

CITY OF CHERRYVILLE, NORTH CAROLINA

FINANCIAL STATEMENTS

Year Ended June 30, 2023

City Council Members

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

Administrative and Financial Staff

Brian Dalton, City Manager
Dixie Wall, Finance Director

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FINANCIAL SECTION

October 24, 2023

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2023, and the related notes to the financial statements, which collectively comprise the City of Cherryville's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cherryville, North Carolina as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Cherryville and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Audit of the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raises substantial doubt about the City of Cherryville's ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently know information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Governmental Auditing Standards will always detect material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Governmental Auditing Standards we

- exercised professional judgement and maintained professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsible to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Cherryville's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Cherryville's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 2 – 11 and the Other Postemployment Benefits Schedule of Changes in the Total OPEB Liability and Related Ratios on page 68, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions on pages 64 – 65, 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 66 and 67, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cherryville's basic financial statements. The combining and individual fund statements, budgetary schedules, and other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other Information comprises the introductory information and the statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to

be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2023 on our consideration of the City of Cherryville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Cherryville's internal control over financial reporting and compliance.

Butler & Stone

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, 2023. 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

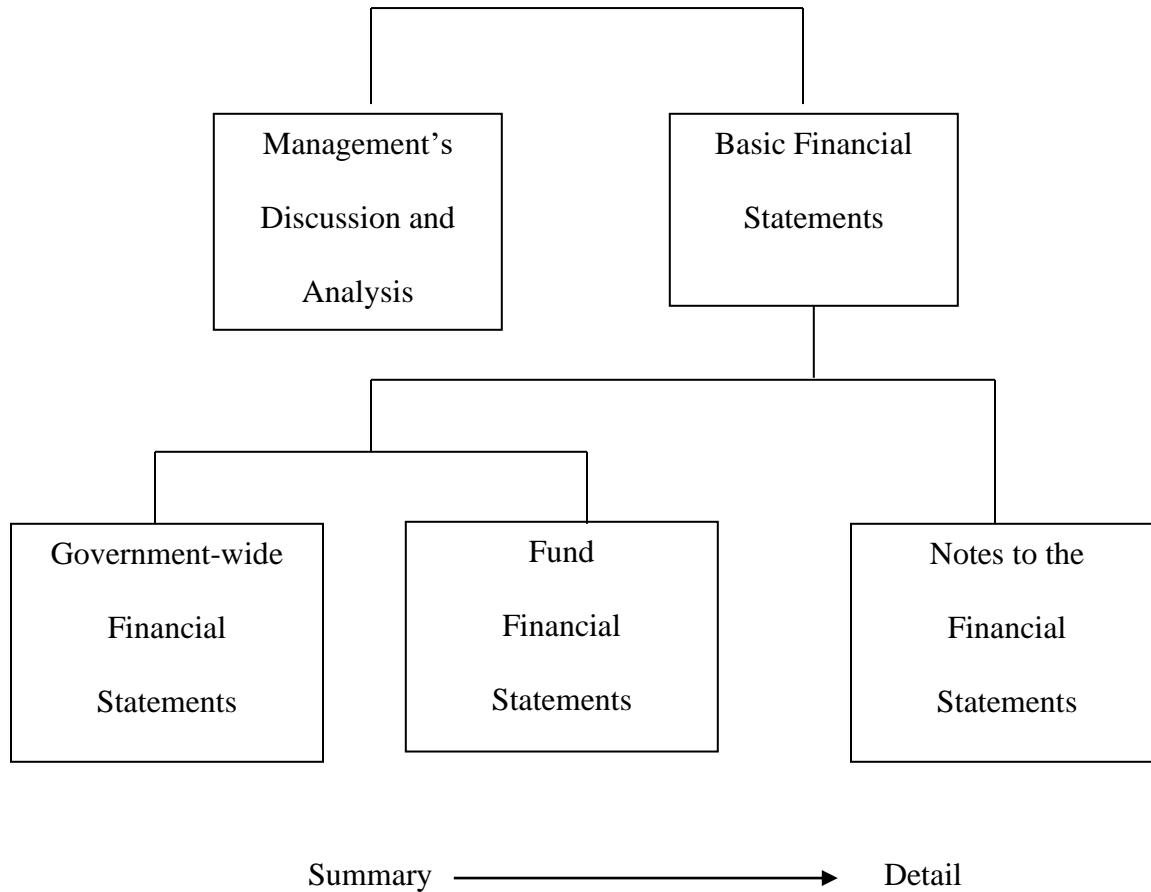
- The cumulative assets and deferred outflows of resources (net position) of the City of Cherryville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$23,439,416 (*net position*).
- The government's total net position for the fiscal year 2023 *increased* by \$635,854 due to an increase in the governmental activities net position of \$214,765 and an increase in the business type activities net position of \$421,089.
- As of the close of the current fiscal year, the City of Cherryville's governmental funds reported combined ending fund balances of \$4,250,711, a decrease of \$1,265,984 in comparison with the prior year.
- At the end of the fiscal year 2023, the unassigned fund balance for the General Fund was \$2,419,747 or 31.2 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City of Cherryville government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements. The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City of Cherryville's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Management's Discussion and Analysis
City of Cherryville

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

Management's Discussion and Analysis City of Cherryville

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 23 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes required supplementary information concerning the City of Cherryville's progress in funding its obligations to provide pension benefits to its employees. Required supplementary information can be found beginning on page 64 of this report.

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

Management's Discussion and Analysis
City of Cherryville

Government-Wide Financial Analysis

The City of Cherryville's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 5,716,311	\$ 6,293,691	\$ 9,417,953	\$ 9,599,307	\$ 15,134,264	\$ 15,892,998
Capital assets	7,717,380	7,009,875	16,015,801	15,970,484	23,733,181	22,980,359
Other assets	78,304	75,792	16,266		94,570	75,792
Deferred outflows of resources	1,305,978	1,095,143	850,881	672,701	2,156,859	1,767,844
Total assets	14,817,973	14,474,501	26,300,901	26,242,492	41,118,874	40,716,993
Long-term liabilities	8,003,697	7,343,586	7,531,444	7,114,535	15,535,141	14,458,121
Other liabilities	550,579	622,012	941,217	1,467,589	1,491,796	2,089,601
Deferred inflows of resources	179,415	639,386	473,106	726,323	652,521	1,365,709
Total liabilities	8,733,691	8,604,984	8,945,767	9,308,447	17,679,458	17,913,431
Net position:						
Net investment in capital assets	5,826,350	4,799,831	16,015,801	15,970,484	21,842,151	20,770,315
Restricted	842,584	1,191,434	38,948	37,539	881,532	1,228,973
Unrestricted	(584,652)	(121,748)	1,300,385	926,022	715,733	804,274
Total net position	\$ 6,084,282	\$ 5,869,517	\$ 17,355,134	\$ 16,934,045	\$ 23,439,416	\$ 22,803,562

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The cumulative assets and deferred outflows of the City of Cherryville exceeded liabilities and deferred inflows by \$23,439,416 as of June 30, 2023. The City's net position *increased* by \$635,854 for the fiscal year ended June 30, 2023. However, a large portion (93.2%) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment net of depreciation); less any related debt still outstanding that was issued to acquire those items. The City of Cherryville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Cherryville's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City's net position \$881,532 (3.76%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$715,733 is unrestricted.

Management's Discussion and Analysis
City of Cherryville

One aspect of the City's financial operations positively influenced the total unrestricted governmental net position. The City continued its diligence in collecting property taxes by maintaining a tax collection percentage of 98.91%. The statewide average in fiscal year 2021 was 98.78%.

City of Cherryville Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 867,538	\$ 1,226,538	\$ 9,177,465	\$ 9,433,194	\$ 10,045,003	\$ 10,659,732
Operating grants and contributions	406,045	1,621,116			406,045	1,621,116
Capital grants and contributions		-		-	-	-
General revenues:						
Property taxes	2,572,615	2,505,679			2,572,615	2,505,679
Other taxes	1,635,820	1,486,233			1,635,820	1,486,233
Other	484,470	433,162	513,329	56,296	997,799	489,458
Total revenues	<u>5,966,488</u>	<u>7,272,728</u>	<u>9,690,794</u>	<u>9,489,490</u>	<u>15,657,282</u>	<u>16,762,218</u>
Expenses:						
General Government	1,056,687	930,820			1,056,687	930,820
Public safety	2,770,013	2,695,060			2,770,013	2,695,060
Transportation	431,991	522,067			431,991	522,067
Economic development	478,081	377,666			478,081	377,666
Sanitation	617,548	566,804			617,548	566,804
Recreation	328,760	362,506			328,760	362,506
Cemetery	68,643	74,360			68,643	74,360
Water and sewer			3,334,205	2,886,518	3,334,205	2,886,518
Electric			5,935,500	5,904,025	5,935,500	5,904,025
Total expenses	<u>5,751,723</u>	<u>5,529,283</u>	<u>9,269,705</u>	<u>8,790,543</u>	<u>15,021,428</u>	<u>14,319,826</u>
Increase (decrease) in net position	<u>214,765</u>	<u>1,743,445</u>	<u>421,089</u>	<u>698,947</u>	<u>635,854</u>	<u>2,442,392</u>
Net position, beginning	5,869,517	4,126,072	16,934,045	16,235,098	22,803,562	20,361,170
Net position, ending	<u>\$ 6,084,282</u>	<u>\$ 5,869,517</u>	<u>\$ 17,355,134</u>	<u>\$ 16,934,045</u>	<u>\$ 23,439,416</u>	<u>\$ 22,803,562</u>

Management's Discussion and Analysis
City of Cherryville

Governmental activities. Governmental activities increased the City's net position by \$214,765. The increase was the result of controlling operating costs, specifically in the general government and public safety categories.

