

CITY OF CHERRYVILLE

Cherryville, North Carolina

Report of Certified Public Accountants

Financial Statements and Schedules

Year Ended June 30, 2019

Council Members

H. L. Beam, Mayor

Brian Dalton

Gary Freeman

Malcom Parker

Jill Parker Puett

Administrative and Financial Staff

Jeff Cash, City Manager

Dixie Wall, Finance Director

City of Cherryville, North Carolina
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FINANCIAL SECTION



COLLIS AND ASSOCIATES, CPAs, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

**103 EAST THIRD AVENUE
GASTONIA, NORTH CAROLINA 28052
704 / 867-0201**

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cherryville, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Cherryville ABC Board, which represents 100 percent of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Cherryville ABC Board, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 of material misstatement. The financial statements of the City of Cherryville ABC Board were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cherryville, North Carolina as of June 30, 2019, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages iv through xiii, the Other Postemployment Benefits Schedule of Changes in the Total OPEB Liability and Related Ratios on page 47, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 43 and 44, respectively, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 45 and 46, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements,

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

Supplementary and Other Information

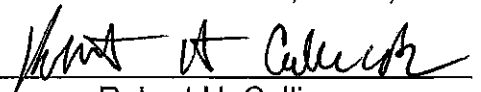
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Cherryville, North Carolina. The combining of individual fund statements, budgetary schedules, and other schedules are presented for purposes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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2020 on our consideration of City of Cherryville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Cherryville's internal control over financial reporting and compliance.

COLLIS AND ASSOCIATES, CPAs, P.C.

By: 
Robert H. Collis

Gastonia, North Carolina
January 2, 2020

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the City of Cherryville we offer readers of the City of Cherryville's financial statements this narrative overview and analysis of the financial activities of the City of Cherryville for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights:

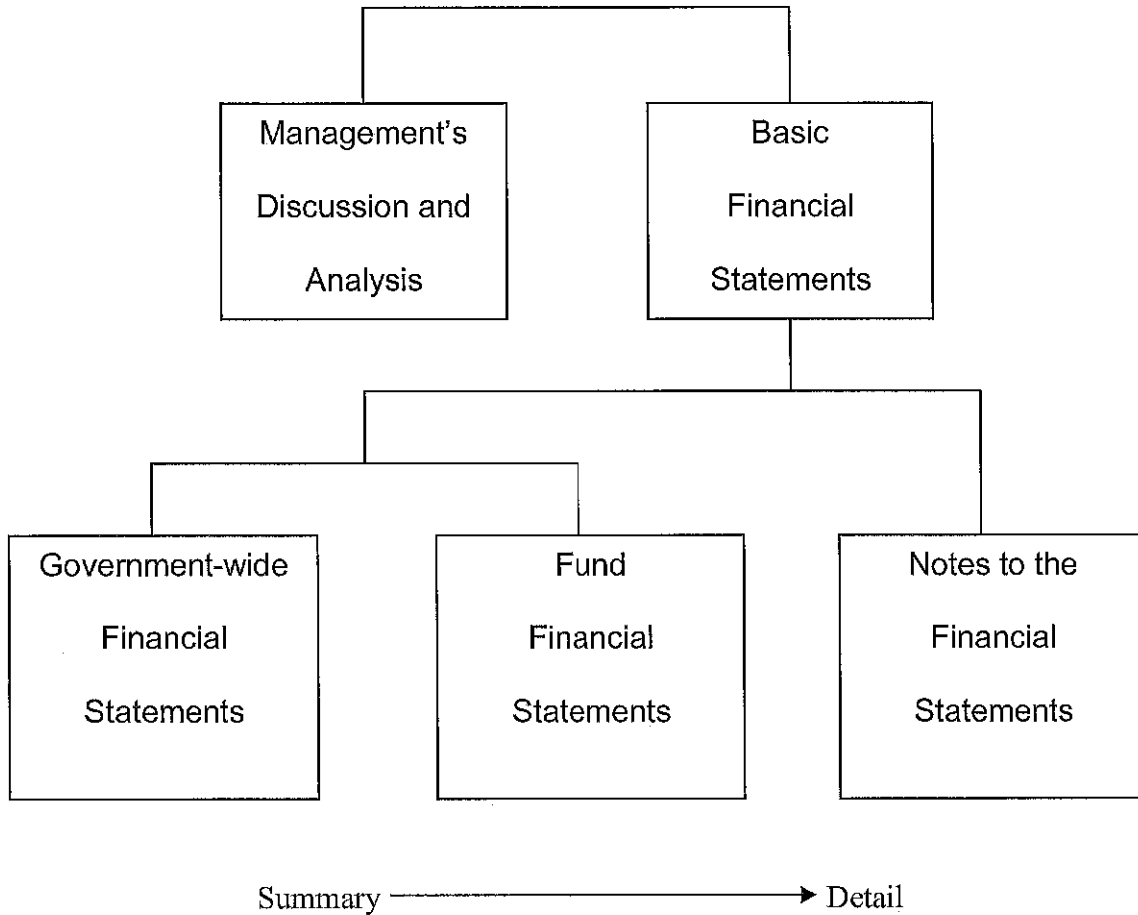
- The cumulative assets and deferred outflows of resources (net position) of the City of Cherryville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$19,805,090.
- The government's total net position for fiscal year 2019 increased by \$743,569, due to an increase in the governmental activities net position of \$906,209 and a decrease in the business type activities net position of \$162,640.
- As of the close of the fiscal year 2019, the City of Cherryville's governmental funds reported combined ending fund balances of \$2,182,426, an increase of \$946,645 in comparison with the prior year.
- At the end of the fiscal year 2019, unassigned fund balance for the General Fund was \$504,053 or 11.8 percent of total general fund expenditures for the fiscal year.
- The City of Cherryville's total debt decreased by \$246,975 (12.0%) during the current fiscal year. The decrease in debt was as result of scheduled principal payments during the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

Management Discussion and Analysis
City of Cherryville

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net position and how it changed. Net position is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

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

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

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Cherryville, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of City of Cherryville can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of

Management Discussion and Analysis
City of Cherryville

the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Cherryville adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 11 to 42 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Cherryville's progress in funding its obligation to provide pension benefits to its

Management Discussion and Analysis
City of Cherryville

employees. Required supplementary information can be found beginning on page 43 of this report.

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

Government-Wide Financial Analysis

The City of Cherryville's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 2,391,844	\$ 1,458,924	\$ 4,026,249	\$ 4,380,371	\$ 6,418,093	\$ 5,839,295
Capital assets	5,512,088	5,632,284	13,549,295	13,483,858	19,061,383	19,116,142
Deferred outflow of resources	443,816	301,994	309,505	215,479	753,321	517,473
Total assets	8,347,748	7,393,202	17,885,049	18,079,708	26,232,797	25,472,910
Long-term liabilities outstanding	3,191,233	3,225,764	1,142,262	1,117,241	4,333,495	4,343,005
Other liabilities	458,437	480,604	1,020,606	1,074,791	1,479,043	1,555,395
Deferred inflows of resources	174,067	69,032	441,102	443,957	615,169	512,989
Total liabilities	3,823,737	3,775,400	2,603,970	2,635,989	6,427,707	6,411,389
Net position:						
Net investment in capital assets	3,963,206	3,952,519	13,288,465	13,106,939	17,251,671	17,059,458
Restricted	642,966	720,836	36,986	36,214	679,952	757,050
Unrestricted	(82,161)	(1,055,553)	1,955,628	2,300,566	1,873,467	1,245,013
Total net position	\$ 4,524,011	\$ 3,617,802	15,281,079	15,443,719	19,805,090	19,061,521

As noted earlier, Net Position may serve over time as one useful indicator of a government's financial condition (see Figures 2 and 3). The cumulative assets and deferred outflows of the City of Cherryville exceeded liabilities and deferred inflows by \$19,805,090 as of June 30, 2019. The City's Net Position increased by \$743,569 for the fiscal year ended June 30, 2019. However, the largest portion (87.1%) reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment net of depreciation); less any related debt still outstanding that was issued to acquire those items. The City of Cherryville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Cherryville's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Cherryville's Net Position, \$679,952 (3.4%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,873,467 is unrestricted.

Management Discussion and Analysis
City of Cherryville

One aspect of the City's financial operations positively influenced the total unrestricted governmental Net Position. The City continued its diligence in collecting property taxes by maintaining a tax collection percentage of 98.56%. This is less than the statewide average of 98.86% for similar sized municipalities with electrical systems.

