



CLEVELAND COUNTY WATER

**FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND COMPLIANCE REPORTS**

Years Ended June 30, 2022 and 2021

**CLEVELAND COUNTY WATER
ORGANIZATION AND BUSINESS
Years Ended June 30, 2022 and 2021**

BOARD OF COMMISSIONERS

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Dewey Cook Vice Chairman

Bill Cameron Secretary

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Brad Cornwell General Manager

Ginger Fern Finance Director

CLEVELAND COUNTY WATER

June 30, 2022 and 2021

TABLE OF CONTENTS

		Pages
INDEPENDENT AUDITORS' REPORT		1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS		4-8
FINANCIAL STATEMENTS		
Statements of Fund Net Position	Exhibit A	9-10
Statements of Revenue, Expenses, and Changes in Net Position	Exhibit B	11
Statements of Cash Flows	Exhibit C	12-13
Notes to Financial Statements		14-34
REQUIRED SUPPLEMENTARY INFORMATION		
Schedule of Changes in the Total OPEB Liability and Related Ratios	Schedule 1	35
Schedule of the Proportionate Share of the Net Pension Liability (Asset) – Local Government Employees' Retirement System	Schedule 2	36
Schedule of Contributions – Local Government Employees' Retirement System	Schedule 3	37
INDIVIDUAL FUND STATEMENTS AND SCHEDULES		
Schedule of Revenue and Expenditures – Budget and Actual (Non-GAAP) – Water Fund	Schedule 4	38-40
Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – Enterprise Fund Capital Projects – Kadesh Church Road	Schedule 5	41
Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – Enterprise Fund Capital Projects – US 74 Bypass Relocation 2707D	Schedule 6	42
Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – Enterprise Fund Capital Projects – US 74 Bypass Relocation 2707E	Schedule 7	43

TABLE OF CONTENTS *[cont'd]*

		Pages
Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – Enterprise Fund Capital Projects – Joe’s Lake Road	Schedule 8	44
Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – Enterprise Fund Capital Projects – Replacement of Bridge #76 over Buffalo Creek on NC Hwy 150 Waterline Relocation	Schedule 9	45
Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – Enterprise Fund Capital Projects – Clearwell and High Service Pump Station Project	Schedule 10	46
Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – Enterprise Fund Capital Projects – Centrally Located Operations Center	Schedule 11	47
Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – Enterprise Fund Capital Projects – Raw Water Weir Improvements Project	Schedule 12	48
Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – Enterprise Fund Capital Projects – Marion Street Pump Station Project	Schedule 13	49
Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – Enterprise Fund Capital Projects – Flocculation and Sedimentation Improvements Project	Schedule 14	50
Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – Enterprise Fund Capital Projects – Lawndale Park Project	Schedule 15	51
Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – Enterprise Fund Capital Projects – Waterline Improvements Project	Schedule 16	52
Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – Enterprise Fund Capital Projects – Fallston Water and Wastewater AIA Project	Schedule 17	53
Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – Enterprise Fund Capital Projects – Lawndale Water and Wastewater AIA Project	Schedule 18	54
Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – Enterprise Fund Capital Projects – Polkville Wastewater AIA Project	Schedule 19	55
Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – Enterprise Fund Capital Projects – Belwood Waterlines Improvements Project	Schedule 20	56
Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – Enterprise Fund Capital Projects – Elam Road Bridge Project	Schedule 21	57

TABLE OF CONTENTS *[cont'd]*

	Pages
Schedule of Revenue, Expenditures, and Changes in Fund Balance	
– Budget and Actual – Enterprise Fund Capital Projects	
– McBrayer Homestead Road Bridge Project	Schedule 22 58
Schedule of Revenue, Expenditures, and Changes in Fund Balance	
– Budget and Actual – Enterprise Fund Capital Projects	
– Marion Street Pump Station ARP Project	Schedule 23 59
Schedule of Revenue, Expenditures, and Changes in Fund Balance	
– Budget and Actual – Enterprise Fund Capital Projects	
– Casar Lawndale, Sand Hills, Will Dixon Water Main ARP Project	Schedule 24 60
Schedule of Revenue, Expenditures, and Changes in Fund Balance	
– Budget and Actual – Enterprise Fund Capital Projects	
– Polkville Tank and Booster Pump Station ARP Project	Schedule 25 61
Schedule of Revenue, Expenditures, and Changes in Fund Balance	
– Budget and Actual – Enterprise Fund Capital Projects	
– Belwood Tank and Booster Pump Station ARP Project	Schedule 26 62
Schedule of Revenue, Expenditures, and Changes in Fund Balance	
– Budget and Actual – Enterprise Fund Capital Projects	
– Waco Booster Pump Station ARP Project	Schedule 27 63
Schedule of Revenue, Expenditures, and Changes in Fund Balance	
– Budget and Actual – Enterprise Fund Capital Projects	
– Airport Rd Bridge 2707C	Schedule 28 64
Schedule of Ad Valorem Taxes Receivable	Schedule 29 65
Schedule of Analysis of Current Tax Levy	Schedule 30 66-67
Schedule of Ten (10) Largest Taxpayers	Schedule 31 68
 COMPLIANCE REPORTS	
Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	69-70
Independent Auditors’ Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance In Accordance With OMB Uniform Guidance and the Single State Audit Implementation Act	71-73
Schedule of Findings and Questioned Costs	74-75
Corrective Action Plan	76
Schedule of Prior Year Audit Findings	77
Schedule of Expenditures of Federal and State Awards	78-79



INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Cleveland County Water, which comprise the statements of fund net position as of June 30, 2022, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise Cleveland County Water's basic financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Cleveland County Water as of June 30, 2022, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the ***Auditors' Responsibilities for the Audit of the Financial Statements*** section of our report. We are required to be independent of Cleveland County Water and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the 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 raise substantial doubt about Cleveland County Water's ability to continue as a going concern for twelve (12) months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 from material misstatement, whether due to fraud or error, and to issue an auditors' 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 generally accepted auditing standards and *Government 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 generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain 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 responsive 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 Cleveland County Water'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 Cleveland County Water'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.

Prior Period Financial Statements

The financial statements of Cleveland County Water, as of June 30, 2021, and for the year then ended, were audited by Johnson Price Sprinkle PA, who merged with DMJ & Co., PLLC to become DMJPS PLLC, as of June 1, 2022. Their report, dated October 25, 2021, expressed an unmodified opinion on those financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of Cleveland County Water. The accompanying individual fund statements, and schedules, as listed in the table of contents, and schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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. In our opinion, the individual fund statements and schedules, as listed in the table of contents, 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 October 28, 2022, on our consideration of Cleveland County Water's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Cleveland County Water's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cleveland County Water's internal control over financial reporting and compliance.

DMPS PLLC

Certified Public Accountants
Asheville, North Carolina

October 28, 2022

MANAGEMENT’S DISCUSSION AND ANALYSIS

Introduction

Management’s Discussion and Analysis (“MD&A”) provides a narrative for Cleveland County Water’s financial activities for the fiscal years ended June 30, 2022 and 2021. The information complements the data presented in the financial statements and is to be used to enhance the reader’s understanding of Cleveland County Water’s financial performance.

Financial Highlights

- Cleveland County Water’s basic financial statements consist of a single enterprise fund.
- At June 30, 2022 and 2021, Cleveland County Water’s assets and deferred outflows exceeded its liabilities and deferred inflows by \$43,224,708 and \$40,774,095, respectively.
- At June 30, 2022 and 2021, Cleveland County Water’s unrestricted net position was \$12,435,503 and \$6,469,831, respectively.

Overview of the Financial Statements

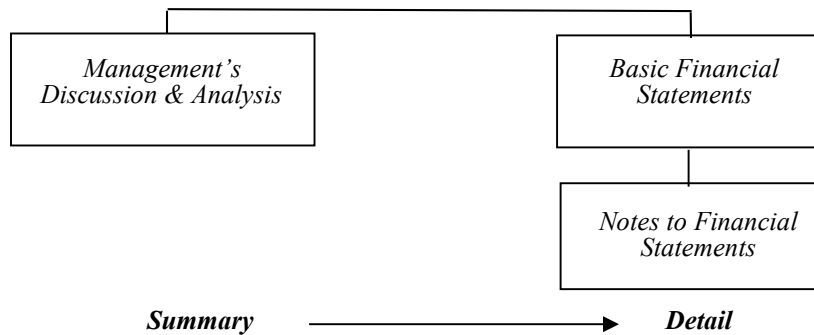
This MD&A serves as an introduction to Cleveland County Water’s basic financial statements and notes to the financial statements. In addition to the basic financial statements, this report contains other supplemental information designed to enhance the understanding of the financial condition of Cleveland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

Basic Financial Statements

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

The second section of the basic financial statements is the notes to the financial statements that explain in more detail some of the data contained in the financial statements. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. After the notes to the financial statements, supplemental information is provided to show how Cleveland County Water’s actual revenue and expense amounts compare to amounts budgeted. Supplemental information can be found on pages 35 to 68 of these financial statements.

Required Components of Annual Financial Report



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

Budget Highlights

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

During the course of fiscal year 2022, Cleveland County Water made various amendments to its formal budget. The activities of Cleveland County Water are monitored by the Finance Director for any shortfalls of revenue or overspending. Income and expense statements along with comparative graphs are presented by the General Manager at each board meeting.

Financial Analysis

The following is a summary of net position:

	June 30,		
	2022	2021	2020
Current and other assets	\$ 17,457,169	\$ 10,588,814	\$ 9,352,104
Capital assets	43,524,599	38,320,375	38,551,161
Deferred outflows of resources	1,403,181	1,025,725	676,531
Total assets and deferred outflows of resources	<u>62,384,949</u>	<u>49,934,914</u>	<u>48,579,796</u>
Long-term liabilities outstanding	15,798,700	7,437,496	6,811,968
Other liabilities	2,258,961	1,505,938	1,705,670
Deferred inflows of resources	1,102,580	217,385	237,060
Total liabilities and deferred inflows of resources	<u>19,160,241</u>	<u>9,160,819</u>	<u>8,754,698</u>
Net position:			
Net investment in capital assets	30,789,205	34,304,264	34,429,436
Unrestricted – board designated	2,153,456	2,909,665	2,204,735
Unrestricted	10,282,047	3,560,166	3,190,927
Total Net Position	<u><u>\$ 43,224,708</u></u>	<u><u>\$ 40,774,095</u></u>	<u><u>\$ 39,825,098</u></u>

Cleveland County Water's net position increased by approximately \$2,451,000 and \$949,000 for the years ended June 30, 2022 and 2021, respectively. Net investment in capital assets decreased by approximately \$3,515,000 during the year ended June 30, 2022, and decreased by approximately \$125,000 during the year ended June 30, 2021. Cleveland County Water funded the majority of the increase for the years ended June 30, 2022 and 2021 through operations and general revenues.

Unrestricted net position represents the excess of assets and deferred outflows over liabilities and deferred inflows that Cleveland County Water can utilize in future periods. Unrestricted net position increased for the year ended June 30, 2022, from approximately \$6,500,000 in 2021 to approximately \$12,400,000 in 2022. Unrestricted net position increased for the year ended June 30, 2021, from approximately \$5,400,000 in 2020 to approximately \$6,500,000 in 2021.

