

# CITY OF CHERRYVILLE, NORTH CAROLINA

## FINANCIAL STATEMENTS

Year Ended June 30, 2024

### City Council Members

H. L. Beam, Mayor  
Jon Abernathy  
Gary Freeman  
Jill Parker Puett  
Janice Hovis

### Administrative and Financial Staff

Brian Dalton, City Manager  
Dixie Wall, Finance Director

**City of Cherryville, North Carolina**  
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## **FINANCIAL SECTION**

September 24, 2024

## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Audit of Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate 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, 2024, and the related notes to the financial statements, which collectively comprise City of Cherryville's basic financial statements as listed in the table of contents.

In our opinion, based upon our audit and the audit of others, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Cherryville as of June 30, 2024, and the respective changes in financial position, and 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.

We did not audit the financial statements of the City of Cherryville's ABC Board, which represent 100 percent of the assets, net position, and revenues, of the aggregate discretely presented component units as of June 30, 2024, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Cherryville's ABC Board, is based solely on the report of the other auditors.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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. The financial statements of City of Cherryville's ABC Board were not audited in accordance with *Governmental Auditing Standards*.

#### ***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 known 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 a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for 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

- exercise 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 judgment, 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 through 11, and the Other Post Employment Benefit and Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions on pages 66 through 68, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions, on pages 64 through 65, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors<sup>6</sup> have applied certain limited procedures to the required supplementary information in

accordance with auditing standards generally accepted in the United States of America, which consist 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 financial statements, budgetary schedules, other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual fund financial statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2024, 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 the effectiveness of City of Cherryville's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Cherryville's internal control over financial reporting and compliance.

*Butler & Stowe*



## 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, 2024. 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

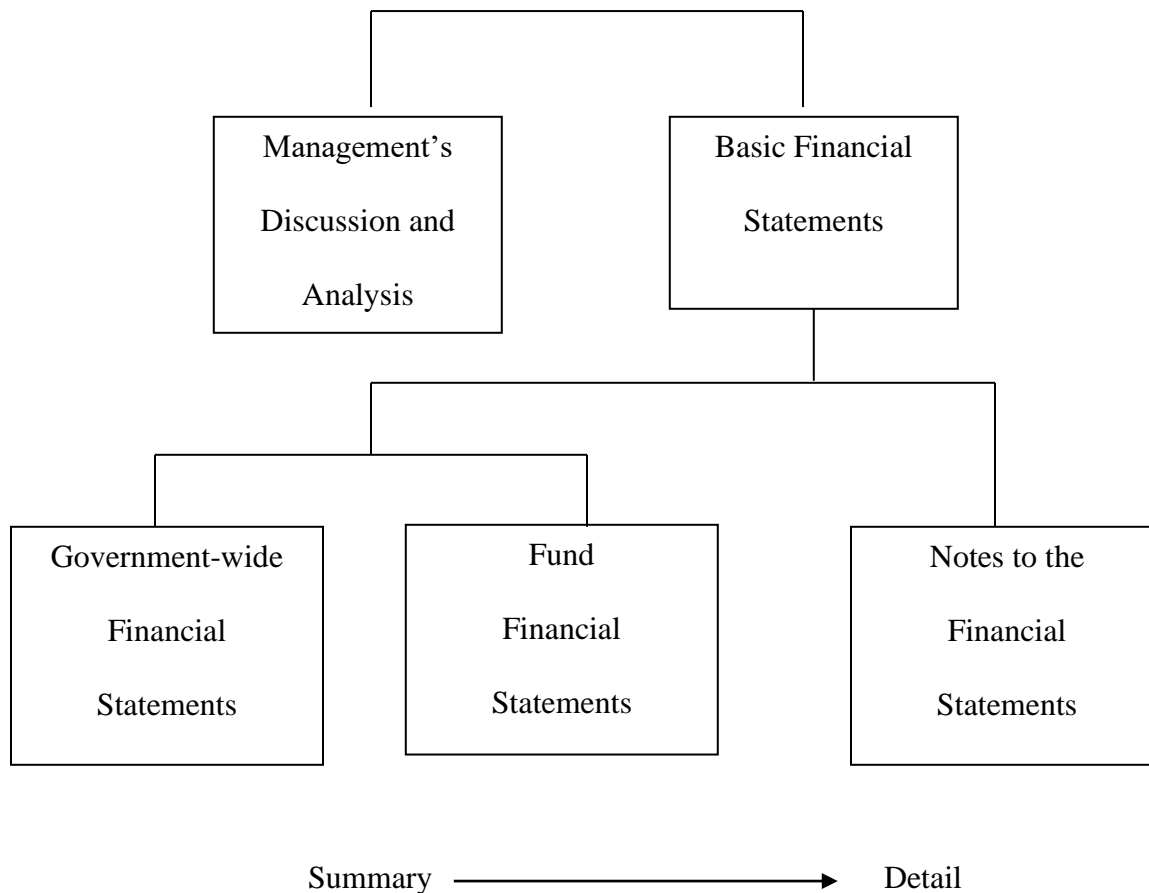
- The cumulative assets and deferred outflows of resources (net position) of the City of Cherryville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$23,470,038 (*net position*).
- The government's total net position for the fiscal year 2024 *increased* by \$30,622 due to an decrease in the governmental activities net position of \$612,259 and an increase in the business type activities net position of \$642,881.
- As of the close of the current fiscal year, the City of Cherryville's governmental funds reported combined ending fund balances of \$4,934,054, an increase of \$683,343 in comparison with the prior year.
- At the end of the fiscal year 2024, the unassigned fund balance for the General Fund was \$3,107,545 or 38.4 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	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 6,088,980	\$ 5,716,311	\$ 10,536,353	\$ 9,417,953	\$ 16,625,333	\$ 15,134,264
Capital assets	7,596,399	7,717,380	15,540,563	16,015,801	23,136,962	23,733,181
Other assets	55,427	78,304	12,584	16,266	68,011	94,570
Deferred outflows of resources	1,308,992	1,305,978	822,916	850,881	2,131,908	2,156,859
Total assets	<u>15,049,798</u>	<u>14,817,973</u>	<u>26,912,416</u>	<u>26,300,901</u>	<u>41,962,214</u>	<u>41,118,874</u>
Long-term liabilities	8,355,996	8,003,697	7,334,485	7,531,444	15,690,481	15,535,141
Other liabilities	973,832	550,579	1,086,056	941,217	2,059,888	1,491,796
Deferred inflows of resources	247,947	179,415	493,860	473,106	741,807	652,521
Total liabilities	<u>9,577,775</u>	<u>8,733,691</u>	<u>8,914,401</u>	<u>8,945,767</u>	<u>18,492,176</u>	<u>17,679,458</u>
Net position:						
Net investment in capital assets	5,857,083	5,826,350	15,540,563	16,015,801	21,397,646	21,842,151
Restricted	910,767	842,584	41,038	38,948	951,805	881,532
Unrestricted	(1,295,827)	(584,652)	2,416,414	1,300,385	1,120,587	715,733
Total net position	<u>\$ 5,472,023</u>	<u>\$ 6,084,282</u>	<u>\$ 17,998,015</u>	<u>\$ 17,355,134</u>	<u>\$ 23,470,038</u>	<u>\$ 23,439,416</u>

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 \$23,470,038 as of June 30, 2024. The City’s net position *increased* by \$30,622 for the fiscal year ended June 30, 2024. However, a large portion (91.1%) 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 \$951,805 (1.37%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,120,587 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 98.55%. The statewide average in fiscal year 2022 was 98.75%.