City of Cherryville's Changes in Net Position
 Figure 3

	Governmental Activities		Business Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	719,636	704,353	8,713,832	8,791,079	9,433,468	9,495,432
Operating grants and contributions	184,626	193,926	5,000	11,710	189,626	205,636
Capital grants and contributions	1,040,218	321,367	27,545	4,189	1,067,763	325,556
General revenues:						
Property taxes	1,793,001	1,741,859			1,793,001	1,741,859
Other taxes	1,224,117	1,202,640			1,224,117	1,202,640
Grants and contributions not restricted to specific programs	-	-			-	-
Other	268,637	263,812	(179,978)	3,956	88,659	267,768
Total revenues	5,230,235	4,427,957	8,566,369	8,810,934	13,796,634	13,238,891
Expenses:						
General government	646,173	899,018			646,173	899,018
Public safety	2,190,678	2,094,115			2,190,678	2,094,115
Transportation	520,665	386,207			520,665	386,207
Sanitation	560,465	512,898			560,465	512,898
Recreation	274,193	289,538			274,193	289,538
Cemetery	61,951	54,672			61,951	54,672
Interest on long-term debt	69,901	75,245			69,901	75,245
Water and sewer	-	-	2,687,497	2,524,496	2,687,497	2,524,496
Electric	-	-	6,041,542	6,272,055	6,041,542	6,272,055
Total expenses	4,324,026	4,311,693	8,729,039	8,796,551	13,053,065	13,108,244
Increase in net position before transfers	906,209	116,264	(162,640)	14,383	743,569	130,647
Transfers	-	-	-	-	-	-
Increase in net position	906,209	116,264	(162,640)	14,383	743,569	130,647
Net position, July 1, as previously reported	3,617,802	4,131,309	15,443,719	15,876,104	19,061,521	20,007,413
Restatement	-	(629,771)	-	(446,768)	-	(1,076,539)
Net position, July 1, as restated	3,617,802	3,501,538	15,443,719	15,429,336	19,061,521	18,930,874
Net position, June 30	\$ 4,524,011	\$ 3,617,802	15,281,079	15,443,719	19,805,090	19,061,521

Management Discussion and Analysis
City of Cherryville

Governmental Activities: Governmental activities increased the City's Net Position by \$906,209, and accounted for 100.0% of the total growth in the Net Position of the City of Cherryville. This increase is attributable to a large contribution from an individual to be used for economic development initiatives.

Business-type Activities: Business-type activities decreased the City of Cherryville's Net Position by \$162,640, accounting for 0.0% of the total growth in the government's Net Position.

Financial Analysis of the City's Funds

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

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

The general fund is the chief operating fund of the City of Cherryville. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$504,053, while total fund balance increased to \$2,182,426. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 11.8 percent of total General Fund expenditures.

At June 30, 2019, the governmental funds of City of Cherryville reported a combined fund balance of \$2,182,426, with a net increase in fund balance of \$946,645, a 76.60 percent increase from last year.

Management Discussion and Analysis
City of Cherryville

General Fund Budgetary Highlights: During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. The majority of the budget amendments made during the City's fiscal year involved budgeting for grant awards and donations given from various sources throughout the fiscal year.

Proprietary Funds: The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted Net Position of the Water and Sewer Fund at the end of the fiscal year amounted to \$112,711, and those for the Electric Fund amounted to \$1,842,917. The total decrease in Net Position for the Water and Sewer Fund and the increase in Net Position for Electric Fund were (\$479,963) and \$317,323 respectively.

Capital Asset and Debt Administration

Capital Assets: The City of Cherryville's investment in capital assets for its governmental and business-type activities (net of accumulated depreciation) as of June 30, 2019, totals \$19,061,383 (see Figure 4). These assets include buildings, infrastructure, land, machinery and equipment, vehicles and improvements to property.

There were no significant demolitions or disposals of major capital assets during fiscal year 2019. Major capital asset transactions during the year included the following:

- Additions to equipment and system for Water and Sewer capital assets of \$340,539.
- Additions to equipment and other improvements (mainly to recreation) in the General Fund of \$208,311.

City of Cherryville's Capital Assets
 (Net of Depreciation)

Figure 4

	Activities	Activities	Activities	Activities	Total	Total
	2019	2018	2019	2018	2019	2018
Land	\$ 862,700	862,700	102,929	102,929	965,629	965,629
Idle asset	50,000	50,000	100,000	100,000	150,000	150,000
Buildings and systems	2,345,096	2,420,728	12,462,933	12,894,213	14,828,029	15,314,941
Improvements other than buildings	1,352,927	1,370,195			1,352,927	1,370,195
Machinery and equipment	682,505	666,981	846,633	369,916	1,529,138	1,036,847
Infrastructure	211,930	254,800			211,930	254,800
Construction in progress	6,930	6,930	16,800	16,800	23,730	23,730
Total	\$ 5,512,088	5,632,284	13,549,295	13,483,858	19,061,383	19,116,142

Additional information on the City of Cherryville capital assets can be found in note II.A.4 of the Basic Financial Statements.

Long-term Debt: As of June 30, 2019, the City of Cherryville had no bonded debt outstanding. The City of Cherryville' total debt decreased by \$246,975 (12.0%) during the past fiscal year due to scheduled payments of principal.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Cherryville is \$29,491,361. The City has no bonds authorized but un-issued at June 30, 2019.

Additional information regarding the City of Cherryville's long-term debt can be found in note II.B.5 beginning on page 39 of this report.

Economic Factors and Next Year's Budgets and Rates

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

- The State of North Carolina unemployment numbers dropped from 4.1% in June 2017 to 3.8% in June 2019. Moreover, Gaston County's unemployment rate neither declined nor increased from June 2018 to June 2019. Cherryville's unemployment rate is also reflective of the state and county's downward trending numbers.
- Modern Polymers, a Cherryville based company that manufactures parts for BMW and Mercedes automotive assembly facilities is one of Cherryville's largest employers.
- With several other large employers including Farris Fabricators, FleetNet, and Peak Resources, the City of Cherryville is not dependent on one large employer whose reduction would considerably influence City revenues.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: The City tax rate will remain unchanged at 0.46 cents per one hundred dollars of valuation of fiscal year 2020. Budgeted expenditures in the General Fund are expected to increase less than 1% (\$31,570) to \$4,180,643 in fiscal year 2020. This increase is due primarily to the cost of living adjustments and the purchase of various pieces of equipment.

Business--Type Activities: The City's Water and Sewer Residential, Commercial, and Industrial rates will increase to \$5.86 per 1,000 gallons for customers in fiscal year 2020. Electric rates will decrease 2% for customers in fiscal year 2020.

Requests for Information

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

Basic Financial Statements

City of Cherryville, North Carolina
Statement of Net Position
June 30, 2019

Exhibit 1

	Primary Government			City of Cherryville ABC
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,669,449	1,895,142	3,564,591	\$ 239,058
Receivables:				
Taxes, net	61,162	-	61,162	-
Accrued interest receivable on taxes	14,150	-	14,150	-
Cemetery	4,030	-	4,030	-
Utilities	49,853	-	49,853	-
Other governments	366,820	27,545	394,365	-
Miscellaneous	738	2,661	3,399	-
Trade	-	1,419,870	1,419,870	-
Prepaid expenses	3,379	16,821	20,200	-
Inventory of supplies, at cost	-	400,126	400,126	153,924
Restricted cash and cash equivalents	222,263	264,084	486,347	-
Total current assets	2,391,844	4,026,249	6,418,093	392,982
Non-current assets:				
Capital assets:				
Non-depreciable capital assets:				
Land and construction in progress	919,630	219,729	1,139,359	77,084
Depreciable capital assets:				
Other capital assets, net of depreciation	4,592,458	-	4,592,458	62,552
Electric system	-	1,598,995	1,598,995	-
Water & sewer system	-	11,730,571	11,730,571	-
Total depreciable capital assets, net of depreciation	4,592,458	13,329,566	17,922,024	62,552
Total capital assets	5,512,088	13,549,295	19,061,383	139,636
Total assets	7,903,932	17,575,544	25,479,476	532,618
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	443,717	309,437	753,154	30,402
OPEB deferrals	99	68	167	-
Total deferred outflows of resources	443,816	309,505	753,321	30,402
LIABILITIES				
Current liabilities:				
Accounts payable	133,369	573,543	706,912	88,017
Compensated absences	175,344	101,353	276,697	-
Emergency water loan	-	64,436	64,436	-
Accrued interest payable	17,872	1,099	18,971	-
Installment obligations	131,852	53,077	184,929	-
Payable from restricted assets-customer deposits	-	227,098	227,098	-
Total current liabilities	458,437	1,020,606	1,479,043	88,017
Noncurrent liabilities:				
Other post employment obligations	1,239,338	650,351	1,889,689	-
Net pension liability	534,866	348,595	883,461	14,471
Installment obligations	1,417,029	14,444	1,431,473	-
Emergency water loan	-	128,872	128,872	-
Total liabilities	3,649,670	2,162,868	5,812,538	102,488
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	114,436	6,587	121,023	75
OPEB deferrals	59,631	41,845	101,476	-
Prepaid rent income	-	392,670	392,670	-
Total deferred inflows of resources	174,067	441,102	615,169	75
NET POSITION				
Net invested in capital assets	3,963,206	13,288,465	17,251,671	139,636
Restricted for:				
Stabilization by State Statute	420,703	-	420,703	-
Streets	222,263	-	222,263	-
Working Capital	-	-	-	34,828
Electric Rate Stabilization	-	36,986	36,986	-
Unrestricted	(82,161)	1,955,628	1,873,467	285,993
Total net position	\$ 4,524,011	15,281,079	19,805,090	\$ 460,457