Business-type activities: Business-type activities increased the City of Cherryville's net position by \$421,089, accounting for the total growth in the government's net position and offsetting the decrease of the governmental activities.

Financial Analysis of the City's Funds

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

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

The general fund is the chief operating fund of the City of Cherryville. At the end of the current fiscal year, the City of Cherryville's fund balance available in the General Fund was \$4,250,711. 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 31.2 percent of total General Fund expenditures.

At June 30, 2023, the governmental funds of City of Cherryville reported a combined fund balance of \$4,250,711 with a net decrease in fund balance of \$1,265,984

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

Management’s Discussion and Analysis
 City of Cherryville

Proprietary Funds. The City of Cherryville’s proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to (\$3,070,354), and those for the Electric Fund amounted to \$4,370,739. The total increase in net position for the Water and Sewer fund and the increase in net position for Electric Fund were \$204,870 and \$216,219, 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, 2023, totals \$23,733,181 (see Figure 4). These assets include buildings, infrastructure, land, machinery and equipment, vehicles and improvements to property.

There were no significant dispositions of major capital assets during fiscal year 2023. Major capital asset transactions during the year are included below:

**City of Cherryville’s Capital Assets
 (net of depreciation)**

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 862,700	\$ 862,700	\$ 102,929	\$ 102,929	\$ 965,629	\$ 965,629
Construction in progress	-	1,128,020	-	3,793,739	-	4,921,759
Buildings and systems	2,022,269	2,102,305	15,029,653	11,112,122	17,051,922	13,214,427
Improvements other than buildings	1,203,712	1,237,115			1,203,712	1,237,115
Machinery and equipment	1,424,335	1,552,992	883,219	961,694	2,307,554	2,514,686
Infrastructure	2,204,364	126,743			2,204,364	126,743
	<u>\$ 7,717,380</u>	<u>\$ 7,009,875</u>	<u>\$ 16,015,801</u>	<u>\$ 15,970,484</u>	<u>\$ 23,733,181</u>	<u>\$ 22,980,359</u>

Management’s Discussion and Analysis
 City of Cherryville

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

Long-term Debt: As of June 30, 2023, the City of Cherryville had total debt outstanding of \$10,231,030. Of this, \$8,700,000 is debt backed by the full faith and credit of the City. The remainder represents installment obligation financing debt secured by buildings, equipment and other assets.

City of Cherryville Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
General obligation bonds	\$ 3,135,000	\$ 3,300,000	\$ 5,205,000	\$ 5,400,000	\$ 8,340,000	\$ 8,700,000
Bond premium	317,824	335,481	489,943	517,162	807,767	852,643
Installment obligations	1,891,030	1,347,344	-	-	1,891,030	1,347,344
	\$ 5,343,854	\$ 4,982,825	\$ 5,694,943	\$ 5,917,162	\$ 11,038,797	\$ 10,899,987

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total value of taxable property located within that government’s boundaries. At June 30, 2023, the City had a legal debt margin of approximately \$28,926,269.

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

Economic Factors and Next Year’s Budgets and Rates

The State of North Carolina unemployment numbers decreased from 3.4% in June 2022 to 3.3% in June 2023. Gaston County’s unemployment rate decreased to 3.4% for June 2023. Cherryville’s unemployment rate is also reflective of the state and County’s upward trending numbers.

The City of Cherryville continues to see commercial and residential zoning and building permits. In FY 2023, planning and zoning issued 16 new business permits, 1 duplex permits, and 30 single family homes on single lots.

Management's Discussion and Analysis
City of Cherryville

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

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

Budget Highlights for the Fiscal Year Ending June 30, 2024

Governmental Activities: The City tax rate reduced to 0.48 cents per one hundred dollars of valuation. Gaston County completed a reevaluation on real property that increased values an unprecedented 48% higher than in the past. Budgeted expenditures in the General Fund are expected to increase to \$6,801,525 in the fiscal year 2024. This expected increase is due primarily to cost of living increase of 5% and purchase of Sanitation Truck.

Business-type Activities: The City's water and sewer residential, commercial, and industrial rates remained unchanged. Electric rates for residential customers should see a decrease of 3% per KWH usage and commercial customers will remain constant in the fiscal year 2024.

Request for Information

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

BASIC FINANCIAL STATEMENTS

City of Cherryville, North Carolina
Statement of Net Position
June 30, 2023

	Primary Government			City of Cherryville ABC Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 3,142,690	\$ 4,386,756	\$ 7,529,446	\$ 420,329
Receivables:				
Taxes receivables (net)	86,376		86,376	-
Cemetery	3,700		3,700	-
Utilities	50,118		50,118	
Other governments	459,098		459,098	-
Miscellaneous	687,560	4,698	692,258	-
Trade		1,504,093	1,504,093	-
Prepaid expenses		16,113	16,113	-
Internal balances			-	
Inventory of supplies, at cost		679,741	679,741	270,371
Restricted cash and cash equivalents	1,286,769	2,826,552	4,113,321	-
Total current assets	5,716,311	9,417,953	15,134,264	690,700
Non-current assets:				
Right to use leased assets, net	78,304	16,266	94,570	
Capital assets (Note 4):			-	
Land and other non-depreciable assets	862,700	102,929	965,629	77,084
Depreciable capital assets:				
Other capital assets, net of depreciation	6,854,680		6,854,680	53,283
Electric System		1,709,845	1,709,845	
Water & sewer system		14,203,027	14,203,027	
Total depreciable capital assets, net of depreciation	6,854,680	15,912,872	22,767,552	53,283
Total capital assets	7,717,380	16,015,801	23,733,181	130,367
Total assets	13,511,995	25,450,020	38,962,015	821,067
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	1,022,327	666,074	1,688,401	40,965
OPEB deferrals	283,651	184,807	468,458	-
Total deferred outflows of resources	1,305,978	850,881	2,156,859	40,965
LIABILITIES				
Current liabilities:				
Accounts payable	135,396	587,642	723,038	193,938
Compensated absences	234,011	88,239	322,250	-
Accrued interest payable	28,302	23,550	51,852	-
Lease liability	2,668	2,070	4,738	
Installment obligations	150,202		150,202	-
Payable from restricted assets		239,716	239,716	-
Total current liabilities	550,579	941,217	1,491,796	193,938
Long-term liabilities:				
Noncurrent portion of lease liability	43,339	33,915	77,254	
Other post employment obligations	1,356,629	883,882	2,240,511	
Net pension liability	1,410,077	918,704	2,328,781	24,822
Installment obligations	1,740,828		1,740,828	
Bonds payable	3,135,000	5,205,000	8,340,000	
Bond premium	317,824	489,943	807,767	
Total noncurrent liabilities	8,003,697	7,531,444	15,535,141	24,822
Total liabilities	8,554,276	8,472,661	17,026,937	218,760
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	5,957	3,881	9,838	105
OPEB deferrals	173,458	113,012	286,470	-
Prepaid rent income		356,213	356,213	-
Total deferred inflows of resources	179,415	473,106	652,521	105
NET POSITION				
Net investment in capital assets	5,826,350	16,015,801	21,842,151	130,367
Restricted for:			-	
Stabilization by State Statute	513,183		513,183	-
Streets	329,401		329,401	-
Working Capital			-	49,270
Electric Rate Stabilization		38,948	38,948	-
Unrestricted	(584,652)	1,300,385	715,733	463,530
Total net position	\$ 6,084,282	\$ 17,355,134	\$ 23,439,416	\$ 643,167

