REVIEWED
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CLEVELAND COUNTY WATER

Financial Report

Years Ended June 30, 2021 and 2020

CLEVELAND COUNTY WATER

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Years Ended June 30, 2021 and 2020

Board of Commissioners
Donald Melton, Chairman
Dewey Cook, Vice Chairman
Bill Cameron, Secretary
Amy Elliott Bridges
Tony Brooks
John Taylor
Bruce Martin

Administrative and Financial Staff
Brad Cornwell, General Manager
Ginger Fern, Finance Director

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jps
certified public accountants

Independent Auditors' Report

To the Chairman and Board of Commissioners
Cleveland County Water
Lawndale, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Cleveland County Water which comprise the statements of fund net position as of June 30, 2021 and 2020, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise Cleveland County Water'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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Cleveland County Water as of June 30, 2021 and 2020, and the respective changes in financial position and cash flows for the years 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 and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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 an opinion on the financial statements that collectively comprise the basic financial statements of Cleveland County Water. The other supplementary schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2021, on our consideration of Cleveland County Water'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 solely 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 the effectiveness of Cleveland County Water's 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 Cleveland County Water's internal control over financial reporting and compliance.

Johnson Price Sprinkle PA

Asheville, North Carolina
October 25, 2021

Introduction

Management's Discussion and Analysis ("MD&A") provides a narrative for Cleveland County Water's (the "Company") financial activities for the fiscal years ended June 30, 2021 and 2020. The information complements the data presented in the financial statements and is to be used to enhance the reader's understanding of the Company's financial performance.

Financial Highlights

- The Company's basic financial statements consist of a single enterprise fund.
- At June 30, 2021 and 2020 the Company's assets and deferred outflows exceeded its liabilities and deferred inflows by $40,774,095 and $39,825,098, respectively.
- At June 30, 2021 and 2020, the Company's unrestricted net position was $6,469,831 and $5,395,662, respectively.

Overview of the Financial Statements

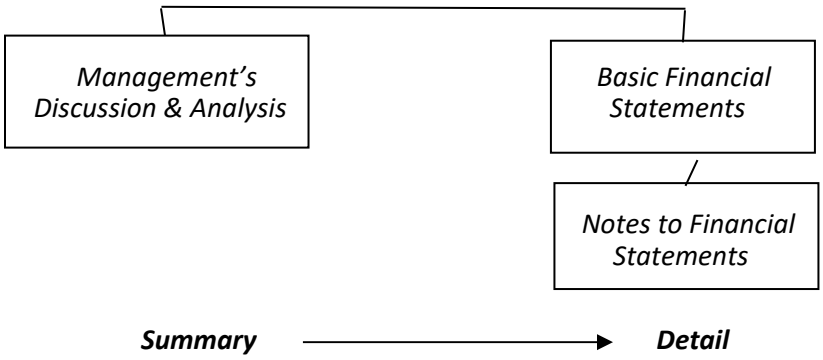
This MD&A serves as an introduction to the Company's basic financial statements and notes to the financial statements. In addition to the basic financial statements, this report contains other supplemental information designed to enhance the understanding of the financial condition of the Company.

Basic Financial Statements

The Company is a special purpose government that accounts for its activities as a business-type entity. The first section of the basic financial statements is financial statements for the Company's single proprietary fund that focuses on the business activities of the enterprise. The statements are designed to provide a broad overview of the Company's finances, operations and cash flow, similar in format to private sector business statements, and provide short and long-term information about the Company's financial status.

The second section of the basic financial statements is the notes to the financial statements that explain in more detail some of the data contained in the financial statements. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. After the notes to the financial statements, supplemental information is provided to show how the Company's actual revenue and expense amounts compare to amounts budgeted. Supplemental information can be found on pages 37 to 60 of these financial statements.

Required Components of Annual Financial Report



In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information and other supplementary information such as budgetary information.

Budget Highlights

The Company's annual balanced budget is prepared on the modified accrual basis of accounting in accordance with the Budget and Fiscal Control Act of North Carolina General Statutes.

During the course of fiscal year 2021, the Company made various amendments to its formal budget. The activities of the Company are monitored by the Finance Director for any shortfalls of revenue or overspending. Income and expense statements along with comparative graphs are presented by the General Manager at each board meeting.

Financial Analysis

The following is a summary of net position:

	June 30,		
	2021	**2020**	**2019**
Current and other assets	$ 10,588,814	$ 9,352,104	$ 7,647,891
Capital assets	38,320,375	38,551,161	36,695,065
Deferred outflows of resources	1,025,725	676,531	615,989
Total assets and deferred outflows of resources	49,934,914	48,579,796	44,958,945
Long-term liabilities outstanding	7,437,496	6,811,968	4,444,427
Other liabilities	1,505,938	1,705,670	1,530,538
Deferred inflows of resources	217,385	237,060	230,119
Total liabilities and deferred inflows of resources	9,160,819	8,754,698	6,205,084
Net position:			
Net investment in capital assets	34,304,264	34,429,436	34,741,354
Unrestricted – board designated	2,909,665	2,204,735	1,575,179
Unrestricted	3,560,166	3,190,927	2,437,328
Total net position	$ 40,774,095	$ 39,825,098	$ 38,753,861

The Company's net position increased by approximately $949,000 for the year ended June 30, 2021 and increased by approximately $1.07 million for the year ended June 30, 2020. Net investment in capital assets decreased by approximately $125,000 during the year ended June 30, 2021 and decreased by approximately $312,000 during the year ended June 30, 2020. The Company funded the majority of the increase for the years ended June 30, 2021 and 2020 through operations and general revenues.

Unrestricted net position represents the excess of assets and deferred outflows over liabilities and deferred inflows that the Company can utilize in future periods. Unrestricted net position increased for the year ended June 30, 2021 from approximately $5.4 million in 2020 to approximately $6.5 million in 2021. Unrestricted net position increased for the year ended June 30, 2020 from approximately $4 million in 2019 to approximately $5.4 million in 2020.

The following is a summary of changes in net position:

	For the years ended June 30,		
	2021	**2020**	**2019**
Revenues:			
Operating revenues	$ 8,451,601	$ 8,201,899	$ 7,495,882
Nonoperating revenues	1,446,830	1,523,600	1,657,852
Total revenues	9,898,431	9,725,499	9,153,734
Expenses:			
Operating expenses	8,709,026	8,319,983	7,160,519
Interest on long-term debt	61,048	51,034	23,767
Nonoperating expenses	179,360	283,245	9,144
Total expenses	8,949,434	8,654,262	7,193,430
Increase in net position	948,997	1,071,237	1,960,304
Net position, July 1	39,825,098	38,753,861	36,793,557
Net position, June 30	$ 40,774,095	$ 39,825,098	$ 38,753,861

Included in non-operating revenues is approximately $960,000 and $900,000 in special district ad valorem taxes for the years ended June 30, 2021 and 2020, respectively. The Company has established a levy of $0.02 per $100 of property value. Such taxes are billed, collected and administered by Cleveland County, North Carolina. Operating revenues of the Company represent various customer charges for services. Operating revenues increased in 2021, from approximately $8.2 million in 2020 to approximately $8.5 million in 2021. Operating expenses increased approximately $390,000 and $1.2 million for the years ended June 30, 2021 and 2020, respectively.

Capital Assets

The Company's investment in capital assets net of accumulated depreciation was approximately $38.3 million and $38.6 million as of June 30, 2021 and 2020, respectively. During 2021, construction activity related primarily to plant and distribution improvements and equipment. Of the total 2021 additions of approximately $4.9 million, approximately 76% was expended for water and plant distribution systems, 10% was expended for construction in progress, and the remaining 14% was related to land purchases, plant and distribution equipment, meter services equipment and maintenance building purchases.

The following is a summary of capital assets, net of accumulated depreciation:

	June 30,		
	2021	2020	2019
Land and land easements	$ 1,392,549	$ 1,057,862	$ 953,221
Construction in progress	1,002,200	3,923,533	1,608,197
Land improvements and tank sites	549,236	560,573	578,435
Plant and distribution system	33,582,954	31,249,789	31,505,924
Buildings – administrative	257,945	270,219	283,525
Administrative equipment	46,770	69,810	120,643
Plant and distribution equipment	1,355,490	1,274,888	1,470,220
Meter services equipment	44,644	58,192	85,439
Maintenance building	88,587	86,295	89,461
Total	$ 38,320,375	$ 38,551,161	$ 36,695,065

Other Long-Term Liabilities

The Company continues to pay down the balance of long-term liabilities relating to loans and general obligation bonds. As of June 30, 2021, debt consists of notes from direct borrowings. There were additional borrowings that increased long-term debt by approximately $303,000 and $2.4 million in the year ended June 30, 2021 and 2020, respectively. Long-term debt decreased by approximately $321,000 and $153,000 in the year ended June 30, 2021 and 2020, respectively. The Company's total debt outstanding as of June 30, 2021 and 2020 was approximately $3.8 million. The remaining portion of long-term liabilities consists of a capital lease totaling approximately $215,000 as of June 30, 2021 and approximately $302,000 as of June 30, 2020, net pension liability totaling approximately $1.1 million as of June 30, 2021 and approximately $826,000 as of June 30, 2020, other post-employment benefit liability totaling approximately $2.6 million as of June 30, 2021 and approximately $2.2 million as of June 30, 2020, and compensated absences liability totaling approximately $249,000 as of June 30, 2021 and approximately $252,000 as of June 30, 2020.