Financial Analysis [cont'd]

The following is a summary of changes in net position:

	For the Years Ended June 30,		
	2022	2021	2020
Revenue			
Operating revenue	\$ 8,661,964	\$ 8,451,601	\$ 8,201,899
Nonoperating revenue	2,294,856	1,446,830	1,523,600
Total Revenue	<u>10,956,820</u>	<u>9,898,431</u>	<u>9,725,499</u>
Expenses			
Operating expenses	8,446,509	8,709,026	8,319,983
Interest on long-term debt	53,627	61,048	51,034
Nonoperating expenses	6,071	179,360	283,245
Total Expenses	<u>8,506,207</u>	<u>8,949,434</u>	<u>8,654,262</u>
Increase in Net Position	2,450,613	948,997	1,071,237
Net Position, July 1	<u>40,774,095</u>	<u>39,825,098</u>	<u>38,753,861</u>
Net Position, June 30	<u>\$ 43,224,708</u>	<u>\$ 40,774,095</u>	<u>\$ 39,825,098</u>

Included in non-operating revenues is approximately \$1,075,000 and \$960,000 in special district ad valorem taxes for the years ended June 30, 2022 and 2021, respectively. Cleveland County Water has established a levy of \$0.02 per \$100 of property value. Such taxes are billed, collected, and administered by Cleveland County, North Carolina. Operating revenue of Cleveland County Water represents various customer charges for services. Operating revenue increased in 2022, from approximately \$8,500,000 in 2021 to approximately \$8,700,000 in 2022. Operating expenses decreased approximately \$263,000 and increased \$390,000 for the years ended June 30, 2022 and 2021, respectively.

Capital Assets

Cleveland County Water's investment in capital assets net of accumulated depreciation was approximately \$43,500,000 and \$38,300,000, as of June 30, 2022 and 2021, respectively. During 2022, construction activity related primarily to plant and distribution improvements and equipment. Of the total 2022 additions of approximately \$6,800,000, approximately 18.0% was expended for water and plant distribution systems, 79.0% was expended for construction in progress, and the remaining 3.0% was related to land purchases and plant and distribution equipment.

Capital Assets [cont'd]

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

	June 30,		
	2022	2021	2020
Land and land easements	\$ 1,472,928	\$ 1,392,549	\$ 1,057,862
Construction in progress	6,339,162	1,002,200	3,923,533
Land improvements and tank sites	536,890	549,236	560,573
Plant and distribution system	33,548,149	33,582,954	31,249,789
Buildings – administrative	246,145	257,945	270,219
Administrative equipment	19,233	46,770	69,810
Plant and distribution equipment	1,254,250	1,355,490	1,274,888
Meter services equipment	22,981	44,644	58,192
Maintenance building	84,861	88,587	86,295
Total	\$ 43,524,599	\$ 38,320,375	\$ 38,551,161

Other Long-Term Liabilities

Cleveland County Water continues to pay down the balance of long-term liabilities relating to loans and general obligation bonds. As of June 30, 2022, debt consists of notes from direct borrowings. There were additional borrowings that increased long-term debt by approximately \$9,020,000 and \$303,000 in the years ended June 30, 2022 and 2021, respectively. Long-term debt decreased by approximately \$218,000 and \$321,000 in the year ended June 30, 2022 and 2021, respectively. Cleveland County Water's total debt outstanding, as of June 30, 2022 and 2021, was approximately \$12,600,000 and \$3,800,000, respectively. The remaining portion of long-term liabilities consists of installment purchases totaling approximately \$126,000, as of June 30, 2022, and approximately \$215,000, as of June 30, 2021; leases totaling approximately \$4,000 as of June 30, 2022; net pension liability totaling approximately \$440,000, as of June 30, 2022, and approximately \$1,100,000, as of June 30, 2021; other post-employment benefit liability totaling approximately \$2,800,000, as of June 30, 2022, and approximately \$2,600,000, as of June 30, 2021; and compensated absences liability totaling approximately \$242,000, as of June 30, 2022, and approximately \$249,000, as of June 30, 2021.

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

Economic Factors and Next Year's Budget

Cleveland County Water is located in and serves residents of Cleveland County, North Carolina. Economic growth in this area has been slow since the recession of 2008 and is projected to continue slow growth in the near future. Cleveland County Water is not projecting a significant increase in the water demands of the County, but continues to plan for steady growth over time and continued maintenance and improvements of the plant and distribution system. Cleveland County Water is currently working on interconnections with two municipalities that could lead to intermittent increases of water supply/sale to those towns.

Over the past year, Cleveland County Water has seen tremendous increases in the costs of water pipeline materials, thus a significant increase for that line item in the FY 2023 budget. Recommendations were made for the FY 2023 budget for customer tap fees to increase due to the price increases with the specific materials associated with this function.

The budget line item for local option sales tax revenue is expected to increase with FY 2023 due to a couple year historic increase. These funds will be directed towards the Greenway project.

Requests for Information

This report is designed to provide an overview of Cleveland County Water's finances for those with an interest in this area. Questions concerning any of the information found in this report, or requests for additional information, should be directed to:

Finance Director
Cleveland County Water
PO Box 788
Lawndale, NC 28090

CLEVELAND COUNTY WATER

FINANCIAL STATEMENTS

Years Ended June 30, 2022 and 2021

CLEVELAND COUNTY WATER
STATEMENTS OF FUND NET POSITION –
PROPRIETARY FUND

June 30, 2022 and 2021

ASSETS	<u>2022</u>	<u>2021</u>
Current Assets		
Cash and cash equivalents	\$ 11,059,054	\$ 5,432,112
Investments	2,153,456	2,909,665
Accounts receivable – customers, net	1,185,544	1,085,896
Taxes receivable	44,863	44,151
Grants and awards receivable	1,926,314	550,978
Lease receivables	18,332	-
Lease asset, net	3,788	-
Other receivables	376,451	230,809
Inventories	674,367	321,203
Prepaid expenses	15,000	14,000
Total Current Assets	<u>17,457,169</u>	<u>10,588,814</u>
Property and Equipment		
Land and land easements	1,472,928	1,392,549
Construction in progress	6,339,162	1,002,200
Land improvements and tank sites	646,507	646,507
Plant and distribution	65,364,701	64,028,047
Meter services equipment	177,912	177,912
Buildings	622,708	622,708
Equipment	283,182	283,182
Less: accumulated depreciation	(31,382,501)	(29,832,730)
Property and Equipment, net	<u>43,524,599</u>	<u>38,320,375</u>
Total Assets	<u>\$ 60,981,768</u>	<u>\$ 48,909,189</u>
Deferred Outflows of Resources		
Pension deferrals	\$ 667,805	\$ 582,555
OPEB deferrals	735,376	443,170
Total Deferred Outflows of Resources	<u>\$ 1,403,181</u>	<u>\$ 1,025,725</u>
LIABILITIES		
Current Liabilities		
Current portion of long-term debt	\$ 168,463	\$ 217,910
Current portion of installment purchase financing	91,354	89,097
Current portion of lease liability	2,324	-
Accounts payable	1,025,599	219,053
Accrued compensation	27,330	60,579
Compensated absences	192,832	181,042
Accrued interest on long-term debt	10,530	11,948
Customer deposits	734,906	716,309
Other payables	5,623	-
Advance for Greenway Project	-	10,000
Total Current Liabilities	<u>2,258,961</u>	<u>1,505,938</u>
Other Noncurrent Liabilities		
Long-term debt	12,435,054	3,583,299
Installment purchase financing	34,451	125,805
Lease liability	1,516	-
Compensated absences	49,583	67,671
Net pension liability	439,682	1,071,670
Total OPEB liability	2,838,414	2,589,051
Total Other Noncurrent Liabilities	<u>15,798,700</u>	<u>7,437,496</u>
Total Liabilities	<u>\$ 18,057,661</u>	<u>\$ 8,943,434</u>

See auditors' report and notes to financial statements.

CLEVELAND COUNTY WATER
STATEMENTS OF FUND NET POSITION –
PROPRIETARY FUND

June 30, 2022 and 2021

	2022	2021
Deferred Inflows of Resources		
Unavailable water sales	\$ 90,578	\$ 79,944
Pension deferrals	665,793	27,853
OPEB deferrals	328,141	109,588
Leases	18,068	-
	<u>\$ 1,102,580</u>	<u>\$ 217,385</u>
Total Deferred Inflows of Resources	<u>\$ 1,102,580</u>	<u>\$ 217,385</u>
Net Position		
Net investment in capital assets	\$ 30,789,205	\$ 34,304,264
Unrestricted – board designated	2,153,456	2,909,665
Unrestricted	10,282,047	3,560,166
	<u>\$ 43,224,708</u>	<u>\$ 40,774,095</u>
Total Net Position	<u>\$ 43,224,708</u>	<u>\$ 40,774,095</u>

See auditors' report and notes to financial statements.

CLEVELAND COUNTY WATER

STATEMENTS OF REVENUE, EXPENSES, AND
CHANGES IN NET POSITION -- PROPRIETARY FUND

Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Revenue		
Water charges	\$ 8,332,014	\$ 8,110,231
Tap connection charges	<u>329,950</u>	<u>341,370</u>
Total Operating Revenue	<u>8,661,964</u>	<u>8,451,601</u>
Operating Expenses		
Salaries and employee benefits	3,314,624	3,386,391
Administrative	1,010,837	909,685
Water plant	731,461	640,150
Water line maintenance	1,556,827	1,911,943
Meter services	49,891	45,299
Greenway	52,626	161,269
Capital outlay	180,472	137,366
Depreciation	<u>1,549,771</u>	<u>1,516,923</u>
Total Operating Expenses	<u>8,446,509</u>	<u>8,709,026</u>
Operating Income (Loss)	<u>215,455</u>	<u>(257,425)</u>
Non-Operating Income (Expenses)		
Special district ad valorem tax	1,073,775	962,076
Restricted intergovernmental	746,367	77,885
Investment earnings	6,302	20,752
Lease revenue	4,056	-
Interest revenue – leases	608	-
Local option sales tax	334,923	274,434
Miscellaneous income	97,224	111,683
Gain (loss) on sale of capital assets	31,601	(179,360)
Interest on long-term debt	(53,627)	(61,048)
Interest expense – leases	(180)	-
Amortization expense – leases	<u>(5,891)</u>	<u>-</u>
Total Non-Operating Income	<u>2,235,158</u>	<u>1,206,422</u>
Change in Net Position	2,450,613	948,997
Net Position, beginning	<u>40,774,095</u>	<u>39,825,098</u>
Net Position, ending	<u>\$ 43,224,708</u>	<u>\$ 40,774,095</u>

See auditors' report and notes to financial statements.

CLEVELAND COUNTY WATER
STATEMENTS OF CASH FLOWS –
PROPRIETARY FUND

Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Cash received from customers	\$ 7,042,237	\$ 8,687,614
Cash paid for goods and services	(3,141,430)	(3,605,578)
Cash paid to employees and benefits	(3,257,759)	(3,084,447)
	643,048	1,997,589
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of capital assets	(6,753,995)	(1,483,891)
Proceeds from disposal of capital assets	31,601	18,394
Proceeds from long-term debt	9,020,217	302,686
Principal paid on long-term debt	(217,910)	(321,302)
Principal paid on installment purchase financing	(89,097)	(86,998)
Proceeds from leases	9,757	-
Principal paid on leases	(5,917)	-
Interest paid on long-term debt	(55,045)	(86,703)
Interest paid on leases	(180)	-
Amortization – leases	(5,891)	-
Special district ad valorem tax	1,073,063	966,848
Non-operating revenues	1,210,115	284,632
	4,216,718	(406,334)
Cash Flows from Investing Activities		
Interest received	10,967	20,752
Purchase of investments	756,209	(704,930)
	767,176	(684,178)
Change in Cash and Cash Equivalents	5,626,942	907,077
Cash and Cash Equivalents, beginning	5,432,112	4,525,035
Cash and Cash Equivalents, ending	\$ 11,059,054	\$ 5,432,112

See auditors' report and notes to financial statements.