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, 2023**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			City of Cherryville ABC Board
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental Activities:								
General government	\$ 1,056,687	\$	\$ 202,270	\$	\$ (854,417)	\$	\$ (854,417)	\$
Public safety	2,770,013				(2,770,013)		(2,770,013)	
Transportation	431,991		203,775		(228,216)		(228,216)	
Economic development	478,081				(478,081)		(478,081)	
Economic protection	617,548	767,418			149,870		149,870	
Recreation	328,760				(328,760)		(328,760)	
Cemetery	68,643	100,120			31,477		31,477	
Total governmental activities (See Note 1)	5,751,723	867,538	406,045	-	(4,478,140)		(4,478,140)	
Business-type activities:								
Water and sewer	3,334,205	3,046,759				(287,446)	(287,446)	
Electric	5,935,500	6,130,706				195,206	195,206	
Total business-type activities	9,269,705	9,177,465	-	-	-	(92,240)	(92,240)	
Total primary government	\$ 15,021,428	\$ 10,045,003	\$ 406,045	\$ -	(4,478,140)	(92,240)	(4,570,380)	
Component unit:								
ABC Board	\$ 1,602,662	\$ 1,651,886	\$	\$				49,224
Total component unit	\$ 1,602,662	\$ 1,651,886	\$ -	\$ -	-	-	-	49,224
General revenues:								
Taxes:								
Property taxes, levied for general purpose					2,572,615		2,572,615	
Other taxes					1,635,820		1,635,820	
Investment earnings					191,692	190,616	382,308	1,932
Miscellaneous					292,778	322,713	615,491	
Total general revenues					4,692,905	513,329	5,206,234	1,932
Change in net position					214,765	421,089	635,854	51,156
Net position, beginning					5,869,517	16,934,045	22,803,562	592,011
Net position, ending					\$ 6,084,282	\$ 17,355,134	\$ 23,439,416	\$ 643,167

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

**City of Cherryville, North Carolina
Balance Sheet
Governmental Funds
June 30, 2023**

	General	ARPA Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 3,142,690		\$ 3,142,690
Restricted cash and cash equivalents	1,286,769	-	1,286,769
Receivables, net:			
Taxes	86,376	-	86,376
Due from other governments	430,416	-	430,416
Due from other funds			-
Other	82,767	-	82,767
Total assets	<u>5,029,018</u>	<u>-</u>	<u>5,029,018</u>
LIABILITIES			
Accounts payable and accrued liabilities	691,931	-	691,931
Due to other funds		-	-
	<u>691,931</u>	<u>-</u>	<u>691,931</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes and tags receivable	86,376	-	86,376
Total deferred inflows of resources	<u>86,376</u>	<u>-</u>	<u>86,376</u>
FUND BALANCES			
Restricted			
Stabilization by State Statute	513,183	-	513,183
Streets	329,401	-	329,401
All other	535,802		535,802
Reserved for USDA	64,181		64,181
Economic Development	388,397	-	388,397
Unassigned	2,419,747	-	2,419,747
Total fund balances	<u>4,250,711</u>	<u>-</u>	<u>4,250,711</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,029,018</u>	<u>\$ -</u>	

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

Exhibit 3
(cont)

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	\$	1,835,525
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Right to use assets at historical cost		19,335
Accumulated amortization		<u>(465)</u>
		18,870
Deferred outflows of resources related to pensions are not reported in the funds		228,095
Deferred outflows of resources related to OPEB are not reported in the funds		(55,333)
Deferred inflows of resources related to pensions are not reported in the funds		(28,793)
Deferred inflows of resources related to OPEB are not reported in the funds		(14,743)
Other long-term liabilities (bonds payable, accrued interest, and compensated absences) are not due and payable in the current period		<u>(150,050)</u>
Net position of governmental activities	<u>\$</u>	<u>6,084,282</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, 2023

	Major Funds		Total Governmental Funds
	General Fund	ARPA Fund	
REVENUES			
Ad valorem taxes	\$ 2,524,829	\$	\$ 2,524,829
Other taxes and licenses	47,786		47,786
Unrestricted intergovernmental	1,635,820		1,635,820
Restricted intergovernmental	250,556		250,556
Permits and fees	16,107		16,107
Sales and services	763,809		763,809
Investment earnings	191,748		191,748
Grant revenue		967,622	967,622
Miscellaneous	1,065,709		1,065,709
Total revenues	6,496,364	967,622	7,463,986
EXPENDITURES			
Current:			
Administration	670,454		670,454
Economic development	2,605,363	77,122	2,682,485
Police	1,991,151	355,000	2,346,151
Fire	1,022,521		1,022,521
Public works	104,918		104,918
Streets	324,832	100,000	424,832
Powell Bill	150,127		150,127
Sanitation	594,451		594,451
Recreation	229,891		229,891
Cemetery	68,640		68,640
Total expenditures	7,762,348	532,122	8,294,470
OTHER FINANCING SOURCES			
Transfer to Water & Sewer Fund		435,500	435,500
			-
	-	435,500	435,500
Excess (deficiency) of revenues over expenditures	(1,265,984)	-	(1,265,984)
Fund balances, beginning	5,516,695	-	5,516,695
Fund balances, ending	\$ 4,250,711	\$ -	\$ 4,250,711

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, 2023

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

Net changes in fund balances - total governmental funds		\$ (1,265,984)
<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	\$ 2,246,247	
Depreciation expense for governmental assets	(410,722)	
Loss on disposal of assets	1,835,525	1,835,525
Right to use leased asset capital outlay expenditures which were capitalized	\$ 19,335	
Accumulated amortization	(465)	18,870
Premium amortization on bonds issued		17,657
<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	178,352	
Decrease in accrued interest payable	(28,302)	150,050
<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	(37,512)	
Pension expense	(28,793)	
OPEB plan expense	(475,048)	(541,353)
Total changes in net position of governmental activities		\$ 214,765

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, 2023

	General Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 2,478,000	\$ 2,478,000	\$ 2,524,829	\$ 46,829
Other taxes and licenses	40,000	40,000	47,786	7,786
Unrestricted intergovernmental	1,630,000	1,630,000	1,635,820	5,820
Restricted intergovernmental	170,000	200,000	250,556	50,556
Permits and fees	13,000	10,000	16,107	6,107
Sales and services	755,000	755,000	763,809	8,809
Investment earnings	2,000	2,000	191,748	189,748
Miscellaneous	825,000	1,025,000	1,065,709	40,709
Total revenues	<u>5,913,000</u>	<u>6,140,000</u>	<u>6,496,364</u>	<u>356,364</u>
Expenditures:				
Current:				
Administration	635,850	635,850	670,454	(34,604)
Economic development	712,425	765,512	2,605,363	(1,839,851)
Police	1,868,985	2,575,858	1,991,151	584,707
Fire	1,226,239	1,226,239	1,022,521	203,718
Public works	122,925	122,925	104,918	18,007
Streets	412,410	514,010	324,832	189,178
Powell Bill	462,150	462,150	150,127	312,023
Sanitation	887,232	887,232	594,451	292,781
Recreation	255,660	703,716	229,891	473,825
Cemetary	86,575	86,575	68,640	17,935
Total expenditures	<u>6,670,451</u>	<u>7,980,067</u>	<u>7,762,348</u>	<u>217,719</u>
Revenues over (under) expenditures	(757,451)	(1,840,067)	(1,265,984)	574,083
Other financing resources:				
Fund balance appropriated	757,451	1,840,067	-	(1,840,067)
Powell Bill appropriated	-	-	-	-
	<u>757,451</u>	<u>1,840,067</u>	<u>-</u>	<u>(1,840,067)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(1,265,984)</u>	<u>\$ (1,265,984)</u>
Fund balances, beginning			<u>5,516,695</u>	
Fund balances, ending			<u>\$ 4,250,711</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, 2023

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,654,926	\$ 731,830	\$ 4,386,756
Accounts receivable (net)	939,167	564,926	1,504,093
Other receivables		4,698	4,698
Inventories	604,736	75,005	679,741
Prepaid expenses	16,113		16,113
Due from other funds			-
Restricted cash and cash equivalents	190,992	2,635,560	2,826,552
Total current assets	<u>5,405,934</u>	<u>4,012,019</u>	<u>9,417,953</u>
Noncurrent assets:			
Right of use assets, net	3,327	12,939	16,266
Capital assets:			
Land and other non-depreciable assets		102,929	102,929
Other capital assets, net of depreciation	1,709,845	14,203,027	15,912,872
Capital assets (net)	<u>1,709,845</u>	<u>14,305,956</u>	<u>16,015,801</u>
Total noncurrent assets	1,713,172	14,318,895	16,032,067
Total assets	<u>\$ 7,119,106</u>	<u>\$ 18,330,914</u>	<u>\$ 25,450,020</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	\$ 256,637	\$ 409,437	\$ 666,074
OPEB deferrals	71,206	113,601	184,807
Total deferred outflows of resources	<u>\$ 327,843</u>	<u>\$ 523,038</u>	<u>\$ 850,881</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	382,798	204,844	587,642
Accrued interest payable		23,550	23,550
Compensated absences - current	53,004	35,235	88,239
Lease liability-current		2,070	2,070
Due to other funds			-
Liabilities payable from restricted assets:			
Customer deposits	152,044	87,672	239,716
Total current liabilities	<u>587,846</u>	<u>353,371</u>	<u>941,217</u>
Noncurrent liabilities:			
Lease liability-noncurrent		33,915	33,915
Other post employment benefits	340,558	543,324	883,882
Net pension liability	353,975	564,729	918,704
General obligation bonds payable		5,205,000	5,205,000
Premium on bonds payable		489,943	489,943
Total noncurrent liabilities	<u>694,533</u>	<u>6,836,911</u>	<u>7,531,444</u>
Total liabilities	<u>1,282,379</u>	<u>7,190,282</u>	<u>8,472,661</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	1,495	2,386	3,881
OPEB deferrals	43,543	69,469	113,012
Total rent income		356,213	356,213
Total deferred inflows of resources	<u>45,038</u>	<u>428,068</u>	<u>473,106</u>
NET POSITION			
Net investment in capital assets	1,709,845	14,305,956	16,015,801
Restricted - rate stabilization	38,948	-	38,948
Unrestricted	4,370,739	(3,070,354)	1,300,385
Total net position	<u>\$ 6,119,532</u>	<u>\$ 11,235,602</u>	<u>17,355,134</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, 2023