**City of Cherryville Changes in Net Position**

**Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues:						
Charges for services	\$ 824,045	\$ 867,538	\$ 9,556,314	\$ 9,177,465	\$ 10,380,359	\$ 10,045,003
Operating grants and contributions	1,173,469	406,045			1,173,469	406,045
Capital grants and contributions		-	396,816	-	396,816	-
General revenues:						
Property taxes	3,454,710	2,572,615			3,454,710	2,572,615
Other taxes	1,663,442	1,635,820			1,663,442	1,635,820
Other	494,378	484,470	110,243	513,329	604,621	997,799
Total revenues	<u>7,610,044</u>	<u>5,966,488</u>	<u>10,063,373</u>	<u>9,690,794</u>	<u>17,673,417</u>	<u>15,657,282</u>
Expenses:						
General Government	2,180,859	1,056,687			2,180,859	1,056,687
Public safety	3,018,333	2,770,013			3,018,333	2,770,013
Transportation	570,433	431,991			570,433	431,991
Economic development	422,285	478,081			422,285	478,081
Sanitation	652,883	617,548			652,883	617,548
Recreation	1,313,327	328,760			1,313,327	328,760
Cemetery	64,183	68,643			64,183	68,643
Water and sewer			3,611,070	3,334,205	3,611,070	3,334,205
Electric			5,809,422	5,935,500	5,809,422	5,935,500
Total expenses	<u>8,222,303</u>	<u>5,751,723</u>	<u>9,420,492</u>	<u>9,269,705</u>	<u>17,642,795</u>	<u>15,021,428</u>
Increase (decrease) in net position	<u>(612,259)</u>	<u>214,765</u>	<u>642,881</u>	<u>421,089</u>	<u>30,622</u>	<u>635,854</u>
Net position, beginning	6,084,282	5,869,517	17,355,134	16,934,045	23,439,416	22,803,562
Net position, ending	<u>\$ 5,472,023</u>	<u>\$ 6,084,282</u>	<u>\$ 17,998,015</u>	<u>\$ 17,355,134</u>	<u>\$ 23,470,038</u>	<u>\$ 23,439,416</u>

Management's Discussion and Analysis  
City of Cherryville

**Governmental activities.** Governmental activities decreased the City's net position by \$612,259. 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 \$642,881, 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 \$4,934,054. 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 63.6 percent of total General Fund expenditures.

At June 30, 2024, the governmental funds of City of Cherryville reported a combined fund balance of \$4,934,054 with a net decrease in fund balance of \$683,343.

**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 (\$2,891,233), and those for the Electric Fund amounted to \$5,307,647. The total decrease in net position for the Water and Sewer fund and the increase in net position for Electric Fund were \$324,436 and \$967,317, 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, 2024, totals \$23,136,962 (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 2024. 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	
	2024	2023	2024	2023	2024	2023
Land	\$ 862,700	\$ 862,700	\$ 102,929	\$ 102,929	\$ 965,629	\$ 965,629
Construction in progress	-	-	-	-	-	-
Buildings and systems	1,943,706	2,022,269	14,854,462	15,029,653	16,798,168	17,051,922
Improvements other than buildings	1,172,139	1,203,712			1,172,139	1,203,712
Machinery and equipment	1,398,526	1,424,335	583,172	883,219	1,981,698	2,307,554
Infrastructure	2,219,328	2,204,364			2,219,328	2,204,364
	<u>\$ 7,596,399</u>	<u>\$ 7,717,380</u>	<u>\$ 15,540,563</u>	<u>\$ 16,015,801</u>	<u>\$ 23,136,962</u>	<u>\$ 23,733,181</u>

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



Management’s Discussion and Analysis  
 City of Cherryville

**Long-term Debt:** As of June 30, 2024, the City of Cherryville had total debt outstanding of \$9,714,316. Of this, \$7,975,000 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	
	2024	2023	2024	2023	2024	2023
<b>General obligation bonds</b>	\$ 2,970,000	\$ 3,135,000	\$ 5,005,000	\$ 5,205,000	\$ 7,975,000	\$ 8,340,000
<b>Bond premium</b>	300,167	317,824	462,724	489,943	762,891	807,767
<b>Installment obligations</b>	1,739,316	1,891,030	-	-	1,739,316	1,891,030
	<b>\$ 5,009,483</b>	<b>\$ 5,343,854</b>	<b>\$ 5,467,724</b>	<b>\$ 5,694,943</b>	<b>\$ 10,477,207</b>	<b>\$ 11,038,797</b>

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, 2024, the City had a legal debt margin of approximately \$46,081,831.

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**

In North Carolina, the unemployment rate rose from 3.3% in June 2023 to 3.8% in June 2024. Similarly, Gaston County experienced an increase in its unemployment rate, reaching 4.0% in June 2024. Cherryville’s unemployment rate mirrors these trends, reflecting the broader economic conditions affecting both the state and the county.

The City of Cherryville continues to experience growth in both commercial and residential sectors, as evidenced by the issuance of various zoning and building permits. In 2024, the Planning and Zoning Department issued 11 new business permits, 1 duplex permit, and 17 permits for single-family homes on individual lots. Additionally, a new commercial building permit was granted, alongside permits for the construction of 5 multifamily apartment complexes, totaling 120 new units. Moreover, in fiscal year 2024, the City commenced construction on a new community gym, further enhancing amenities available to Cherryville residents.

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

Management's Discussion and Analysis  
City of Cherryville

- Cherryville is undergoing an exciting transformation, thanks to a private investor dedicated to revitalizing its downtown area. By renovating historic buildings and creating vibrant spaces for restaurants and other businesses, this initiative is not only enhancing the city's aesthetic appeal but also boosting the local economy. As new eateries and shops open their doors, they attract visitors and residents alike, fostering a sense of community and encouraging spending within the area. This influx of activity is revitalizing Cherryville, creating jobs, and setting the stage for a thriving local economy that benefits everyone.
- Modern Polymers, a Cherryville-based company specializing in the manufacture of components for BMW and Mercedes automotive assembly facilities, stands as one of the largest employers in the region. Their commitment to high-quality production not only supports the automotive industry but also plays a crucial role in the local economy by providing numerous job opportunities and fostering economic growth within the community.
- The City of Cherryville benefits from a diverse economic landscape, featuring several prominent employers, including Farris Fabricators, FleetNet, and Peak Resources. This diversity mitigates the city's reliance on a single large employer, ensuring that fluctuations in any one company's operations will have a limited impact on overall city revenues. Such a balanced employment structure enhances economic stability and resilience within the community.

**Budget Highlights for the Fiscal Year Ending June 30, 2025**

**Governmental Activities:** The city tax rate has been maintained at \$0.48 per one hundred dollars of valuation. For the fiscal year 2025, budgeted expenditures in the General Fund are projected to rise to \$7,207,625. This increase is primarily attributed to rising employee costs, including a 5% cost-of-living adjustment and a 7% increase in employee health insurance. Additionally, the budget accounts for the leasing of two additional vehicles for the police department and two trucks for the public works department.

**Business-type Activities:** The residential, commercial, and industrial water and sewer rates in the city have remained unchanged. The water/sewer fund has been identified as the fund of greatest concern. Historically, the fund has struggled due to maintenance costs. However, significant progress was made in fiscal year 2024 with the location and repair of numerous water lines, which is expected to result in reduced maintenance costs in the future. Additionally, electric rates for residential and commercial customers will remain constant in fiscal year 2025. The electric fund has experienced an increase to facilitate the purchase of materials for the infrastructure development of the new Calio Creek subdivision. Furthermore, an additional lineman position has been added to the electric fund in fiscal year 2025.

**Request for Information**

This report is intended to offer a comprehensive overview of the City's financial status. For inquiries regarding the information contained within this report or to request additional details, please contact the Director of Finance at the City of Cherryville, located at 116 Mountain Street, Cherryville, NC 28021. You may also reach us by phone at 704-435-1711 or visit our website at [www.cityofcherryville.com](http://www.cityofcherryville.com).