CLEVELAND COUNTY WATER
STATEMENTS OF CASH FLOWS –
PROPRIETARY FUND

Years Ended June 30, 2022 and 2021

	2022	2021
Reconciliation of Operating Income (Loss)		
to Net Cash Provided by Operating Activities		
Operating income (loss)	\$ 215,455	\$ (257,425)
Adjustments to reconcile operating income (loss)		
to net cash provided by operating activities:		
Depreciation	1,549,771	1,516,923
(Gain) loss on sale of capital assets	(31,601)	179,360
Changes in assets, deferred outflows of resources,		
liabilities, and deferred inflows of resources:		
Accounts receivable – customers, net	(99,648)	(12,735)
Grants and awards receivable	(1,375,336)	32,720
Other receivables	(145,642)	155,748
Lease receivables	(18,332)	-
Inventories	(353,164)	152,910
Prepaid expenses	(1,000)	41,882
Lease asset	(3,788)	-
Deferred outflows of resources – pensions	(85,250)	(93,368)
Deferred outflows of resources – OPEB	(292,206)	(255,826)
Accounts payable and other payables	812,169	(155,927)
Accrued compensation	(33,249)	4,650
Compensated absences	(6,298)	(2,869)
Customer deposits	18,597	21,795
Advance for Greenway Project	(10,000)	10,000
Net pension liability	(631,988)	245,566
OPEB liability	249,363	433,860
Deferred inflows of resources – unavailable water sales	10,634	10,394
Deferred inflows of resources – pensions	637,940	(8,653)
Deferred inflows of resources – OPEB	218,553	(21,416)
Deferred inflows of resources – leases	18,068	-
	427,593	2,255,014
Total Adjustments		
	\$ 643,048	\$ 1,997,589
Net Cash Provided by Operating Activities		

See auditors' report and notes to financial statements.

CLEVELAND COUNTY WATER
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

Cleveland County Water was established under North Carolina General Statute (“G.S”) 130A-47 to provide water services to the citizens of Cleveland County. Cleveland County Water is governed by a seven (7) member board of commissioners. For financial reporting purposes, Cleveland County Water includes all funds over which it exercises control. No agencies, boards, commissions or other authorities are controlled by or are financially accountable to Cleveland County Water. Accordingly, there are no entities which meet the requirements of a reportable component unit.

Basis of Presentation

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

Cleveland County Water reports one generic fund type – Proprietary Fund

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

Cleveland County Water has one Enterprise Fund – the Water Fund.

Receivables

Due to the dates customer meters are read, billings lag behind actual consumer usage each month. Estimated amounts for this usage which are unbilled at fiscal year-end are recorded by Cleveland County Water as revenue. Unbilled revenues totaled \$483,342 and \$395,051 as of June 30, 2022 and 2021, respectively.

Cleveland County Water’s grants and awards receivable are from various grantor agencies for reimbursements not received at year-end totaled \$1,926,314 and \$550,978 as of June 30, 2022 and 2021, respectively.

Allowance for Doubtful Accounts

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

CLEVELAND COUNTY WATER
NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *[cont'd]*

Lease Receivable

Cleveland County Water's lease receivable is measured at the present value of lease payments expected to be received during the lease term.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

Inventory

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

Capital Assets

Cleveland County Water capital assets are stated at original cost at the time of acquisition. All purchases that are not recurring maintenance and repair expenses and are over \$5,000 are capitalized. All property, plant, and equipment donated to Cleveland County Water is recorded at the estimated fair market value at the date of donation. Long-lived assets held and used by Cleveland County Water are reviewed for impairment whenever changes in circumstances indicate the carrying value of an asset may not be recoverable. The cost and accumulated depreciation of property are eliminated from the accounts upon disposal, and any resulting gain or loss is included in the statements of revenues, expenses and changes in net position.

Assets are depreciated on a class life basis at the following rates:

Land and land improvements	15 – 50 years
Plant and distribution	3 – 50 years
Meter services equipment	3 – 6 years
Buildings	7 – 50 years
Equipment	3 – 10 years

Right to Use Assets

Cleveland County Water has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

CLEVELAND COUNTY WATER
NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *[cont'd]*

Long-Term Debt

Debt issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt. The debt service requirements are being met by water revenues, but the taxing power of Cleveland County Water is pledged to make these payments if water revenues should ever be insufficient.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of fund net position contain a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. Cleveland County Water has two (2) items that meet this criterion – pension related deferrals and OPEB related deferrals that consist of contributions made to the pension and OPEB plans in the current fiscal year. In addition to liabilities, the statements of fund net position can also report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. Cleveland County Water has four (4) items that meet the criterion for this category – unavailable water sales, pension related deferrals, OPEB related deferrals, and leases.

Defined Benefit Pension Plan

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

Compensated Absences

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

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

Restricted Net Position

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

CLEVELAND COUNTY WATER
NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *[cont'd]*

Management Estimates

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

Subsequent Events

Cleveland County Water has evaluated events and transactions for potential recognition or disclosure through October 28, 2022, the date the financial statements were available to be issued.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Significant Violations of Finance-Related Legal and Contractual Provisions

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

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS

Assets:

Deposits

All of Cleveland County Water's deposits are either insured or collateralized by using one of two (2) methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by Cleveland County Water's agent in Cleveland County Water's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for Cleveland County Water, these deposits are considered to be held by Cleveland County Water's agent in Cleveland County Water's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with Cleveland County Water or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for Cleveland County Water under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

Cleveland County Water has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance.

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

CLEVELAND COUNTY WATER
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS [cont'd]

Deposits [cont'd]

As of June 30, 2022 and 2021, Cleveland County Water's deposits (including board designated reserves) had a carrying amount of \$11,057,279 and \$5,430,337, and a bank balance of \$11,051,777 and \$5,390,271, respectively. Of the June 30, 2022 bank balance, \$250,000 was covered by Federal Depository Insurance and \$10,801,777 was covered by collateral held under the pooling method. Cleveland County Water had \$1,775 cash on hand as of June 30, 2022 and 2021.

Investments

As of June 30, 2022 and 2021, Cleveland County Water had \$2,153,456 and \$2,909,665, respectively, invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's. Cleveland County Water has no policy regarding credit risk.

Board Designated Reserves

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

	2022	2021
Capital Reserve (NCCMT)	\$ 2,153,456	\$ 2,909,665
Total board designated reserves	\$ 2,153,456	\$ 2,909,665

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

Receivables – Allowance for Doubtful Accounts

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

	2022	2021
Accounts Receivable – customers – allowance for doubtful accounts	\$ 52,091	\$ 31,688

Lease Receivables

In July 2021, Cleveland County Water entered into a lease with a wireless internet provider. Under the lease, the wireless internet provider pays Cleveland County Water \$400 per month for sixty (60) months in exchange for using elevated storage tanks in and around Cleveland County to attach antennas. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 3.25%. In fiscal year 2022, Cleveland County Water recognized \$3,792 of lease revenue and \$608 of interest revenue under the lease.

CLEVELAND COUNTY WATER
NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS [cont'd]

Capital Assets [cont'd]

Capital asset activity for Cleveland County Water for the years ended June 30, 2022 and 2021, is as follows:

	2022			June 30, 2022
	June 30, 2021	Increases	Decreases	
Capital assets not being depreciated:				
Land and land easements	\$ 1,392,549	\$ 80,379	\$ ---	\$ 1,472,928
Construction in process	<u>1,002,200</u>	<u>5,338,848</u>	<u>1,886</u>	<u>6,339,162</u>
	<u>2,394,749</u>	<u>5,419,227</u>	<u>1,886</u>	<u>7,812,090</u>
Capital assets being depreciated:				
Land improvements and tank sites	646,507	---	---	646,507
Plant and distribution system	59,879,111	1,213,226	---	61,092,337
Buildings—administrative	458,774	---	---	458,774
Administrative equipment	283,182	---	---	283,182
Plant and distribution equipment	4,148,936	123,428	---	4,272,364
Meter services equipment	177,912	---	---	177,912
Maintenance building	<u>163,934</u>	<u>---</u>	<u>---</u>	<u>163,934</u>
	<u>65,758,356</u>	<u>1,336,654</u>	<u>---</u>	<u>67,095,010</u>
Less accumulated depreciation for:				
Land improvements and tank sites	97,271	12,346	---	109,617
Plant and distribution system	26,296,157	1,248,031	---	27,544,188
Buildings—administrative	200,829	11,800	---	212,629
Administrative equipment	236,412	27,537	---	263,949
Plant and distribution equipment	2,793,446	224,668	---	3,018,114
Meter services equipment	133,268	21,663	---	154,931
Maintenance building	<u>75,347</u>	<u>3,726</u>	<u>---</u>	<u>79,073</u>
	<u>29,832,730</u>	<u>\$ 1,549,771</u>	<u>\$ ---</u>	<u>31,382,501</u>
Total capital assets being depreciated:	<u>35,925,626</u>			<u>35,712,509</u>
Capital assets, net	<u>\$ 38,320,375</u>			<u>\$ 43,524,599</u>

CLEVELAND COUNTY WATER
NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS [cont'd]

Capital Assets [cont'd]

	2021			June 30, 2021
	June 30, 2020	Increases	Decreases	
Capital assets not being depreciated:				
Land and land easements	\$ 1,057,862	\$ 334,687	\$ ---	\$ 1,392,549
Construction in process	<u>3,923,533</u>	<u>510,368</u>	<u>3,431,701</u>	<u>1,002,200</u>
	<u>4,981,395</u>	<u>845,055</u>	<u>3,431,701</u>	<u>2,394,749</u>
Capital assets being depreciated:				
Land improvements and tank sites	735,260	---	88,753	646,507
Plant and distribution system	56,466,103	3,737,969	304,961	59,879,111
Buildings—administrative	460,570	---	1,796	458,774
Administrative equipment	396,671	---	113,489	283,182
Plant and distribution equipment	4,273,450	318,859	443,373	4,148,936
Meter services equipment	169,797	8,115	---	177,912
Maintenance building	<u>158,341</u>	<u>5,593</u>	<u>---</u>	<u>163,934</u>
	<u>62,640,192</u>	<u>4,070,536</u>	<u>952,372</u>	<u>65,758,356</u>
Less accumulated depreciation for:				
Land improvements and tank sites	174,687	12,346	89,762	97,271
Plant and distribution system	25,196,314	1,248,726	148,883	26,296,157
Buildings—administrative	190,351	12,274	1,796	200,829
Administrative equipment	326,861	28,330	118,779	236,412
Plant and distribution equipment	2,998,562	207,391	412,507	2,793,446
Meter services equipment	111,605	21,663	---	133,268
Maintenance building	<u>72,046</u>	<u>3,301</u>	<u>---</u>	<u>75,347</u>
	<u>29,070,426</u>	<u>\$ 1,534,031</u>	<u>\$ 771,727</u>	<u>29,832,730</u>
Total capital assets being depreciated:	<u>33,569,766</u>			<u>35,925,626</u>
Capital assets, net	<u>\$ 38,551,161</u>			<u>\$ 38,320,375</u>

Right to Use Leased Assets

Cleveland County Water has recorded two (2) right to use leased assets. The assets are right to use assets for leased equipment through March 2026. These right to use lease assets are amortized on a straight-line basis over the terms of the related leases.

CLEVELAND COUNTY WATER
NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS [cont'd]

Right to Use Leased Assets [cont'd]

Right to use asset activity for Cleveland County Water for the year ended June 30, 2022, was as follows:

	June 30, 2021	Increases	Decreases	June 30, 2022
Right to use assets:				
Leased equipment	\$ ---	\$ 9,679	\$ ---	\$ 9,679
Less accumulated amortization for:				
Leased equipment	---	\$ 5,891	\$ ---	5,891
Right to use assets, net	<u>\$ ---</u>	<u>\$ 3,788</u>	<u>\$ ---</u>	<u>\$ 3,788</u>

Liabilities:

Pension Plan Obligations

Local Governmental Employees' Retirement System:

Plan Description. Cleveland County Water is a participating employer in the statewide 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 thirteen (13) members – nine (9) 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 LGERS is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four (4) highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age sixty-five (65) with five (5) years of creditable service, at age sixty (60) with twenty-five (25) years of creditable service, or at any age with thirty (30) years of creditable service. Plan members are eligible to retire with partial retirement benefits at age fifty (50) with twenty (20) years of creditable service or at age sixty (60) with five (5) years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed twenty (20) years of creditable service regardless of age or have completed five (5) years of service and have reached age sixty (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.

CLEVELAND COUNTY WATER
NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS [cont'd]

Pension Plan Obligations [cont'd]

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Cleveland County Water's employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. Cleveland County Water's contractually required contribution rate for the years ended June 30, 2022 and 2021, was 11.35% and 10.15%, respectively, for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from Cleveland County Water were \$250,078 and \$213,429 for the years ended June 30, 2022 and 2021, respectively.