Additional information with respect to the Company's long-term debt can be found in the footnotes to the financial statements.

Economic Factors and Next Year's Budget

The Company is located in and serves residents of Cleveland County, North Carolina. Economic growth in this area has been slow since the recession of 2008 and is projected to continue slow growth in the near future. The Company is not projecting a significant increase in the water demands of the County, but continues to plan for steady growth over time and continued maintenance and improvements of the plant and distribution system.

Operations at Cleveland County Water are mostly back to normal since most COVID-19 restrictions have been lifted by NC Governor Roy Cooper. Some disconnections are still being delayed due to a select number of customers qualifying for the Housing Opportunities and Prevention of Evictions Program (HOPE), which provides utility assistance to certain renters that are enduring financial hardships due to the economic impacts of the pandemic. The Cleveland County Water budget for fiscal year 2022 does not reflect restrictions or decreases due to COVID-19.

The budget line item for local option sales tax revenues returned to full budget instead of being decreased as it was in the prior year. Credit card convenience fees for online and phone payments have been reinstated for the customer to pay, as was the case pre-pandemic.

Requests for Information

This report is designed to provide an overview of the Company's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Finance Director, Cleveland County Water, P.O. Box 788, Lawndale, North Carolina 28090.

CLEVELAND COUNTY WATER

STATEMENTS OF FUND NET POSITION--
PROPRIETARY FUND
June 30, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	$ 5,432,112	$ 4,525,035
Investments	2,909,665	2,204,735
Accounts receivable – customers, net	1,085,896	1,073,161
Taxes receivable	44,151	48,923
Grants and awards receivable	550,978	583,698
Other receivables	230,809	386,557
Inventories	321,203	474,113
Prepaid expenses	14,000	55,882
Total current assets	10,588,814	9,352,104
Property and equipment:		
Land and land easements	1,392,549	1,057,862
Construction in progress	1,002,200	3,923,533
Land improvements and tank sites	646,507	735,260
Plant and distribution	64,028,047	60,719,553
Meter services equipment	177,912	169,797
Buildings	622,708	618,911
Equipment	283,182	396,671
Less: accumulated depreciation	(29,832,730)	(29,070,426)
Property and equipment, net	38,320,375	38,551,161
Total assets	48,909,189	47,903,265
Deferred outflows of resources		
Pension deferrals	582,555	489,187
OPEB deferrals	443,170	187,344
Total deferred outflows of resources	1,025,725	676,531
Liabilities		
Current liabilities:		
Current portion of long-term debt	217,910	332,357
Current portion of capital lease	89,097	86,998
Accounts payable	219,053	374,980
Accrued compensation	60,579	55,929
Compensated absences	181,042	123,279
Accrued interest on long-term debt	11,948	37,613
Customer deposits	716,309	694,514
Advance for Greenway Project	10,000	-
Total current liabilities	1,505,938	1,705,670
Other noncurrent liabilities:		
Long-term debt	3,583,299	3,487,468
Capital lease	125,805	214,902
Compensated absences	67,671	128,303
Net pension liability	1,071,670	826,104
Total OPEB liability	2,589,051	2,155,191
Total other noncurrent liabilities	7,437,496	6,811,968
Total liabilities	8,943,434	8,517,638

The accompanying notes are an integral part of these financial statements.

CLEVELAND COUNTY WATER
STATEMENTS OF FUND NET POSITION--
PROPRIETARY FUND – CONTINUED
June 30, 2021 and 2020

	2021	2020
Deferred inflows of resources		
Unavailable water sales	79,944	69,550
Pension deferrals	27,853	36,506
OPEB deferrals	109,588	131,004
Total deferred inflows of resources	217,385	237,060
Net position		
Net investment in capital assets	34,304,264	34,429,436
Unrestricted – board designated	2,909,665	2,204,735
Unrestricted	3,560,166	3,190,927
Total net position	$ 40,774,095	$ 39,825,098

The accompanying notes are an integral part of these financial statements.

CLEVELAND COUNTY WATER

STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION -- PROPRIETARY FUND
Years Ended June 30, 2021 and 2020

	2021	2020
Operating revenues:		
Water charges	$ 8,110,231	$ 7,965,183
Tap connection charges	341,370	236,716
Total operating revenues	8,451,601	8,201,899
Operating expenses:		
Salaries and employee benefits	3,386,391	3,374,017
Administrative	909,685	978,619
Water plant	640,150	685,078
Water line maintenance	1,911,943	1,550,272
Meter services	45,299	49,207
Greenway project	161,269	-
Capital outlay	137,366	158,088
Depreciation	1,516,923	1,524,702
Total operating expenses	8,709,026	8,319,983
Operating income (loss)	(257,425)	(118,084)
Non-operating income (expenses):		
Special district ad valorem tax	962,076	905,357
Restricted intergovernmental	77,885	231,935
Investment earnings	20,752	77,834
Local option sales tax	274,434	257,549
Miscellaneous income	111,683	50,925
Loss on sale of capital assets	(179,360)	(283,245)
Interest on long-term debt	(61,048)	(51,034)
Total non-operating income	1,206,422	1,189,321
Change in net position	948,997	1,071,237
Net position, beginning	39,825,098	38,753,861
Net position, ending	$ 40,774,095	$ 39,825,098

The accompanying notes are an integral part of these financial statements.

CLEVELAND COUNTY WATER
STATEMENTS OF CASH FLOWS
PROPRIETARY FUND
Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Cash received from customers	$ 8,687,614	$ 8,405,670
Cash paid for goods and services	(3,605,578)	(3,571,971)
Cash paid to employees and benefits	(3,084,447)	(3,051,417)
Net cash provided by operating activities	1,997,589	1,782,282
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(1,483,891)	(3,664,043)
Proceeds from disposal of capital assets	18,394	-
Proceeds from long-term debt	302,686	2,405,804
Principal paid on long-term debt	(321,302)	(152,840)
Principal paid on capital lease	(86,998)	(84,950)
Interest paid on long-term debt and capital lease	(86,703)	(51,034)
Special district ad valorem tax	966,848	911,764
Non-operating revenues	284,632	257,164
Net cash used in capital and related financing activities	(406,334)	(378,135)
Cash flows from investing activities:		
Interest received	20,752	77,834
Purchase of investments	(704,930)	(1,165,723)
Net cash used in investing activites	(684,178)	(1,087,889)
Change in cash and cash equivalents	907,077	316,258
Cash and cash equivalents, beginning of year	4,525,035	4,208,777
Cash and cash equivalents, end of year	$ 5,432,112	$ 4,525,035
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	$ (257,425)	$ (118,084)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	1,516,923	1,524,702
Loss on disposal of property and equipment	179,360	283,245
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Accounts receivable – customers, net	(12,735)	(95,187)
Grants and awards receivable	32,720	124,442
Other receivables	155,748	(152,177)
Inventories	152,910	(15,890)
Prepaid expenses	41,882	(55,882)
Deferred outflows of resources – pensions	(93,368)	97,530
Deferred outflows of resources – OPEB	(255,826)	(158,072)
Accounts payable	(155,927)	(78,935)
Accrued compensation	4,650	13,781
Compensated absences	(2,869)	39,570
Customer deposits	21,795	28,695
Advance for Greenway Project	10,000	-
Net pension liability	245,566	57,228
OPEB liability	433,860	280,375
Deferred inflows of resources – unavailable water sales	10,394	14,753
Deferred inflows of resources – pensions	(8,653)	13,604
Deferred inflows of resources – OPEB	(21,416)	(21,416)
Total adjustments	2,255,014	1,900,366
Net cash provided by operating activities	$ 1,997,589	$ 1,782,282

The accompanying notes are an integral part of these financial statements.

Note 1 – Significant Accounting Policies

The accounting policies of Cleveland County Water (the "Company") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

Cleveland County Water was established under North Carolina General Statute (G.S) 130A-47 to provide water services to the citizens of Cleveland County. Cleveland County Water is governed by a seven-member board of commissioners. For financial reporting purposes, Cleveland County Water includes all funds over which it exercises control. No agencies, boards, commissions or other authorities are controlled by or are financially accountable to Cleveland County Water. Accordingly, there are no entities which meet the requirements of a reportable component unit.