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

City of Cherryville, North Carolina
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			City of Cherryville ABC Board
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental Activities:								
General government	\$ 646,173	-	-	1,011,075	364,902	-	364,902	-
Public safety	2,190,678	-	-	25,366	(2,165,312)	-	(2,165,312)	-
Transportation	520,665	-	184,626	-	(336,039)	-	(336,039)	-
Environmental protection	560,465	629,451	-	-	68,986	-	68,986	-
Recreation	274,193	-	-	3,777	(270,416)	-	-	-
Cemetery	61,951	90,185	-	-	28,234	-	28,234	-
Interest Expense	69,901	-	-	-	(69,901)	-	(69,901)	-
Total governmental activities (See Note 1)	4,324,026	719,636	184,626	1,040,218	(2,379,546)	-	(2,379,546)	-
Business-type activities:								
Electric	6,041,542	6,534,305	5,000	-	-	497,763	497,763	-
Water and sewer	2,687,497	2,179,527	-	27,545	-	(480,425)	(480,425)	-
Total business-type activities	8,729,039	8,713,832	5,000	27,545	-	17,338	17,338	-
Total primary government	\$ 13,053,065	9,433,468	189,626	1,067,763	(2,379,546)	17,338	(2,362,208)	-
Component unit:								
ABC Board	\$ 1,141,195	1,154,059	-	-	-	-	-	12,864
Total component unit	\$ 1,141,195	1,154,059	-	-	-	-	-	12,864
General revenues:								
Taxes:								
Property taxes, levied for general purpose					1,793,001	-	1,793,001	-
Other taxes					1,224,117	-	1,224,117	-
Investment earnings					49,353	5,087	54,440	508
Franchise Fees					-	-	-	-
Miscellaneous					219,284	(185,065)	34,219	-
Transfers								
Total general revenues and transfers					3,285,755	(179,978)	3,105,777	508
Change in net position					906,209	(162,640)	743,569	13,372
Net position, beginning					3,617,802	15,443,719	19,061,521	447,085
Net position, ending					\$ 4,524,011	15,281,079	19,805,090	460,457

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

City of Cherryville, North Carolina
 Balance Sheet
 Governmental Funds
 June 30, 2019

	General	Total Non-Major Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,669,450	-	1,669,450
Restricted cash	222,263	-	222,263
Receivables, net:			
Taxes	61,161	-	61,161
Due from other governments	345,918	-	345,918
Due from other funds	-	-	-
Other	74,785	-	74,785
Prepaid expenses	3,379	-	3,379
Total assets	<u>\$ 2,376,956</u>	<u>-</u>	<u>2,376,956</u>
LIABILITIES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 132,881	-	132,881
DEFERRED INFLOWS OF RESOURCES			
Property taxes and tags receivable	61,161	-	61,161
Unearned revenue	-	-	-
Prepaid taxes	488	-	488
Total deferred inflows of resources	<u>61,649</u>	<u>-</u>	<u>61,649</u>
FUND BALANCES			
Non-spendable			
Prepaid expenses	3,379	-	3,379
Restricted:			
Stabilization by State statute	420,703	-	420,703
Streets	222,263	-	222,263
Committed:			
Reserved for USDA	32,028	-	32,028
Economic development	1,000,000	-	1,000,000
Assigned			
Subsequent year's expenditures	-	-	-
Unassigned	504,053	-	504,053
Total fund balances	<u>2,182,426</u>	<u>-</u>	<u>2,182,426</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,376,956</u>	<u>-</u>	

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,512,088
Deferred outflows of resources related to pensions are not reported in the funds.	443,717
Deferred outflows of resources related to OPEB are not reported in the funds.	99
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and, therefore, are inflows of resources in the funds.	14,150
Earned revenues considered deferred inflows of resources in fund statements	61,899
Deferred inflows of resources related to pensions are not reported in the funds.	(114,436)
Deferred inflows of resources related to OPEB are not reported in the funds.	(59,631)
Other long-term liabilities (bonds payable, accrued interest, and compensated absences) are not due and payable in the current period and therefore are not reported in the funds.	(3,516,301)
Net position of governmental activities	<u>\$ 4,524,011</u>

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

City of Cherryville, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

	Major Funds		Total Governmental Funds
	General Fund	Total Non-Major Funds	
REVENUES			
Ad valorem taxes	\$ 1,796,124	-	1,796,124
Other taxes and licenses	122,863	-	122,863
Unrestricted intergovernmental	1,247,739	-	1,247,739
Restricted intergovernmental	224,428	-	224,428
Permits and fees	9,579	-	9,579
Sales and services	725,306	-	725,306
Investment earnings	49,353	-	49,353
Grant revenue	-	31,322	31,322
Miscellaneous	1,054,277	-	1,054,277
Total revenues	5,229,669	31,322	5,260,991
EXPENDITURES			
Current:			
Administration	439,741	-	439,741
Economic development	26,639	-	26,639
Police	1,457,565	-	1,457,565
Fire	944,701	-	944,701
Public works	142,700	-	142,700
Streets	126,123	-	126,123
Powell Bill	258,103	-	258,103
Sanitation	539,935	-	539,935
Recreation	271,562	31,322	302,884
Cemetery	75,955	-	75,955
Total expenditures	4,283,024	31,322	4,314,346
Excess of revenues over expenditures	946,645	-	946,645
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balance	946,645	-	946,645
Fund balances, beginning	1,235,781	-	1,235,781
Fund balances, ending	\$ 2,182,426	-	2,182,426

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

City of Cherryville, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

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

Net changes in fund balances - total governmental funds		\$ 946,645
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized	\$ 189,897	
Depreciation expense for governmental assets	<u>(310,093)</u>	(120,196)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.		133,360
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues		(3,212)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Principal payments on long-term debt		130,883
Decrease in accrued interest payable		837
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences	11,786	
Pension expense	(150,228)	
OPEB plan expense	<u>(43,667)</u>	<u>(182,109)</u>
Total changes in net position of governmental activities		<u>\$ 906,208</u>

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

City of Cherryville, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 1,755,700	1,797,400	1,796,124	(1,276)
Other taxes and licenses	123,600	123,600	122,863	(737)
Unrestricted intergovernmental	1,267,625	1,271,225	1,247,739	(23,486)
Restricted intergovernmental	214,900	217,400	224,428	7,028
Permits and fees	6,000	6,000	9,579	3,579
Sales and services	707,470	711,070	725,306	14,236
Investment earnings	6,000	31,000	49,353	18,353
Miscellaneous	52,200	1,063,000	1,054,277	(8,723)
Total revenues	<u>4,133,495</u>	<u>5,220,695</u>	<u>5,229,669</u>	<u>8,974</u>
Expenditures:				
Current:				
Administration	469,230	471,530	439,741	31,789
Economic development	26,700	1,026,700	26,639	1,000,061
Police	1,500,190	1,516,100	1,457,565	58,535
Fire	1,018,650	1,019,150	944,701	74,449
Public works	142,770	142,770	142,700	70
Streets	133,050	133,050	126,123	6,927
Powell Bill	205,100	304,276	258,103	46,173
Sanitation	507,500	542,500	539,935	2,565
Recreation	228,375	279,075	271,562	7,513
Cemetery	85,030	85,030	75,955	9,075
Total expenditures	<u>4,316,595</u>	<u>5,520,181</u>	<u>4,283,024</u>	<u>1,237,157</u>
Revenues over (under) expenditures	<u>(183,100)</u>	<u>(299,486)</u>	<u>946,645</u>	<u>1,246,131</u>
Other financing sources (uses):				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Loan proceeds	-	-	-	-
Fund balance appropriated	183,100	299,486	-	(299,486)
Total other financing sources (uses)	<u>183,100</u>	<u>299,486</u>	<u>-</u>	<u>(299,486)</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>946,645</u>	<u>946,645</u>
Fund balances, beginning			<u>1,235,781</u>	
Fund balances, ending			<u>\$ 2,182,426</u>	