Refunds of Contributions. Cleveland County Water employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five (5) years of service include 4% interest. State law requires a sixty (60)-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

As of June 30, 2022 and 2021, Cleveland County Water reported a liability of \$439,682 and \$1,071,670, respectively, for its proportionate share of the net pension liability. The current year's net pension liability was measured as of June 30, 2021. The previous year's net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. Cleveland County Water's proportion of the net pension liability was based on a projection of Cleveland County Water's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. As of June 30, 2021 (measurement date), Cleveland County Water's proportion was 0.02867%, which was a decrease of 0.00132% from its proportion measured as of June 30, 2020.

For the years ended June 30, 2022 and 2021, Cleveland County Water recognized pension expense of \$170,779 and \$356,975, respectively. As of June 30, 2022, Cleveland County Water reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 139,879	\$ ---
Changes of assumptions	276,233	---
Net difference between projected and actual earnings on pension plan investments	---	628,173
Changes in proportion and differences between Cleveland County Water contributions and proportionate share of contributions	1,616	37,620
Cleveland County Water contributions subsequent to the measurement date	250,077	---
Total	\$ 667,805	\$ 665,793

CLEVELAND COUNTY WATER
NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS [cont'd]

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions [cont'd]

\$250,077 reported as deferred outflows of resources related to pensions resulting from Cleveland County Water's contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30:

2023	\$	27,630
2024		(28,195)
2025		(55,274)
2026		(192,226)
2027		---
Thereafter		---
		\$ (248,065)

As of June 30, 2021, Cleveland County Water reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 135,333	\$ ---
Changes of assumptions	79,753	---
Net difference between projected and actual earnings on pension plan investments	150,809	---
Changes in proportion and differences between Cleveland County Water contributions and proportionate share of contributions	3,231	27,853
Cleveland County Water contributions subsequent to the measurement date	213,429	---
Total	\$ 582,555	\$ 27,853

Actuarial Assumptions. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 %
Salary Increases	3.50% to 8.00%, including inflation and productivity factor
Investment rate of return	7%, 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.

CLEVELAND COUNTY WATER
NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS [cont'd]

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions [cont'd]

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established 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, 2021 are summarized in the following table:

Expected Asset Class Return	Target Allocation	Long-term Real Rate of Return
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	<u>6.0%</u>	4.0%
Total	<u>100%</u>	

The information above is based on thirty (30) year expectations developed with the consulting actuary for the 2020 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 6.50%. 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.

CLEVELAND COUNTY WATER

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS [cont'd]

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions [cont'd]

Sensitivity of Cleveland County Water's proportionate share of the net pension liability to changes in the discount rate. The following presents Cleveland County Water's proportionate share of the net pension liability calculated using the discount rate of 6.50%, as well as what Cleveland County Water's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate:

	1% Decrease	Discount Rate (6.50%)	1% Increase
Cleveland County Water's proportionate share of the net pension liability (asset)	\$ 1,706,809	\$ 439,682	\$ (603,090)

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

Other Postemployment Benefits (OPEB)

Health Care Benefits:

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

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

CLEVELAND COUNTY WATER
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS [cont'd]

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions [cont'd]

Health Care Benefits: [cont'd]

Membership of the health care benefit plan consisted of the following as of June 30, 2021, the date of the latest actuarial valuation:

	<u>General Employees</u>
Inactive members or beneficiaries currently receiving benefits	2
Active members	38
Total membership	40

Total OPEB Liability

Cleveland County Water's total OPEB liability of \$2,838,414 was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50%
Real wage growth	0.75%
Wage inflation	3.25%
Salary increases, including wage inflation:	
General Employees	3.25 – 8.41%
Municipal Bond Index Rate (Discount rate):	
Prior measurement date	2.21%
Measurement date	2.16%
Healthcare cost trend rates	
Pre-Medicare	7.00% for 2021, decreasing to an ultimate rate of 4.50% by 2031

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

CLEVELAND COUNTY WATER
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS [cont'd]

Changes in the Total OPEB Liability

Balance at July 1, 2021	<u>\$ 2,589,051</u>
Changes for the year	
Service Cost	114,420
Interest	59,325
Changes of benefit terms	---
Difference between expected and actual experience	(276,887)
Changes in assumptions or other inputs	390,875
Benefit payments	<u>(38,370)</u>
Net changes	<u>249,363</u>
 Balance at June 30, 2022	 <u><u>\$ 2,838,414</u></u>

Total OPEB Liability [cont'd]

Changes in assumptions and other inputs reflect a change in the discount rate from 2.21% to 2.16%.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2015 – December 31, 2019, adopted by the LGERS Board.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of Cleveland County Water, as well as what Cleveland County Water's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16%) or 1-percentage-point higher (3.16%) than the current discount rate:

	1% Decrease	Discount Rate (2.16%)	1% Increase
Total OPEB liability	<u>\$ 3,148,831</u>	<u>\$ 2,838,414</u>	<u>\$ 2,559,411</u>

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of Cleveland County Water, as well as what Cleveland County Water's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current healthcare cost trend rates:

	1% Decrease	Discount Rate (6.50%)	1% Increase
Total OPEB liability	<u>\$ 2,502,857</u>	<u>\$ 2,838,414</u>	<u>\$ 3,229,817</u>

CLEVELAND COUNTY WATER
NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS [cont'd]

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

For the year ended June 30, 2022, Cleveland County Water recognized OPEB expense of \$225,575. As of June 30, 2022, Cleveland County Water 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	\$ 83,125	\$ 241,834
Changes of assumptions	601,411	86,307
Benefit payments and administrative costs made subsequent to the measurement date	50,840	---
Total	\$ 735,376	\$ 328,141

\$49,590 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as an increase of the total pension liability in the year ending June 30, 2023.

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

Measurement Period Ended June 30:

2023	\$ 50,680
2024	50,680
2025	50,680
2026	54,152
2027	66,116
Thereafter	84,087
	\$ 356,395

For the year ended June 30, 2021, Cleveland County Water recognized OPEB expense of \$197,188. As of June 30, 2021, Cleveland County Water reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 98,179	\$ 2,287
Changes of assumptions	304,496	107,301
Benefit payments and administrative costs made subsequent to the measurement date	40,495	---
Total	\$ 443,170	\$ 109,588

CLEVELAND COUNTY WATER
NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS [cont'd]

Deferred Compensation Plan

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

Supplemental Retirement Income Plan

Cleveland County Water contributes to the Supplemental Retirement Income Plan (“the Plan”), a defined contribution pension plan administered by the Department of State Treasurer and Prudential Retirement. The Plan provides retirement benefits to employees of Cleveland County Water. Cleveland County Water contributes an amount equal to the employee contribution, up to 5% of each eligible employee’s salary. Also, the employees may make voluntary contributions to the Plan. Cleveland County Water’s contribution to the Plan for the years ended June 30, 2022 and 2021 was \$104,013 and \$95,516, respectively.

Risk Management

Cleveland County Water is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Cleveland County Water carries commercial insurance for all risks of loss, including employee health and accident insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the last three (3) fiscal years. Currently, Cleveland County Water does not have flood insurance. In accordance with G.S. 159-29, Cleveland County Water’s employees that have access to \$100 or more at any given time of Cleveland County Water’s funds are performance bonded through a commercial surety bond. The finance officer is covered separately by a faithful performance bond of \$50,000. Directors and officers are covered for their wrongful acts under a Public Officials Liability policy with a limit of \$5,000,000. The remaining employees that have access to funds are bonded under a blanket bond for \$100,000.

Long-Term Debt

Leases

Cleveland County Water has entered into agreements to lease certain equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The first agreement was executed on July 1, 2021, to lease postage equipment and requires 19 quarterly payments of \$145. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 2%. As a result of the lease, Cleveland County Water has recorded a right to use asset with a net book value of \$2,615 at June 30, 2022.

The second agreement was executed on July 1, 2021, to lease a copier and requires 16 monthly payments of \$453. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 2.20%. As a result of the lease, Cleveland County Water has recorded a right to use asset with a net book value of \$7,064 at June 30, 2022.

CLEVELAND COUNTY WATER
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS [cont'd]

Leases [cont'd]

The future minimum lease obligations of these minimum lease payments as of June 30, 2022 are as follows:

<i>Years Ending June 30:</i>	<u>Principal</u>	<u>Interest</u>
2023	\$ 2,324	\$ 46
2024	552	27
2025	563	16
2026	401	4
Thereafter	---	---
	<u>\$ 3,840</u>	<u>\$ 93</u>

Installment Purchases

HomeTrust Bank Installment Purchases. Cleveland County Water has entered into agreements to finance certain equipment. The finance agreements qualify as financed purchases for accounting purposes due to the transfer of ownership of the underlying asset. There are no termination provisions in the finance agreements. The first agreement was executed on February 15, 2018 to purchase certain equipment and vehicles and required one advance payment in addition to five (5) annual payments of \$59,079, including interest at a rate of 2.23%. The balance of the financed amount was \$57,895 and \$114,423 as of June 30, 2022 and 2021, respectively. The second agreement was executed on June 4, 2019 to purchase vehicles and requires five (5) annual payments of \$35,313, including interest at a rate of 2.73%. The balance of the financed amount was \$67,910 and \$100,479 as of June 30, 2022 and 2021, respectively. In both agreements, title passes to Cleveland County Water at the end of the finance term.

The installment purchases are collateralized by equipment and light trucks with a value at \$27,417 and \$110,044, respectively, as of June 30, 2022.

The future minimum obligations on the installment purchases as of June 30, 2022 are as follows:

<i>Years Ending June 30:</i>	<u>Principal</u>	<u>Interest</u>
2023	\$ 91,354	\$ 3,037
2024	34,451	862
Thereafter	---	---
	<u>\$ 125,805</u>	<u>\$ 3,899</u>

CLEVELAND COUNTY WATER
NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS [cont'd]

Notes From Direct Borrowings

Carter Bank & Trust Loan. In April 2017, Cleveland County Water entered into a direct borrowing agreement, with an interest rate of 1.75%, due in annual principal payments of \$78,000 through March 2022, with Carter Bank & Trust, to finance various vehicles and equipment. The balance of the loan amount was \$49,448 as of June 30, 2021. This loan was paid in full during fiscal year 2022.

North Carolina Drinking Water State Revolving Fund Loans. As of December 19, 2018, Cleveland County Water had been approved for a twenty (20)-year term loan from the North Carolina Drinking Water State Revolving Fund (“DWSRF”) in the amount of \$3,590,342 for Lattimore Area Drinking Water Improvements project. Principal payment of \$168,462 is due on May 1st of each year and two (2) interest payments at a rate of 1.53% are due on May 1st and November 1st of each year, through May 1, 2040. This loan contains no collateral or termination provisions. The balance of the loan amount was \$3,032,321 and \$3,200,784 as of June 30, 2022 and 2021, respectively.

As of March 25, 2020, Cleveland County Water had been approved for a twenty (20)-year term loan from the DWSRF in the amount of \$7,560,000 for construction of Clearwell and High Service Pump Station. The repayable loan portion will be repaid at an interest rate of 2.16%. This loan contains no collateral or termination provisions. The balance of the loan amount was \$3,569,763 and \$412,674 as of June 30, 2022 and 2021, respectively.

As of September 24, 2021, Cleveland County Water had been approved for a twenty (20)-year term loan from the DWSRF in the amount of \$2,750,000 for a Flocculation and Sedimentation Improvements Project. The repayable loan portion will be repaid at an interest rate of 1.07%. This loan contains no collateral or termination provisions. The balance of the loan amount was \$195,061 as of June 30, 2022.