B. Basis of Presentation

Fund Financial Statements: The accounts of Cleveland County Water are organized and operated on the basis of funds and are maintained on an accrual basis. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues and expenditures or expenses as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Cleveland County Water reports one generic fund type:

Proprietary Fund

Enterprise Fund – The Enterprise Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Cleveland County Water has one Enterprise Fund - the Water Fund.

Note 1 – Significant Accounting Policies – continued

C. Measurement Focus and Basis of Accounting

The proprietary fund is reported using the economic resources measurement focus and accrual basis of accounting. Basis of accounting determines when revenues and expenditures or expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

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 Company's Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund 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.

D. Budgetary Data

Cleveland County Water's budgets are adopted as required by the North Carolina General Statutes. Accordingly, an annual budget ordinance has been adopted for the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for capital project funds. The manager has the authority to make any budget amendments necessary to properly reflect the expenditures of Cleveland County Water.

E. Assets, Liabilities, and Net Position

1. Cash and Cash Equivalents

Cleveland County Water considers all temporary cash investments purchased with an original maturity of three months or less to be cash equivalents. Cleveland County Water pools money from several purposes to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

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

Note 1 – Significant Accounting Policies – continued

2. Investments

State law G.S. 159-30(c) authorizes Cleveland County Water 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 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.

Investments with an anticipated maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. Money market and other highly liquid investments that have an anticipated maturity at the time of purchase of one year or less and non-participating interest earnings and investment contracts are reported at fair value.

3. Receivables

Due to the dates customer meters are read, billings lag behind actual consumer usage each month. Estimated amounts for this usage which are unbilled at fiscal year-end are recorded by Cleveland County Water as revenue. Unbilled revenues totaled $395,051 and $426,031 as of June 30, 2021 and 2020, respectively.

The Company's grants and awards receivable are from various grantor agencies for reimbursements not received at year-end totaled $550,978 and $583,698 as of June 30, 2021 and 2020, respectively.

4. Allowance for Doubtful Accounts

Allowances for doubtful accounts are maintained on all types of receivables which historically experience uncollectible accounts (see Note 3). This amount is generally estimated by analyzing the percentage of receivables that were determined to be uncollectible in prior years.

5. Inventory

Inventories are stated at the lower of cost or market using the first-in, first-out (FIFO) method. Inventories are generally used for construction, operations and maintenance and are not held for resale. The cost of material and supply inventories held for subsequent use are expensed when consumed rather than when purchased.

Note 1 – Significant Accounting Policies – continued

6. Capital Assets

Company capital assets are stated at original cost at the time of acquisition. All purchases that are not recurring maintenance and repair expenses and are over $5,000 are capitalized. Property, plant and equipment donated to Cleveland County Water is recorded at the estimated fair market value at the date of donation. Interest is capitalized on Company fixed assets financed by tax-exempt debt. The amount capitalized is determined by offsetting the interest expense by the interest revenues on borrowed funds from the date of issue until completion of the project. Long-lived assets held and used by Cleveland County Water are reviewed for impairment whenever changes in circumstances indicate the carrying value of an asset may not be recoverable. The cost and accumulated depreciation of property are eliminated from the accounts upon disposal, and any resulting gain or loss is included in the statements of revenues, expenses and changes in net position. Plant assets are depreciated on a straight-line method over the estimated service lives of the property of 50 years. Other assets are depreciated on a class life basis at the following rates:

Furniture and office equipment	10 years
Maintenance and construction equipment	10 years
Automobiles and light trucks	5 years

7. Long-Term Debt

Debt 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. The debt service requirements are being met by water revenues, but the taxing power of Cleveland County Water is pledged to make these payments if water revenues should ever be insufficient.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position contain 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. Cleveland County Water has two items that meet this criterion - pension related deferrals and OPEB related deferrals that consist of contributions made to the pension and OPEB plans in the current fiscal year. In addition to liabilities, the statements of financial position can also 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. Cleveland County Water has three items that meet the criterion for this category – unavailable water sales, pension related deferrals, and OPEB related deferrals.

Note 1 – Significant Accounting Policies – continued

9. Defined Benefit Pension Plan

Cleveland County Water participates in a cost-sharing multiple employer defined benefit pension plan that is administered by the Local Governmental Employees' Retirement System (LGERS). For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the state-administered defined benefit pension plan fiduciary net position have been determined on the same basis as they are reported by the state-administered defined benefit pension plan. For this purpose, plan member contributions are recognized when due and Cleveland County Water has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined pension plans. Investments are reported at fair value.

10. Compensated Absences

The vacation policy of Cleveland County Water provides for employees to accrue vacation based on years of service. Employees can accumulate up to 240 hours of vacation time. Once an employee's accrued vacation hours reach 240 hours, the excess hours earned are added to the employee's accumulated sick leave.

Cleveland County Water's sick leave policy allots employees 96 hours of sick leave each year, accruing at 8 hours per month. Employees can either take their sick time or accumulate the sick leave to be used for service credit toward retirement in the local government retirement system.

11. Restricted Net Position

Generally, Cleveland County Water utilizes restricted net position for their specified purposes prior to utilizing unrestricted net position for the specified purpose.

F. Other

Management Estimates

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

Note 1 – Significant Accounting Policies – continued

In March 2020, the World Health Organization declared the outbreak of a disease caused by a novel strain of the coronavirus (COVID-19) to be a pandemic. This pandemic has created and may continue to create significant uncertainty in the macroeconomic environment which, in addition to other unforeseen effects of this pandemic, may adversely impact Cleveland County Water's results of operations. As a result, management's estimates and assumptions may require increased judgment and carry higher degree of variability and volatility. As events continue to evolve and additional information becomes available, management's estimates could materially change.

Reclassifications

Certain amounts for the year ended June 30, 2020 have been reclassified to conform to current year presentation. These reclassifications had no effect on the change in net position for the year ended June 30, 2020.

Note 2 – Stewardship, Compliance, and Accountability

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

There are no significant violations of finance-related legal and contractual provisions.

Note 3 – Detail Notes on All Funds and Account Groups

A. Assets

Deposits

All of Cleveland County Water's deposits 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 Cleveland County Water's agent in Cleveland County Water's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for Cleveland County Water, these deposits are considered to be held by Cleveland County Water's agent in Cleveland County Water's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with Cleveland County Water or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for Cleveland County Water under the Pooling Method, the potential exists for under-collateralization, and 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.

Note 3 – Detail Notes on All Funds and Account Groups – continued

Cleveland County Water 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.

Cleveland County Water complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

As of June 30, 2021 and 2020, Cleveland County Water's deposits (including board designated reserves) had a carrying amount of $5,430,337 and $4,523,260, respectively, and a bank balance of $5,390,271 and $4,655,153, respectively. Of the June 30, 2021 bank balance, $250,000 was covered by federal depository insurance and $5,140,270 was covered by collateral held under the pooling method. The Company had $1,775 cash on hand as of June 30, 2021 and 2020.

Investments

As of June 30, 2021 and 2020, Cleveland County Water had $2,909,665 and $2,204,735, respectively, invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's. The Company has no policy regarding credit risk.

Board Designated Reserves

As of June 30, Board designated reserves consisted of the following:

	2021	2020
Capital Reserve (NCCMT)	$ 2,909,665	$ 2,204,735
Total unrestricted – board designated reserves	$ 2,909,665	$ 2,204,735

The Capital Reserve funds have been internally designated for the purpose of funding future capital projects. The funds have been put into a separate NCCMT account to pay on capital projects.