## **BASIC FINANCIAL STATEMENTS**

**City of Cherryville, North Carolina**  
**Statement of Net Position**  
**June 30, 2024**

	Primary Government			City of Cherryville ABC Board
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 4,159,165	\$ 5,088,555	\$ 9,247,720	\$ 450,758
Receivables:				
Taxes receivables (net)	105,424		105,424	-
Cemetery	6,550		6,550	-
Utilities	49,255		49,255	-
Other governments	566,214		566,214	-
Miscellaneous	5,187		5,187	-
Trade		1,668,392	1,668,392	-
Prepaid expenses		17,625	17,625	-
Internal balances			-	-
Inventory of supplies, at cost		774,529	774,529	225,968
Restricted cash and cash equivalents	1,197,185	2,987,252	4,184,437	-
Total current assets	6,088,980	10,536,353	16,625,333	676,726
Non-current assets:				
Right to use leased assets, net	55,427	12,584	68,011	
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	6,733,699		6,733,699	50,527
Electric System		1,738,164	1,738,164	
Water & sewer system		13,699,470	13,699,470	
Total depreciable capital assets, net of depreciation	6,733,699	15,437,634	22,171,333	50,527
Total capital assets	7,596,399	15,540,563	23,136,962	127,611
Total assets	13,740,806	26,089,500	39,830,306	804,337
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension deferrals	1,051,095	660,786	1,711,881	32,969
OPEB deferrals	257,897	162,130	420,027	-
Total deferred outflows of resources	1,308,992	822,916	2,131,908	32,969
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	545,658	714,207	1,259,865	128,217
Compensated absences	229,625	102,714	332,339	-
Accrued interest payable	26,912	22,216	49,128	-
Lease liability	17,885	5,230	23,115	-
Installment obligations	153,752		153,752	-
Payable from restricted assets		241,689	241,689	-
Total current liabilities	973,832	1,086,056	2,059,888	128,217
Long-term liabilities:				
Noncurrent portion of lease liability	43,399	10,236	53,635	
Other post employment obligations	1,829,178	833,256	2,662,434	
Net pension liability	1,627,688	1,023,269	2,650,957	24,373
Installment obligations	1,585,564		1,585,564	
Bonds payable	2,970,000	5,005,000	7,975,000	
Bond premium	300,167	462,724	762,891	
Total noncurrent liabilities	8,355,996	7,334,485	15,690,481	24,373
Total liabilities	9,329,828	8,420,541	17,750,369	152,590
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension deferrals	5,564	3,498	9,062	399
OPEB deferrals	242,383	152,377	394,760	-
Prepaid rent income		337,985	337,985	-
Total deferred inflows of resources	247,947	493,860	741,807	399
<b>NET POSITION</b>				
Net investment in capital assets	5,857,083	15,540,563	21,397,646	127,611
Restricted for:			-	
Stabilization by State Statute	629,324		629,324	-
Streets	281,443		281,443	-
Working Capital			-	49,574
Electric Rate Stabilization		41,038	41,038	-
Unrestricted	(1,295,827)	2,416,414	1,120,587	507,132
Total net position	\$ 5,472,023	\$ 17,998,015	\$ 23,470,038	\$ 684,317

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, 2024**

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	
<b>Primary government:</b>								
Governmental Activities:								
General government	\$ 2,180,859	\$	\$ 947,786	\$	\$ (1,233,073)	\$	\$ (1,233,073)	\$
Public safety	3,018,333				(3,018,333)		(3,018,333)	
Transportation	570,433		225,683		(344,750)		(344,750)	
Economic development	422,285				(422,285)		(422,285)	
Economic protection	652,883	725,335			72,452		72,452	
Recreation	1,313,327				(1,313,327)		(1,313,327)	
Cemetery	64,183	98,710			34,527		34,527	
Total governmental activities (See Note 1)	8,222,303	824,045	1,173,469	-	(6,224,789)		(6,224,789)	
Business-type activities:								
Water and sewer	3,611,070	3,099,344		103,535		(408,191)	(408,191)	
Electric	5,809,422	6,456,970		293,281		940,829	940,829	
Total business-type activities	9,420,492	9,556,314	-	396,816	-	532,638	532,638	
Total primary government	\$ 17,642,795	\$ 10,380,359	\$ 1,173,469	\$ 396,816	(6,224,789)	532,638	(5,692,151)	
Component unit:								
ABC Board	\$ 1,630,092	\$ 1,662,986	\$	\$				32,894
Total component unit	\$ 1,630,092	\$ 1,662,986	\$ -	\$ -	-	-	-	32,894
General revenues:								
Taxes:								
Property taxes, levied for general purpose					3,454,710		3,454,710	
Other taxes					1,663,442		1,663,442	
Investment earnings					469,949	110,243	580,192	8,256
Miscellaneous					24,429		24,429	
Total general revenues					5,612,530	110,243	5,722,773	8,256
Change in net position					(612,259)	642,881	30,622	41,150
Net position, beginning					6,084,282	17,355,134	23,439,416	643,167
Net position, ending					\$ 5,472,023	\$ 17,998,015	\$ 23,470,038	\$ 684,317

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

**City of Cherryville, North Carolina  
Balance Sheet  
Governmental Funds  
June 30, 2024**

	<b>General</b>		<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,159,165		\$ 4,159,165
Restricted cash and cash equivalents	1,197,185	-	1,197,185
Receivables, net:			
Taxes	105,424	-	105,424
Due from other governments	447,719	-	447,719
Due from other funds			-
Other	181,605	-	181,605
Total assets	6,091,098	-	6,091,098
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	545,253	-	545,253
Note payable	506,367	-	506,367
	1,051,620	-	1,051,620
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes and tags receivable	105,424	-	105,424
	105,424	-	105,424
<b>FUND BALANCES</b>			
Restricted			
Stabilization by State Statute	629,324	-	629,324
Streets	281,443	-	281,443
All other	578,967		578,967
Reserved for USDA	72,188		72,188
Economic Development	264,587	-	264,587
Unassigned	3,107,545	-	3,107,545
Total fund balances	4,934,054	-	4,934,054
Total liabilities, deferred inflows of resources and fund balances	\$ 6,091,098	\$ -	

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	\$	350,195
Depreciation expense for governmental assets		(471,176)
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		115,558
Accumulated amortization		<u>(60,132)</u>
		55,426
Deferred outflows of resources related to pensions are not reported in the funds		28,768
Deferred outflows of resources related to OPEB are not reported in the funds		(5,102)
Deferred inflows of resources related to pensions are not reported in the funds		366,212
Deferred inflows of resources related to OPEB are not reported in the funds		(68,925)
Other long-term liabilities (bonds payable, accrued interest, and compensated absences) are not due and payable in the current period		<u>282,571</u>
Net position of governmental activities	<u>\$</u>	<u><u>5,472,023</u></u>

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

**City of Cherryville, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2024**

	Major Funds		Total Governmental Funds
	General Fund		
<b>REVENUES</b>			
Ad valorem taxes	\$ 3,407,120	\$	\$ 3,407,120
Other taxes and licenses	47,590		47,590
Unrestricted intergovernmental	1,663,442		1,663,442
Restricted intergovernmental	1,178,701		1,178,701
Permits and fees	19,541		19,541
Sales and services	824,045		824,045
Investment earnings	469,949		469,949
Grant revenue			-
Miscellaneous	1,160,121		1,160,121
Total revenues	8,770,509	-	8,770,509
<b>EXPENDITURES</b>			
Current:			
Administration	1,479,459		1,479,459
Economic development	457,929		457,929
Police	2,046,314		2,046,314
Fire	1,222,831		1,222,831
Public works	128,804		128,804
Streets	292,629		292,629
Powell Bill	298,725		298,725
Sanitation	854,386		854,386
Recreation	1,241,906		1,241,906
Cemetery	64,183		64,183
Total expenditures	8,087,166	-	8,087,166
<b>OTHER FINANCING SOURCES</b>			
Transfer to Water & Sewer Fund			-
			-
	-	-	-
Excess (deficiency) of revenues over expenditures	683,343	-	683,343
Fund balances, beginning	4,250,711	-	4,250,711
Fund balances, ending	\$ 4,934,054	\$ -	\$ 4,934,054

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, 2024**

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

Net changes in fund balances - total governmental funds		\$ 683,343
<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	\$ 350,195	
Depreciation expense for governmental assets	(471,176)	
Loss on disposal of assets	<u>                    </u>	(120,981)
Right to use leased asset capital outlay expenditures which were capitalized	\$ 115,558	
Accumulated amortization	<u>(60,132)</u>	55,426
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	316,714	
Decrease in accrued interest payable	<u>(1,390)</u>	315,324
<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	(22,465)	
Pension expense	(504,648)	
OPEB plan expense	<u>(1,035,915)</u>	<u>(1,563,028)</u>
Total changes in net position of governmental activities		<u>\$ (612,259)</u>