USDA Rural Development Agency loans. As of February 16, 2021, Cleveland County Water had been approved for two (2) forty (40)-year loans from the State and Area Office of USDA Rural Development Agency in the amounts of \$9,000,000 and \$3,035,000, totaling \$12,035,000, for the construction of Raw Water Weir Replacement Project. The loans will be repaid at an interest rate of 1.75%. The loans are secured by Water Revenue Bonds. Principal and interest payments will be due on the 1st day of June each year. The outstanding note contains a provision that in an event of default, the Government has the option to declare the entire principal and any outstanding and accrued interest immediately due and payable and take possession of the facility. The balance of the loan amount was \$809,372 and \$138,303 as of June 30, 2022 and 2021, respectively.

As of February 16, 2021, Cleveland County Water had been approved for a forty (40)-year loan from the State and Area Office of USDA Rural Development Agency in the amount of \$4,997,000 for the construction of the new operations center. The loan will be repaid at an interest rate of 1.75%. The loan is secured by Water Revenue Bonds. Principal and interest payments will be due on the 1st day of June each year. The outstanding note contains a provision that in an event of default, the Government has the option to declare the entire principal and any outstanding and accrued interest immediately due and payable and take possession of the facility. The balance of the loan amount was \$4,997,000 and \$-0- as of June 30, 2022 and 2021, respectively.

CLEVELAND COUNTY WATER
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS [cont'd]

Notes From Direct Borrowings [cont'd]

<i>Years Ending June 30:</i>	<u>Principal</u>	<u>Interest</u>
2023	\$ 168,462	\$ 46,394
2024	682,730	233,673
2025	684,258	216,415
2026	1,020,133	447,496
2027	972,368	421,323
2028–2032	3,573,949	1,152,857
2033–2037	1,370,798	416,172
2038–2042	1,081,763	309,001
Thereafter	3,049,056	620,810
	<u>\$ 12,603,517</u>	<u>\$ 3,864,141</u>

During the years ended June 30, 2022 and 2021, the following changes occurred in long-term liabilities:

	<u>Balance June 30, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2022</u>	<u>Current Portion of Balances</u>
By type of debt:					
Notes from direct borrowings	\$ 3,801,209	\$9,020,217	\$ 217,909	\$ 12,603,517	\$ 168,462
Installment purchases	214,902	---	89,097	125,805	91,354
Leases	---	9,757	5,917	3,840	2,324
Net pension liability	1,071,670	---	631,988	439,682	---
OPEB liability	2,589,051	249,363	---	2,838,414	---
Compensated absences	248,713	186,534	192,832	242,415	192,832
Total	<u>\$ 7,925,545</u>	<u>\$ 9,465,871</u>	<u>\$ 1,137,743</u>	<u>\$ 16,253,673</u>	<u>\$ 454,972</u>

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

As of June 30, 2022, and 2021, Cleveland County Water had a legal debt margin of \$354,638,278 and \$315,180,791, respectively.

CLEVELAND COUNTY WATER
NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

4. INTERLOCAL AGREEMENT

Cleveland County Water entered into an interlocal agreement for management of the Town of Fallston local water supply system. During the period from July 1, 2019 through June 30, 2059, Cleveland County Water will sell water service to the Town of Fallston and will manage and operate its water distribution system. The agreement may thereafter be renewed for additional ten (10) year terms. The annual lease payment for the water distribution system to be made to the Town of Fallston shall be used by the Town to satisfy the annual debt service payment to United States Department of Agriculture (“USDA”). The lease payment for the year ended June 30, 2022 and 2021 was \$65,395 and \$64,973, respectively. The ownership of Fallston water distribution system and customer base remains with the Town of Fallston.

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

Years Ending June 30:

2023	\$	64,800
2024		65,205
2025		64,593
2026		64,980
2027		65,350
2028–2032		324,880
2033–2037		325,380
2038–2042		324,288
2043–2047		324,550
2048–2052		326,800
2053–2057		326,863
2058–2059		128,273
	\$	2,405,962

Cleveland County Water entered into an interlocal agreement for management of the Town of Fallston’s Water and Wastewater System Asset Inventory and Assessment project. Beginning October 14, 2021 through project completion, Cleveland County Water will serve as an agent for the Town of Fallston to manage and oversee the project. The ownership of Fallston water distribution system and customer base remains with the Town of Fallston. A maximum grant of \$300,000 will be received by Cleveland County Water from the North Carolina Department of Environmental Quality Division of Water Infrastructure, through the Town of Fallston, for completion of this project.

Cleveland County Water entered into an interlocal agreement for management of the Town of Lawndale’s Water and Wastewater System Asset Inventory and Assessment project. Beginning October 8, 2021 through project completion, Cleveland County Water will serve as an agent for the Town of Lawndale to manage and oversee the project. The ownership of Lawndale water distribution system and customer base remains with the Town of Lawndale. A maximum grant of \$300,000 will be received by Cleveland County Water from the North Carolina Department of Environmental Quality Division of Water Infrastructure, through the Town of Lawndale, for completion of this project.

CLEVELAND COUNTY WATER

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

4. INTERLOCAL AGREEMENT *[cont'd]*

Cleveland County Water entered into an interlocal agreement for management of the Town of Polkville's Wastewater System Asset Inventory and Assessment project. Beginning October 8, 2021 through project completion, Cleveland County Water will serve as an agent for the Town of Polkville to manage and oversee the project. The ownership of Polkville water distribution system and customer base remains with the Town of Polkville. A maximum grant of \$150,000 will be received by Cleveland County Water from the North Carolina Department of Environmental Quality Division of Water Infrastructure, through the Town of Polkville, for completion of this project.

Cleveland County Water entered into an interlocal agreement for management of the Town of Belwood's Loop Road, St. Peters Church Road and Lutz Road water and sewer infrastructure projects. Beginning October 6, 2021 through project completion, Cleveland County Water will serve as an agent for the Town of Belwood to manage and oversee the projects. The ownership of Belwood water distribution system and customer base remains with the Town of Belwood. A maximum grant of \$61,000 will be received by Cleveland County Water from the American Rescue Plan Act, through the Town of Belwood, for completion of this project. Cleveland County Water agrees to pay for the remainder of the costs related to the projects in excess of the \$61,000 American Rescue Plan Act funds.

Cleveland County Water entered into an interlocal agreement for management of the Town of Boiling Spring's water interconnection along McBrayer Homestead Road project. Beginning February 8, 2022 through project completion, Cleveland County Water will serve as an agent for the Town of Boiling Springs to manage and oversee the project. The ownership of Boiling Springs water distribution system and customer base remains with the Town of Boiling Springs.

REQUIRED SUPPLEMENTARY INFORMATION

CLEVELAND COUNTY WATER

REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST-EMPLOYMENT BENEFITS

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

June 30, 2022

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost at end of year	\$ 114,420	\$ 83,067	\$ 77,056	\$ 79,869	\$ 86,685
Interest	59,325	77,540	72,386	64,789	55,140
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(276,887)	14,144	112,461	(2,526)	(1,160)
Changes of assumptions or other inputs	390,875	305,153	46,744	(68,062)	(115,428)
Benefit payments	(38,370)	(46,044)	(28,272)	(37,988)	(36,504)
Net Change in Total OPEB Liability	249,363	433,860	280,375	36,082	(11,267)
Total OPEB Liability, beginning	2,589,051	2,155,191	1,874,816	1,838,734	1,850,001
Total OPEB Liability, ending	<u>\$ 2,838,414</u>	<u>\$ 2,589,051</u>	<u>\$ 2,155,191</u>	<u>\$ 1,874,816</u>	<u>\$ 1,838,734</u>
Covered Employee Payroll	\$ 2,074,263	\$ 1,840,036	\$ 1,840,036	\$ 1,623,976	\$ 1,623,976
Total OPEB Liability as a Percentage of Covered Employee Payroll	136.84%	140.71%	117.13%	115.45%	113.22%

Notes to Schedule

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

Fiscal Year	Rate
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

See auditors' report.

CLEVELAND COUNTY WATER

REQUIRED SUPPLEMENTARY INFORMATION
 LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

	Last Nine Fiscal Years*								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)(%)	0.02867%	0.02999%	0.03025%	0.03241%	0.02974%	0.03168%	0.03000%	0.03000%	0.03100%
Employer's proportion of the net pension liability (asset)(\$)	\$ 439,682	\$ 1,071,670	\$ 826,104	\$ 768,876	\$ 454,345	\$ 672,356	\$ 134,236	\$ (175,214)	\$ -
Employer's covered-employee payroll	\$ 2,102,757	\$ 2,101,669	\$ 1,962,117	\$ 1,906,743	\$ 1,713,689	\$ 1,720,900	\$ 1,642,546	\$ 1,628,175	\$ 1,480,099
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	20.91%	50.99%	42.10%	40.32%	26.51%	39.07%	8.17%	-10.76%	0.00%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	90.86%	91.63%	94.18%	98.09%	98.79%	102.64%	94.35%	94.35%

* 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.

See auditors' report.

CLEVELAND COUNTY WATER

REQUIRED SUPPLEMENTARY INFORMATION
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE OF CONTRIBUTIONS

Last Nine Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 250,077	\$ 213,429	\$ 188,100	\$ 152,064	\$ 143,006	\$ 124,242	\$ 114,784	\$ 116,128	\$ 115,112
Contributions in relation to the contractually required contribution	250,077	213,429	188,100	152,064	143,006	124,242	114,784	116,128	115,112
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered-employee payroll	\$ 2,203,325	\$ 2,102,751	\$ 2,101,669	\$ 1,962,117	\$ 1,906,743	\$ 1,713,689	\$ 1,720,900	\$ 1,642,546	\$ 1,628,175
Contributions as a percentage of covered-employee payroll	11.35%	10.15%	8.95%	7.75%	7.50%	7.25%	6.67%	7.07%	7.07%

See auditors' report.

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CLEVELAND COUNTY WATER

SCHEDULE OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP) – WATER FUND

Year Ended June 30, 2022

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenue				
Water charges	\$ 7,977,457	\$ 8,142,457	\$ 8,332,014	\$ 189,557
Tap connection charges	250,000	250,000	329,950	79,950
Total Operating Revenue	<u>8,227,457</u>	<u>8,392,457</u>	<u>8,661,964</u>	<u>269,507</u>
Non-Operating Revenues (Expenditures)				
Special district ad valorem tax	1,007,800	1,007,800	1,073,775	65,975
Restricted intergovernmental	-	750,000	746,367	(3,633)
Investment earnings	20,000	20,000	10,967	(9,033)
Local option sales tax	250,000	250,000	334,923	84,923
Fund balance appropriated	-	742,562	-	(742,562)
Miscellaneous	218,700	31,896,892	128,825	(31,768,067)
Total Non-Operating Revenue	<u>1,496,500</u>	<u>34,667,254</u>	<u>2,294,857</u>	<u>(32,372,397)</u>
Total Revenue	<u>9,723,957</u>	<u>43,059,711</u>	<u>10,956,821</u>	<u>(32,102,890)</u>
Operating Expenditures				
Salaries and employee benefits	3,422,719	3,422,815	3,237,436	185,379
Administration				
Professional services	137,500	102,700	100,624	2,076
Telephone and utilities	32,460	32,660	26,340	6,320
Repairs and maintenance	135,050	122,400	107,196	15,204
Postage	4,040	4,040	3,043	997
Insurance and bonds	72,032	73,237	73,237	-
Sewer collections	197,960	225,840	225,829	11
Other departmental expenditures	512,563	529,818	474,568	55,250
Total Administration	<u>1,091,605</u>	<u>1,090,695</u>	<u>1,010,837</u>	<u>79,858</u>
Water Plant				
Professional services	53,150	45,359	9,982	35,377
Telephone and utilities	330,500	330,906	330,860	46
Repairs and maintenance	73,140	73,190	55,958	17,232
Materials and supplies	35,000	35,000	26,499	8,501
Chemicals	188,800	193,900	178,971	14,929
Contracted services	131,900	131,900	102,515	29,385
Other departmental expenditures	34,335	34,585	26,676	7,909
Total Water Plant	<u>846,825</u>	<u>844,840</u>	<u>731,461</u>	<u>113,379</u>
Water Line Maintenance				
Telephone and utilities	83,500	87,150	82,416	4,734
Repairs and maintenance	92,450	106,065	94,663	11,402
Materials and supplies	397,500	395,877	251,781	144,096
Contracted services	193,860	193,860	183,886	9,974
Other departmental expenditures	977,575	981,940	944,081	37,859
Total Water Line Maintenance	<u>1,744,885</u>	<u>1,764,892</u>	<u>1,556,827</u>	<u>208,065</u>

See auditor's report.