Note 3 – Detail Notes on All Funds and Account Groups – continued

Receivables – Allowance for Doubtful Accounts

The amounts presented in the statements of fund net position are net of the following allowances for doubtful accounts:

	2021	2020
Accounts Receivable – customers	$31,688	$39,507

Capital Assets

Capital asset activity for Cleveland County Water for the years ended June 30, 2021 and 2020, is as follows:

	June 30, 2020	Increases	Decreases	June 30, 2021
Capital assets not being depreciated:				
Land and land easements	$ 1,057,862	$ 334,687	$ -	$1,392,549
Construction in progress	3,923,533	510,368	3,431,701	1,002,200
Total capital assets not being depreciated	4,981,395	845,055	3,431,701	2,394,749
Capital assets being depreciated:				
Land improvements and tank sites	735,260	-	88,753	646,507
Plant and distribution system	56,446,103	3,737,969	304,961	59,879,111
Buildings – administrative	460,570	-	1,796	458,774
Administrative equipment	396,671	-	113,489	283,182
Plant and distribution equipment	4,273,450	318,859	443,373	4,148,936
Meter services equipment	169,797	8,115	-	177,912
Maintenance building	158,341	5,593	-	163,934
Total capital assets being depreciated	62,640,192	4,070,536	952,372	65,758,356
Less accumulated depreciation for:				
Land improvements and tank sites	174,687	12,346	89,762	97,271
Plant and distribution system	25,196,314	1,248,726	148,883	26,296,157
Buildings – administrative	190,351	12,274	1,796	200,829
Administrative equipment	326,861	28,330	118,779	236,412
Plant and distribution equipment	2,998,562	207,391	412,507	2,793,446
Meter services equipment	111,605	21,663	-	133,268
Maintenance building	72,046	3,301	-	75,347
Total accumulated depreciation	29,070,426	1,534,031	771,727	29,832,730
Total capital assets being depreciated, net	33,569,766			35,925,626
Capital assets, net	$ 38,551,161			$ 38,320,375

Note 3 – Detail Notes on All Funds and Account Groups – continued

	June 30, 2019	Increases	Decreases	June 30, 2020
Capital assets not being depreciated:				
Land and land easements	$ 953,221	$ 104,641	$ -	$1,057,862
Construction in progress	1,608,197	2,579,613	264,277	3,923,533
Total capital assets not being depreciated	2,561,418	2,684,254	264,277	4,981,395
Capital assets being depreciated:				
Land improvements and tank sites	741,785	-	6,525	735,260
Plant and distribution system	55,837,666	1,137,442	529,005	56,446,103
Buildings – administrative	460,570	-	-	460,570
Administrative equipment	408,609	-	11,938	396,671
Plant and distribution equipment	4,470,131	95,106	291,787	4,273,450
Meter services equipment	157,433	22,397	10,033	169,797
Maintenance building	158,341	-	-	158,341
Total capital assets being depreciated	62,234,535	1,254,945	849,288	62,640,192
Less accumulated depreciation for:				
Land improvements and tank sites	163,350	11,337	-	174,687
Plant and distribution system	24,331,742	1,150,557	285,985	25,196,314
Buildings – administrative	177,045	13,306	-	190,351
Administrative equipment	287,966	49,911	11,016	326,861
Plant and distribution equipment	2,999,911	256,814	258,163	2,998,562
Meter services equipment	71,994	39,611	-	111,605
Maintenance building	68,880	3,166	-	72,046
Total accumulated depreciation	28,100,888	1,524,702	555,164	29,070,426
Total capital assets being depreciated, net	34,133,647			33,569,766
Capital assets, net	$ 36,695,065			$ 38,551,161

Note 3 – Detail Notes on All Funds and Account Groups – continued

B. Liabilities

Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. Cleveland County Water 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. 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. 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 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.

Note 3 – Detail Notes on All Funds and Account Groups – continued

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Cleveland County Water's employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. Cleveland County Water's contractually required contribution rate for the years ended June 30, 2021 and 2020, was 10.15% and 8.95%, respectively, for general employees, 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 Cleveland County Water were $213,429 and $188,100 for the years ended June 30, 2021 and 2020, respectively.

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

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

As of June 30, 2021 and 2020, the Cleveland County Water reported a liability of $1,071,670 and $826,104, respectively, for its proportionate share of the net pension liability. The current year's net pension liability was measured as of June 30, 2020. The previous year's net pension liability was measured as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. Cleveland County Water's proportion of the net pension liability was based on a projection of Cleveland County Water'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. As of June 30, 2020 (measurement date), Cleveland County Water's proportion was 0.02999%, which was a decrease of 0.00026% from its proportion measured as of June 30, 2019.

Note 3 – Detail Notes on All Funds and Account Groups – continued

For the years ended June 30, 2021 and 2020, Cleveland County Water recognized pension expense of $356,975 and $356,462, respectively. As of June 30, 2021, Cleveland County Water 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	$ 135,333	$ -
Changes of assumptions	79,753	-
Net difference between projected and actual earnings on pension plan investments	150,809	-
Changes in proportion and differences between Cleveland County Water contributions and proportionate share of contributions	3,231	27,853
Cleveland County Water contributions subsequent to the measurement date	213,429	-
Total	$ 582,555	$ 27,853

$213,429 reported as deferred outflows of resources related to pensions resulting from Cleveland County Water contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2022	$ 91,728
2023	131,617
2024	73,296
2025	44,632
2026	-
Thereafter	-
	$ 341,273

Note 3 – Detail Notes on All Funds and Account Groups – continued

As of June 30, 2020, Cleveland County Water 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	$ 141,450	$ -
Changes of assumptions	134,641	-
Net difference between projected and actual earnings on pension plan investments	20,150	-
Changes in proportion and differences between Cleveland County Water contributions and proportionate share of contributions	4,846	36,506
Cleveland County Water contributions subsequent to the measurement date	188,100	-
Total	$ 489,187	$ 36,506

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	3.50 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, 2010 through December 31, 2014.

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

Note 3 – Detail Notes on All Funds and Account Groups – 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, 2020 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 2018 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

Note 3 – Detail Notes on All Funds and Account Groups – continued

Sensitivity of Cleveland County Water's proportionate share of the net pension liability to changes in the discount rate. The following presents Cleveland County Water's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what Cleveland County Water'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%)
Cleveland County Water's proportionate share of the net pension liability (asset)	$ 2,174,303	$ 1,071,670	$ 155,306

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.

Other Postemployment Benefits (OPEB)

Health Care Benefits:

Plan description – The Board authorized Cleveland County Water to provide health care benefits to retired employees. Thus, Cleveland County Water administers a single-employer defined benefit plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits provided – Cleveland County Water pays the full cost of coverage for the benefits paid to qualified retirees under the plan. Cleveland County Water has chosen to fund the healthcare benefits on a pay as you go basis. Cleveland County Water obtains healthcare coverage through private insurers. Employees hired prior to January 1, 2017 who retire under the provisions of the North Carolina Local Government Employees' Retirement System (NCLGERS) with thirty (30) or more years of service with Cleveland County Water or reach age 55 with twenty (20) or more years of service (with the last five (5) being continuous) with Cleveland County Water are eligible to participate in the Company's group insurance plan upon retirement. Employees hired after the effective date of January 1, 2017 shall be required to have 25 or more years of continuous and uninterrupted full-time service. Employees hired after the effective date of January 1, 2017 as well as employees hired prior to these effective dates that have 25 or more years of continuous and uninterrupted full-time service may continue on the Cleveland County Water health insurance plan without charge to the employee until retired employee reaches Medicare eligibility. Health insurance and prescription drug coverage will be paid by the Company until eligible retirees reach the age of 65. Dependents are not eligible for coverage.

Note 3 – Detail Notes on All Funds and Account Groups – continued

Membership of the health care benefit plan consisted of the following as of June 30, 2020, the date of the latest actuarial valuation:

	General Employees:
Inactive members or beneficiaries currently receiving benefits	2
Active members	38
Total membership	40

Total OPEB Liability

The Company's total OPEB liability of $2,589,051 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that 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	2.50%
Real wage growth	1.00%
Wage inflation	3.50%
Salary increases, including wage inflation	
General Employees	3.50% – 7.75%
Municipal Bond Index Rate (Discount rate)	
Prior Measurement Date	3.50%
Measurement Date	2.21%
Healthcare cost trend rates	
Pre-Medicare	7.00% for 2020 decreasing to an ultimate rate of 4.50% by 2026

The discount rate is based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

Note 3 – Detail Notes on All Funds and Account Groups – continued

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2020	$ 2,155,191
Changes for the year	
Service cost	83,067
Interest	77,540
Changes of benefit terms	-
Differences between expected and actual experience	14,144
Changes in assumptions or other inputs	305,153
Benefit payments	(46,044)
Net changes	433,860
Balance at June 30, 2021	$ 2,589,051

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 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, adopted by the LGERS Board.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Company, as well as what the Company'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	$ 2,850,974	$ 2,589,051	$ 2,349,341

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Company, as well as what the Company'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	Discount Rate (2.21%)	1% Increase
Total OPEB liability	$ 2,261,070	$ 2,589,051	$ 2,974,476

Note 3 – Detail Notes on All Funds and Account Groups – continued

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

For the year ended June 30, 2021, the Company recognized OPEB expense of $197,188. As of June 30, 2021, the Company 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	$ 98,179	$ 2,287
Changes of assumptions	304,496	107,301
Benefit payments and administrative costs made subsequent to the measurement date	40,495	-
Total	$ 443,170	$ 109,588

$40,495 reported as deferred outflows of resources related to OPEB 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 ending June 30, 2022.