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
OPERATING REVENUES			
Charges for services	\$ 6,116,552	\$ 2,897,079	\$ 9,013,631
Water and sewer taps		123,913	123,913
Other operating revenues	14,154	25,767	39,921
Total operating revenues	6,130,706	3,046,759	9,177,465
OPERATING EXPENSES			
Salaries and benefits	766,451	763,459	1,529,910
Other operating expenses	1,434,890	421,610	1,856,500
Electric power purchases	3,472,561		3,472,561
Water treatment and distribution		886,111	886,111
Waste collection and treatment		556,274	556,274
Depreciation	261,598	706,751	968,349
Total operating expenses	5,935,500	3,334,205	9,269,705
Operating income (loss)	195,206	(287,446)	(92,240)
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	16,013	174,603	190,616
Grant and donation revenue	5,000		5,000
Other		462,913	462,913
Interest and other charges		(145,200)	(145,200)
Total nonoperating revenue (expenses)	21,013	492,316	513,329
Income (loss) before contributions and transfers	216,219	204,870	421,089
Transfers to other funds	-	-	-
Change in net position	216,219	204,870	421,089
Total net position, beginning	5,903,313	11,030,732	16,934,045
Total net position, ending	\$ 6,119,532	\$ 11,235,602	\$ 17,355,134

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

City of Cherryville, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 6,225,776	\$ 2,623,623	\$ 8,849,399
Cash paid for goods and services	(4,907,451)	(1,863,995)	(6,771,446)
Cash paid to or on behalf of employees for services	(766,451)	(763,459)	(1,529,910)
Customer deposits received		5,955	5,955
Customer deposits returned	1,706		1,706
Net cash provided by operating activities	<u>553,580</u>	<u>2,124</u>	<u>555,704</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Increase in due to other funds		(659,574)	(659,574)
Decrease in due from other funds	99,014		99,014
Total cash flows from noncapital financing activities	<u>99,014</u>	<u>(659,574)</u>	<u>(560,560)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(151,805)	(508,301)	(660,106)
Installment principal payments		(195,000)	(195,000)
Bond premium		(27,219)	(27,219)
Net cash provided (used) by capital and related financing activities	<u>(151,805)</u>	<u>(730,520)</u>	<u>(882,325)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in Electric Rate Stabilization	1,409		1,409
Donations	5,000		5,000
Interest and dividends	16,013	174,603	190,616
Net cash provided by investing activities	<u>22,422</u>	<u>174,603</u>	<u>197,025</u>
Net increase (decrease) in cash and cash equivalents	523,211	(1,213,367)	(690,156)
Balances, beginning	<u>3,322,707</u>	<u>4,580,757</u>	<u>7,903,464</u>
Balances, ending	<u>\$ 3,845,918</u>	<u>\$ 3,367,390</u>	<u>\$ 7,213,308</u>

(continued)

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

City of Cherryville, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 195,206	\$ (287,446)	\$ (92,240)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	261,598	706,751	968,349
Changes in assets, deferred outflows of resources, and liabilities:			
(Increase) decrease in accounts receivable	172,252	(23,305)	148,947
(Increase) decrease in other receivables		(323)	(323)
(Increase) decrease in inventory	(88,236)	(11,564)	(99,800)
(Increase) decrease in prepaid items	2,934		2,934
(Increase) decrease in due from other governments			-
(Increase) decrease in deferred outflows of resources - pensions	(77,418)	(131,501)	(208,919)
(Increase) decrease in deferred outflows of resources - OPEB	9,700	21,039	30,739
Increase (decrease) in net pension liability	253,404	421,933	675,337
Increase (decrease) in deferred inflows of resources - pensions	(123,037)	(204,376)	(327,413)
Increase (decrease) in deferred inflows of resources - OPEB	35,816	56,609	92,425
Increase (decrease) in deferred inflows of resources - prepaid rents		(18,229)	(18,229)
Increase (decrease) in accounts payable and accrued liabilities	(81,564)	(473,474)	(555,038)
Decrease in accrued interest payable		11,125	11,125
Increase (decrease) in customer deposits	1,706	5,955	7,661
Increase (decrease) in accrued vacation pay	8,751	(18,478)	(9,727)
Increase (decrease) in OPEB liability	(17,532)	(52,592)	(70,124)
Total adjustments	<u>358,374</u>	<u>289,570</u>	<u>647,944</u>
Net cash provided by operating activities	<u>\$ 553,580</u>	<u>\$ 2,124</u>	<u>\$ 555,704</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, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

City of Cherryville ABC Board

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

B. Basis of Presentation

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

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

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

The City reports the following major governmental funds:

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

American Rescue Plan Fund. This fund accounts for the transactions related to the American Rescue Plan Funds.

The City reports the following major enterprise funds:

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

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

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

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

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Grant Projects Special Revenue Fund and the Enterprise Capital Projects Funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes.

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change departmental appropriations by more than \$2,500. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the City and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The City's and the ABC Board's investments are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

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

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Restricted Assets

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

City of Cherryville Restricted Cash

Governmental Activities

General Fund

Streets	\$ 329,401
Cemetary	33,169
Bonds	535,802
Economic Development	<u>388,397</u>

Total governmental activities \$1,286,769

Business-type activities

Electric Fund

Customer deposits	\$ 152,044
Rate stabilization fund	38,948

Water and Sewer Fund

Bonds	2,547,888
Customer deposits	<u>87,672</u>

Total business-type activities \$2,826,552

Total Restricted Cash \$ 4,113,321

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2022.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

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

The inventories of the City's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

7. Capital Assets

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

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

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

Asset Class	Estimated Useful Lives
Buildings	40
Furniture and equipment	7

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has one item that meets this criterion, pension deferrals for the 2023 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has several items that meet the criterion for this category - prepaid taxes, property taxes receivable, unearned rents, and pension deferrals.

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9. Long-Term Obligations

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

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

10. Compensated Absences

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

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

11. Reimbursements for Pandemic-related Expenditures

In FY 2020/21, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

replace lost revenue for the eligible state, local, territorial, and tribal governments. The City was allocated \$1,935,130 of fiscal recovery funds to be paid in two equal installments. The first installment of \$967,565 was received in July 2021. The second installment was received in July 2022. City staff and the City Council elected to use the ARPA funds for revenue replacement. Revenue replacement funds are transferred to the appropriate funds as needed.

12. 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:

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.

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

13. 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.

NOTE 2: DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All the deposits of the City and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City and the ABC Board, these deposits are considered to be held by the City's and the ABC Board's agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City, the ABC Board, or the escrow agent. Because of the inability

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

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, 2023, the City's deposits had a carrying amount of \$978,464 and a bank balance of \$1,259,348. 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, 2023, the City's cash change funds totaled \$600. The carrying amount of deposits for the ABC Board was \$418,029 and the bank balance was \$410,311. All of the bank balance was covered by federal depository insurance or by the collateral held under the pooling method. The ABC Board has cash on hand of \$2,300.