CLEVELAND COUNTY WATER

SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP) – WATER FUND

Year Ended June 30, 2022

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Meter Services				
Fuel	\$ 28,000	\$ 28,000	\$ 23,480	\$ 4,520
Repairs and maintenance	8,000	8,000	5,310	2,690
Other departmental expenditures	44,600	40,650	21,101	19,549
Total Meter Services	80,600	76,650	49,891	26,759
Greenway				
Professional services	80,000	80,000	42,040	37,960
Travel, Meetings, Schools	5,000	5,000	-	5,000
Advertising	10,000	10,000	-	10,000
Dept Supplies & Expenses	5,000	5,000	1,299	3,701
Land and area maintenance	150,000	150,000	9,288	140,712
Total Greenway	250,000	250,000	52,627	197,373
Total Operating Expenses	7,436,634	7,449,892	6,639,079	810,813
Budgetary Appropriations				
Debt Service				
Debt principal	220,011	217,910	217,910	-
Capital lease principal	86,998	89,098	89,098	-
Interest	55,134	55,134	53,807	1,327
Total Debt Service	362,143	362,142	360,815	1,327
Capital outlay	1,925,180	35,247,677	6,934,467	28,313,210
Total Budgetary Appropriations	2,287,323	35,609,819	7,295,282	28,314,537
Total Expenditures and Other Uses	9,723,957	43,059,711	13,934,361	29,125,350
Revenues and Appropriated Fund				
Balance Over (under) Expenditures and Other Uses	\$ -	\$ -	\$ (2,977,540)	\$ (2,977,540)

See auditors' report and supplementary information.

CLEVELAND COUNTY WATER

SCHEDULE OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP) – WATER FUND

Year Ended June 30, 2022

Revenues and Appropriated Fund	\$ (2,977,540)
Balance Over (under) Expenditures and Other Uses	
Reconciling items	
Capital outlay	6,753,995
Debt principal	217,910
Capital lease principal	89,098
Increase in deferred outflows of resources – pensions	85,250
Increase in deferred outflows of resources – OPEB	292,206
Increase in OPEB liability	631,988
Increase in net pension liability	(249,363)
Increase in deferred inflows of resources – unearned water sales	(10,634)
Increase in deferred inflows of resources – pensions	(637,940)
Increase in deferred inflows of resources – OPEB	(218,553)
Increase in deferred inflows of resources – leases	18,068
Increase in compensated absences	11,790
Depreciation	(1,549,771)
Amortization - leases	(5,891)
	<u> </u>
Change in net position	<u><u>\$ 2,450,613</u></u>

See auditors' report and supplementary information.

CLEVELAND COUNTY WATER

ENTERPRISE FUND CAPITAL PROJECTS

Water Improvements Projects

Kadesh Church Road

Schedule of Revenue, Expenditures, and
Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2022

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Kadesh Church Road:					
Revenue:					
Restricted intergovernmental					
NC Department of Transportation	\$ 117,473	\$ 1,886	\$ 112,973	\$ 114,859	\$ (2,614)
	<u>117,473</u>	<u>1,886</u>	<u>112,973</u>	<u>114,859</u>	<u>(2,614)</u>
Expenditures:					
Capital outlay					
Engineering	4,500	1,886	-	1,886	2,614
Construction	112,973	-	112,973	112,973	-
	<u>117,473</u>	<u>1,886</u>	<u>112,973</u>	<u>114,859</u>	<u>2,614</u>
Other financing sources and (uses):					
Transfers in (out)	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, beginning			<u>-</u>		
Fund Balance, ending			<u>\$ -</u>		

See auditors' report.

CLEVELAND COUNTY WATER

ENTERPRISE FUND CAPITAL PROJECTS
Water Improvements Projects
US 74 Bypass Relocation 2707D

Schedule of Revenue, Expenditures, and
Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2022

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Current</u> <u>Year</u>	<u>Total</u> <u>to Date</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
US 74 Bypass Relocation 2707D:					
Revenue:					
Restricted intergovernmental					
U.S. Department of Transportation	\$ 64,320	\$ 41,792	\$ -	\$ 41,792	\$ (22,528)
NC Department of Transportation	16,080	10,771	-	10,771	(5,309)
	<u>80,400</u>	<u>52,563</u>	<u>-</u>	<u>52,563</u>	<u>(27,837)</u>
Expenditures:					
Capital outlay					
Engineering	80,400	52,563	-	52,563	27,837
	<u>80,400</u>	<u>52,563</u>	<u>-</u>	<u>52,563</u>	<u>27,837</u>
Other financing sources and (uses):					
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue Over (Under) Expenditures	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Fund Balance, beginning			<u>-</u>		
Fund Balance, ending			<u><u>\$ -</u></u>		

See auditors' report.

CLEVELAND COUNTY WATER

ENTERPRISE FUND CAPITAL PROJECTS
Water Improvements Projects
US 74 Bypass Relocation 2707E

Schedule of Revenue, Expenditures, and
Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2022

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Current</u> <u>Year</u>	<u>Total</u> <u>to Date</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
US 74 Bypass Relocation 2707E:					
Revenue:					
Restricted intergovernmental					
U.S. Department of Transportation	\$ 63,875	\$ 41,508	\$ -	\$ 41,508	\$ (22,367)
NC Department of Transportation	15,968	10,698	-	10,698	(5,270)
	<u>79,843</u>	<u>52,206</u>	<u>-</u>	<u>52,206</u>	<u>(27,637)</u>
Expenditures:					
Capital outlay					
Engineering	79,843	52,206	-	52,206	27,637
	<u>79,843</u>	<u>52,206</u>	<u>-</u>	<u>52,206</u>	<u>27,637</u>
Other financing sources and (uses):					
Transfers in (out)	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, beginning			<u>-</u>		
Fund Balance, ending			<u>\$ -</u>		

See auditors' report.

CLEVELAND COUNTY WATER
ENTERPRISE FUND CAPITAL PROJECTS
Water Improvements Projects
Joe's Lake Road

Schedule of Revenue, Expenditures, and
Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2022

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

See auditors' report.

CLEVELAND COUNTY WATER

ENTERPRISE FUND CAPITAL PROJECTS
Water Improvements Projects
Replacement of Bridge #76 over Buffalo Creek on
NC Highway 150 Waterline Relocation

Schedule of Revenue, Expenditures, and
Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2022

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

See auditors' report.

CLEVELAND COUNTY WATER

ENTERPRISE FUND CAPITAL PROJECTS
Water Improvements Projects
Clearwell and High Service Pump Station Project

Schedule of Revenue, Expenditures, and
Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2022

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Clearwell and High Service Pump Station:					
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures:					
Capital outlay					
Construction	7,909,197	-	3,029,703	3,029,703	4,879,494
Financial management	170,784	170,784	-	170,784	-
Professional services	630,000	412,675	127,385	540,060	89,940
	<u>8,709,981</u>	<u>583,459</u>	<u>3,157,088</u>	<u>3,740,547</u>	<u>4,969,434</u>
Other financing sources and (uses):					
Loan proceeds from NCDENR	8,539,197	412,675	2,830,937	3,243,612	(5,295,585)
Transfers in (out)	170,784	170,784	326,151	496,935	326,151
	<u>8,709,981</u>	<u>583,459</u>	<u>3,157,088</u>	<u>3,740,547</u>	<u>(4,969,434)</u>
Revenue Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, beginning			-		
Fund Balance, ending			<u>\$ -</u>		

See auditors' report.

CLEVELAND COUNTY WATER
ENTERPRISE FUND CAPITAL PROJECTS
Water Improvements Projects
Centrally Located Operations Center

**Schedule of Revenue, Expenditures, and
Changes in Fund Balance - Budget and Actual**

Year Ended June 30, 2022

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Centrally Located Operations Center:					
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:					
Capital outlay					
Professional services	475,504	96,990	230,203	327,193	148,311
Construction/equipment/ contingencies	5,504,496	-	109,602	109,602	5,394,894
Legal	30,000	-	10,000	10,000	20,000
Financing and interest	250,000	-	6,241	6,241	243,759
	<u>6,260,000</u>	<u>96,990</u>	<u>356,046</u>	<u>453,036</u>	<u>5,806,964</u>
Other financing sources and (uses):					
Loan proceeds from USDA Loan	4,997,000	-	-	-	(4,997,000)
Transfers in (out)	1,263,000	96,990	356,046	453,036	(809,964)
	<u>6,260,000</u>	<u>96,990</u>	<u>356,046</u>	<u>453,036</u>	<u>(5,806,964)</u>
Revenue Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, beginning			<u>-</u>		
Fund Balance, ending			<u>\$ -</u>		

See auditors' report.

CLEVELAND COUNTY WATER

ENTERPRISE FUND CAPITAL PROJECTS
Water Improvements Projects
Raw Water Weir Improvements Project

Schedule of Revenue, Expenditures, and
Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2022

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Raw Water Weir Improvements:					
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:					
Capital outlay					
Construction/equipment/ contingencies	9,570,000	-	-	-	9,570,000
Land acquisition	15,000	14,715	-	14,715	285
Professional services	2,090,000	138,303	671,069	809,372	1,280,628
Legal	75,000	-	-	-	75,000
Financing and interest	300,000	-	-	-	300,000
	<u>12,050,000</u>	<u>153,018</u>	<u>671,069</u>	<u>824,087</u>	<u>11,225,913</u>
Other financing sources and (uses):					
Loan proceeds from USDA Loan #1	9,000,000	138,303	671,069	809,372	(8,190,628)
Loan proceeds from USDA Loan #2	3,035,000	-	-	-	(3,035,000)
Transfers in (out)	15,000	14,715	-	14,715	(285)
	<u>12,050,000</u>	<u>153,018</u>	<u>671,069</u>	<u>824,087</u>	<u>(11,225,913)</u>
Revenue Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, beginning			<u>-</u>		
Fund Balance, ending			<u>\$ -</u>		

See auditors' report.

CLEVELAND COUNTY WATER
ENTERPRISE FUND CAPITAL PROJECTS
Water Improvements Projects
Marion Street Pump Station Project

**Schedule of Revenue, Expenditures, and
Changes in Fund Balance - Budget and Actual**

Year Ended June 30, 2022

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Marion Street Pump Station:					
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	-
Expenditures:					
Capital outlay					
Professional services	12,000	11,897	-	11,897	103
Land acquisition	150,000	142,606	6,604	149,210	790
	162,000	154,503	6,604	161,107	893
Other financing sources and (uses):					
Transfers in (out)	162,000	154,503	6,604	161,107	(893)
	162,000	154,503	6,604	161,107	(893)
Revenue Over (Under) Expenditures	\$ -	\$ -	-	\$ -	\$ -
Fund Balance, beginning			-		
Fund Balance, ending			\$ -		

See auditors' report.

CLEVELAND COUNTY WATER

ENTERPRISE FUND CAPITAL PROJECTS
Water Improvements Projects
Flocculation and Sedimentation Improvements Project

Schedule of Revenue, Expenditures, and
Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2022

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Flocculation and Sedimentation Improvements:					
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:					
Capital outlay					
Construction	2,420,000	-	-	-	2,420,000
Engineering/administration	330,000	25,244	169,816	195,060	134,940
Financial management	55,000	-	-	-	55,000
	<u>2,805,000</u>	<u>25,244</u>	<u>169,816</u>	<u>195,060</u>	<u>2,609,940</u>
Other financing sources and (uses):					
NC Division of Water Quality Loan	2,750,000	-	195,060	195,060	(2,554,940)
Transfers in (out)	55,000	25,244	(25,244)	-	(55,000)
	<u>2,805,000</u>	<u>25,244</u>	<u>169,816</u>	<u>195,060</u>	<u>(2,609,940)</u>
Revenue Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, beginning			<u>-</u>		
Fund Balance, ending			<u>\$ -</u>		

See auditors' report.