Other amounts reported as Deferred Inflows of Resources related to OPEB benefits will be recognized in OPEB Expense as follows:

Measurement Period Ended June 30:	
2021	$ 35,481
2022	35,481
2023	35,481
2024	35,481
2025	38,953
Thereafter	112,210

Note 3 – Detail Notes on All Funds and Account Groups – continued

For the year ended June 30, 2020, the Company recognized OPEB expense of $99,887. As of June 30, 2020, the Company 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	$ 99,089	$ 2,709
Changes of assumptions	41,186	128,295
Benefit payments and administrative costs made subsequent to the measurement date	47,069	-
Total	$ 187,344	$ 131,004

Deferred Compensation Plan

Cleveland County Water offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Cleveland County Water employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Supplemental Retirement Income Plan

Cleveland County Water contributes to the Supplemental Retirement Income Plan (the "Plan"), a defined contribution pension plan administered by the Department of State Treasurer and Prudential Retirement. The Plan provides retirement benefits to employees of Cleveland County Water. Cleveland County Water contributes an amount equal to the employee contribution up to 5% of each eligible employee's salary. Also, the employees may make voluntary contributions to the Plan. Cleveland County Water's contribution to the Plan for the years ended June 30, 2021 and 2020 was $95,516 and $90,479, respectively.

Note 3 – Detail Notes on All Funds and Account Groups – continued

Risk Management

Cleveland County Water 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. Cleveland County Water carries commercial insurance for all risks of loss, including employee health and accident insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the last three fiscal years. Currently, Cleveland County Water does not have flood insurance. In accordance with G.S. 159-29, Cleveland County Water's employees that have access to $100 or more at any given time of Cleveland County Water's funds are performance bonded through a commercial surety bond. The finance officer is covered separately by a faithful performance bond of $50,000. Directors and officers are bonded for $1,000,000. The remaining employees that have access to funds are bonded under a blanket bond for $100,000.

Long-Term Debt

a. Capital Leases

HomeTrust Bank Leases:

Cleveland County Water has entered into agreements to lease certain equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The first agreement was executed on February 15, 2018 to lease certain equipment and vehicles and required one advance payment in addition to 5 annual payments of $59,079, including interest at a rate of 2.23%. The balance of the lease amount was $114,423 and $169,717 as of June 30, 2021 and 2020, respectively. The second agreement was executed on June 4, 2019 to lease vehicles and requires 5 annual payments of $35,313, including interest at a rate of 2.73%. The balance of the lease amount was $100,479 and $132,183 as of June 30, 2021 and 2020, respectively. In both agreements, title passes to Cleveland County Water at the end of the lease term.

The following is an analysis of the assets recorded under capital leases as of June 30, 2021:

	Cost	Accumulated Depreciation	Net Book Value
Classes of Property:			
Equipment	$ 80,872	$ 43,902	$ 36,970
Automobiles and light trucks	360,376	187,278	173,098
Total	$ 441,248	$ 231,180	$ 210,068

Leased property amortization expense is included in depreciation expense.

Note 3 – Detail Notes on All Funds and Account Groups – continued

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2021 are as follows:

Year ending June 30,		
2022	$	94,392
2023		94,392
2024		35,312
2025		-
2026		-
Total minimum lease payments		224,096
Less amount representing interest		9,194
Present value of the minimum lease payments	$	214,902

b. Notes From Direct Borrowings

Carter Bank & Trust Loan:

In April 2017, Cleveland County Water entered into a direct borrowing agreement, with an interest rate of 1.75%, due in annual principal payments of $78,000 through March 2022, with Carter Bank & Trust to finance various vehicles and equipment. The balance of the loan amount was $49,448 and $127,448 as of June 30, 2021 and 2020, respectively. The outstanding note from the direct borrowing contains a provision that in an event of default, the entire amount of payments become immediately due and a provision that Carter Bank a Trust may take possession of the collateralized vehicles and equipment and terminate the note.

North Carolina Drinking Water State Revolving Fund Loans:

In November 1999, Cleveland County Water entered into a direct borrowing agreement, with an interest rate of 2.55%, due in annual principal payments of $74,840 through May 2021, with the State of North Carolina to finance a new water intake system. The balance of the loan amount was $-0- and $74,840 as of June 30, 2021 and 2020, respectively. The loan is collateralized by the existing water treatment plant. Upon the occurrence of any event of default such as failure to make any installment payment, breach of conditions and terms of the financing agreement, occurrence of an event of nonappropriation, the lender may declare the unpaid principial due immediately and proceed by appropriate court action to enforce the performance of the contract. This loan was paid in full during the year ended June 30, 2021.

Note 3 – Detail Notes on All Funds and Account Groups – continued

As of December 19, 2018, Cleveland County Water had been approved for a 20-year term loan from the North Carolina Drinking Water State Revolving Fund (DWSRF) in the amount of $3,590,342 for Lattimore Area Drinking Water Improvements project. Principal payment of $168,462 is due on May 1st of each year and two interest payments at a rate of 1.53% are due on May 1st and November 1st of each year through May 1, 2040. This loan contains no collateral or termination provisions. The balance of the loan amount was $3,200,784 and $3,312,598 as of June 30, 2021 and 2020, respectively.

As of March 25, 2020, Cleveland County Water had been approved for a 20-year term loan from the North Carolina Drinking Water State Revolving Fund (DWSRF) in the amount of $7,560,000 for construction of Clearwell and High Service Pump Station. The repayable loan portion will be repaid at an interest rate of 2.16%. This loan contains no collateral or termination provisions. The balance of the loan amount was $412,675 and $304,939 as of June 30, 2021 and 2020, respectively.

USDA Rural Development Agency loans:

As of February 16, 2021, Cleveland County Water had been approved for two 40-year loans from the State and Area Office of USDA Rural Development Agency in the amounts of $9,000,000 and $3,035,000, totaling $12,035,000, for the construction of Raw Water Weir Replacement Project. The loans will be repaid at an interest rate of 1.75%. The loans are secured by Water Revenue Bonds. Principal and interest payments will be due on the 1st day of June each year. The outstanding note contains a provision that in an event of default, the Government has the option to declare the entire principal and any outstanding and accrued interest immediately due and payable and take possession of the facility. The balance of the loan amount was $138,303 as of June 30, 2021.

As of February 16, 2021, Cleveland County Water had been approved for a 40-year loan from the State and Area Office of USDA Rural Development Agency in the amount of $4,997,000 for the construction of the new operations center. The loan will be repaid at an interest rate of 1.75%. The loan is secured by Water Revenue Bonds. Principal and interest payments will be due on the 1st day of June each year. The outstanding note contains a provision that in an event of default, the Government has the option to declare the entire principal and any outstanding and accrued interest immediately due and payable and take possession of the facility. As of June 30, 2021, no draws had been made on the loan and the balance of the loan amount was $-0-.

Note 3 – Detail Notes on All Funds and Account Groups – continued

Year ending June 30,	Principal	Interest
2022	$ 217,910	$ 49,837
2023	168,462	46,395
2024	306,020	146,225
2025	444,324	341,108
2026	306,020	38,661
2027-2031	842,312	154,648
2032-2036	842,312	90,212
2037-2041	673,849	25,775
Total	$ 3,801,209	$ 892,861

During the years ended June 30, 2021 and 2020, the following changes occurred in long-term liabilities:

	Balance June 30, 2020	Increases	Decreases	Balance June 30, 2021	Current Portion of Balances
By type of debt:					
Notes from direct borrowings	$ 3,819,825	$ 302,687	$ 321,303	$ 3,801,209	$ 217,910
Capital lease	301,900	-	86,998	214,902	89,097
Net pension liability (LGERS)	826,104	245,566	-	1,071,670	-
OPEB liability	2,155,191	433,860	-	2,589,051	-
Compensated absences	251,582	178,173	181,042	248,713	181,042
Total	$ 7,354,602	$ 1,160,286	$ 589,343	$ 7,925,545	$ 488,049

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020	Current Portion of Balances
By type of debt:					
Notes from direct borrowings	$ 1,566,861	$ 2,405,804	$ 152,840	$ 3,819,825	$ 332,357
Capital lease	386,850	-	84,950	301,900	86,998
Net pension liability (LGERS)	768,876	57,228	-	826,104	-
OPEB liability	1,874,816	280,375	-	2,155,191	-
Compensated absences	212,012	162,849	123,279	251,582	123,279
Total	$ 4,809,415	$ 2,906,256	$ 361,069	$ 7,354,602	$ 542,634

Note 3 – Detail Notes on All Funds and Account Groups – continued

As of June 30, 2021, and 2020, Cleveland County Water had a legal debt margin of $315,180,791 and $310,591,375, respectively.