2. Investments

At June 30, 2023, the City of Cherryville had \$10,665,286 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, 2023 are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$1,763
Accounts receivable	<u>1,023</u>
Total General Fund	2,786
Enterprise Funds	<u>14,737</u>
Total	<u>\$17,523</u>

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2023, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 862,700	\$ -	\$ -	\$ 862,700
Construction in progress	1,128,020	-	1,128,020	-
Total capital assets not being depreciated	<u>1,990,720</u>	-	<u>1,128,020</u>	<u>862,700</u>
Capital assets being depreciated:				
Other improvements	1,511,679			1,511,679
Buildings	6,384,468	-		6,384,468
Equipment	1,211,412	128,811	-	1,340,223
Vehicles and motorized equipment	2,872,091	-	-	2,872,091
Infrastructure	667,577	2,117,436		2,785,013
Total capital assets being depreciated	<u>12,647,227</u>	<u>2,246,247</u>	-	<u>14,893,474</u>
Less accumulated depreciation for:				
Other improvements	274,564	33,403		307,967
Buildings	4,282,163	80,036		4,362,199
Equipment	808,640	111,464	-	920,104
Vehicles and motorized equipment	1,721,871	146,004	-	1,867,875
Infrastructure	540,834	39,815		580,649
Total accumulated depreciation	<u>7,628,072</u>	<u>410,722</u>	-	<u>8,038,794</u>
Total capital assets being depreciated, net	<u>5,019,155</u>			<u>6,854,680</u>
Governmental activity capital assets, net	<u>\$ 7,009,875</u>			<u>\$ 7,717,380</u>

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

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

General government	\$ 17,975
Public safety	147,860
Transportation	98,574
Environmental protection	78,037
Cultural and recreational	<u>68,276</u>
Total depreciation expense	<u>\$ 410,722</u>

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Electric Fund</i>				
Capital assets not being depreciated:				
Idle asset		\$		\$ -
Construction in progress	-	-		-
Total assets not being depreciated	-	-	-	-
Capital assets being depreciated:				
Substations, lines, and related equipment	3,367,764	150,655		3,518,419
Furniture and equipment	474,480			474,480
Vehicles and motorized equipment	1,118,439			1,118,439
Computer equipment	69,147			69,147
Total capital assets being depreciated	5,029,830	150,655	-	5,180,485
Less accumulated depreciation for:				
Substations, lines, and related equipment	2,166,606	97,804		2,264,410
Furniture and equipment	272,523	68,935		341,458
Vehicles and motorized equipment	720,143	88,543		808,686
Computer equipment	49,770	6,316		56,086
Total accumulated depreciation	3,209,042	\$ 261,598	\$ -	3,470,640
Total capital assets being depreciated, net	1,820,788			1,709,845
Electric fund capital assets, net	\$ 1,820,788			\$ 1,709,845

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Water and Sewer Fund</i>				
Capital assets not being depreciated:				
Land	102,929	-	-	102,929
Construction in progress	3,793,739		3,793,739	-
Total capital assets not being depreciated	3,896,668	-	3,793,739	102,929
Capital assets being depreciated:				
Plant and distribution systems	21,502,127	4,434,837		25,936,964
Furniture and equipment	779,003	157,255		936,258
Vehicles and motorized equipment	157,854	64,658		222,512
Computer equipment	79,996			79,996
Total capital assets being depreciated	22,518,980	4,656,750	-	27,175,730
Less accumulated depreciation for:				
Plant and distribution systems	11,591,163	570,156		12,161,319
Furniture and equipment	451,880	121,186		573,066
Vehicles and motorized equipment	157,439	7,599		165,038
Computer equipment	65,470	7,809		73,279
Total accumulated depreciation	12,265,952	706,750	-	12,972,702
Total capital assets being depreciated, net	10,253,028			14,203,028
Water and Sewer fund capital assets, net	14,149,696			14,305,957
Business-type activities capital assets, net	\$ 15,970,484			\$ 16,015,801

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2023, was as follows:

	<u>Beginning</u>		<u>Ending</u>	
	<u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u>
Capital assets, non-depreciable:				
Land	<u>\$ 77,084</u>			<u>\$ 77,084</u>
Capital assets being depreciated:				
Buildings	<u>222,794</u>			<u>222,794</u>
Furniture and equipment	<u>116,705</u>			<u>116,705</u>
Total	<u>339,499</u>			<u>339,499</u>
Less accumulated depreciation for:				
Buildings	<u>193,220</u>	<u>3,677</u>		<u>196,897</u>
Furniture and equipment	<u>85,226</u>	<u>4,093</u>		<u>89,319</u>
Total	<u>278,446</u>	<u>7,770</u>		<u>286,216</u>
ABC capital assets, net of depreciation	<u>61,053</u>			<u>53,283</u>
Total capital assets, net of depreciation	<u>\$138,137</u>			<u>\$130,367</u>

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

5. Right to Use Leased Asset

The City has recorded a right to use leased asset. The asset is a right to use assets for leased vehicles. The lease is disclosed in the Leases section of the Liabilities section of this note. The right to use the lease asset is amortized on a straight-line basis over the term of the lease.

Right to use asset activity for the General government for the year ended June 30, 2023 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending</u> <u>Balance</u>
Leased asset	\$ 90,950	\$ 19,335	\$	\$110,285
Less accumulated Amortization	\$ 15,158	557		15,715
Right to use assets, Net	<u>\$ 75,792</u>	<u>\$ 18,778</u>	<u>\$</u>	<u>\$ 94,570</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

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, 2023, was 13.04% of compensation for law enforcement officers and 12.18% for general

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Cherryville were \$456,374 for the year ended June 30, 2023.

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, 2023, the City reported a liability of \$2,328,781 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 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, 2022 (measurement date), the City’s proportion was 0.04128%, which was an increase of 0.00247% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2023, the City recognized pension expense of \$722,633. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 100,345	\$ 9,838
Changes of assumptions	232,360	-
Net difference between projected and actual earnings on pension plan investments	769,687	
Changes in proportion and differences between City contributions and proportionate share of contributions	129,635	
City contributions subsequent to the measurement date	456,374	-
Total	\$ 1,688,401	\$ 9,838

\$456,374 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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2024	\$ 403,704
2025	339,086
2026	112,706
2027	366,693
2028	-
Thereafter	-
	\$ 1,222,189

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

Actuarial Assumptions. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Investment rate of return	4.31 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, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

The projected long-term investment returns, and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2023 are summarized in the following table:

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

<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 2023 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.50%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 4.31%. 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 4.31 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 (3.31 percent) or one percentage point higher (5.31 percent) than the current rate:

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

	<u>1% Decrease (3.31%)</u>	<u>Discount Rate (4.31%)</u>	<u>1% Increase (5.31%)</u>
City's proportionate share of the net pension liability (asset)	\$ 510,635	\$ 465,052	\$ 423,492

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

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description.

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

Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. All full-time City law enforcement officers are covered by the Separation Allowance.

At December 31, 2021, the Separation Allowance's membership consisted of:

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

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

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, 2021 valuation. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	4.31 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, 2021.3

Mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

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.

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

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

At June 30, 2023, the City reported a total pension liability of \$465,052. The total pension liability was measured as of December 31, 2022 based on a December 31, 2021 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the City recognized pension expense of \$38,676.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 34,149	\$ 43,276
Changes of assumptions	93,195	97,843
County benefit payments and plan administrative expense made subsequent to the measurement date	4,825	-
Total	\$ 132,169	\$ 141,119

\$4,825 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:	
2024	\$ (5,791)
2025	4,223
2026	13,750
2027	(2,261)
2028	(16,119)
Thereafter	(7,577)

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 4.31 percent, as

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

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 (3.31 percent) or 1-percentage-point higher (5.31 percent) than the current rate:

	1% Decrease (1.25%)	Discount Rate (2.25%)	1% Increase (3.25%)
Total pension liability	\$ 510,635	\$ 465,052	\$ 423,492

Law Enforcement Officers' Special Separation Allowance

	2023
Beginning balance	\$ 499,477
Service Cost	32,972
Interest on the total pension liability	11,238
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	19,907
Changes of assumptions or other inputs	(98,542)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 465,052</u>

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on 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, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 722,633	\$ 38,676	\$ 761,309
Pension Liability	2,328,781	465,052	2,793,833
Proportionate share of the net pension liability	0.04128%	n/a	
 Deferred Outflows of Resources			
Differences between expected and actual experience	100,345	34,149	134,494
Changes of assumptions	232,360	93,195	325,555
Net difference between projected and actual earnings on plan investments	769,687		769,687
Changes in proportion and differences between contributions and proportionate share of contributions	129,635	-	129,635
Benefit payments and administrative costs paid subsequent to the measurement date	456,374	4,825	461,199
 Deferred Inflows of Resources			
Differences between expected and actual experience	9,838	43,276	53,114
Changes of assumptions	-	97,843	97,843
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions		-	-

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The 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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes the pension trust fund

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

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 \$54,738 for the reporting year. No amounts were forfeited.

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

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

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

The City made contributions of \$130,061 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 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

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

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, 2022, the date of the latest actuarial valuation.

	General Employees	Law Enforcement Officers
Retirees receiving benefits	7	0
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	<u>57</u>	<u>14</u>
Total	<u>64</u>	<u>14</u>

Total OPEB Liability

The City's total OPEB liability of \$2,454,351 was measured as of June 30, 2022 (measurement date) based on data, assumptions, and results of the actuarial valuation as of June 30, 2021 (valuation date).