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

**City of Cherryville, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2024**

	<b>General Fund</b>			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>				
Ad valorem taxes	\$ 3,015,900	\$ 3,015,900	\$ 3,407,120	\$ 391,220
Other taxes and licenses	47,000	47,000	47,590	590
Unrestricted intergovernmental	1,421,000	1,421,000	1,663,442	242,442
Restricted intergovernmental	205,000	1,071,500	1,178,701	107,201
Permits and fees	17,000	17,000	19,541	2,541
Sales and services	816,500	816,500	824,045	7,545
Investment earnings	83,200	83,200	469,949	386,749
Miscellaneous	32,000	1,037,000	1,160,121	123,121
Total revenues	<u>5,637,600</u>	<u>7,509,100</u>	<u>8,770,509</u>	<u>1,261,409</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Administration	710,950	1,582,450	1,479,459	102,991
Economic development	686,055	686,055	457,929	228,126
Police	2,179,150	2,179,150	2,046,314	132,836
Fire	1,285,200	1,285,200	1,222,831	62,369
Public works	133,475	133,475	128,804	4,671
Streets	410,620	410,620	292,629	117,991
Powell Bill	348,200	348,200	298,725	49,475
Sanitation	692,100	933,500	854,386	79,114
Recreation	267,200	1,267,200	1,241,906	25,294
Cemetary	88,575	88,575	64,183	24,392
Total expenditures	<u>6,801,525</u>	<u>8,914,425</u>	<u>8,087,166</u>	<u>827,259</u>
Revenues over (under) expenditures	(1,163,925)	(1,405,325)	683,343	2,088,668
<b>Other financing resources:</b>				
Fund balance appropriated	1,032,725	1,274,125	-	(1,274,125)
Powell Bill appropriated	131,200	131,200	-	(131,200)
	<u>1,163,925</u>	<u>1,405,325</u>	<u>-</u>	<u>(1,405,325)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	683,343	<u>\$ 683,343</u>
Fund balances, beginning			<u>4,250,711</u>	
Fund balances, ending			<u>\$ 4,934,054</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, 2024**

	<b>Major Enterprise Funds</b>		
	<b>Electric Fund</b>	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 4,686,746	\$ 401,809	\$ 5,088,555
Accounts receivable (net)	1,097,108	571,284	1,668,392
Other receivables			-
Inventories	683,474	91,055	774,529
Prepaid expenses	17,625		17,625
Due from other funds			-
Restricted cash and cash equivalents	192,720	2,794,532	2,987,252
Total current assets	<u>6,677,673</u>	<u>3,858,680</u>	<u>10,536,353</u>
Noncurrent assets:			
Right of use assets, net	2,574	10,010	12,584
Capital assets:			
Land and other non-depreciable assets		102,929	102,929
Other capital assets, net of depreciation	1,738,164	13,699,470	15,437,634
Capital assets (net)	<u>1,738,164</u>	<u>13,802,399</u>	<u>15,540,563</u>
Total noncurrent assets	<u>1,740,738</u>	<u>13,812,409</u>	<u>15,553,147</u>
Total assets	<u>\$ 8,418,411</u>	<u>\$ 17,671,089</u>	<u>\$ 26,089,500</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	\$ 255,755	\$ 405,031	\$ 660,786
OPEB deferrals	62,752	99,378	162,130
Total deferred outflows of resources	<u>\$ 318,507</u>	<u>\$ 504,409</u>	<u>\$ 822,916</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	659,507	54,700	714,207
Accrued interest payable		22,216	22,216
Compensated absences - current	56,827	45,887	102,714
Lease liability-current	3,160	2,070	5,230
Liabilities payable from restricted assets:			
Customer deposits	151,682	90,007	241,689
Total current liabilities	<u>871,176</u>	<u>214,880</u>	<u>1,086,056</u>
Noncurrent liabilities:			
Lease liability-noncurrent		10,236	10,236
Other post employment benefits	322,509	510,747	833,256
Net pension liability	396,053	627,216	1,023,269
General obligation bonds payable		5,005,000	5,005,000
Premium on bonds payable		462,724	462,724
Total noncurrent liabilities	<u>718,562</u>	<u>6,615,923</u>	<u>7,334,485</u>
Total liabilities	<u>1,589,738</u>	<u>6,830,803</u>	<u>8,420,541</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	1,354	2,144	3,498
OPEB deferrals	58,977	93,400	152,377
Total rent income		337,985	337,985
Total deferred inflows of resources	<u>60,331</u>	<u>433,529</u>	<u>493,860</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,738,164	13,802,399	15,540,563
Restricted - rate stabilization	41,038	-	41,038
Unrestricted	5,307,647	(2,891,233)	2,416,414
Total net position	<u>\$ 7,086,849</u>	<u>\$ 10,911,166</u>	<u>17,998,015</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, 2024**

	<b>Major Enterprise Funds</b>		
	<b>Electric Fund</b>	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 6,444,981	\$ 3,006,020	\$ 9,451,001
Water and sewer taps		63,805	63,805
Other operating revenues	11,989	29,519	41,508
<b>Total operating revenues</b>	<b>6,456,970</b>	<b>3,099,344</b>	<b>9,556,314</b>
<b>OPERATING EXPENSES</b>			
Salaries and benefits	814,229	590,758	1,404,987
Other operating expenses	1,336,031	944,177	2,280,208
Electric power purchases	3,378,651		3,378,651
Water treatment and distribution		790,733	790,733
Waste collection and treatment		535,387	535,387
Depreciation	280,511	750,015	1,030,526
<b>Total operating expenses</b>	<b>5,809,422</b>	<b>3,611,070</b>	<b>9,420,492</b>
<b>Operating income (loss)</b>	<b>647,548</b>	<b>(511,726)</b>	<b>135,822</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	26,488	83,755	110,243
Grant and donation revenue	293,281	103,535	396,816
Other			-
Interest and other charges			-
<b>Total nonoperating revenue (expenses)</b>	<b>319,769</b>	<b>187,290</b>	<b>507,059</b>
<b>Income (loss) before contributions and transfers</b>	<b>967,317</b>	<b>(324,436)</b>	<b>642,881</b>
Transfers to other funds	-	-	-
<b>Change in net position</b>	<b>967,317</b>	<b>(324,436)</b>	<b>642,881</b>
<b>Total net position, beginning</b>	<b>6,119,532</b>	<b>11,235,602</b>	<b>17,355,134</b>
<b>Total net position, ending</b>	<b>\$ 7,086,849</b>	<b>\$ 10,911,166</b>	<b>\$ 17,998,015</b>

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, 2024**

	<b>Major Enterprise Funds</b>		
	<b>Electric Fund</b>	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 6,773,271	\$ 2,959,776	\$ 9,733,047
Cash paid for goods and services	(4,714,682)	(2,270,297)	(6,984,979)
Cash paid to or on behalf of employees for services	(814,229)	(590,758)	(1,404,987)
Customer deposits received		2,335	2,335
Customer deposits returned	(362)		(362)
Net cash provided by operating activities	<u>1,243,998</u>	<u>101,056</u>	<u>1,345,054</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Increase in due to other funds			-
Decrease in due from other funds			-
Total cash flows from noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(499,131)	(246,427)	(745,558)
Right to use leased assets	(33,178)	14,251	(18,927)
Installment principal payments		(200,000)	(200,000)
Bond premium		(27,219)	(27,219)
Net cash provided (used) by capital and related financing activities	<u>(532,309)</u>	<u>(459,395)</u>	<u>(991,704)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Increase in Electric Rate Stabilization	2,090		2,090
Donations	293,281	103,535	396,816
Interest and dividends	26,488	83,755	110,243
Net cash provided by investing activities	<u>321,859</u>	<u>187,290</u>	<u>509,149</u>
Net increase (decrease) in cash and cash equivalents	1,033,548	(171,049)	862,499
Balances, beginning	<u>3,845,918</u>	<u>3,367,390</u>	<u>7,213,308</u>
Balances, ending	<u>\$ 4,879,466</u>	<u>\$ 3,196,341</u>	<u>\$ 8,075,807</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, 2024**

	<b>Major Enterprise Funds</b>		
	<b>Electric Fund</b>	<b>Water and Sewer Fund</b>	<b>Total</b>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 647,548	\$ (511,726)	\$ 135,822
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	280,511	750,015	1,030,526
Changes in assets, deferred outflows of resources, and liabilities:			
(Increase) decrease in accounts receivable	(122,940)	(41,359)	(164,299)
(Increase) decrease in other receivables		4,698	4,698
(Increase) decrease in inventory	(78,738)	(16,050)	(94,788)
(Increase) decrease in prepaid items	(1,512)		(1,512)
(Increase) decrease in due from other governments			-
(Increase) decrease in deferred outflows of resources - pensions	882	4,406	5,288
(Increase) decrease in deferred outflows of resources - OPEB	8,454	14,223	22,677
Increase (decrease) in net pension liability	42,078	62,487	104,565
Increase (decrease) in deferred inflows of resources - pensions	(141)	(242)	(383)
Increase (decrease) in deferred inflows of resources - OPEB	15,434	23,931	39,365
Increase (decrease) in deferred inflows of resources - prepaid rents		(18,228)	(18,228)
Increase (decrease) in accounts payable and accrued liabilities	467,010	(150,175)	316,835
Decrease in accrued interest payable		(1,334)	(1,334)
Increase (decrease) in customer deposits	(362)	2,335	1,973
Increase (decrease) in accrued vacation pay	3,823	10,652	14,475
Increase (decrease) in OPEB liability	(18,049)	(32,577)	(50,626)
Total adjustments	<u>596,450</u>	<u>612,782</u>	<u>1,209,232</u>
Net cash provided by operating activities	<u>\$ 1,243,998</u>	<u>\$ 101,056</u>	<u>\$ 1,345,054</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, 2024**