Note 4 – Interlocal Agreement

Cleveland County Water entered into an interlocal agreement for management of the Town of Fallston local water supply system. During the period from July 1, 2019 through June 30, 2059, Cleveland County Water will sell water service to the Town of Fallston and will manage and operate its water distribution system. The agreement may thereafter be renewed for additional ten year terms. The annual lease payment for the water distribution system to be made to the Town of Fallston shall be used by the Town to satisfy the annual debt service payment to United States Department of Agriculture (USDA). The lease payment for the year ended June 30, 2021 and 2020 was $64,973 and $48,519, respectively. The ownership of Fallston water distribution system and customer base remains with the Town.

The USDA loan maturity schedule, including principal and interest, represents a summary of future minimum lease payments and is as follows:

Year ending June 30,	
2022	$ 65,395
2023	64,800
2024	65,205
2025	64,593
2026	64,980
2027-2031	325,205
2032-2036	325,003
2037-2041	325,242
2042-2046	323,837
2047-2051	326,525
2052-2056	327,025
2057-2059	193,545
Total	$ 2,471,355

Note 5 – Subsequent Events

Cleveland County Water has evaluated events and transactions for potential recognition or disclosure through October 25, 2021, the date the financial statements were available to be issued.

Required
Supplementary Financial Data

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

- Schedule of Changes in the Total OPEB Liability and Related Ratios
- Schedule of the Proportionate Share of the Net Pension Liability (Asset) for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System

CLEVELAND COUNTY WATER
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
June 30, 2021

	2021	2020	2019	2018
Total OPEB Liability				
Service cost at end of year	$ 83,067	$ 77,056	$ 79,869	$ 86,685
Interest	77,540	72,386	64,789	55,140
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	14,144	112,461	(2,526)	(1,160)
Changes of assumptions or other inputs	305,153	46,744	(68,062)	(115,428)
Benefit payments	(46,044)	(28,272)	(37,988)	(36,504)
Net change in Total OPEB Liability	433,860	280,375	36,082	(11,267)
Total OPEB Liability – beginning	2,155,191	1,874,816	1,838,734	1,850,001
Total OPEB Liability - ending	$ 2,589,051	$ 2,155,191	$ 1,874,816	$ 1,838,734
Covered-employee payroll	$ 1,840,036	$ 1,840,036	$ 1,623,976	$ 1,623,976
Total OPEB liability as a percentage of covered-employee payroll	140.71%	117.13%	115.45%	113.22%

Notes to Schedule
Changes of assumptions or other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

Fiscal year	Rate
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

CLEVELAND COUNTY WATER

REQUIRED SUPPLEMENTARY INFORMATION
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
Last Eight Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)(%)	0.02999%	0.03025%	0.03241%	0.02974%	0.03168%	0.03000%	0.03000%	0.03100%
Employer's proportion of the net pension liability (asset)($)	$ 1,071,670	$ 826,104	$ 768,876	$ 454,345	$ 672,356	$ 134,236	$ (175,214)	$ -
Employer's covered-employee payroll	$ 2,101,669	$ 1,962,117	$ 1,906,743	$ 1,713,689	$ 1,720,900	$ 1,642,546	$ 1,628,175	$ 1,480,099
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	50.99%	42.10%	40.32%	26.51%	39.07%	8.17%	-10.76%	0.00%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30
Information is not available for fiscal years prior to 2014.
** This will be the same percentage for all participant employers in the LGERS plan

CLEVELAND COUNTY WATER
REQUIRED SUPPLEMENTARY INFORMATION
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
Last Eight Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 213,429	$ 188,100	$ 152,064	$ 143,006	$ 124,242	$ 114,784	$ 116,128	$ 115,112
Contributions in relation to the contractually required contribution	213,429	188,100	152,064	143,006	124,242	114,784	116,128	115,112
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered-employee payroll	$ 2,102,751	$ 2,101,669	$ 1,962,117	$ 1,906,743	$ 1,713,689	$ 1,720,900	$ 1,642,546	$ 1,628,175
Contributions as a percentage of covered-employee payroll	10.15%	8.95%	7.75%	7.50%	7.25%	6.67%	7.07%	7.07%

*Information is not available for fiscal years prior to 2014.

Other Supplementary Schedules

CLEVELAND COUNTY WATER
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP) – WATER FUND
Year Ended June 30, 2021

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:				
Water charges	$ 7,374,562	$ 7,374,562	$ 8,110,231	$ 735,669
Tap connection charges	177,450	177,450	341,370	163,920
Total operating revenues	7,552,012	7,552,012	8,451,601	899,589
Nonoperating revenues (expenditures):				
Special district ad valorem tax	908,200	952,800	962,076	9,276
Restricted intergovernmental	-	-	77,885	77,885
Investment earnings	40,000	40,000	20,752	(19,248)
Local option sales tax	216,000	229,856	274,434	44,578
Fund balance appropriated	-	1,936,742	-	(1,936,742)
Miscellaneous	27,200	28,973,019	(67,677)	(29,040,696)
Total nonoperating revenues	1,191,400	32,132,417	1,267,470	(30,864,947)
Total revenues	8,743,412	39,684,429	9,719,071	(29,965,358)
Operating expenditures:				
Salaries and employee benefits	3,321,162	3,134,780	3,075,834	58,946
Administration:				
Professional services	116,500	83,790	83,788	2
Telephone and utilities	25,510	30,475	25,164	5,311
Repairs and maintenance	132,700	111,205	105,844	5,361
Postage	102,040	19,122	19,081	41
Insurance and bonds	63,379	64,019	64,014	5
Sewer collections	193,060	208,175	206,506	1,669
Other departmental expenditures	375,597	433,572	405,288	28,284
Total administration	1,008,786	950,358	909,685	40,673
Water plant:				
Professional services	44,250	20,020	20,017	3
Telephone and utilities	330,100	308,612	308,478	134
Repairs and maintenance	71,440	83,025	82,423	602
Materials and supplies	31,500	28,690	28,294	396
Chemicals	202,000	169,200	169,189	11
Contracted services	4,750	465	460	5
Other departmental expenditures	36,485	35,731	31,289	4,442
Total water plant	720,525	645,743	640,150	5,593
Water line maintenance:				
Telephone and utilities	83,000	74,385	73,945	440
Repairs and maintenance	77,450	109,322	98,009	11,313
Materials and supplies	349,500	703,350	697,214	6,136
Contracted services	182,260	173,285	173,281	4
Other departmental expenditures	876,045	874,012	869,494	4,518
Total water line maintenance	1,568,255	1,934,354	1,911,943	22,411

CLEVELAND COUNTY WATER
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP) – WATER FUND – CONTINUED
Year Ended June 30, 2021

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Meter services:				
Fuel	$ 26,000	$ 26,000	$ 17,345	$ 8,655
Repairs and maintenance	7,000	12,606	12,349	257
Other departmental expenditures	46,500	46,500	15,605	30,895
Total meter services	79,500	85,106	45,299	39,807
Greenway project:				
Professional services	88,000	155,356	155,355	1
Land and area maintenance	88,000	88,000	5,914	82,086
Total Greenway project	176,000	243,356	161,269	82,087
Total operating expenses	6,874,228	6,993,697	6,744,180	249,517
Budgetary appropriations:				
Debt Service:				
Debt principal	332,361	332,361	321,303	11,058
Capital lease principal	86,998	86,998	86,998	-
Interest	91,675	91,675	61,048	30,627
Total debt service	511,034	511,034	469,349	41,685
Capital outlay	1,358,150	32,179,698	1,621,257	30,558,441
Total budgetary appropriations	1,869,184	32,690,732	2,090,606	30,600,126
Total expenditures and other uses	8,743,412	39,684,429	8,834,786	30,849,643
Revenues and appropriated fund balance over (under) expenditures and other uses	$ -	$ -	884,285	$ 884,285
Reconciling items:				
Capital outlay			1,483,891	
Debt principal			321,303	
Capital lease principal			86,998	
Decrease in deferred outflows of resources-pensions			93,368	
Increase in deferred outflows of resources-OPEB			255,826	
Increase in OPEB liability			(245,566)	
Increase in net pension liability			(433,860)	
Increase in deferred inflows of resources-unearned water sales			(10,394)	
Increase in deferred inflows of resources-pensions			8,653	
Decrease in deferred inflows of resources-OPEB			21,416	
Depreciation			(1,516,923)	
Change in net position			$ 948,997	

CLEVELAND COUNTY WATER

ENTERPRISE FUND CAPITAL PROJECTS
Water Improvements Projects
Lattimore Tank
Schedule of Revenue, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2021