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

City of Cherryville, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2019

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,236,677	658,465	1,895,142
Accounts receivable (net)	1,099,172	320,698	1,419,870
Other receivables	-	2,661	2,661
Inventories	326,431	73,695	400,126
Prepaid expenses	16,719	102	16,821
Due from other governments	-	27,545	27,545
Restricted cash and cash equivalents	201,212	62,872	264,084
Total current assets	<u>2,880,211</u>	<u>1,146,038</u>	<u>4,026,249</u>
Noncurrent assets:			
Capital assets:			
Land and other non-depreciable assets	66,800	152,929	219,729
Other capital assets, net of depreciation	1,598,995	11,730,571	13,329,566
Capital assets (net)	<u>1,665,795</u>	<u>11,883,500</u>	<u>13,549,295</u>
Total noncurrent assets	1,665,795	11,883,500	13,549,295
Total assets	<u>\$ 4,546,006</u>	<u>13,029,538</u>	<u>17,575,544</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	123,928	185,509	309,437
OPEB deferrals	27	41	68
Total deferred outflows	<u>\$ 123,955</u>	<u>185,550</u>	<u>309,505</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	500,722	72,821	573,543
Accrued interest payable	36	1,063	1,099
Compensated absences- current	50,363	50,990	101,353
Installment purchase - current	7,222	45,855	53,077
Emergency water loan - current	-	64,436	64,436
Liabilities payable from restricted assets:			
Customer deposits	164,226	62,872	227,098
Total current liabilities	<u>722,569</u>	<u>298,037</u>	<u>1,020,606</u>
Noncurrent liabilities:			
Other noncurrent liabilities:			
Other post employment benefits	251,485	398,866	650,351
Net pension liability	138,519	210,076	348,595
Installment Purchases	7,222	7,222	14,444
Emergency Water Loan	-	128,872	128,872
Total noncurrent liabilities	<u>397,226</u>	<u>745,036</u>	<u>1,142,262</u>
Total liabilities	<u>1,119,795</u>	<u>1,043,073</u>	<u>2,162,868</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	2,710	3,877	6,587
OPEB deferrals	16,202	25,643	41,845
Prepaid rent income	-	392,670	392,670
Total deferred inflows of resources	<u>18,912</u>	<u>422,190</u>	<u>441,102</u>
NET POSITION			
Net investment in capital assets	1,651,351	11,637,114	13,288,465
Retricted - rate stabilization	36,986	-	36,986
Unrestricted	1,842,917	112,711	1,955,628
Total net postion	<u>\$ 3,531,254</u>	<u>11,749,825</u>	<u>15,281,079</u>

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

City of Cherryville, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
OPERATING REVENUES			
Charges for services	\$ 6,396,254	2,101,458	8,497,712
Water and sewer taps	-	25,036	25,036
Other operating revenues	138,051	53,033	191,084
Total operating revenues	<u>6,534,305</u>	<u>2,179,527</u>	<u>8,713,832</u>
OPERATING EXPENSES			
Salaries and benefits	710,462	594,658	1,305,120
Other operating expenses	893,540	364,376	1,257,916
Electric power purchases	4,248,796	-	4,248,796
Water treatment and distribution	-	650,292	650,292
Waste collection and treatment	-	524,836	524,836
Depreciation	187,946	544,297	732,243
Total operating expenses	<u>6,040,744</u>	<u>2,678,459</u>	<u>8,719,203</u>
Operating income (loss)	<u>493,561</u>	<u>(498,932)</u>	<u>(5,371)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	4,625	462	5,087
Grant and donation revenue	5,000	27,545	32,545
Other	7,398	-	7,398
Façade grants	(192,463)	-	(192,463)
Interest and other charges	(798)	(9,038)	(9,836)
Total nonoperating revenue (expenses)	<u>(176,238)</u>	<u>18,969</u>	<u>(157,269)</u>
Income (loss) before contributions and transfers	<u>317,323</u>	<u>(479,963)</u>	<u>(162,640)</u>
Transfers to other funds	-	-	-
Change in net position	<u>317,323</u>	<u>(479,963)</u>	<u>(162,640)</u>
Total net position, beginning	<u>3,213,931</u>	<u>12,229,788</u>	<u>15,443,719</u>
Total net position, ending	<u>\$ 3,531,254</u>	<u>11,749,825</u>	<u>15,281,079</u>

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

City of Cherryville, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2019

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 6,640,267	2,134,155	8,774,422
Cash paid for goods and services	(5,178,500)	(1,040,410)	(6,218,910)
Cash paid to or on behalf of employees for services	(693,945)	(1,105,528)	(1,799,473)
Customer deposits received	-	9,392	9,392
Customer deposits returned	(8,719)	-	(8,719)
Other operating revenues	-	43,919	43,919
Net cash provided by operating activities	<u>759,103</u>	<u>41,528</u>	<u>800,631</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Facade and other grant revenue	9,625	27,545	37,170
Facade grants expended	(192,463)	-	(192,463)
Insurance and other recoveries	7,398	-	7,398
Total cash flows from noncapital financing activities	<u>(175,440)</u>	<u>27,545</u>	<u>(147,895)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(345,806)	(451,875)	(797,681)
Installment principal payments	(7,222)	(108,868)	(116,090)
Interest payments on debt	(818)	(9,581)	(10,399)
Net cash (used) by capital and related financing activities	<u>(353,846)</u>	<u>(570,324)</u>	<u>(924,170)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in Electric Rate Stabilization	-	-	-
Interest and dividends	-	462	462
Net increase (decrease) in cash and cash equivalents	229,817	(500,789)	(270,972)
Balances, beginning	1,208,072	1,222,126	2,430,198
Balances, ending	<u>\$ 1,437,889</u>	<u>721,337</u>	<u>2,159,226</u>

(continued)

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

City of Cherryville, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2019

(continued)

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Totals
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 493,561	(498,932)	(5,371)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	187,946	544,297	732,243
Changes in assets, deferred outflows of resources, and liabilities:			
(Increase) decrease in accounts receivable	105,961	7,660	113,621
Increase (decrease) in allowance for doubtful accounts	(5,210)	4,367	(843)
(Increase) decrease in other receivables	461	-	461
(increase) decrease in inventory	(1,131)	(1,835)	(2,966)
(Increase) decrease in prepaid expenses	(238)	(102)	(340)
(Increase) decrease in due from other governments	-	(26,782)	(26,782)
(Increase) decrease in deferred outflows of resources - pensions	3,245	4,436	7,681
Increase (decrease) in deferred inflows of resources - pensions	(2,145)	(3,337)	(5,482)
Increase (decrease) in deferred inflows of resources - OPEB	4,567	7,106	11,673
Increase (decrease) in deferred inflows of resources - prepaid rents	-	(9,114)	(9,114)
Increase (decrease) in accounts payable and accrued liabilities	(29,647)	(9,836)	(39,483)
Increase (decrease) in customer deposits	(8,719)	9,392	673
Increase (decrease) in accrued vacation pay	5,074	5,839	10,913
Increase (decrease) in OPEB liability	5,378	8,369	13,747
Total adjustments	<u>265,542</u>	<u>540,460</u>	<u>806,002</u>
Net cash provided by operating activities	<u>\$ 759,103</u>	<u>\$ 41,528</u>	<u>\$ 800,631</u>

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

CITY OF CHERRYVILLE, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

I. Summary of Significant Accounting Policies

The accounting policies of the City of Cherryville and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

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

City of Cherryville ABC Board

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

B. Basis of Presentation

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

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

CITY OF CHERRYVILLE, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

The City reports the following major governmental fund:

General Fund. The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, sanitation services, and general government services.

The City reports the following non-major governmental fund:

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

The City reports the following major enterprise funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

CITY OF CHERRYVILLE, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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

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

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

CITY OF CHERRYVILLE, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City of Cherryville because the tax is levied by Gaston County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes, are reported as general revenues rather than program revenues. Grant revenues that are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Capital Projects Funds and the Enterprise Fund Capital Projects Funds, which are consolidated with their respective operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change departmental appropriations by more than \$2,500. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

CITY OF CHERRYVILLE, NORTH CAROLINA
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For the Fiscal Year Ended June 30, 2019

State law [G.S. 159-30(c)] authorizes the City and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The City's and the ABC Board's investments are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT-Term Portfolio is a bond fund, has no rating, and is measured at fair value. As of June 30, 2019, the Term Portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

<u>City of Cherryville Restricted Cash</u>	
Governmental Activities	
General Fund-Streets	\$ 222,263
Business-type Activities	
Electric Fund	
Customer deposits	164,226
Rate stabilization fund	36,986
Water and Sewer Fund	
Customer deposits	62,872
Total Business-type Activities	<u>264,084</u>
Total Restricted Cash	<u>\$ 486,347</u>

CITY OF CHERRYVILLE, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

4. Ad Valorem taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

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

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

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$15,000; infrastructure, \$20,000; furniture and equipment, \$5,000; and vehicles, \$10,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003 consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980 and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

CITY OF CHERRYVILLE, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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

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

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

Asset Class	Estimated Useful Lives
Buildings	40
Furniture and equipment	7

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has one item that meets this criterion, pension deferrals for the 2019 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflow of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has several items that meet the criterion for this category – prepaid taxes, property taxes receivable, unearned rents, and pension deferrals.