**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, 2024**

**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.

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, 2024**

**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, 2024

#### **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, 2024

#### 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, 2024**

**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	\$ 281,443
Cemetary	34,949
Bonds	616,206
Economic Development	<u>264,587</u>

Total governmental activities \$1,197,185

Business-type activities

Electric Fund

Customer deposits	\$ 151,682
Rate stabilization fund	41,038

Water and Sewer Fund

Bonds	2,704,525
Customer deposits	<u>90,007</u>

Total business-type activities \$2,987,252

Total Restricted Cash \$ 4,184,437

**City of Cherryville, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2024**

**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 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2023.

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, 2024**

**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 2024 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, 2024**

**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.

**City of Cherryville, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2024**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

**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, 2024**

**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, 2024

#### 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.

##### 12. Defined Benefit Cost-Sharing Plans

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

#### 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, 2024**

**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, 2024, the City's deposits had a carrying amount of \$1,937,232 and a bank balance of \$2,065,717. 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, 2024, 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, 2024, the City of Cherryville had \$11,491,128 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, 2024 are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$2,152
Accounts receivable	<u>1,005</u>
Total General Fund	3,157
Enterprise Funds	<u>15,207</u>
Total	<u>\$18,364</u>

**City of Cherryville, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2024**

**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, 2024, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 862,700	\$ -	\$ -	\$ 862,700
		-		-
Total capital assets not being depreciated	<u>862,700</u>	<u>-</u>	<u>-</u>	<u>862,700</u>
<b>Capital assets being depreciated:</b>				
Other improvements	1,511,679			1,511,679
Buildings	6,384,468	-		6,384,468
Equipment	1,340,223		-	1,340,223
Vehicles and motorized equipment	2,872,091	238,500	-	3,110,591
Infrastructure	2,785,013	111,695		2,896,708
Total capital assets being depreciated	<u>14,893,474</u>	<u>350,195</u>	<u>-</u>	<u>15,243,669</u>
<b>Less accumulated depreciation for:</b>				
Other improvements	307,967	31,573		339,540
Buildings	4,362,199	78,563		4,440,762
Equipment	920,104	109,993	-	1,030,097
Vehicles and motorized equipment	1,867,875	154,316	-	2,022,191
Infrastructure	580,649	96,731		677,380
Total accumulated depreciation	<u>8,038,794</u>	<u>471,176</u>	<u>-</u>	<u>8,509,970</u>
Total capital assets being depreciated, net	<u>6,854,680</u>			<u>6,733,699</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 7,717,380</u>			<u>\$ 7,596,399</u>

**City of Cherryville, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2024**

**NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)**

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

General government	\$ 20,591
Public safety	169,624
Transportation	113,082
Environmental protection	89,523
Cultural and recreational	<u>78,356</u>
Total depreciation expense	<u>\$ 471,176</u>

**City of Cherryville, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2024**

**NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)**

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<i>Electric Fund</i>				
<b>Capital assets not being depreciated:</b>				
Idle asset		\$		\$ -
Construction in progress	-	-		-
Total assets not being depreciated	-	-	-	-
<b>Capital assets being depreciated:</b>				
Substations, lines, and related equipment	3,518,419	308,830		3,827,249
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	5,180,485	308,830	-	5,489,315
<b>Less accumulated depreciation for:</b>				
Substations, lines, and related equipment	2,264,410	122,645		2,387,055
Furniture and equipment	341,458	65,912		407,370
Vehicles and motorized equipment	808,686	85,638		894,324
Computer equipment	56,086	6,316		62,402
Total accumulated depreciation	3,470,640	\$ 280,511	\$ -	3,751,151
Total capital assets being depreciated, net	1,709,845			1,738,164
Electric fund capital assets, net	\$ 1,709,845			\$ 1,738,164

**City of Cherryville, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2024**

**NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)**

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<i>Water and Sewer Fund</i>				
<b>Capital assets not being depreciated:</b>				
Land	102,929	-	-	102,929
				-
Total capital assets not being depreciated	102,929	-	-	102,929
<b>Capital assets being depreciated:</b>				
Plant and distribution systems	25,936,964	246,457		26,183,421
Furniture and equipment	936,258			936,258
Vehicles and motorized equipment	222,512			222,512
Computer equipment	79,996			79,996
Total capital assets being depreciated	27,175,730	246,457	-	27,422,187
<b>Less accumulated depreciation for:</b>				
Plant and distribution systems	12,161,319	607,834		12,769,153
Furniture and equipment	573,066	124,902		697,968
Vehicles and motorized equipment	165,038	10,776		175,814
Computer equipment	73,279	6,503		79,782
Total accumulated depreciation	12,972,702	750,015	-	13,722,717
Total capital assets being depreciated, net	14,203,028			13,699,470
Water and Sewer fund capital assets, net	14,305,957			13,802,399
<b>Business-type activities capital assets, net</b>	<b>\$ 16,015,801</b>			<b>\$ 15,540,563</b>

**City of Cherryville, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2024**

**NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)**

**Discretely presented component unit**

Activity for the ABC Board for the year ended June 30, 2024, 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>2,822</u>		<u>119,527</u>
Total	<u>339,499</u>	<u>2,822</u>		<u>342,321</u>
Less accumulated depreciation for:				
Buildings	<u>196,897</u>	<u>1,786</u>		<u>198,683</u>
Furniture and equipment	<u>89,319</u>	<u>3,792</u>		<u>93,111</u>
Total	<u>286,216</u>	<u>5,578</u>		<u>291,794</u>
ABC capital assets, net of depreciation	<u>53,283</u>			<u>50,527</u>
Total capital assets, net of depreciation	<u>\$130,367</u>			<u>\$127,611</u>



**City of Cherryville, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2024**

**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 year ended June 30, 2024 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending</u> <u>Balance</u>
Right to use assets, net	<u>\$ 94,570</u>	<u>\$</u>	<u>\$26,559</u>	<u>\$68,011</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, 2024**

**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](http://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

**City of Cherryville, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2024**

**NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)**

of Cherryville's contractually required contribution rate for the year ended June 30, 2024, was 14.04% of compensation for law enforcement officers and 12.92% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Cherryville were \$523,984 for the year ended June 30, 2024.

*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, 2024, the City reported a liability of \$2,650,957 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. The total pension liability was then rolled forward to the measurement date of June 30, 2023 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, 2023 (measurement date), the City's proportion was 0.04003%, which was an decrease of 0.00125% from its proportion measured as of June 30, 2024.

For the year ended June 30, 2024, the City recognized pension expense of \$821,902. At June 30, 2024, 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, 2024**

**NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 295,395	\$ 6,359
Changes of assumptions	112,650	-
Net difference between projected and actual earnings on pension plan investments	709,512	
Changes in proportion and differences between City contributions and proportionate share of contributions	70,340	2,703
City contributions subsequent to the measurement date	523,984	-
Total	\$ 1,711,881	\$ 9,062

\$523,984 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, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2025	\$ 447,823
2026	227,765
2027	473,246
2028	30,002
2029	-
Thereafter	-
	\$ 1,178,836

# City of Cherryville, North Carolina

## Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2024

### NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

*Actuarial Assumptions.* The total pension liability in the December 31, 2022 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	4.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2022 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, 2024 are summarized in the following table:

**City of Cherryville, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2024**

**NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)**

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2024 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 4.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate.* The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 4.00 percent, as well as what the City’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (3.00 percent) or one percentage point higher (5.00 percent) than the current rate:

**City of Cherryville, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2024**

**NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)**

	<b>1% Decrease (3.00%)</b>	<b>Discount Rate (4.00%)</b>	<b>1% Increase (5.00%)</b>
City's proportionate share of the net pension liability (asset)	\$ 4,592,678	\$ 2,650,957	\$1,052,350

*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, 2022, 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>12</u>
Total	<u>12</u>

**City of Cherryville, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2024**

**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, 2022 valuation. The total pension liability in the December 31, 2022 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	4.00 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, 2022.