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Lattimore Tank:					
Revenues	$ -	$ -	$ -	$ -	$ -
	-	-	-	-	-
Expenditures:					
Land acquisition	30,000	20,511	-	20,511	9,489
Capital outlay					
Engineering	314,700	314,700	-	314,700	-
Construction administration	228,900	118,229	2,998	121,227	107,673
Construction	3,046,742	2,926,966	6,353	2,933,319	113,423
Financial management	71,807	71,807	-	71,807	-
	3,692,149	3,452,213	9,351	3,461,564	230,585
Other financing sources and (uses):					
Loan proceeds from NCDENR	3,590,342	3,312,598	56,648	3,369,246	(221,096)
Transfers in (out)	101,807	92,318	-	92,318	(9,489)
	3,692,149	3,404,916	56,648	3,461,564	(230,585)
Revenues over (under) expenditures	$ -	$ (47,297)	47,297	$ -	$ -
Fund balance, beginning			(47,297)		
Fund balance, ending			$ -		

CLEVELAND COUNTY WATER

ENTERPRISE FUND CAPITAL PROJECTS
Water Improvements Projects
Asset Inventory and Assessment Study
Schedule of Revenue, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2021

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Asset Inventory and Assessment Study:					
Revenues:					
Restricted intergovernmental					
NC Water Infrastructure Grant	$ 150,000	$ 112,115	$ 37,885	$ 150,000	$ -
	150,000	112,115	37,885	150,000	-
Expenditures:					
Professional services	155,250	117,365	37,885	155,250	-
Financial management	2,250	2,250	-	2,250	-
	157,500	119,615	37,885	157,500	-
Other financing sources and (uses):					
Transfers in (out)	7,500	7,500	-	7,500	-
	7,500	7,500	-	7,500	-
Revenues over (under) expenditures	$ -	$ -	-	$ -	$ -
Fund balance, beginning			-		
Fund balance, ending			$ -		

CLEVELAND COUNTY WATER

ENTERPRISE FUND CAPITAL PROJECTS
Water Improvements Projects
Kadesh Church Road
Schedule of Revenue, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2021

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Kadesh Church Road:					
Revenues:					
Restricted intergovernmental					
NC Department of Transportation	$ 86,100	$ 1,886	$ -	$ 1,886	$ (84,214)
	86,100	1,886	-	1,886	(84,214)
Expenditures:					
Capital outlay					
Engineering	4,500	1,886	-	1,886	2,614
Construction	81,600	-	-	-	81,600
	86,100	1,886	-	1,886	84,214
Other financing sources and (uses):					
Transfers in (out)	-	-	-	-	-
	-	-	-	-	-
Revenues over (under) expenditures	$ -	$ -	-	$ -	$ -
Fund balance, beginning			-		
Fund balance, ending			$ -		

CLEVELAND COUNTY WATER

ENTERPRISE FUND CAPITAL PROJECTS
Water Improvements Projects
US 74 Bypass Relocation 2707D
Schedule of Revenue, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2021

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
US 74 Bypass Relocation 2707D:					
Revenues:					
Restricted intergovernmental					
U.S. Department of Transportation	$ 64,320	$ 41,792	$ -	$ 41,792	$ (22,528)
N.C. Department of Transportation	16,080	10,771	-	10,771	(5,309)
	80,400	52,563	-	52,563	(27,837)
Expenditures:					
Capital outlay					
Engineering	80,400	52,563	-	52,563	27,837
	80,400	52,563	-	52,563	27,837
Other financing sources and (uses):					
Transfers in (out)	-	-	-	-	-
	-	-	-	-	-
Revenues over (under) expenditures	$ -	$ -	-	$ -	$ -
Fund balance, beginning			-		
Fund balance, ending			$ -		

CLEVELAND COUNTY WATER

ENTERPRISE FUND CAPITAL PROJECTS
Water Improvements Projects
US 74 Bypass Relocation 2707E
Schedule of Revenue, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2021

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
US 74 Bypass Relocation 2707E:					
Revenues:					
Restricted intergovernmental					
U.S. Department of Transportation	$ 63,875	$ 41,508	$ -	$ 41,508	$ (22,367)
N.C. Department of Transportation	15,968	10,698	-	10,698	(5,270)
	79,843	52,206	-	52,206	(27,637)
Expenditures:					
Capital outlay					
Engineering	79,843	52,206	-	52,206	27,637
	79,843	52,206	-	52,206	27,637
Other financing sources and (uses):					
Transfers in (out)	-	-	-	-	-
	-	-	-	-	-
Revenues over (under) expenditures	$ -	$ -	-	$ -	$ -
Fund balance, beginning			-		
Fund balance, ending			$ -		

CLEVELAND COUNTY WATER

ENTERPRISE FUND CAPITAL PROJECTS
Water Improvements Projects
Joe's Lake Road
Schedule of Revenue, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2021

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Joe's Lake Road:					
Revenues	$ -	$ -	$ -	$ -	$ -
	-	-	-	-	-
Expenditures:					
Capital outlay					
Construction	48,390	-	-	-	48,390
	48,390	-	-	-	48,390
Other financing sources and (uses):					
Transfers in (out)	48,390	-	-	-	(48,390)
	48,390	-	-	-	(48,390)
Revenues over (under) expenditures	$ -	$ -	-	$ -	$ -
Fund balance, beginning			-		
Fund balance, ending			$ -		

CLEVELAND COUNTY WATER

ENTERPRISE FUND CAPITAL PROJECTS
Water Improvements Projects
Replacement of Bridge #76 over Buffalo Creek on NC Highway 150 Waterline Relocation
Schedule of Revenue, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2021

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Replacement of Bridge #76 over Buffalo Creek on NC Highway 150 Waterline Relocation:					
Revenues:					
Restricted intergovernmental					
NC Department of Transportation	$ 20,100	$ 15,899	$ -	$ 15,899	$ (4,201)
	20,100	15,899	-	15,899	(4,201)
Expenditures:					
Capital outlay					
Engineering	20,100	15,899	-	15,899	4,201
Construction	38,150	-	-	-	38,150
	58,250	15,899	-	15,899	42,351
Other financing sources and (uses):					
Transfers in (out)	38,150	-	-	-	(38,150)
	38,150	-	-	-	(38,150)
Revenues over (under) expenditures	$ -	$ -	-	$ -	$ -
Fund balance, beginning			-		
Fund balance, ending			$ -		

CLEVELAND COUNTY WATER

ENTERPRISE FUND CAPITAL PROJECTS
Water Improvements Projects
Clearwell and High Service Pump Station Project
Schedule of Revenue, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2021

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Clearwell and High Service Pump Station:					
Revenues	$ -	$ -	$ -	$ -	$ -
	-	-	-	-	-
Expenditures:					
Capital outlay					
Construction	7,909,197	-	-	-	7,909,197
Financial management	170,784	-	170,784	170,784	-
Professional services	630,000	304,939	107,736	412,675	217,325
	8,709,981	304,939	278,520	583,459	8,126,522
Other financing sources and (uses):					
Loan proceeds from NCDENR	8,539,197	304,939	107,736	412,675	(8,126,522)
Transfers in (out)	170,784	-	170,784	170,784	-
	8,709,981	304,939	278,520	583,459	(8,126,522)
Revenues over (under) expenditures	$ -	$ -	-	$ -	$ -
Fund balance, beginning			-		
Fund balance, ending			$ -		

CLEVELAND COUNTY WATER

ENTERPRISE FUND CAPITAL PROJECTS
Water Improvements Projects
Greenway Project
Schedule of Revenue, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2021

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Greenway:					
Revenues:					
Grant proceeds - local	$ 45,000	$ 5,000	$ 40,000	$ 45,000	$ -
	45,000	5,000	40,000	45,000	-
Expenditures:					
Land acquisition	236,195	104,641	131,069	235,710	485
Land and area maintenance	25,000	24,654	-	24,654	346
Professional services	34,000	31,352	2,550	33,902	98
	295,195	160,647	133,619	294,266	929
Other financing sources and (uses):					
Transfers in (out)	250,195	155,647	93,619	249,266	(929)
	250,195	155,647	93,619	249,266	(929)
Revenues over (under) expenditures	$ -	$ -	-	$ -	$ -
Fund balance, beginning			-		
Fund balance, ending			$ -		

CLEVELAND COUNTY WATER

ENTERPRISE FUND CAPITAL PROJECTS
Water Improvements Projects
Centrally Located Operations Center
Schedule of Revenue, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2021

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Centrally Located Operations Center:					
Revenues	$ -	$ -	$ -	$ -	$ -
	-	-	-	-	-
Expenditures:					
Capital outlay					
Professional services	475,504	8,740	88,250	96,990	378,514
Construction/equipment/contingencies	5,504,496	-	-	-	5,504,496
Legal	30,000	-	-	-	30,000
Financing and interest	250,000	-	-	-	250,000
	6,260,000	8,740	88,250	96,990	6,163,010
Other financing sources and (uses):					
Loan proceeds from USDA Loan	4,997,000	-	-	-	(4,997,000)
Transfers in (out)	1,263,000	8,740	88,250	96,990	(1,166,010)
	6,260,000	8,740	88,250	96,990	(6,163,010)
Revenues over (under) expenditures	$ -	$ -	-	$ -	$ -
Fund balance, beginning			-		
Fund balance, ending			$ -		

