resources-OPEB	5,888
Increase in accrued OPEB	(69,528)
Total reconciling items	(689,364)
Change in net position	\$ (611,946)

OTHER SCHEDULES

City of Cherryville, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2021

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021	\$	\$ 2,401,123	\$ 2,370,762	\$ 30,361
2019-2020	42,980		30,162	12,818
2018-2019	14,149	--	6,159	7,990
2017-2018	10,634	--	1,794	8,840
2016-2017	8,611	--	1,271	7,340
2015-2016	7,583	--	879	6,704
2014-2015	10,664	--	1,346	9,318
2013-2014	8,834	--	1,079	7,755
2012-2013	8,150	--	699	7,451
2011-2012	4,379	--	161	4,218
2010-2011	3,891	--	3,891	0
	<u>\$ 119,875</u>	<u>\$ 2,401,123</u>	<u>\$ 2,418,203</u>	<u>102,795</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>2,056</u>
Ad valorem taxes receivable - net				<u>\$ 100,739</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				\$ 2,432,451
Reconciling items:				
Interest collected				(13,253)
Prior year releases and adjustments				(995)
Subtotal				<u>(14,248)</u>
Total collections and credits				<u>\$ 2,418,203</u>

City of Cherryville, North Carolina
Analysis of Current Tax Levy
City - Wide Levy
June 30, 2021

				Total Levy	
	City - Wide			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate	Total Levy		
Original levy:					
Property taxed at current rate	<u>\$ 461,754,423</u>	0.52	\$ 2,401,123	\$ 2,138,548	\$ 262,575
Net levy			2,401,123	2,138,548	262,575
Uncollected taxes at June 30, 2021			<u>30,361</u>	<u>30,361</u>	<u>-</u>
Current year's taxes collected			<u>\$2,370,762</u>	<u>\$2,108,187</u>	<u>\$262,575</u>
Current levy collection percentage			<u>98.74%</u>	<u>98.58%</u>	<u>100.00%</u>