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, 2024**

**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, 2024, the City reported a total pension liability of \$457,080. The total pension liability was measured as of December 31, 2023 based on a December 31, 2022 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2023 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2024, the City recognized pension expense of \$24,912.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 26,169	\$ 67,122
Changes of assumptions	72,856	78,562
County benefit payments and plan administrative expense made subsequent to the measurement date		-
Total	\$ 99,025	\$ 145,684

\$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:

2025	\$ (3,160)
2026	6,397
2027	(9,614)
2028	(23,472)
2029	(14,930)
Thereafter	(1,910)

*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 4.00 percent, as

**City of Cherryville, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2024**

**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 (3.00 percent) or 1-percentage-point higher (5.00 percent) than the current rate:

	<b>1% Decrease (3.00%)</b>	<b>Discount Rate (4.00%)</b>	<b>1% Increase (5.00%)</b>
Total pension liability	\$ 495,316	\$ 457,080	\$ 421,733

**Law Enforcement Officers' Special Separation Allowance**

	<b>2024</b>
Beginning balance	\$ 465,052
Service Cost	18,012
Interest on the total pension liability	20,044
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(56,509)
Changes of assumptions or other inputs	10,481
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 457,080</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, 2022 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, 2024**

**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	\$ 821,902	\$ 24,912	\$ 846,814
Pension Liability	2,650,957	457,080	3,108,037
Proportionate share of the net pension liability	0.04003%	n/a	
 Deferred Outflows of Resources			
Differences between expected and actual experience	295,395	26,169	321,564
Changes of assumptions	112,650	72,856	185,506
Net difference between projected and actual earnings on plan investments	709,512		709,512
Changes in proportion and differences between contributions and proportionate share of contributions	70,340	-	70,340
Benefit payments and administrative costs paid subsequent to the measurement date	523,984		523,984
 Deferred Inflows of Resources			
Differences between expected and actual experience	6,359	67,122	73,481
Changes of assumptions	-	78,562	78,562
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	2,703	-	2,703

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, 2024**

**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 \$59,061 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 \$140,336 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, 2024**

**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, 2023, the date of the latest actuarial valuation.

	General Employees	Law Enforcement Officers
Retirees receiving benefits	11	0
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	59	12
Total	<u>70</u>	<u>12</u>

**Total OPEB Liability**

The City's total OPEB liability of \$2,158,696 was measured as of June 30, 2023 (measurement date) based on data, assumptions, and results of the actuarial valuation as of June 30, 2023 (valuation date).

*Actuarial assumptions and other inputs.* The total OPEB liability in the June 30, 2023 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	3.65 percent
Healthcare cost trend rates	
Pre-Medicare	7.00 percent for 2023 decreasing to an ultimate rate of 4.50 percent by 2033

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, 2024**

**NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)**

**Changes in the Total OPEB Liability**

	<b>Total OPEB Liability</b>
<b>Balance at June 30, 2023</b>	\$2,240,511
<b>Changes for the year</b>	
Service cost	80,714
Interest	80,425
Differences between expected and actual experience	(189,479)
Changes in assumptions or other inputs	46,046
Benefit payments	(99,521)
<b>Net changes</b>	<u>(81,815)</u>
<b>Balance at June 30, 2024</b>	<u>\$ 2,158,696</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.54% to 3.65%.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table. The actuarial assumptions used in the June 30, 2023 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*

	<b>1% Decrease</b>	<b>Discount Rate (3.65%)</b>	<b>1% Increase</b>
Total OPEB liability	\$ 2,345,587	\$ 2,158,696	\$ 1,991,475

*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, 2024**

**NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED )**

	1% Decrease	Current	1% Increase
Total OPEB liability	\$ 1,968,465	\$ 2,158,696	\$ 2,380,913

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

For the year ended June 30, 2024, the City recognized OPEB expense of \$174,427. At June 30, 2024, 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	\$ 92,748	\$ 171,991
Changes of assumptions	327,279	222,769
Benefit payment and administrative costs made subsequent to the measurement date		
	\$ 420,027	\$ 394,760

\$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, 2024. 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, 2024**

**NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)**

2025	\$	23,381
2026		26,579
2027		26,069
2028		17,891
2029		(17,135)
Thereafter		(51,518)

**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, 2024**

**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	\$ 523,984
Benefit payments and administrative expenses for LEOSA made subsequent to measurement date	
Differences between expected and actual experience	414,312
Changes in assumptions	512,785
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	\$ 1,451,081

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable (General Fund)	\$ -	\$ 105,424
Prepaid rent income (Water and Sewer Fund)	337,985	-
Changes in assumptions	301,331	-
Differences between expected and actual experience	245,472	
Net difference between projected and actual earnings on pension plan investments		
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,703	
Total	\$ 887,491	\$ 105,424

## City of Cherryville, North Carolina

### Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2024

#### 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, 2024**

**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
2025	\$ 165,000	\$ 79,200	\$ 210,000	\$ 129,000
2026	165,000	72,600	220,000	120,500
2027	165,000	66,000	230,000	111,500
2028	165,000	59,400	235,000	102,200
2029	165,000	52,800	245,000	92,600
2030-2034	825,000	179,850	1,360,000	330,500
2035-2039	825,000	90,750	1,520,000	175,700
2040-2042	495,000	14,850	985,000	29,850
Total	\$2,970,000	\$ 615,450	\$5,005,000	\$1,091,850

**City of Cherryville, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2024**

**NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)**

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.

Annual debt service payments of the installment purchases as of June 30, 2024 are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2025	\$ 153,752	\$ 59,705		
2026	157,022	252,116		
2027	131,194	52,765		
2028	133,837	50,063		
2029-2033	282,483	215,121		
2034-2038	222,180	168,253		
2039-2043	276,397	111,615		
2044-2048	382,451	39,332		
Total	\$1,739,316	\$ 948,970		

**City of Cherryville, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2024**

**NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)**

At June 30, 2024, 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	\$ 1,891,030	\$	\$ 151,714	\$ 1,739,316	\$ 153,752
Lease liabilities	46,007	20,750	5,473	61,284	17,885
Compensated absences	234,011		4,386	229,625	229,625
Total OPEB liability	1,356,629	472,549		1,829,178	
Net pension liability (LGERS)	1,410,077	217,611	-	1,627,688	
Governmental activity long-term liabilities	<u>\$ 4,937,754</u>	<u>\$ 710,910</u>	<u>\$ 161,573</u>	<u>\$ 5,487,091</u>	<u>\$ 401,262</u>
Business-type activities:					
Lease liability-noncurrent	\$ 35,985	\$	\$ 20,519	\$ 15,466	\$ 5,230
Total OPEB liability	883,882	-	50,626	833,256	
Net pension liability (LGERS)	918,704	104,565	-	1,023,269	
Compensated absences	88,239	14,475		102,714	102,714
Business-type activity long-term liabilities	<u>\$ 1,926,810</u>	<u>\$ 119,040</u>	<u>\$ 71,145</u>	<u>\$ 1,974,705</u>	<u>\$ 107,944</u>

**c. Interfund Balances and Activity**

Balances due to / from other funds at June 30, 2024 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, 2024**

**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	\$ 7,596,399	\$ 15,540,563
Less: long-term debt	1,739,316	
Add: unexpended debt proceeds		
Net investment in capital assets	<u>\$ 5,857,083</u>	<u>\$ 15,540,563</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:

<b><i>Total fund balance-General Fund</i></b>	<b>\$4,934,054</b>
<b>Less:</b>	
<b>Stabilization by State Statute</b>	629,324
<b>Streets-Powell Bill</b>	281,443
<b>Committed for USDA reserves</b>	72,188
<b>All other</b>	578,967
<b>Committed for Economic Development</b>	264,587
<b>Remaining Fund Balance</b>	<b>3,107,545</b>

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 balance, \$337,985, at June 30, 2024, is presented in the Business-type Activities and the Proprietary Funds Statements of Net Position as a deferred inflow of resources.

## **City of Cherryville, North Carolina**

### **Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2024**

#### **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 \$1,683 to the Council during the fiscal year ended June 30, 2024.