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond

CITY OF CHERRYVILLE, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt

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

10. Compensated Absences

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

The City's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the City does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

CITY OF CHERRYVILLE, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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

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

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

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

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

Committed Fund Balance –portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of City of Cherryville’s governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

CITY OF CHERRYVILLE, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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

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

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

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Cherryville's employer contributions are recognized when due and the City of Cherryville has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

II. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the City and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's or the ABC Board's agents in the units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City and the ABC Board, these deposits are considered to be held by the City's and the ABC Board's agents in their names. The amount of the pledged

CITY OF CHERRYVILLE, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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

At June 30, 2019, the City's deposits had a carrying amount of \$564,265 and a bank balance of \$667,387. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2019, the City's cash change funds totaled \$500. The carrying amount of deposits for the ABC Board was \$236,758 and the bank balance was \$225,023. All of the bank balance was covered by federal depository insurance. The ABC Board has cash on hand of \$2,300.

2. Investments

At June 30, 2019, the City of Cherryville had \$3,486,173 invested with the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The City has no policy regarding credit risk.

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

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

3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2019 are net of the following allowances for doubtful accounts:

CITY OF CHERRYVILLE, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

General Fund:	
Taxes receivable	\$ 49,577
Accounts receivable	<u>4,527</u>
Total General Fund	54,104
Enterprise Funds	<u>65,980</u>
Total	<u><u>\$ 120,084</u></u>

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Adjustments	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 862,700	-	-	-	862,700
Idle asset	\$ 50,000				50,000
Construction in progress	6,930	-	-	-	6,930
Total capital assets not being depreciated	<u>919,630</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>919,630</u>
Capital assets being depreciated:					
Other improvements	2,119,310	30,600	-	-	2,149,910
Buildings	6,394,968	-	-	-	6,394,968
Equipment	1,058,907	48,478	-	-	1,107,385
Vehicles and motorized equipment	3,014,527	110,819	-	-	3,125,346
Infrastructure	949,418	-	-	-	949,418
Total capital assets being depreciated	<u>13,537,130</u>	<u>189,897</u>	<u>-</u>	<u>-</u>	<u>13,727,027</u>
Less accumulated depreciation for:					
Other improvements	749,115	47,868	-	-	796,983
Buildings	3,974,240	75,632	-	-	4,049,872
Equipment	782,829	53,587	-	-	836,416
Vehicles and motorized equipment	2,623,674	90,136	-	-	2,713,810
Infrastructure	694,618	42,870	-	-	737,488
Total accumulated depreciation	<u>8,824,476</u>	<u>310,093</u>	<u>-</u>	<u>-</u>	<u>9,134,569</u>
Total capital assets being depreciated, net	<u>4,712,654</u>				<u>4,592,458</u>
Governmental activity capital assets, net	<u><u>\$ 5,632,284</u></u>				<u><u>5,512,088</u></u>

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

General government	\$ 10,773
Public safety	118,476
Transportation	77,882
Environmental protection	39,290
Cultural and recreational	62,076
Cemetery	<u>1,596</u>
Total depreciation expense	<u><u>\$ 310,093</u></u>

CITY OF CHERRYVILLE, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

Electric Fund

Capital assets not being depreciated:

Idle asset	\$ 50,000	-	-	-	50,000
Construction in progress	16,800	-	-	-	16,800
Total assets not being depreciated	<u>66,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,800</u>

Capital assets being depreciated:

Substations, lines and related equipment	3,466,153	52,600	-	-	3,518,753
Furniture and equipment	272,868	238,974	-	-	511,842
Vehicles and motorized equipment	725,161	28,119	-	-	753,280
Computer equipment	109,201	26,113	-	-	135,314
Total capital assets being depreciated	<u>4,573,383</u>	<u>345,806</u>	<u>-</u>	<u>-</u>	<u>4,919,189</u>

Less accumulated depreciation for:

Substations, lines and related equipment	2,269,885	77,154	-	-	2,347,039
Furniture and equipment	187,789	70,841	-	-	258,630
Vehicles and motorized equipment	597,034	28,122	-	-	625,156
Computer equipment	77,541	11,829	-	-	89,370
Total accumulated depreciation	<u>3,132,249</u>	<u>187,946</u>	<u>-</u>	<u>-</u>	<u>3,320,195</u>

Total capital assets being depreciated, net

	<u>1,441,134</u>				<u>1,598,994</u>
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Electric Fund capital assets, net

	<u>1,507,934</u>				<u>1,665,794</u>
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Water and Sewer Fund

Capital assets not being depreciated:

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

Capital assets being depreciated:

Plant and distribution systems	22,287,213	48,227	-	-	22,335,440
Furniture and equipment	462,688	377,536	-	-	840,222
Vehicles and motorized equipment	500,099	-	-	-	500,099
Computer equipment	106,706	26,112	-	-	132,818
Total capital assets being depreciated	<u>23,356,704</u>	<u>451,875</u>	<u>-</u>	<u>-</u>	<u>23,808,579</u>

Less accumulated depreciation for:

Plant and distribution systems	10,589,269	434,952	-	-	11,024,221
Furniture and equipment	424,276	82,237	-	-	506,513
Vehicles and motorized equipment	458,852	11,376	-	-	470,228
Computer equipment	61,313	15,732	-	-	77,045
Total accumulated depreciation	<u>11,533,710</u>	<u>544,297</u>	<u>-</u>	<u>-</u>	<u>12,078,007</u>

Total capital assets being depreciated, net

	<u>11,822,994</u>				<u>11,730,572</u>
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Water and Sewer Fund capital assets, net

	<u>11,975,923</u>				<u>11,883,601</u>
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Business-type activities capital assets, net

	<u>\$ 13,483,857</u>				<u>13,549,295</u>
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CITY OF CHERRYVILLE, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, non-depreciable:				
Land	\$ 77,084	-	-	77,084
Total capital assets, non-depreciable	<u>77,084</u>	<u>-</u>	<u>-</u>	<u>77,084</u>
Capital assets being depreciated:				
Buildings	222,794	-	-	222,794
Furniture and equipment	102,104	-	-	102,104
Total capital assets being depreciated	<u>324,898</u>	<u>-</u>	<u>-</u>	<u>324,898</u>
Less accumulated depreciation for:				
Buildings	170,941	5,570	-	176,511
Furniture and equipment	77,047	8,788	-	85,835
Total accumulated depreciation	<u>247,988</u>	<u>14,358</u>	<u>-</u>	<u>262,346</u>
ABC capital assets, net of depreciation	<u>76,910</u>			<u>62,552</u>
Total capital assets, net of depreciation	<u>\$ 153,994</u>			<u>139,636</u>

5. Idle Asset

The City purchased property, formerly used as a bank, on June 8, 2006. This property adjoins the property owned by the City currently used as City Hall. The intent at the time of purchase was to renovate and up-fit the property for use as the City Hall. These plans were abandoned in the years since the purchase. The City has no intended use for the property and it is available for sale. The original cost of the property was \$331,010. Management believes the current fair value of the property is \$150,000. This property is reflected in these financial statements as an idle asset in the Governmental Activities, the Electric Fund and the Water and Sewer Fund at \$50,000 each.

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

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Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required 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 (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Cherryville employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Cherryville's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.85% for general employees and firefighters, actuarially determined as an amount that, when combined with

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employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Cherryville were \$233,727 for the year ended June 30, 2019.

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

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

At June 30, 2019, the City reported a liability of \$883,460 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018 (measurement date), the City’s proportion was 0.03724%, which was a decrease of 0.00321% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$249,616. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 136,297	\$ 4,573
Changes of assumptions	234,436	-
Net difference between projected and actual earnings on pension plan investments	121,273	-
Changes in proportion and differences between City contributions and proportionate share of contributions	6,510	10,470
City contributions subsequent to the measurement date	233,727	-
Total	\$ 732,243	\$ 15,043

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\$233,727 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 237,438
2020	151,462
2021	24,706
2022	69,866
2023	-
Thereafter	-
	<u>\$ 483,472</u>

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 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, 2017 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.

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

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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, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	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	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

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	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
City's proportionate share of the net pension liability (asset)	\$ 2,122,148	\$ 883,460	\$ (151,607)

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

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description.

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

All full-time City law enforcement officers are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance's membership consisted of:

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

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2. Summary of Significant Accounting Policies

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

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

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

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

4. Contributions.

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$5,310 as benefits came due for the reporting period.