CLEVELAND COUNTY WATER

ENTERPRISE FUND CAPITAL PROJECTS
Water Improvements Projects
Weir Replacement Project
Schedule of Revenue, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2021

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Weir Replacement:					
Revenues	$ -	$ -	$ -	$ -	$ -
	-	-	-	-	-
Expenditures:					
Capital outlay					
Construction/equipment/contingencies	9,570,000	-	-	-	9,570,000
Land acquisition	15,000	-	14,715	14,715	285
Professional services	2,090,000	31,831	106,472	138,303	1,951,697
Legal	75,000	-	-	-	75,000
Financing and interest	300,000	-	-	-	300,000
	12,050,000	31,831	121,187	153,018	11,896,982
Other financing sources and (uses):					
Loan proceeds from USDA Loan #1	9,000,000	-	138,303	138,303	(8,861,697)
Loan proceeds from USDA Loan #2	3,035,000	-	-	-	(3,035,000)
Transfers in (out)	15,000	31,831	(17,116)	14,715	(285)
	12,050,000	31,831	121,187	153,018	(11,896,982)
Revenues over (under) expenditures	$ -	$ -	-	$ -	$ -
Fund balance, beginning			-		
Fund balance, ending			$ -		

CLEVELAND COUNTY WATER

ENTERPRISE FUND CAPITAL PROJECTS
Water Improvements Projects
Risk and Resilience Assessment and Emergency Response Plans
Schedule of Revenue, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2021

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Risk and Resilience Assessment and Emergency Response Plans:					
Revenues	$ -	$ -	$ -	$ -	$ -
	-	-	-	-	-
Expenditures:					
Capital outlay					
Professional services	99,830	-	99,830	99,830	-
	99,830	-	99,830	99,830	-
Other financing sources and (uses):					
Transfers in (out)	99,830	-	99,830	99,830	-
	99,830	-	99,830	99,830	-
Revenues over (under) expenditures	$ -	$ -	-	$ -	$ -
Fund balance, beginning			-		
Fund balance, ending			$ -		

CLEVELAND COUNTY WATER

ENTERPRISE FUND CAPITAL PROJECTS
Water Improvements Projects
Marion Street Pump Station Project
Schedule of Revenue, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2021

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Marion Street Pump Station:					
Revenues	$ -	$ -	$ -	$ -	$ -
	-	-	-	-	-
Expenditures:					
Capital outlay					
Professional services	12,000	11,897	-	11,897	103
Land acquisition	150,000	-	142,606	142,606	7,394
	162,000	11,897	142,606	154,503	7,497
Other financing sources and (uses):					
Transfers in (out)	162,000	11,897	142,606	154,503	(7,497)
	162,000	11,897	142,606	154,503	(7,497)
Revenues over (under) expenditures	$ -	$ -	-	$ -	$ -
Fund balance, beginning			-		
Fund balance, ending			$ -		

CLEVELAND COUNTY WATER

ENTERPRISE FUND CAPITAL PROJECTS
Water Improvements Projects
Plant Filter Valve Replacement Project
Schedule of Revenue, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2021

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Plant Filter Valve Replacement:					
Revenues	$ -	$ -	$ -	$ -	$ -
	-	-	-	-	-
Expenditures:					
Capital outlay					
Materials and equipment	143,000	-	166,768	166,768	(23,768)
Construction	32,000	-	36,400	36,400	(4,400)
Professional services	25,000	-	5,675	5,675	19,325
	200,000	-	208,843	208,843	(8,843)
Other financing sources and (uses):					
Transfers in (out)	200,000	-	208,843	208,843	8,843
	200,000	-	208,843	208,843	8,843
Revenues over (under) expenditures	$ -	$ -	-	$ -	$ -
Fund balance, beginning			-		
Fund balance, ending			$ -		

CLEVELAND COUNTY WATER

ENTERPRISE FUND CAPITAL PROJECTS
Water Improvements Projects
Flocculation and Sedimentation Improvements Project
Schedule of Revenue, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2021

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Flocculation and Sedimentation Improvements:					
Revenues	$ -	$ -	$ -	$ -	$ -
	-	-	-	-	-
Expenditures:					
Capital outlay					
Construction	2,420,000	-	-	-	2,420,000
Engineering/administration	330,000	-	25,244	25,244	304,756
Financial management	55,000	-	-	-	55,000
	2,805,000	-	25,244	25,244	2,779,756
Other financing sources and (uses):					
NC Division of Water Quality Loan	2,750,000	-	-	-	(2,750,000)
Transfers in (out)	55,000	-	25,244	25,244	(29,756)
	2,805,000	-	25,244	25,244	(2,779,756)
Revenues over (under) expenditures	$ -	$ -	-	$ -	$ -
Fund balance, beginning			-		
Fund balance, ending			$ -		

CLEVELAND COUNTY WATER

Schedule of Ad Valorem Taxes Receivable
June 30, 2021

Fiscal Year	July 1, 2020	Additions and Adjustments	Collections and Credits	June 30, 2021
2020-2021	$ -	$ 871,776	$ 857,533	$ 14,243
2019-2020	24,655	-	13,361	11,294
2018-2019	8,145	-	2,221	5,924
2017-2018	4,438	-	880	3,558
2016-2017	2,541	-	506	2,035
2015-2016	1,868	-	315	1,553
2014-2015	1,277	-	106	1,171
2013-2014	1,733	-	132	1,601
2012-2013	1,616	-	132	1,484
2011-2012	1,365	-	77	1,288
2010-2011	1,285	-	1,285	-
	$ 48,923	$ 871,776	$ 876,548	44,151
Less allowance for uncollectible taxes				-
Ad Valorem taxes receivable – net				$ 44,151
Reconcilement with revenues:				
Ad Valorem Taxes – Water Fund				$ 962,076
Less releases, interest, and adjustments				85,528
Total collections and credits				$ 876,548

CLEVELAND COUNTY WATER
SCHEDULE OF ANALYSIS OF CURRENT TAX LEVY
Year Ended June 30, 2021

	Property Valuation		Amount of Levy	Registered Motor Vehicles	Property Excluding Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	$ 3,764,525,000	0.02%	$ 752,905	$ -	$ 752,905
Motor vehicles taxed at current year's rate	222,750,000	0.02%	44,550	44,550	-
Total	3,987,275,000		797,455	44,550	752,905
Discoveries:					
Current year taxes	442,915,000		88,583	5	88,578
Abatements:	(71,310,000)		(14,262)	(1,712)	(12,550)
Total property valuation	$ 4,358,880,000				
Net levy			871,776	42,843	828,933
Less uncollected tax at June 30, 2021			14,243	-	14,243
Current year's taxes collected			$ 857,533	$ 42,843	$ 814,690
Percent of current year levy collected			98.366%	100.000%	98.282%

-

CLEVELAND COUNTY WATER

SCHEDULE OF ANALYSIS OF CURRENT TAX LEVY – CONTINUED
Year Ended June 30, 2021

Secondary Market Disclosures:

Assessed Valuation:		
Assessment ratio		100%
Real property	$	3,510,193,580
Personal property		222,750,000
Public service companies		254,331,420
Total assessed valuation		3,987,275,000
Tax rate per $100		0.02
Levy	$	797,455

CLEVELAND COUNTY WATER

SCHEDULE OF TEN LARGEST TAXPAYERS

Year Ended June 30, 2021

Taxpayer	Type of Business	2020 Assessed Valuation	Percentage of Total Assessed Valuation
Clearwater Paper	Manufacturing	$ 410,215,088	10.29%
Southern Power	Utilities	257,583,746	6.46%
Public Service Company of NC	Utilities	121,524,580	3.05%
Duke	Utilities	108,352,232	2.72%
KSM Casting	Manufacturing	55,881,010	1.40%
Eaton Corporation	Manufacturing	53,051,387	1.33%
Ticona Polymers	Manufacturing	52,811,120	1.32%
Greenheck	Manufacturing	37,511,702	0.94%
ABB Motors & Mechanical	Manufacturing	31,676,196	0.79%
Hanesbrands	Manufacturing	27,820,192	0.70%
		$ 1,156,427,253	29.00%

Compliance Section

jps certified public accountants

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

The Chairman and Board of Commissioners
Cleveland County Water
Lawndale, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statements of fund net position of Cleveland County Water (the "Company") as of June 30, 2021, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended and the related notes to the financial statements, which collectively comprise Cleveland County Water's basic financial statements, and have issued our report thereon dated October 25, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Johnson Price Sprinkle PA

Asheville, North Carolina
October 25, 2021

Cleveland County Water

Summary Schedule of Prior Year Audit Findings

There were no audit findings reported for the year ended June 30, 2020.