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, 2024 were \$3,378,651.

#### **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 Ten Fiscal Years \***

**Local Government Employees' Retirement System**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cherryville's proportion of the net pension liability (asset) (%)	0.04003%	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) (\$)	\$ 2,650,957	\$ 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	\$ 3,978,435	\$ 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	66.63%	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%	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 Ten Fiscal Years**

**Local Government Employees' Retirement System**

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 523,984	\$ 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	523,984	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>	<u>\$ -</u>
Cherryville's covered payroll	\$ 3,978,435	\$ 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	13.17%	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, 2024**

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Beginning balance	\$ 465,052	\$ 499,477	\$ 490,232	\$ 272,156	\$ 275,549	\$ 362,221	\$ 323,129
Service Cost	18,012	32,972	32,166	18,878	15,322	16,871	17,578
Interest on the total pension liability	20,044	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	(56,509)	19,907	(14,765)	32,186	(33,246)	(95,641)	(11,932)
Changes of assumptions or other inputs	10,481	(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>\$ 457,080</u>	<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, 2024**

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Total pension liability	\$ 457,080	\$ 465,052	\$ 499,477	\$ 490,232	\$ 272,156	\$ 275,549	\$ 362,221
Covered payroll	717,005	781,179	736,013	720,047	621,821	591,973	613,686
Total pension liability as a percentage of covered payroll	63.75%	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, 2024**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Total OPEB Liability</b>						
Service cost	80,714	107,653	83,298	60,651	60,422	62,630
Interest	80,425	54,462	44,469	60,762	61,848	55,650
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(189,479)	2,019	149,234	(104)	(24,685)	198
Changes of assumptions	46,046	(296,329)	289,157	200,140	39,887	(50,172)
Benefit payments	(99,521)	(81,645)	(80,895)	(55,065)	(48,908)	(34,422)
<b>Net change in total OPEB liability</b>	<u>(81,815)</u>	<u>(213,840)</u>	<u>485,263</u>	<u>266,384</u>	<u>88,564</u>	<u>33,884</u>
<b>Total OPEB liability - beginning</b>	<u>2,240,511</u>	<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>
<b>Total OPEB liability - ending</b>	<u><u>2,158,696</u></u>	<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>
<b>Covered payroll</b>	3,263,223	2,956,131	2,956,131	2,670,874	2,670,874	3,116,422
<b>Total OPEB liability as a percentage of covered payroll</b>	66.15%	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>
2024	3.65%
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, 2024**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes	\$	\$ 3,102,309	\$
Vehicle taxes		288,301	
Penalties and interest		16,510	
Total	<u>3,015,900</u>	<u>3,407,120</u>	<u>391,220</u>
Other taxes and licenses:			
Motor vehicle licenses		47,590	
Total	<u>47,000</u>	<u>47,590</u>	<u>590</u>
Unrestricted intergovernmental:			
Local option sales taxes		1,192,850	
Utility franchise tax		390,724	
Beer and wine tax		30,368	
ABC profit distribution		49,500	
Total	<u>1,421,000</u>	<u>1,663,442</u>	<u>242,442</u>
Restricted intergovernmental:			
Powell Bill allocation		225,683	
Grants		948,086	
Solid waste disposal tax		4,932	
Total	<u>1,071,500</u>	<u>1,178,701</u>	<u>107,201</u>
Permits and fees:			
Zoning permits		17,080	
Court fees		2,461	
Total	<u>17,000</u>	<u>19,541</u>	<u>2,541</u>
Sales and services:			
Cemetery sales		98,710	
Yard waste fees		104,814	
Fire protection charges		5,865	
Sanitary landfill fees		614,656	
Total	<u>816,500</u>	<u>824,045</u>	<u>7,545</u>
Investment earnings:			
General Fund		444,800	
Interest earned-Powell Bill		25,149	
Total	<u>83,200</u>	<u>469,949</u>	<u>386,749</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, 2024**

	Budget	Actual	Variance Positive (Negative)
Miscellaneous:			
Rents and leases		18,710	
Other revenues		1,141,411	
Total	<u>1,037,000</u>	<u>1,160,121</u>	<u>123,121</u>
Total revenues	<u>7,509,100</u>	<u>8,770,509</u>	<u>1,261,409</u>
<b>Expenditures:</b>			
Administration			
Governing board:			
Salaries and employee benefits		55,774	
Election expense			
Total	<u>56,000</u>	<u>55,774</u>	<u>226</u>
Administration:			
Salaries and employee benefits		264,723	
Professional services		42,140	
Other operating expenditures		1,116,822	
Debt service			
Total	<u>1,526,450</u>	<u>1,423,685</u>	<u>102,765</u>
Total administration	<u>1,582,450</u>	<u>1,479,459</u>	<u>102,991</u>
Economic development:			
Salaries and employee benefits		170,054	
Grants			
Other operating expenditures		10,702	
Debt service		153,363	
Capital outlay			
Cherryville Main Street program		123,810	
Total economic development	<u>686,055</u>	<u>457,929</u>	<u>228,126</u>
Police:			
Salaries and employee benefits		1,669,995	
Vehicle maintenance		12,908	
Other operating expenditures		343,197	
Capital outlay		20,214	
Total Police	<u>2,179,150</u>	<u>2,046,314</u>	<u>132,836</u>
Fire:			
Salaries and employee benefits		817,571	
Maintenance		59,853	
Other operating expenditures		130,921	
Debt Service		214,486	
Capital outlay			
Total Fire	<u>1,285,200</u>	<u>1,222,831</u>	<u>62,369</u>
Public Works:			
Salaries and employee benefits		82,871	
Other operating expenditures		45,933	
Total Public Works	<u>133,475</u>	<u>128,804</u>	<u>4,671</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, 2024**

	Budget	Actual	Variance Positive (Negative)
<b>Streets:</b>			
Salaries and employee benefits		229,875	
Maintenance		21,575	
Other operating expenditures		41,179	
Capital outlay			
<b>Total Streets</b>	<u>410,620</u>	<u>292,629</u>	<u>117,991</u>
<b>Powell Bill:</b>			
Salaries and employee benefits		33,133	
Maintenance		148,426	
Other operating expenditures		5,441	
Capital outlay		111,725	
<b>Total Powell Bill</b>	<u>348,200</u>	<u>298,725</u>	<u>49,475</u>
<b>Sanitation:</b>			
Salaries and employee benefits		378,714	
Other operating expenditures		81,031	
Landfill fees		135,210	
Capital outlay		259,431	
<b>Total sanitation</b>	<u>933,500</u>	<u>854,386</u>	<u>79,114</u>
<b>Recreation:</b>			
Salaries and employee benefits		119,698	
Maintenance and repairs		23,323	
Other operating expenditures		759,797	
Debt service		339,088	
<b>Total recreation</b>	<u>1,267,200</u>	<u>1,241,906</u>	<u>25,294</u>
<b>Cemetery:</b>			
Salaries and employee benefits		3,060	
Contract services		59,773	
Other operating expenditures		1,350	
<b>Total Cemetery</b>	<u>88,575</u>	<u>64,183</u>	<u>24,392</u>
<b>Total expenditures</b>	<u>8,914,425</u>	<u>8,087,166</u>	<u>827,259</u>
Excess of revenue over (under) expenditures		683,343	
<b>Other financing sources:</b>			
Fund balance appropriated	1,274,125	-	(1,274,125)
Powell Bill appropriated	131,200	-	(131,200)
	<u>1,405,325</u>	<u>-</u>	<u>(1,405,325)</u>
Net change in fund balance	<u>\$ -</u>	683,343	<u>\$ 683,343</u>
Fund balances, beginning		4,250,711	
Fund balances, ending		<u>\$ 4,934,054</u>	