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.25 – 8.41 percent, average, including inflation
Discount rate	2.16 percent
Healthcare cost trend rates	
Pre-Medicare	7.00 percent for 2021 decreasing to an ultimate rate of 4.50 percent by 2031

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

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2022	\$2,454,351
Changes for the year	
Service cost	\$107,653
Interest	54,462
Differences between expected and actual experience	2,019
Changes in assumptions or other inputs	(296,329)
Benefit payments	(81,645)
Net changes	(213,840)
Balance at June 30, 2023	\$ 2,240,511

Changes in assumptions and other inputs reflect a change in the discount rate from 2.16% to 3.54%.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table. The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period January 2015 through December 2019.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.54 percent) or 1-percentage-point higher (4.54 percent) than the current discount rate:

	Discount		
	1% Decrease	Discount Rate (3.54%)	1% Increase
Total OPEB liability	\$ 2,450,714	\$ 2,240,511	\$ 2,052,357

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:

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB liability	\$ 2,003,110	\$ 2,240,511	\$ 2,519,502

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

For the year ended June 30, 2023, the City recognized OPEB expense of \$187,383. At June 30, 2023, 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	\$ 112,372	\$ 12,014
Changes of assumptions	356,086	274,456
Benefit payment and administrative costs made subsequent to the measurement date		
	<u>\$ 468,458</u>	<u>\$ 286,470</u>

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to OPEB benefits will be recognized in OPEB expense as follows:

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

2024	\$	33,182
2025		43,275
2026		46,473
2027		45,963
2028		37,785
Thereafter		(24,690)

2. Other Employment Benefits

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

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 456,374
Benefit payments and administrative expenses for LEOSA made subsequent to measurement date	4,825
Differences between expected and actual experience	246,866
Changes in assumptions	1,448,794
Net difference between projected and actual earnings on pension plan investments	
Changes in proportion and differences between employer contributions and proportionate share of contributions	
Total	\$ 2,156,859

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable (General Fund)	\$ -	\$ 86,376
Prepaid rent income (Water and Sewer Fund)	356,214	-
Changes in assumptions	101,544	-
Differences between expected and actual experience	65,128	
Net difference between projected and actual earnings on pension plan investments		
Changes in proportion and differences between employer contributions and proportionate share of contributions	129,635	
Total	\$ 652,521	\$ 86,376

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

3. Risk Management

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

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

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

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

4. Long-Term Obligations

a. General Obligation Public Improvement Bonds

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

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

Downtown Improvements of \$3,300,000 and Water and Sewer Improvements of \$5,400,000.

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

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

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 165,000	\$ 85,800	\$ 200,000	\$ 137,300
2025	165,000	79,200	210,000	129,100
2026	165,000	72,600	220,000	120,500
2027	165,000	66,000	230,000	111,500
2028-2032	825,000	232,650	1,275,000	413,750
2033-2037	825,000	123,750	1,460,000	235,300
2038-2042	825,000	41,250	1,610,000	81,800
Total	<u>\$3,135,000</u>	<u>\$ 701,250</u>	<u>\$5,205,000</u>	<u>\$1,229,250</u>

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

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

The City received a loan for \$1,088,000 from the Division of Environmental Health for a water construction project. The project was completed and placed in service in prior years. The obligation calls for annual principal payments of \$64,436 plus interest paid semi-annually at a 2.42% interest rate. This loan was paid out in 2022.

Annual debt service payments of the installment purchases as of June 30, 2023 are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 150,202	62,104		
2025	153,002	59,705		
2026	219,004	252,116		
2027-2031	290,154	213,510		
2032-2036	337,963	165,701		
2037-2041	397,237	106,427		
2042-2048	343,468	32,869		
Total	\$1,891,030	\$ 892,432		

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

At June 30, 2023, the City of Cherryville had a legal debt margin of \$28,791,649. There were no authorized but unissued bonds at that date.

b. Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Installment purchase	\$ 1,347,344	\$ 700,000	\$ 156,314	\$ 1,891,030	\$ 150,202
Lease liabilities	77,024	-	31,017	46,007	2,668
Compensated absences	214,217	19,794	-	234,011	234,011
Total OPEB liability	1,999,822	-	643,193	1,356,629	
Net pension liability (LGERS)	351,821	1,058,256	-	1,410,077	
Governmental activity long-term liabilities	<u>\$ 3,990,228</u>	<u>\$ 1,778,050</u>	<u>\$ 830,524</u>	<u>\$ 4,937,754</u>	<u>\$ 386,881</u>
Business-type activities:					
Lease liability-noncurrent	\$ -	\$ 35,985	\$ -	\$ 35,985	\$ 2,070
Total OPEB liability	954,006	-	70,124	883,882	
Net pension liability (LGERS)	243,367	675,337	-	918,704	
Compensated absences	97,966	-	9,727	88,239	88,239
Business-type activity long-term liabilities	<u>\$ 1,295,339</u>	<u>\$ 711,322</u>	<u>\$ 79,851</u>	<u>\$ 1,926,810</u>	<u>\$ 90,309</u>

c. Interfund Balances and Activity

Balances due to / from other funds at June 30, 2023 consist of the following:

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

General Fund \$0

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

General Fund \$0

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

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

d. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$ 7,717,380	\$ 16,015,801
Less: long-term debt	1,891,030	
Add: unexpended debt proceeds		
Net investment in capital assets	<u>\$ 5,826,350</u>	<u>\$ 16,015,801</u>

e. Fund Balance

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

<i>Total fund balance-General Fund</i>	<i>\$4,250,711</i>
Less:	
Stabilization by State Statute	513,183
Streets-Powell Bill	329,401
Committed for USDA reserves	64,181
All other	535,802
Committed for Economic Development	388,397
Remaining Fund Balance	2,419,747

f. Prepaid Rental Revenue

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

City of Cherryville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

balance, \$356,213, at June 30, 2023, is presented in the Business-type Activities and the Proprietary Funds Statements of Net Position as a deferred inflow of resources.

NOTE 3: JOINTLY GOVERNED ORGANIZATIONS

The City, in conjunction with eight counties and fifty other municipalities, established the Centralina Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The City paid membership fees of \$1,603 to the Council during the fiscal year ended June 30, 2023.

The City, in conjunction with twenty other local governments, is a member of the North Carolina City Electric Agency (Electric Agency). The Electric Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Electric Agency's governing board. The twenty-one members, who receive power from the Electric Agency, have signed power sales agreement to purchase a specified share of the power generated by the Electric Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The City's purchases of power for the fiscal year ended June 30, 2023 were \$3,472,561.

NOTE 4: SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

REQUIRED SUPPLEMENTARY FINANCIAL DATA

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

Local Government Employees' Retirement System

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Cherryville's proportion of the net pension liability (asset) (%)	0.04128%	0.03881%	0.03724%	0.03730%	0.03724%	0.40450%	0.04355%	0.04310%	0.04162%
Cherryville's proportion of the net pension liability (asset) (\$)	\$ 2,328,781	\$ 595,189	\$ 1,330,744	\$ 1,018,634	\$ 883,460	\$ 617,964	\$ 924,279	\$ 193,433	\$ (245,454)
Cherryville's covered payroll	\$ 3,867,993	\$ 3,574,351	\$ 3,154,404	\$ 2,772,834	\$ 2,733,573	\$ 2,733,573	\$ 2,683,416	\$ 2,717,483	\$ 2,605,003
Cherryville's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	60.21%	16.65%	42.19%	36.74%	32.32%	22.61%	34.44%	7.12%	(9.42%)
Plan fiduciary net position as a percentage of the total pension liability**	89.69%	91.63%	88.61%	91.63%	94.18%	94.18%	91.47%	98.09%	102.64%

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

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

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

Local Government Employees' Retirement System

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 456,374	\$ 414,157	\$ 327,725	\$ 271,744	\$ 233,727	\$ 211,397	\$ 201,755	\$ 186,693	\$ 184,508
Contributions in relation to the contractually required contribution	456,374	414,157	327,725	271,744	233,727	211,397	201,755	186,693	184,508
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cherryville's covered payroll	\$ 3,867,993	\$ 3,574,351	\$ 3,154,404	\$ 2,772,834	\$ 2,733,573	\$ 2,733,573	\$ 2,683,416	\$ 2,717,483	\$ 2,605,003
Contributions as a percentage of covered payroll	11.80%	11.59%	10.39%	10.15%	8.55%	7.73%	7.52%	6.87%	7.08%