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

At June 30, 2019, the City reported a total pension liability of \$275,549. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of

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December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the City recognized pension expense of \$12,098.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 88,867
Changes of assumptions	18,256	17,113
City benefit payments and plan administrative expense made subsequent to the measurement date	2,655	-
	<u>\$ 20,911</u>	<u>\$ 105,980</u>

\$2,655 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ (16,488)
2021	(16,488)
2022	(16,488)
2023	(16,164)
2024	(16,055)
Thereafter	(6,041)

Sensitivity of the City's total pension liability to changes in the discount rate. The following presents the City's total pension liability calculated using the discount rate of 3.64 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	<u>1% Decrease (2.64%)</u>	<u>Discount Rate (3.64%)</u>	<u>1% Increase (4.64%)</u>
Total pension liability	\$ 305,375	\$ 275,549	\$ 248,554

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

	2019
Beginning balance	\$ 362,221
Service Cost	16,871
Interest on the total pension liability	11,362
Changes of benefit terms	-
Difference between expected and actual experience in the measurement to the total pension liability	(95,641)
Changes of assumption or other inputs	(13,954)
Benefit payments	(5,310)
Other changes	-
Ending balance of the total pension liability	\$ 275,549

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

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	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension Expense	\$ 249,616	\$ 12,098	\$ 261,714
Pension Liability	883,460	275,549	1,159,009
Proportionate share of the net pension liability	0.03724%	n/a	
 Deferred Outflows of Resources			
Differences between expected and actual experience	136,297	-	136,297
Changes of assumptions	234,436	18,256	252,692
Net difference between projected and actual earnings on plan investments	121,273	-	121,273
Changes in proportion and differences between contributions and proportionate share of contributions	6,510	-	6,510
Benefit payments and administrative costs paid subsequent to the measurement date	233,727	2,655	236,382
 Deferred Inflows of Resources			
Differences between expected and actual experience	4,573	88,867	93,440
Changes of assumptions	-	17,113	17,113
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	10,470	-	10,470

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

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

The City made contributions of \$41,495 for the reporting year. No amounts were forfeited.

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

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

Funding Policy. The City voluntarily contributes each month an amount equal to five percent of each employee's salary, and all amounts contributed are vested immediately. The employees may also make voluntary contributions to the plan.

The City made contributions of \$101,862 for the reporting year. No amounts were forfeited.

e. Other Postemployment Benefit

Healthcare Benefits

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

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

Membership of the HCB Plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees receiving benefits	3	-
Terminated plan members entitle to but not yet receiving benefits	-	-
Active plan members	54	14
Total	57	14

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Total OPEB Liability

The City's total OPEB liability of \$1,614,140 was measured as of June 30, 2018 (measurement date) based on data, assumptions, and results of the actuarial valuation as of June 30, 2017 (valuation date).

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2017 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 percent
Salary increases	3.50 – 7.75 percent, average, including inflation
Discount rate	3.89 percent
Healthcare cost trend rate	
Pre-Medicare	7.50 percent for 2017 decreasing to an ultimate rate of 5.00 percent by 2023

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	\$ 1,580,256
Changes for the year:	
Service cost	62,630
Interest	55,650
Changes in benefit terms	-
Differences between expected and actual experience	198
Changes in assumptions or other inputs	(50,172)
Benefit payments	(34,422)
Net changes	<u>33,884</u>
Balance at June 30, 2018	<u>\$ 1,614,140</u>

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

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability

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would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89 percent) or 1-percentage-point higher (4.89 percent) than the current discount rate:

	1% Decrease (2.89%)	Discount Rate (3.89%)	1% Increase (4.89%)
Total OPEB liability	\$ 1,771,328	\$ 1,614,140	\$ 1,471,893

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

	1% Decrease	Current	1% Increase
Total OPEB liability	\$ 1,427,467	\$ 1,614,140	\$ 1,832,785

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$101,520. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 167	\$ 220
Changes in assumptions	-	101,256
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	\$ 167	\$ 101,476

\$-0- reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June

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30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ (21,205)
2020	\$ (21,205)
2021	\$ (21,205)
2022	\$ (21,205)
2023	\$ (13,291)
Thereafter	\$ (3,198)

2. Other Employment Benefits

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

3. Deferred Outflows and Inflows of Resources

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

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Sources	Amount
Contributions to pension plan in current fiscal year	\$ 233,727
Benefit payments made and administrative expenses for LEOSSA made subsequent to the measurement date	2,655
Differences between expected and actual experience	136,464
Changes in assumptions	252,692
Net difference between projected and actual	121,273
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,510
Total	\$ 753,321

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

	Statement of Net Position	General Fund Balance Sheet
Tag fees (General Fund)	\$ -	\$ 488
Taxes receivable (General Fund)	-	61,161
Prepaid taxes (General Fund)	-	-
Prepaid rent income (Water and Sewer Fund)	392,670	-
Changes in assumptions	118,369	-
Differences between expected and actual experience	93,660	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,470	-
Total	\$ 615,169	\$ 61,649

4. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability coverage of \$2 million per occurrence, auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of

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Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess, and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the City upon request.

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

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

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

5. Long-Term Obligations

a. Installment Purchases

In September 2005, the City entered into an installment agreement to finance the expansion of a recreation facility. The amount financed was \$540,000 requiring payments of \$36,000 annually plus interest at 3.79% through the year 2021. In September of 2005 the City entered into an installment financing agreement for a water and sewer project. The agreement was for \$460,000 requiring annual payments of \$39,734 including interest at 3.79% through the year 2020. In June of 2006, the City entered into an installment agreement for \$325,000 to finance the purchase of a building to be used for a City Hall. Payments are \$21,667 annually plus interest at 4.12% through June of 2021. In March of 2007 the City entered into an installment agreement to construct a new fire station for \$2,450,000. Upon completion, the US Department of Agriculture funded \$1,500,000 of this agreement. The remainder will be payable \$32,759 semi-annually plus interest at 3.91% through April 2022. The US Department of Agriculture loan is payable \$80,070 annually including interest at 4.5% through April 2048.

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Annual debt service payments of the installment purchases as of June 30, 2019 are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 131,852	65,546	53,077	2,143
2021	96,863	60,652	14,444	446
2022	90,696	56,602		
2023	26,281	53,789		
2024	27,430	52,640		
2025-2029	156,239	244,111		
2030-2034	193,540	206,810		
2035-2039	239,747	160,603		
2040-2044	296,986	103,364		
2045-2049	289,247	32,400		
Total	<u>\$ 1,548,881</u>	<u>1,036,517</u>	<u>\$ 67,521</u>	<u>2,589</u>

b. Emergency Water Loan

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

The future required payments as of June 30, 2019 are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2020	\$ -	-	\$ 64,436	4,678
2021			64,436	3,119
2022			64,436	1,559
Total	<u>\$ -</u>	<u>-</u>	<u>\$ 193,308</u>	<u>9,356</u>

At June 30, 2019, the City of Cherryville had a legal debt margin of \$29,491,361. There were no authorized but unissued bonds at that date.

CITY OF CHERRYVILLE, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

c. Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Installment purchase	\$ 1,679,765	-	130,884	1,548,881	131,852
Compensated absences	187,131	-	11,787	175,344	175,344
Total OPEB liability	943,653	20,136	-	963,789	
Net pension liability (LGERS)	371,009	163,857	-	534,866	
Total pension obligation (LEO)	362,221	-	86,672	275,549	
Governmental activity long-term liabilities	<u>\$ 3,543,779</u>	<u>183,993</u>	<u>229,343</u>	<u>3,498,429</u>	<u>307,196</u>
Business-type activities:					
Installment purchase	\$ 119,175	-	51,654	67,521	53,077
Emergency Water Loan	257,745	-	64,437	193,308	64,436
Total OPEB liability	636,603	13,748	-	650,351	
Net pension liability (LGERS)	246,955	101,640	-	348,595	
Compensated absences	90,440	10,913	-	101,353	101,353
Business-type activity long-term liabilities	<u>\$ 1,350,918</u>	<u>126,301</u>	<u>116,091</u>	<u>1,361,128</u>	<u>218,866</u>

C. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 5,512,088	13,549,295
less: long-term debt	1,548,881	260,829
add: unexpended debt proceeds	-	-
Net investment in capital asset	<u>\$ 3,963,207</u>	<u>13,288,466</u>

D. Fund Balance

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

Total fund balance-General Fund	\$ 2,182,426
Less:	
Prepaid Expenses	3,379
Stabilization by State Statute	420,703
Streets-Powell Bill	222,263
Committed for USDA reserves	32,028
Committed for Economic Development	1,000,000
Remaining Fund Balance	504,053

CITY OF CHERRYVILLE, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

E. Prepaid Rental Revenue

In August, 2012, the City entered into an agreement with a private company to lease space on water tanks owned and utilized by the City's Water and Sewer Fund for a term of 50 years. The company paid a one-time, non-refundable advance payment in the amount of \$455,710. For the business-type activity statements, this revenue is recognized over the period it is earned (50 years) on a straight-line basis. The unearned balance, \$392,670 at June 30, 2019, is presented in the Business-type Activities and the Proprietary Funds Statements of Net Position as a deferred inflow of resources

III. Jointly Governed Organization

The City, in conjunction with eight counties and fifty other municipalities, established the Centralina Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The City paid membership fees of \$1,421 to the Council during the fiscal year ended June 30, 2019.

The City, in conjunction with twenty other local governments, is a member of the North Carolina City Electric Agency (Electric Agency). The Electric Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Electric Agency's governing board. The twenty-one members, who receive power from the Electric Agency, have signed power sales agreements to purchase a specified share of the power generated by the Electric Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The City's purchases of power for the fiscal year ended June 30, 2019 were \$4,248,796.