**City of Cherryville, North Carolina**  
**Electric Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Year Ended June 30, 2024**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Electric sales		\$ 6,273,792	
Other operating revenues		67,613	
	<u>\$ 6,197,700</u>	<u>6,341,405</u>	<u>\$ 143,705</u>
Nonoperating revenues:			
Other		293,280	
Interest		26,488	
	<u>20,100</u>	<u>319,768</u>	<u>299,668</u>
Total revenues	<u>6,217,800</u>	<u>6,661,173</u>	<u>443,373</u>
Expenditures:			
Electric operations:			
Salaries and employee benefits		899,042	
Travel and training		11,345	
Total	<u>906,300</u>	<u>910,387</u>	<u>(4,087)</u>
Operating expenditures:			
Insurance		105,123	
System maintenance		151,163	
Vehicle maintenance		6,417	
Contract services		218,837	
Other operating expenditures		269,921	
Sales tax on electric sales		367,253	
Total	<u>1,111,500</u>	<u>1,118,714</u>	<u>(7,214)</u>
Electrical power purchases	<u>3,600,000</u>	<u>3,378,651</u>	<u>221,349</u>
Capital outlay:			
Equipment		538,457	
Total	<u>600,000</u>	<u>538,457</u>	<u>61,543</u>
			-
Total expenditures	<u>6,217,800</u>	<u>5,946,209</u>	<u>271,591</u>
Revenues over expenditures	-	714,964	<u>(714,964)</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, 2024**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 714,964</u>	<u>\$ (714,964)</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Reconciling items:			
Capital outlays		498,378	
Depreciation			
Increase (decrease) in accrued revenues		(117,718)	
Increase in deferred outflows of resources - pensions		740	
Increase in deferred inflows of resources-pensions		122,792	
Increase in net pension liability		42,078	
Increase in deferred outflows of resources-OPEB		(6,980)	
Decrease in deferred inflows of resources-OPEB		11,622	
Decrease in accrued OPEB		<u>(18,048)</u>	
Total		<u>532,864</u>	
Change in net position		<u>\$ 1,247,828</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, 2024**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Water sales		\$ 1,662,874	
Sewer charges		1,277,856	
Water and sewer taps		63,805	
Other operating revenues		57,598	
	<u>\$ 2,820,000</u>	<u>3,062,133</u>	<u>\$ 242,133</u>
Nonoperating revenues:			
Interest earnings		83,755	
Other		107,999	
	<u>94,500</u>	<u>191,754</u>	<u>97,254</u>
Total revenues	<u>2,914,500</u>	<u>3,253,887</u>	<u>339,387</u>
Expenditures:			
Water and sewer administration:			
Salaries and employee benefits		648,625	
Travel and training		2,547	
Supplies		20,519	
Vehicle maintenance		1,723	
Insurance		71,589	
Other operating expenditures		361,340	
Capital outlay			
	<u>1,507,350</u>	<u>1,106,343</u>	<u>401,007</u>
Water treatment and distribution:			
Salaries and employee benefits		436,004	
Chemicals		125,960	
Other operating expenditures		278,494	
Capital outlay - other improvements			
	<u>1,126,800</u>	<u>840,458</u>	<u>286,342</u>
Waste collection and treatment:			
Salaries and employee benefits		362,122	
Chemicals		10,925	
Supplies		4,285	
Other operating expenditures		256,583	
Capital outlay - equipment		171,428	
Capital outlay - other improvements		75,029	
	<u>838,250</u>	<u>880,372</u>	<u>(42,122)</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, 2024**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Total expenditures	3,472,400	2,827,173	645,227
Revenues over(under) expenditures	(557,900)	426,714	984,614
Fund balance appropriated	557,900	-	(557,900)
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ 426,714</u>	<u>\$ 426,714</u>

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

Revenues and other sources over expenditures and other uses	\$ 426,714
Reconciling items:	
Capital outlay	244,813
Depreciation and amortization	(2,929)
Increase in accrued revenues	(19,802)
Bond costs expensed	27,219
Increase in accrued interest payable	(1,334)
Increase in accounts payable	(166,733)
Decrease in deferred inflows of resources - prepaid rents	18,228
Decrease in deferred outflows of resources-pensions	4,406
Decrease in deferred inflows of resources -pensions	(242)
Increase in net pension liability	(62,487)
Increase in deferred outflows of resources-OPEB	14,223
Decrease in deferred inflows of resources-OPEB	(23,921)
Increase in accrued OPEB	(32,576)
Total reconciling items	<u>(1,135)</u>
Change in net position	<u>\$ 425,579</u>

**OTHER SCHEDULES**

**City of Cherryville, North Carolina**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2024**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2023</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2024</u>
2023-2024	\$ --	\$ 3,408,029	\$ 3,358,460	\$ 49,569
2022-2023	29,060		13,185	15,875
2021-2022	10,224	--	3,734	6,490
2020-2021	6,661	--	976	5,685
2019-2020	5,604	--	1,145	4,459
2018-2019	5,018	--	920	4,098
2017-2018	6,635	--	937	5,698
2016-2017	5,573	--	871	4,702
2015-2016	4,970	--	1,022	3,948
2014-2015	7,572	--	520	7,052
2013-2014	6,821	--	6,821	0
	<u>\$ 88,138</u>	<u>\$ 3,408,029</u>	<u>\$ 3,388,591</u>	<u>107,576</u>
	Less: allowance for uncollectible accounts:			
	General Fund			<u>2,152</u>
	Ad valorem taxes receivable - net			<u>\$ 105,424</u>
	<u>Reconciliation to revenues:</u>			
	Ad valorem taxes - General Fund			\$ 3,407,120
	Reconciling items:			
	Interest collected			(16,510)
	Prior year releases and adjustments			(2,019)
	Subtotal			<u>(18,529)</u>
	Total collections and credits			<u>\$ 3,388,591</u>

**City of Cherryville, North Carolina**  
**Analysis of Current Tax Levy**  
**City - Wide Levy**  
**June 30, 2024**

	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>\$ 710,006,042</u>	0.48	\$ 3,408,029	\$ 3,119,728	\$ 288,301
Net levy			3,408,029	3,119,728	288,301
Uncollected taxes at June 30, 2024			<u>49,569</u>	<u>49,569</u>	<u>-</u>
Current year's taxes collected			<u>\$3,358,460</u>	<u>\$3,070,159</u>	<u>\$288,301</u>
Current levy collection percentage			<u>98.55%</u>	<u>98.41%</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**

September 24, 2024

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, 2024, 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 September 24, 2024. 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 & Stowe*

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

**Independent Auditor's Report**

September 24, 2024

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

**Report on Compliance for Each Major State Program**

***Opinion on Each Major State 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 State programs for the year ended June 30, 2024. The City of Cherryville's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 State programs for the year ended June 30, 2024.

***Basis for Opinion on Each Major State Program***

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. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance 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 relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of the City of Cherryville's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to City of Cherryville State programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Cherryville's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Cherryville's compliance with the requirements of each major State program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Cherryville's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of City of Cherryville's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 City of Cherryville's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 State 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 State 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 State 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 Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 & Stowe*

**CITY OF CHERRYVILLE, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2024**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal Assistance Listing No.</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
Federal Grants:					
US Treasury					
Coronavirus State Local Fiscal Recovery Funds	21.027		\$ 102,670	\$	\$
Total assistance - federal programs			102,670		-
State Grants:					
<u>N.C. Department of Public Safety:</u>					
NC Division of Emergency Management					
2023-05-16 Straight Line Winds				381,034	
<u>N.C. Department of Transportation:</u>					
Powell Bill				298,725	
Total assistance - State programs				679,759	-
Total assistance			\$ 102,670	\$ 679,759	\$ -

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, 2024. 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, 2024

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**Section II – Financial Statement Findings**

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None reported.

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**Section III. Federal Award Findings and Questioned Costs**

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None reported.

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**Schedule IV. State Award Findings and Questioned Costs**

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None reported.

**CITY OF CHERRYVILLE  
CORRECTIVE ACTION PLAN  
For the Fiscal Year Ended June 30, 2024**

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**Section II – Financial Statement Findings**

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None.

**CITY OF CHERRYVILLE, NORTH CAROLINA**  
**Status of Prior Year Findings**  
**For the Fiscal Year Ended June 30, 2024**

There were no prior year findings.

**CITY OF CHERRYVILLE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Fiscal Year Ended June 30, 2024

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**Section II – Financial Statement Findings**

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None reported.

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**Section III. Federal Award Findings and Questioned Costs**

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None reported.

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**Schedule IV. State Award Findings and Questioned Costs**

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None reported.

**CITY OF CHERRYVILLE  
CORRECTIVE ACTION PLAN  
For the Fiscal Year Ended June 30, 2024**

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**Section II – Financial Statement Findings**

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None.

**CITY OF CHERRYVILLE, NORTH CAROLINA**  
**Status of Prior Year Findings**  
**For the Fiscal Year Ended June 30, 2024**

There were no prior year findings.