City of Cherryville, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2023

	2023	2022	2021	2020	2019	2018
Beginning balance	\$ 499,477	\$ 490,232	\$ 272,156	\$ 275,549	\$ 362,221	\$ 323,129
Service Cost	32,972	32,166	18,878	15,322	16,871	17,578
Interest on the total pension liability	11,238	9,443	8,786	9,933	11,362	12,372
Changes of benefit terms						
Differences between expected and actual experience in the measurement of the total pension liability	19,907	(14,765)	32,186	(33,246)	(95,641)	(11,932)
Changes of assumptions or other inputs	(98,542)	(15,659)	163,536	9,908	(13,954)	26,282
Benefit payments		(1,940)	(5,310)	(5,310)	(5,310)	(5,208)
Other changes	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 465,052</u>	<u>\$ 499,477</u>	<u>\$ 490,232</u>	<u>\$ 272,156</u>	<u>\$ 275,549</u>	<u>\$ 362,221</u>

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

City of Cherryville, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2023

	2023		2022		2021		2020		2019		2018
Total pension liability	\$ 465,052	\$	499,477	\$	490,232	\$	272,156	\$	275,549	\$	362,221
Covered payroll	781,179		736,013		720,047		621,821		591,973		613,686
Total pension liability as a percentage of covered payroll	59.53%		67.86%		68.08%		43.77%		46.55%		59.02%

Notes to the schedules:

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

City of Cherryville, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total OPEB Liability					
Service cost	107,653	83,298	60,651	60,422	62,630
Interest	54,462	44,469	60,762	61,848	55,650
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	2,019	149,234	(104)	(24,685)	198
Changes of assumptions	(296,329)	289,157	200,140	39,887	(50,172)
Benefit payments	(81,645)	(80,895)	(55,065)	(48,908)	(34,422)
Net change in total OPEB liability	<u>(213,840)</u>	<u>485,263</u>	<u>266,384</u>	<u>88,564</u>	<u>33,884</u>
Total OPEB liability - beginning	<u>2,454,351</u>	<u>1,969,088</u>	<u>1,702,704</u>	<u>1,614,140</u>	<u>1,580,256</u>
Total OPEB liability - ending	<u><u>2,240,511</u></u>	<u><u>2,454,351</u></u>	<u><u>1,969,088</u></u>	<u><u>1,702,704</u></u>	<u><u>1,614,140</u></u>
Covered payroll	2,956,131	2,956,131	2,670,874	2,670,874	3,116,422
Total OPEB liability as a percentage of covered payroll	75.79%	83.03%	73.72%	63.75%	51.79%

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>
2023	3.54%
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%

INDIVIDUAL FUND FINANCIAL STATEMENTS

**City of Cherryville, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2023**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 2,223,958	\$
Vehicle taxes		285,924	
Penalties and interest		14,947	
Total	<u>2,478,000</u>	<u>2,524,829</u>	<u>46,829</u>
Other taxes and licenses:			
Motor vehicle licenses		47,786	
Total	<u>40,000</u>	<u>47,786</u>	<u>7,786</u>
Unrestricted intergovernmental:			
Local option sales taxes		1,170,778	
Utility franchise tax		391,059	
Beer and wine tax		27,983	
ABC profit distribution		46,000	
Total	<u>1,630,000</u>	<u>1,635,820</u>	<u>5,820</u>
Restricted intergovernmental:			
Powell Bill allocation		203,775	
Grants		41,978	
Solid waste disposal tax		4,803	
Total	<u>200,000</u>	<u>250,556</u>	<u>50,556</u>
Permits and fees:			
Zoning permits		15,225	
Court fees		882	
Total	<u>10,000</u>	<u>16,107</u>	<u>6,107</u>
Sales and services:			
Cemetary sales		100,120	
Yard waste fees		102,234	
Fire protection charges		5,835	
Sanitary landfill fees		555,620	
Recreation department fees	<u>755,000</u>	<u>763,809</u>	<u>8,809</u>
Investment earnings:			
General Fund		175,952	
Interest earned-Powell Bill		15,796	
Total	<u>2,000</u>	<u>191,748</u>	<u>189,748</u>

cont.

**City of Cherryville, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2023**

	Budget	Actual	Variance Positive (Negative)
Miscellaneous:			
Rents and leases		17,630	
Other revenues		1,048,079	
Total	<u>1,025,000</u>	<u>1,065,709</u>	<u>40,709</u>
Total revenues	<u>6,140,000</u>	<u>6,496,364</u>	<u>356,364</u>
Expenditures:			
Administration			
Governing board:			
Salaries and employee benefits		55,881	
Election expense			
Total	<u>55,650</u>	<u>55,881</u>	<u>(231)</u>
Administration:			
Salaries and employee benefits		285,174	
Professional services		23,165	
Other operating expenditures		306,234	
Debt service			
Total	<u>580,200</u>	<u>614,573</u>	<u>(34,373)</u>
Total administration	<u>635,850</u>	<u>670,454</u>	<u>(34,604)</u>
Economic development:			
Salaries and employee benefits		220,014	
Grants		31,705	
Other operating expenditures		156,776	
Debt service		257,400	
Capital outlay		1,878,560	
Cherryville Main Street program		60,908	
Total economic development	<u>765,512</u>	<u>2,605,363</u>	<u>(1,839,851)</u>
Police:			
Salaries and employee benefits		1,436,645	
Vehicle maintenance		13,151	
Other operating expenditures		512,013	
Capital outlay		29,342	
Total Police	<u>2,575,858</u>	<u>1,991,151</u>	<u>584,707</u>
Fire:			
Salaries and employee benefits		764,757	
Maintenance		18,941	
Other operating expenditures		120,533	
Debt Service		118,290	
Capital outlay			
Total Fire	<u>1,226,239</u>	<u>1,022,521</u>	<u>203,718</u>
Public Works:			
Salaries and employee benefits		66,934	
Other operating expenditures		37,984	
Total Public Works	<u>122,925</u>	<u>104,918</u>	<u>18,007</u>

cont.

City of Cherryville, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2023

	Budget	Actual	Variance Positive (Negative)
Streets:			
Salaries and employee benefits		193,872	
Maintenance		21,642	
Other operating expenditures		44,913	
Capital outlay		64,405	
Total Streets	<u>514,010</u>	<u>324,832</u>	<u>189,178</u>
Powell Bill:			
Salaries and employee benefits		36,943	
Maintenance		43,324	
Other operating expenditures		5,455	
Capital outlay		64,405	
Total Powell Bill	<u>462,150</u>	<u>150,127</u>	<u>312,023</u>
Sanitation:			
Salaries and employee benefits		358,256	
Other operating expenditures		98,844	
Landfill fees		119,462	
Capital outlay		17,889	
Total sanitation	<u>887,232</u>	<u>594,451</u>	<u>292,781</u>
Recreation:			
Salaries and employee benefits		91,612	
Maintenance and repairs		24,615	
Other operating expenditures		113,664	
Debt service			
Total recreation	<u>703,716</u>	<u>229,891</u>	<u>473,825</u>
Cemetery:			
Salaries and employee benefits		5,310	
Contract services		62,672	
Other operating expenditures		658	
Total Cemetery	<u>86,575</u>	<u>68,640</u>	<u>17,935</u>
Total expenditures	<u>7,980,067</u>	<u>7,762,348</u>	<u>217,719</u>
Excess of revenue over (under) expenditures		(1,265,984)	
Other financing sources:			
Fund balance appropriated	1,840,067	-	(1,840,067)
Powell Bill appropriated		-	-
	<u>1,840,067</u>	<u>-</u>	<u>(1,840,067)</u>
Net change in fund balance	<u>\$ -</u>	(1,265,984)	<u>\$ (1,265,984)</u>
Fund balances, beginning		<u>5,516,695</u>	
Fund balances, ending		<u>\$ 4,250,711</u>	

City of Cherryville, North Carolina
Coronavirus State Local Fiscal Recovery Funds CFR 21.027 (ARPA Funds)
Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2023

		Project	Actual		Total to	Variance
		Author -	Prior	Current	Date	Positive
		ization	Year	Year		(Negative)
Revenues						
	ARPA Funds	\$ 1,935,187	\$ 967,565	\$ 967,622	\$ 1,935,187	\$ -
	Total	<u>1,935,187</u>	<u>967,565</u>	<u>967,622</u>	<u>1,935,187</u>	<u>-</u>
Expenditures						
	General Government	\$ 1,071,055	\$ 538,933	\$ 532,122	\$ 1,071,055	\$ -
	Total	<u>1,071,055</u>	<u>538,933</u>	<u>532,122</u>	<u>1,071,055</u>	<u>-</u>
Other financing sources (uses)						
	Transfers to other funds:					
	Water and Sewer Fund	<u>864,132</u>	<u>428,632</u>	<u>435,500</u>	<u>864,132</u>	<u>-</u>
Net change in fund balance		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning				<u>-</u>		
Fund balance, ending				<u>\$ -</u>		