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

Required
Supplementary Financial Data

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

- Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability for Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Payroll for Law Enforcement Officers' Special Separation Allowance
- Schedule of Changes in Total OPEB Liability and Related Ratios

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

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cherryville's proportion of the net pension liability (asset) (%)	0.03724%	0.04045%	0.04355%	0.04310%	0.04162%
Cherryville's proportion of the net pension liability (asset) (\$)	\$ 883,460	\$ 617,964	\$ 924,279	\$ 193,433	\$ (245,454)
Cherryville's covered-employee payroll	\$2,733,573	\$2,733,573	\$2,683,416	\$2,717,483	\$2,605,003
Cherryville's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	32.32%	22.61%	34.44%	7.12%	(9.42%)
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	94.18%	91.47%	98.09%	102.64%

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

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

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

Local Government Employees' Retirement System

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

City of Cherryville, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 362,221	\$ 323,129	\$ 309,942
Service Cost	16,871	17,578	17,143
Interest on the total pension liability	11,362	12,372	10,970
Changes in benefit terms	-	-	-
Difference between expected and actual experience in the measurement of the total pension liability	(95,641)	(11,932)	-
Changes of assumption or other inputs	(13,954)	26,282	(9,616)
Benefit payments	(5,310)	(5,208)	(5,310)
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 275,549</u>	<u>\$ 362,221</u>	<u>\$ 323,129</u>

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

City of Cherryville, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 275,549	\$ 362,221	\$ 323,129
Covered payroll	591,973	613,686	599,059
Total pension liability as a percentage of covered payroll	46.55%	59.02%	53.94%

Notes to the schedules:

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

City of Cherryville, North Carolina
Schedule of Changes in Total OPEB Liability and Related Ratios
June 30, 2019

Total OPEB Liability	<u>2019</u>	<u>2018</u>
Service Cost	\$ 62,630	\$ 67,975
Interest	55,650	47,165
Changes in benefit terms	-	-
Difference between expected and actual experience	198	(320)
Changes of assumptions	(50,172)	(85,629)
Benefit payments	<u>(34,422)</u>	<u>(31,524)</u>
Net change in total OPEB liability	33,884	(2,333)
Total OPEB liability - beginning	<u>1,580,256</u>	<u>1,582,589</u>
 Total OPEB liability - ending	 <u><u>\$ 1,614,140</u></u>	 <u><u>\$ 1,580,256</u></u>
 Covered payroll	 \$ 3,116,422	 \$ 2,564,819
Total OPEB liability as a percentage of covered payroll	51.79%	61.61%

Notes to Schedule

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

<u>Fiscal year</u>	<u>Rate</u>
2019	3.89%
2018	3.56%

Supplementary Statements

City of Cherryville, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$	1,575,368	
Vehicle taxes		209,735	
Penalties and interest		11,021	
Total	<u>1,797,400</u>	<u>1,796,124</u>	<u>(1,276)</u>
Other taxes and licenses:			
Payments-in-lieu of taxes		108,600	
Motor vehicle licenses		14,263	
Total	<u>123,600</u>	<u>122,863</u>	<u>(737)</u>
Unrestricted intergovernmental:			
Local option sales taxes		677,801	
North Carolina hold harmless tax		-	
Gaston County hold harmless tax		137,679	
Telecommunications sales tax		-	
Utility franchise tax		378,401	
Piped natural gas tax		-	
Video franchise fee		-	
ABC profit distribution		28,058	
Beer and wine tax		25,800	
Total	<u>1,271,225</u>	<u>1,247,739</u>	<u>(23,486)</u>
Restricted intergovernmental:			
Powell Bill Allocation		184,626	
General grants		10,000	
Police & Fire Dept grants		25,366	
Safety grant		-	
Solid waste disposal tax		4,436	
Total	<u>217,400</u>	<u>224,428</u>	<u>7,028</u>
Permits and fees:			
Zoning permits		5,665	
Parking tickets		-	
Court fees		3,914	
Total	<u>6,000</u>	<u>9,579</u>	<u>3,579</u>
Sales and services:			
Cemetary sales		90,185	
Yard waste fees		98,347	
Garbage late fees		7,354	
Fire protection charges		5,670	
Sanitary landfill fees		523,750	
Total	<u>711,070</u>	<u>725,306</u>	<u>14,236</u>
Investment earnings:			
General Fund		40,217	
Interest earned-Powell Bill		9,136	
Total	<u>31,000</u>	<u>49,353</u>	<u>18,353</u>

cont.

City of Cherryville, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Miscellaneous			
Rents and leases		9,700	
Sale of surplus properties		7,347	
Economic development contribution		1,000,000	
Other revenues		37,230	
Total	<u>1,063,000</u>	<u>1,054,277</u>	<u>(8,723)</u>
 Total revenues	 <u>5,220,695</u>	 <u>5,229,669</u>	 <u>8,974</u>
 Expenditures:			
Administration:			
Governing board:			
Salaries and employee benefits		33,381	
Election expense		-	
Total	<u>34,000</u>	<u>33,381</u>	<u>619</u>
Administration:			
Salaries and employee benefits		138,057	
Professional services		14,099	
Other operating expenditures		246,163	
Debt Service		8,041	
Capital outlay		-	
Total	<u>437,530</u>	<u>406,360</u>	<u>31,170</u>
Total administration	<u>471,530</u>	<u>439,741</u>	<u>31,789</u>
Economic development:			
Grants		-	
Other operating expenditures		26,639	
Total economic development	<u>1,026,700</u>	<u>26,639</u>	<u>1,000,061</u>
Police:			
Salaries and employee benefits		1,215,656	
Vehicle maintenance		8,738	
Other operating expenditures		154,396	
Capital outlay		78,775	
Total Police	<u>1,516,100</u>	<u>1,457,565</u>	<u>58,535</u>
Fire:			
Salaries and employee benefits		649,638	
Maintenance		25,306	
Other operating expenditures		114,563	
Debt Service		155,194	
Capital outlay		-	
Total Fire	<u>1,019,150</u>	<u>944,701</u>	<u>74,449</u>
Public Works:			
Salaries and employee benefits		108,009	
Other operating expenditures		34,691	
Capital outlay		-	
Total Public Works	<u>142,770</u>	<u>142,700</u>	<u>70</u>

cont.

**City of Cherryville, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019**

	Budget	Actual	Variance Positive (Negative)
Streets:			
Salaries and employee benefits		81,197	
Maintenance		11,424	
Other operating expenditures		33,502	
Capital outlay		-	
Total Streets	<u>133,050</u>	<u>126,123</u>	<u>6,927</u>
Powell Bill:			
Salaries and employee benefits		26,263	
Maintenance		8,444	
Other operating expenditures		48,438	
Capital outlay		174,958	
Total Public Works	<u>304,276</u>	<u>258,103</u>	<u>46,173</u>
Sanitation:			
Salaries and employee benefits		348,489	
Vehicle maintenance		-	
Other operating expenditures		87,945	
Tipping fees		103,501	
Capital outlay		-	
Total Sanitation	<u>542,500</u>	<u>539,935</u>	<u>2,565</u>
Recreation:			
Salaries and employee benefits		77,495	
Maintenance and repairs		38,211	
Other operating expenditures		93,316	
Debt service		38,388	
Capital outlay		24,152	
Total Recreation	<u>279,075</u>	<u>271,562</u>	<u>7,513</u>
Cemetery:			
Salaries and employee benefits		6,438	
Contract services		52,025	
Other operating expenditures		1,892	
Capital outlay		15,600	
Total Cemetery	<u>85,030</u>	<u>75,955</u>	<u>9,075</u>
Total expenditures	<u>5,520,181</u>	<u>4,283,024</u>	<u>1,237,157</u>
Revenues over (under) expenditures	<u>(299,486)</u>	<u>946,645</u>	<u>1,246,131</u>

cont.