CLEVELAND COUNTY WATER

ENTERPRISE FUND CAPITAL PROJECTS
Water Improvements Projects
Lawndale Park Project

Schedule of Revenue, Expenditures, and
Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2022

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Lawndale Park:					
Revenue:					
Grant Revenue – Town of Fallston	\$ 10,000	\$ -	\$ -	\$ -	\$ (10,000)
Grant Revenue – Duke Energy	25,000	-	-	-	(25,000)
Grant Revenue – DWR/NCDEQ	200,000	-	38,250	38,250	(161,750)
Grant Revenue – Recreation Trails Program	100,000	-	-	-	(100,000)
Grant Revenue - Town of Lawndale PARTF	415,000	-	-	-	(415,000)
	<u>750,000</u>	<u>-</u>	<u>38,250</u>	<u>38,250</u>	<u>(711,750)</u>
Expenditures:					
Capital outlay					
Construction	450,000	-	-	-	450,000
Engineering	300,000	-	38,250	38,250	261,750
	<u>750,000</u>	<u>-</u>	<u>38,250</u>	<u>38,250</u>	<u>711,750</u>
Other financing sources and (uses):					
Transfers in (out)	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, beginning			<u>-</u>		
Fund Balance, ending			<u>\$ -</u>		

See auditors' report.

CLEVELAND COUNTY WATER

ENTERPRISE FUND CAPITAL PROJECTS
Water Improvements Projects
Waterline Improvements Project

Schedule of Revenue, Expenditures, and
Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2022

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Waterline Improvements:					
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:					
Capital outlay					
Professional services/materials/construction/fees	415,000	-	398,184	398,184	16,816
	<u>415,000</u>	<u>-</u>	<u>398,184</u>	<u>398,184</u>	<u>16,816</u>
Other financing sources and (uses):					
Transfers in (out)	415,000	-	398,184	398,184	(16,816)
	<u>415,000</u>	<u>-</u>	<u>398,184</u>	<u>398,184</u>	<u>(16,816)</u>
Revenue Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, beginning			<u>-</u>		
Fund Balance, ending			<u>\$ -</u>		

See auditors' report.

CLEVELAND COUNTY WATER

ENTERPRISE FUND CAPITAL PROJECTS
Water Improvements Projects
Fallston Water and Wastewater AIA Project

Schedule of Revenue, Expenditures, and
Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2022

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Fallston Water and Wastewater:					
Revenue					
AIA Grant Funds	\$ 300,000	\$ -	\$ 74,515	\$ 74,515	\$ (225,485)
	<u>300,000</u>	<u>-</u>	<u>74,515</u>	<u>74,515</u>	<u>(225,485)</u>
Expenditures:					
Capital outlay					
Professional services	300,000	-	74,515	74,515	225,485
	<u>300,000</u>	<u>-</u>	<u>74,515</u>	<u>74,515</u>	<u>225,485</u>
Other financing sources and (uses):					
Transfers in (out)	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, beginning			<u>-</u>		
Fund Balance, ending			<u>\$ -</u>		

See auditors' report.

CLEVELAND COUNTY WATER

ENTERPRISE FUND CAPITAL PROJECTS
Water Improvements Projects
Lawndale Water and Wastewater AIA Project

Schedule of Revenue, Expenditures, and
Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2022

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Lawndale Water and Wastewater:					
Revenue					
AIA Grant Funds	\$ 300,000	\$ -	\$ 59,050	\$ 59,050	\$ (240,950)
	<u>300,000</u>	<u>-</u>	<u>59,050</u>	<u>59,050</u>	<u>(240,950)</u>
Expenditures:					
Capital outlay					
Professional services	300,000	-	59,050	59,050	240,950
	<u>300,000</u>	<u>-</u>	<u>59,050</u>	<u>59,050</u>	<u>240,950</u>
Other financing sources and (uses):					
Transfers in (out)	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, beginning			<u>-</u>		
Fund Balance, ending			<u>\$ -</u>		

See auditors' report.

CLEVELAND COUNTY WATER

ENTERPRISE FUND CAPITAL PROJECTS
Water Improvements Projects
Polkville Wastewater AIA Project

Schedule of Revenue, Expenditures, and
Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2022

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Polkville Wastewater:					
Revenue					
AIA Grant Funds	\$ 150,000	\$ -	\$ 16,634	\$ 16,634	\$ (133,366)
	<u>150,000</u>	<u>-</u>	<u>16,634</u>	<u>16,634</u>	<u>(133,366)</u>
Expenditures:					
Capital outlay					
Professional services	150,000	-	16,634	16,634	133,366
	<u>150,000</u>	<u>-</u>	<u>16,634</u>	<u>16,634</u>	<u>133,366</u>
Other financing sources and (uses):					
Transfers in (out)	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, beginning			<u>-</u>		
Fund Balance, ending			<u>\$ -</u>		

See auditors' report.

CLEVELAND COUNTY WATER

ENTERPRISE FUND CAPITAL PROJECTS
Water Improvements Projects
Belwood Waterlines Improvements Project

Schedule of Revenue, Expenditures, and
Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2022

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Belwood Waterlines Improvements:					
Revenue:					
Town of Belwood – ARP Funds	\$ 61,000	\$ -	\$ -	\$ -	\$ (61,000)
	<u>61,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(61,000)</u>
Expenditures:					
Capital outlay					
Belwood Loop					
Waterline Improvements	39,000	-	20,152	20,152	18,848
St. Peters Church Road					
Waterline Improvements	79,000	-	74,291	74,291	4,709
Lutz Road					
Waterline Improvements	67,000	-	68,813	68,813	(1,813)
	<u>185,000</u>	<u>-</u>	<u>163,256</u>	<u>163,256</u>	<u>21,744</u>
Other financing sources and (uses):					
Transfers in (out)					
	124,000	-	163,256	163,256	39,256
	<u>124,000</u>	<u>-</u>	<u>163,256</u>	<u>163,256</u>	<u>39,256</u>
Revenue Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, beginning			<u>-</u>		
Fund Balance, ending			<u>\$ -</u>		

See auditors' report.

CLEVELAND COUNTY WATER

ENTERPRISE FUND CAPITAL PROJECTS
Water Improvements Projects
Elam Road Bridge Project

Schedule of Revenue, Expenditures, and
Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2022

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Current</u> <u>Year</u>	<u>Total</u> <u>to Date</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Elam Road Bridge:					
Revenue:					
Restricted intergovernmental					
NC Department of Transportation	\$ 121,101	\$ -	\$ 27,218	\$ 27,218	\$ (93,883)
	<u>121,101</u>	<u>-</u>	<u>27,218</u>	<u>27,218</u>	<u>(93,883)</u>
Expenditures:					
Capital outlay					
Engineering	27,357	-	9,928	9,928	17,429
Construction	93,744	-	17,290	17,290	76,454
	<u>121,101</u>	<u>-</u>	<u>27,218</u>	<u>27,218</u>	<u>93,883</u>
Other financing sources and (uses):					
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue Over (Under) Expenditures	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Fund Balance, beginning			<u>-</u>		
Fund Balance, ending			<u><u>\$ -</u></u>		

See auditors' report.

CLEVELAND COUNTY WATER

ENTERPRISE FUND CAPITAL PROJECTS
Water Improvements Projects
McBrayer Homestead Road Bridge Project

Schedule of Revenue, Expenditures, and
Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2022

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Current</u> <u>Year</u>	<u>Total</u> <u>to Date</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
McBrayer Homestead Road Bridge:					
Revenue:					
Restricted intergovernmental					
NC Department of Transportation	\$ 114,297	\$ -	\$ 36,445	\$ 36,445	\$ (77,852)
	<u>114,297</u>	<u>-</u>	<u>36,445</u>	<u>36,445</u>	<u>(77,852)</u>
Expenditures:					
Capital outlay					
Engineering	27,357	-	19,857	19,857	7,500
Construction	86,940	-	16,588	16,588	70,352
	<u>114,297</u>	<u>-</u>	<u>36,445</u>	<u>36,445</u>	<u>77,852</u>
Other financing sources and (uses):					
Transfers in (out)	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, beginning			<u>-</u>		
Fund Balance, ending			<u>\$ -</u>		

See auditors' report.

CLEVELAND COUNTY WATER
ENTERPRISE FUND CAPITAL PROJECTS
Water Improvements Projects
Marion Street Pump Station ARP Project

**Schedule of Revenue, Expenditures, and
Changes in Fund Balance - Budget and Actual**

Year Ended June 30, 2022

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Marion Street Pump Station:					
Revenue:					
ARP Funds	\$ 255,000	\$ -	\$ 101,873	\$ 101,873	\$ (153,127)
	<u>255,000</u>	<u>-</u>	<u>101,873</u>	<u>101,873</u>	<u>(153,127)</u>
Expenditures:					
Capital outlay					
Engineering	255,000	-	101,873	101,873	153,127
	<u>255,000</u>	<u>-</u>	<u>101,873</u>	<u>101,873</u>	<u>153,127</u>
Other financing sources and (uses):					
Transfers in (out)	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, beginning			<u>-</u>		
Fund Balance, ending			<u>\$ -</u>		

See auditors' report.

CLEVELAND COUNTY WATER

ENTERPRISE FUND CAPITAL PROJECTS

Water Improvements Projects

Casar Lawndale, Sand Hills, Will Dixon Water Main ARP Project

Schedule of Revenue, Expenditures, and
Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2022

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Casar Lawndale, Sand Hills, Will Dixon Water Main:					
Revenue:					
ARP Funds	\$ 650,000	\$ -	\$ 155,780	\$ 155,780	\$ (494,220)
	<u>650,000</u>	<u>-</u>	<u>155,780</u>	<u>155,780</u>	<u>(494,220)</u>
Expenditures:					
Capital outlay					
Engineering	650,000	-	155,780	155,780	494,220
	<u>650,000</u>	<u>-</u>	<u>155,780</u>	<u>155,780</u>	<u>494,220</u>
Other financing sources and (uses):					
Transfers in (out)	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, beginning			<u>-</u>		
Fund Balance, ending			<u>\$ -</u>		

See auditors' report.

CLEVELAND COUNTY WATER

ENTERPRISE FUND CAPITAL PROJECTS
Water Improvements Projects
Polkville Tank and Booster Pump Station ARP Project

Schedule of Revenue, Expenditures, and
Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2022

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Polkville Tank and Booster Pump Station:					
Revenue:					
ARP Funds	\$ 433,300	\$ -	\$ 51,349	\$ 51,349	\$ (381,951)
	<u>433,300</u>	<u>-</u>	<u>51,349</u>	<u>51,349</u>	<u>(381,951)</u>
Expenditures:					
Capital outlay					
Engineering	433,300	-	51,349	51,349	381,951
	<u>433,300</u>	<u>-</u>	<u>51,349</u>	<u>51,349</u>	<u>381,951</u>
Other financing sources and (uses):					
Transfers in (out)	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, beginning			<u>-</u>		
Fund Balance, ending			<u>\$ -</u>		

See auditors' report.

CLEVELAND COUNTY WATER

ENTERPRISE FUND CAPITAL PROJECTS
Water Improvements Projects
Belwood Tank and Booster Pump Station ARP Project

Schedule of Revenue, Expenditures, and
Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2022

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Belwood Tank and Booster Pump Station:					
Revenue:					
ARP Funds	\$ 456,300	\$ -	\$ 72,280	\$ 72,280	\$ (384,020)
	<u>456,300</u>	<u>-</u>	<u>72,280</u>	<u>72,280</u>	<u>(384,020)</u>
Expenditures:					
Capital outlay					
Engineering	456,300	-	72,280	72,280	384,020
	<u>456,300</u>	<u>-</u>	<u>72,280</u>	<u>72,280</u>	<u>384,020</u>
Other financing sources and (uses):					
Transfers in (out)	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, beginning			<u>-</u>		
Fund Balance, ending			<u>\$ -</u>		

See auditors' report.