City of Cherryville, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Electric sales		\$ 6,274,057	
Other operating revenues		40,353	
	<u>\$ 6,128,524</u>	<u>6,314,410</u>	<u>\$ 185,886</u>
Nonoperating revenues:			
Other		9,410	
Interest		17,022	
	<u>6,500</u>	<u>26,432</u>	<u>19,932</u>
Total revenues	<u>6,135,024</u>	<u>6,340,842</u>	<u>205,818</u>
Expenditures:			
Electric operations:			
Salaries and employee benefits		846,725	
Travel and training		7,412	
Total	<u>851,800</u>	<u>854,137</u>	<u>(2,337)</u>
Operating expenditures:			
Insurance		84,487	
System maintenance		117,224	
Vehicle maintenance		1,417	
Contract services		193,389	
Other operating expenditures		516,722	
Sales tax on electric sales		365,473	
Total	<u>1,594,500</u>	<u>1,278,712</u>	<u>315,788</u>
Electrical power purchases	<u>3,588,724</u>	<u>3,472,561</u>	<u>116,163</u>
Capital outlay:			
Equipment		221,447	
Total	<u>600,000</u>	<u>221,447</u>	<u>378,553</u>
Total expenditures	<u>6,635,024</u>	<u>5,826,857</u>	<u>808,167</u>
Revenues over expenditures	(500,000)	513,985	<u>(1,013,985)</u> (cont.)

City of Cherryville, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2023

	Budget	Actual	Variance Positive (Negative)
Fund balance appropriated	<u>500,000</u>	<u>-</u>	<u>(500,000)</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 513,985</u>	<u>\$ (1,013,985)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlays		150,655	
Depreciation		(261,598)	
Increase (decrease) in accrued revenues		(105,891)	
Increase in deferred outflows of resources - pensions		77,418	
Increase in deferred inflows of resources-pensions		123,037	
Decrease in net pension liability		(253,403)	
Increase in deferred outflows of resources-OPEB		(9,700)	
Decrease in deferred inflows of resources-OPEB		(35,816)	
Increase in accrued OPEB		17,532	
Total		<u>(297,766)</u>	
Change in net position		<u>\$ 216,219</u>	

City of Cherryville, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2023

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Water sales		\$ 1,596,287	
Sewer charges		1,271,768	
Water and sewer taps		123,913	
Other operating revenues		55,892	
	<u>\$ 3,050,000</u>	<u>3,047,860</u>	<u>\$ (2,140)</u>
Nonoperating revenues:			
Interest earnings		174,603	
Other		631,295	
	<u>987,058</u>	<u>805,898</u>	<u>(181,160)</u>
Total revenues	<u>4,037,058</u>	<u>3,853,758</u>	<u>(183,300)</u>
Expenditures:			
Water and sewer administration:			
Salaries and employee benefits		626,279	
Travel and training		4,203	
Supplies		13,610	
Vehicle maintenance		1,042	
Insurance		67,250	
Other operating expenditures		349,005	
Capital outlay		703,913	
	<u>1,778,362</u>	<u>1,765,302</u>	<u>13,060</u>
Water treatment and distribution:			
Salaries and employee benefits		395,321	
Chemicals		138,142	
Other operating expenditures		313,189	
Capital outlay - other improvements		82,120	
	<u>1,126,000</u>	<u>928,772</u>	<u>197,228</u>
Waste collection and treatment:			
Salaries and employee benefits		321,109	
Chemicals		13,147	
Supplies		5,710	
Other operating expenditures		248,617	
Capital outlay - equipment		92,850	
Capital outlay - other improvements		361,807	
	<u>1,132,696</u>	<u>1,043,240</u>	<u>89,456</u>

(cont.)

City of Cherryville, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Total expenditures	4,037,058	3,737,314	299,744
Revenues over(under) expenditures	-	116,444	116,444
Fund balance appropriated		-	-
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ 116,444</u>	<u>\$ 116,444</u>

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

Revenues and other sources over
expenditures and other uses

\$ 116,444

Reconciling items:

Capital outlay	863,012
Depreciation and amortization	(706,751)
Increase in accrued revenues	(51,477)
Bond costs expensed	27,219
Increase in accrued interest payable	(10,038)
Increase in accounts payable	59,343
Decrease in deferred inflows of resources - prepaid rents	18,228
Decrease in deferred outflows of resources-pensions	131,501
Decrease in deferred inflows of resources -pensions	204,377
Increase in net pension liability	(421,933)
Increase in deferred outflows of resources-OPEB	(21,039)
Decrease in deferred inflows of resources-OPEB	(56,609)
Increase in accrued OPEB	52,593
Total reconciling items	<u>88,426</u>

Change in net position

\$ 204,870

OTHER SCHEDULES

City of Cherryville, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2023

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2022</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2023</u>
2022-2023	\$ --	\$ 2,515,345	\$ 2,486,285	\$ 29,060
2021-2022	26,477		16,253	10,224
2020-2021	8,923	--	2,262	6,661
2019-2020	7,041	--	1,437	5,604
2018-2019	5,592	--	574	5,018
2017-2018	7,211	--	576	6,635
2016-2017	6,174	--	601	5,573
2015-2016	6,061	--	1,091	4,970
2014-2015	8,383	--	811	7,572
2013-2014	7,233	--	412	6,821
2012-2013	6,942	--	6,942	0
	<u>\$ 90,037</u>	<u>\$ 2,515,345</u>	<u>\$ 2,517,244</u>	<u>88,138</u>
				Less: allowance for uncollectible accounts:
				General Fund
				<u>1,763</u>
				Ad valorem taxes receivable - net
				<u>\$ 86,375</u>
				<u>Reconciliation to revenues:</u>
				Ad valorem taxes - General Fund
				\$ 2,524,829
				Reconciling items:
				Interest collected
				(14,947)
				Prior year releases and adjustments
				7,362
				<u>Subtotal</u>
				<u>(7,585)</u>
				Total collections and credits
				<u>\$ 2,517,244</u>

City of Cherryville, North Carolina
Analysis of Current Tax Levy
City - Wide Levy
June 30, 2023

	City - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	<u>\$ 483,720,192</u>	0.52	\$ 2,515,345	\$ 2,229,421	\$ 285,924
Net levy			2,515,345	2,229,421	285,924
Uncollected taxes at June 30, 2023			<u>29,060</u>	<u>29,060</u>	<u>-</u>
Current year's taxes collected			<u>\$2,486,285</u>	<u>\$2,200,361</u>	<u>\$285,924</u>
Current levy collection percentage			<u>98.84%</u>	<u>98.70%</u>	<u>100.00%</u>

COMPLIANCE SECTION

**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

October 24, 2023

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2023, 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 October 24, 2023. Our reports include 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 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 the 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 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 don't express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Butler & Stone

**Report On Compliance for Each Major Federal Program; Report on Internal Control
Over Compliance; With OMB Uniform Guidance and the State Single Audit
Implementation Act**

Independent Auditor's Report

October 24, 2023

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

Report on Compliance For Each Major Federal Program

We have audited the City of Cherryville, North Carolina compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Cherryville's major federal programs for the year ended June 30, 2023. The City of Cherryville's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with Federal and State statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Cherryville's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the *State Single Audit Implementation Act*. Those standards, the Uniform Guidance and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Cherryville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Cherryville's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Cherryville complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Report on Internal Control Over Compliance

Management of the City of Cherryville is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Cherryville's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Cherryville's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Butler & Stone

CITY OF CHERRYVILLE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2023

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Federal Grants:					
Cash Programs					
Coronavirus State Local Fiscal Recovery Funds	21.027		\$ 967,622	\$ _____	\$ _____
Total assistance - federal programs			<u>967,622</u>	<u>_____</u>	<u>-</u>
N.C. Department of Transportation:					
Powell Bill				203,775	_____
Total assistance - State programs				<u>203,775</u>	<u>-</u>
Total assistance			<u>\$ 967,622</u>	<u>\$ 203,775</u>	<u>\$ -</u>

Notes to the Schedule of Expenditures of Federal and State Financial Awards

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the City of Cherryville under the programs of the federal government and the State of North Carolina for the year ended June 30, 2023. The information in the SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Cherryville, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Cherryville.

Note 2: Summary of Significant Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

The City of Cherryville has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

CITY OF CHERRYVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2023

Section II – Financial Statement Findings

None reported.

Section III. Federal Award Findings and Questioned Costs

None reported.

Schedule IV. State Award Findings and Questioned Costs

None reported.

**CITY OF CHERRYVILLE
CORRECTIVE ACTION PLAN
For the Fiscal Year Ended June 30, 2023**

Section II – Financial Statement Findings

None.

CITY OF CHERRYVILLE, NORTH CAROLINA
Status of Prior Year Findings
For the Fiscal Year Ended June 30, 2023

There were no prior year findings.