City of Cherryville, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing sources (uses):			
Transfers from other funds:			-
Enterprise Funds		-	-
Transfers to other funds:			
Sidewalk Grant Fund	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance appropriated	<u>299,486</u>	<u>-</u>	<u>(299,486)</u>
Net change in fund balance	<u>\$ -</u>	<u>946,645</u>	<u>946,645</u>
Fund balances, beginning		1,235,781	
Fund balances, ending		<u>\$ 2,182,426</u>	

City of Cherryville, North Carolina
General Fund Capital Project Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2019

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenues - Gaston County Township Grant Project:					
Restricted intergovernmental:					
Township grant	\$ 366,500	332,418	31,322	363,740	(2,760)
Expenditures - Gaston County Township Grant Project:					
Capital Outlay					
Improvements	366,500	332,418	31,322	363,740	2,760
Total expenditures	<u>366,500</u>	<u>332,418</u>	<u>31,322</u>	<u>363,740</u>	<u>2,760</u>
Revenues under expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):					
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

City of Cherryville, North Carolina
 Electric Fund
 Schedule of Revenues and Expenditures
 Budget and Actual (Non - GAAP)
 For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Electric sales	\$	6,545,105	
Other operating revenues		69,987	
Total operating revenues	<u>6,528,600</u>	<u>6,615,092</u>	<u>86,492</u>
Nonoperating revenues:			
Grant revenue	-	5,000	5,000
Insurance reimbursement	-	7,398	7,398
Interest	1,000	4,625	3,625
Total revenues	<u>6,529,600</u>	<u>6,632,115</u>	<u>95,117</u>
Expenditures:			
Electrical operations:			
Salaries and employee benefits		694,343	
Travel and training		15,401	
Total	<u>691,700</u>	<u>709,744</u>	<u>(18,044)</u>
Operating expenditures			
Insurance		53,688	
System maintenance		41,603	
Vehicle maintenance		7,498	
Other operating expenditures		353,670	
Sales tax on electric sales		388,697	
Total	<u>836,500</u>	<u>845,156</u>	<u>(8,656)</u>
Electrical power purchases	<u>4,494,700</u>	<u>4,248,796</u>	<u>245,904</u>
Capital outlay:			
Equipment		73,257	
Improvements		272,549	
Building and Land		192,463	
Total	<u>630,600</u>	<u>538,269</u>	<u>92,331</u>
Debt Service:			
Interest Expense		-	
Principal retirement		8,041	
Total	<u>8,100</u>	<u>8,041</u>	<u>59</u>
Total expenditures	<u>6,661,600</u>	<u>6,350,006</u>	<u>311,594</u>
Revenues over expenditures	(132,000)	282,109	414,109

cont'd.

City of Cherryville, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2019

<hr/>			
Other financing sources (uses):			
Fund balance appropriated	132,000	-	(132,000)
Total other financing sources	132,000	-	(132,000)
Revenues and other financing sources over expenditures	\$ -	\$ 282,109	\$ 282,109

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

Principal retirement	7,222
Capital outlay	345,806
Depreciation	(187,946)
Increase (decrease) in accrued revenues	(113,768)
Decrease in accrued interest payable	20
Increase in accrued compensated absences	(5,074)
Increase in deferred outflows of resources-pensions	37,094
Decrease in deferred inflows of resources-pensions	2,144
Increase in net pension liability	(40,339)
Increase in deferred outflows of resources-OPEB	26
Increase in deferred inflows of resources-OPEB	(4,593)
Increase in accrued OPEB	(5,378)
Total	35,214
Change in net position	\$ 317,323

City of Cherryville, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Water sales	\$	1,183,984	
Sewer charges		919,040	
Water and sewer taps		25,036	
Other operating revenues		35,925	
	<u>2,291,200</u>	<u>2,163,985</u>	<u>(127,215)</u>
Nonoperating revenues:			
Interest earnings	1,000	462	(538)
Grant revenue	-	-	-
Rents and leases	-	-	-
Other	4,000	7,994	3,994
	<u>2,296,200</u>	<u>2,172,441</u>	<u>(123,759)</u>
Expenditures:			
Water and sewer administration:			
Salaries and employee benefits		545,462	
Travel and training		10,382	
Supplies		26,073	
Vehicle maintenance		5,957	
Insurance		46,888	
Other operating expenditures		274,493	
Debt service		118,448	
Grants		-	
Capital outlay - equipment		121,271	
Capital outlay - other improvements		267,010	
	<u>1,475,900</u>	<u>1,415,984</u>	<u>59,916</u>
Water treatment and distribution:			
Salaries and employee benefits		324,449	
Chemicals		78,711	
Other operating expenditures		228,735	
Capital outlay - equipment		8,158	
Capital outlay - other improvements		20,856	
	<u>820,500</u>	<u>660,909</u>	<u>159,591</u>
Waste collection and treatment:			
Salaries and employee benefits		235,825	
Chemicals		10,436	
Supplies		5,743	
Other operating expenditures		284,500	
Debt service		-	
Capital outlay - equipment		11,354	
Capital outlay - other improvements		23,227	
	<u>633,100</u>	<u>571,085</u>	<u>62,015</u>

cont.

City of Cherryville, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
	<u>2,929,500</u>	<u>2,647,978</u>	<u>281,522</u>
Revenues over expenditures	(633,300)	(475,537)	157,763
Other financing (uses):	-	-	-
Transfer to General Fund	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance appropriated	<u>633,300</u>	<u>-</u>	<u>(633,300)</u>
Net change in fund balance	<u>\$ -</u>	<u>(475,537)</u>	<u>(475,537)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal retirement		108,867	
Capital outlay		451,875	
Depreciation		(544,297)	
Decrease in accrued revenues		(8,114)	
Decrease in accrued interest payable		542	
Increase in accrued compensated absences		(5,839)	
Decrease in deferred inflows of resources-prepaid rents		9,114	
Increase in deferred outflows of resources-pensions		56,863	
Decrease in deferred inflows of resources-pensions		3,337	
Increase in net pension liability		(61,299)	
Increase in deferred outflows of resources-OPEB		41	
Increase in deferred inflows of resources-OPEB		(7,147)	
Increase in accrued OPEB		<u>(8,369)</u>	
		<u>(4,426)</u>	
Change in net position		<u>\$ (479,963)</u>	

Other Schedules

This section contains additional information required on property taxes.

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

City of Cherryville, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2019

<u>Fiscal Year</u>	Uncollected Balance June 30, 2018	Additions	Collections And Credits	Uncollected Balance June 30, 2019
2018-2019	\$ -	1,788,595	1,762,924	25,671
2017-2018	25,245	-	11,783	13,462
2016-2017	14,114	-	3,786	10,328
2015-2016	9,705	-	1,542	8,163
2014-2015	12,350	-	1,220	11,130
2013-2014	11,562	-	1,105	10,457
2012-2013	12,581	-	1,351	11,230
2011-2012	8,280	-	1,120	7,160
2010-2011	7,001	-	877	6,124
2009-2010	7,258	-	245	7,013
2008-2009	4,468	-	4,468	0
	<u>\$ 112,564</u>	<u>1,788,595</u>	<u>1,790,421</u>	<u>110,738</u>
Less: Allowance for uncollectible accounts:				
General Fund				<u>49,577</u>
Ad valorem taxes receivable - net				<u>\$ 61,161</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 1,796,124
Reconciling items:				
Interest collected				(11,021)
Prior year releases and adjustments				1,273
Taxes written off				<u>4,045</u>
Subtotal				<u>(5,703)</u>
Total collections and credits				<u>\$ 1,790,421</u>

City of Cherryville, North Carolina
Analysis of Current Tax Levy
City - Wide Levy
For the Fiscal Year Ended June 30, 2019

	City - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 389,117,280	.46	\$ 1,789,940	1,579,203	210,737
Penalties	-		-	-	-
Total	<u>389,117,280</u>		<u>1,789,940</u>	<u>1,579,203</u>	<u>210,737</u>
Discoveries:					
Current year taxes	541,824		2,493	2,298	195
Penalties	-		208	208	-
Total	<u>541,824</u>		<u>2,701</u>	<u>2,506</u>	<u>195</u>
Abatements:					
Current year taxes	812,085		3,735	3,733	2
Penalties	-		311	311	-
Total	<u>812,085</u>		<u>4,046</u>	<u>4,044</u>	<u>2</u>
Total property valuation	<u>\$ 388,847,019</u>				
Net levy			1,788,595	1,577,665	210,930
Uncollected taxes at June 30, 2019			<u>25,671</u>	<u>24,476</u>	<u>1,195</u>
Current year's taxes collected			<u>\$ 1,762,924</u>	<u>1,553,189</u>	<u>209,735</u>
Current levy collection percentage			<u>98.56%</u>	<u>98.45%</u>	<u>99.43%</u>

COLLIS AND ASSOCIATES, CPAs, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

**103 EAST THIRD AVENUE
GASTONIA, NORTH CAROLINA 28052
704 / 867-0201**

**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***

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cherryville, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the City of Cherryville's basic financial statements, and have issued our report thereon dated January 2, 2020. Our report includes a reference to other auditors who audited the financial statements of the City of Cherryville ABC Board, as described in our report on the City of Cherryville's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the City of Cherryville ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

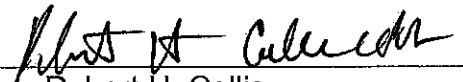
As part of obtaining reasonable assurance about whether the City of Cherryville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our 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 the Report

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

COLLIS AND ASSOCIATES, CPAs, P.C.

By _____


Robert H. Collis

Gastonia, North Carolina
January 2, 2020

**CITY OF Cherryville, NORTH CAROLINA
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2019**

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no

- Significant deficiency(s) identified
that are not considered to be
material weaknesses yes none reported

Noncompliance material to financial
statements noted yes no

Section II. Financial Statement Findings

None

**CITY OF Cherryville, NORTH CAROLINA
Corrective Action Plan
For the Fiscal Year Ended June 30, 2019**

Section II. Financial Statement Findings

None

CITY OF CHERRYVILLE, NORTH CAROLINA
Status of Prior Year Findings
For the Fiscal Year Ended June 30, 2019

There were no prior year findings.