CLEVELAND COUNTY WATER

ENTERPRISE FUND CAPITAL PROJECTS
Water Improvements Projects
Waco Booster Pump Station ARP Project

Schedule of Revenue, Expenditures, and
Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2022

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Current</u> <u>Year</u>	<u>Total</u> <u>to Date</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Waco Booster Pump Station:					
Revenue:					
ARP Funds	\$ 94,500	\$ -	\$ -	\$ -	\$ (94,500)
	<u>94,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(94,500)</u>
Expenditures:					
Capital outlay					
Engineering	94,500	-	-	-	94,500
	<u>94,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,500</u>
Other financing sources and (uses):					
Transfers in (out)	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, beginning			<u>-</u>		
Fund Balance, ending			<u>\$ -</u>		

See auditors' report.

CLEVELAND COUNTY WATER

ENTERPRISE FUND CAPITAL PROJECTS
Water Improvements Projects
Airport Rd Bridge 2707C

Schedule of Revenue, Expenditures, and
Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2022

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Airport Rd Bridge 2707C:					
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:					
Capital outlay					
Construction	52,230	-	-	-	52,230
	<u>52,230</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,230</u>
Other financing sources and (uses):					
Transfers in (out)	52,230	-	-	-	(52,230)
	<u>52,230</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(52,230)</u>
Revenue Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, beginning			<u>-</u>		
Fund Balance, ending			<u>\$ -</u>		

See auditors' report.

CLEVELAND COUNTY WATER

SCHEDULE OF AD VALOREM TAXES RECEIVABLE

June 30, 2022

Fiscal Year	July 1, 2021	Additions and Adjustments	Collections and Credits	June 30, 2022
2021-2022	\$ -	\$ 981,123	\$ 964,187	\$ 16,936
2020-2021	14,243	-	7,566	6,677
2019-2020	11,294	-	2,973	8,321
2018-2019	5,924	-	1,073	4,851
2017-2018	3,558	-	730	2,828
2016-2017	2,035	-	333	1,702
2015-2016	1,553	-	295	1,258
2014-2015	1,171	-	193	978
2013-2014	1,601	-	859	742
2012-2013	1,484	-	914	570
2011-2012	1,288	-	1,288	-
	<u>\$ 44,151</u>	<u>\$ 981,123</u>	<u>\$ 980,411</u>	44,863
Less: allowance for uncollectible taxes				<u>-</u>
Ad valorem taxes receivable – net				<u>\$ 44,863</u>
Reconciliation with revenue:				
Ad valorem taxes – Water Fund				\$ 1,073,775
Less: releases, interest, and adjustments				<u>93,364</u>
Total Collections and Credits				<u>\$ 980,411</u>

See auditors' report.

CLEVELAND COUNTY WATER

SCHEDULE OF ANALYSIS OF CURRENT TAX LEVY

Year Ended June 30, 2022

	<u>Property Valuation</u>		<u>Amount of Levy</u>	<u>Registered Motor Vehicles</u>	<u>Property Excluding Registered Motor Vehicles</u>
Original Levy:					
Property taxed at current year's rate	\$ 4,369,345,000	0.02%	\$ 873,869	\$ -	\$ 873,869
Motor vehicles taxed at current year's rate	<u>222,750,000</u>	0.02%	<u>44,550</u>	<u>44,550</u>	<u>-</u>
Total Original Levy	4,592,095,000		918,419	44,550	873,869
Discoveries:					
Current year taxes	317,085,000		63,417	6	63,411
Abatements	<u>(3,565,000)</u>		<u>(713)</u>	<u>(92)</u>	<u>(621)</u>
Total property valuation	<u>\$ 4,905,615,000</u>				
Net Levy			981,123	44,464	936,659
Less: Uncollected Tax at June 30, 2022			<u>16,936</u>	<u>-</u>	<u>16,936</u>
Current Year's Taxes Collected			<u>\$ 964,187</u>	<u>\$ 44,464</u>	<u>\$ 919,723</u>
Percent of Current Year Levy Collected			<u>98.274%</u>	<u>100.000%</u>	<u>98.192%</u>

See auditors' report.

CLEVELAND COUNTY WATER

SCHEDULE OF ANALYSIS OF CURRENT TAX LEVY

Year Ended June 30, 2022

Secondary Market Disclosures:**Assessed Valuation:**

Assessment ratio		100%
Real property	\$	4,100,944,249
Personal property		222,750,000
Public service companies		<u>268,400,751</u>
Total Assessed Valuation		4,592,095,000
Tax Rate Per \$100		<u>0.02</u>
Levy	\$	<u><u>918,419</u></u>

See auditors' report.

CLEVELAND COUNTY WATER

SCHEDULE OF TEN (10) LARGEST TAXPAYERS

Year Ended June 30, 2022

Taxpayer	Type of Business	2021 Assessed Valuation	Percentage of Total Assessed Valuation
Clearwater Paper	Manufacturing	\$ 349,883,098	7.62%
Southern Power	Utilities	267,114,731	5.82%
Duke	Utilities	125,983,458	2.74%
Public Service Company of NC	Utilities	67,038,712	1.46%
KSM Casting	Manufacturing	62,395,779	1.36%
Ticona Polymers	Manufacturing	50,669,219	1.10%
Greenheck	Manufacturing	46,123,409	1.00%
Eaton Corporation	Manufacturing	46,142,964	1.00%
ABB Motors & Mechanical	Manufacturing	33,863,636	0.74%
Transcontinental Pipeline	Manufacturing	32,730,485	0.71%
		<u>\$ 1,081,945,491</u>	<u>23.55%</u>

See auditors' report.

COMPLIANCE REPORTS



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statements of fund net position of Cleveland County Water as of June 30, 2022, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended and the related notes to the financial statements, which collectively comprise Cleveland County Water's basic financial statements, and have issued our report thereon dated October 28, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

DMQPS PLLC

Certified Public Accountants
Asheville, North Carolina

October 28, 2022



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB UNIFORM
GUIDANCE AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Cleveland County Water, North Carolina's compliance with the types of compliance requirements identified as subject to audit 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 Cleveland County Water's major federal programs for the year ended June 30, 2022. Cleveland County Water's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Cleveland County Water complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal 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). Our responsibilities under those standards and the Uniform Guidance are further described in the ***Auditors' Responsibilities for the Audit of Compliance*** section of our report.

We are required to be independent of Cleveland County Water 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 provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Cleveland County Water'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 Cleveland County Water's federal programs.

Auditors' 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 Cleveland County Water'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 generally accepted auditing standards, *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 Cleveland County Water's compliance with the requirements of each major federal program, as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Cleveland County Water'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 Cleveland County Water'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 Cleveland County Water'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 federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the ***Auditors' Responsibilities for the Audit of Compliance*** section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies 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, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance 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.

DMPS PLLC

Certified Public Accountants
Asheville, North Carolina

October 28, 2022

CLEVELAND COUNTY WATER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

SECTION I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified _____ yes X no

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

Noncompliance material to financial statements _____ yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified _____ yes X no

Significant deficiency(s) identified that are not considered to be material weaknesses? _____ yes X no

Noncompliance material to federal awards _____ yes X no

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of Major Federal Programs

Assistance Listing #	Names of Federal Program or Cluster
66.468	Drinking Water State Revolving Fund Cluster Capitalization Grants for Drinking Water State Revolving Funds
10.760	Water and Waste Disposal Systems for Rural Communities
21.027	Coronavirus State and Local Fiscal Recovery Funds – Drinking Water Wastewater

Dollar threshold to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ yes X no

CLEVELAND COUNTY WATER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

SECTION II. FINDINGS RELATED TO THE AUDIT OF THE FINANCIAL STATEMENTS

None reported.

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

CLEVELAND COUNTY WATER

CORRECTIVE ACTION PLAN

Year Ended June 30, 2022

SECTION II. FINDINGS RELATED TO THE AUDIT OF THE FINANCIAL STATEMENTS

None reported.

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

CLEVELAND COUNTY WATER
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Year Ended June 30, 2022

SECTION II. FINDINGS RELATED TO THE AUDIT OF THE FINANCIAL STATEMENTS

None reported.

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

CLEVELAND COUNTY WATER

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended June 30, 2022

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Pass-through to Subrecipients	Local Expenditures
Federal Grants:						
Cash programs:						
<u>U.S. Dept. of Transportation</u>						
Passed-through N.C. Department of Transportation Highway Planning and Construction Cluster						
Highway Planning and Construction	20.205	34497.1.FS6	\$ -	\$ -	\$ -	\$ -
Highway Planning and Construction	20.205	34497.1.FS7	-	-	-	-
Toal Highway Planning and Construction Cluster			-	-	-	-
Total U.S. Dept. of Transportation			-	-	-	-
Non-cash programs:						
<u>U.S. Environmental Protection Agency</u>						
Passed-through N.C. Department of Environmental Quality Division of Water Resources Drinking Water State Revolving Fund Cluster						
Capitalization Grants for Drinking Water State Revolving Funds	66.468	H-SRF-F-20-1973	3,318,718	-	-	-
Drinking Water State Revolving Fund Cluster Capitalization Grants for Drinking Water State Revolving Funds	66.468	H-SRF-F-21-2020	169,816	-	-	-
Toal Drinking Water State Revolving Fund Cluster			3,488,534	-	-	-
Total U.S. Environmental Protection Agency			3,488,534	-	-	-
<u>U.S. Department of Agriculture</u>						
Water and Waste Disposal Systems for Rural Communities Operations Center	10.760	N/A	356,045	-	-	-
Water and Waste Disposal Systems for Rural Communities Raw Water Weir Improvements	10.760	N/A	671,069	-	-	-
Toal U.S. Department of Agriculture			1,027,114	-	-	-
<u>U.S. Department of Treasury</u>						
Passed-through State of North Carolina and N.C. Department of Environmental Quality COVID-19 American Rescue Plan Act Coronavirus State and Local Fiscal Recovery Funds- Drinking Water Wastewater	21.027	SRP-D-ARP-0037	101,873	-	-	-
COVID-19 American Rescue Plan Act Coronavirus State and Local Fiscal Recovery Funds- Drinking Water Wastewater	21.027	SRP-D-ARP-0036	155,780	-	-	-
COVID-19 American Rescue Plan Act Coronavirus State and Local Fiscal Recovery Funds- Drinking Water Wastewater	21.027	SRP-D-ARP-0038	51,349	-	-	-
COVID-19 American Rescue Plan Act Coronavirus State and Local Fiscal Recovery Funds- Drinking Water Wastewater	21.027	SRP-D-ARP-0035	72,280	-	-	-
Toal U.S. Department of Treasury			381,282	-	-	-
Total federal awards			4,896,930	-	-	-
State Grants:						
<u>N.C. Department of Environmental Quality</u>						
Division of Water Infrastructure Lawndale Park on the First Broad River Project	N/A	N/A	-	38,250	-	-
Total N.C. Dept. Environmental Quality			-	38,250	-	-
Total State awards			-	38,250	-	-
Total federal and State awards			\$ 4,896,930	\$ 38,250	\$ -	\$ -

CLEVELAND COUNTY WATER

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended June 30, 2022

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Cleveland County Water under the programs of the federal government and the State of North Carolina for the year ended June 30, 2022. The information in this 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 Cleveland County Water, it is not intended to and does not present the financial position, changes in net position, or cash flows of Cleveland County Water.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the SEFSA are reported on the 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. Cleveland County Water has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. LOANS OUTSTANDING

Cleveland County Water had the following loan balances outstanding as of June 30, 2022 for loans through the Drinking Water State Revolving Funds awards reported above. The balances of the loans outstanding as of June 30, 2022 consist of:

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Loan Balance Outstanding</u>
Drinking Water State Revolving Fund Cluster			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	H-SRF-F-20-1973 \$	<u>3,569,763</u>
Capitalization Grants for Drinking Water State Revolving Funds	66.468	H-SRF-F-21-2020 \$	<u>195,060</u>