

CITY OF LINCOLNTON, NORTH CAROLINA

**CITY OF LINCOLNTON, NORTH CAROLINA
ANNUAL COMPREHENSIVE FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**PREPARED BY
CITY OF LINCOLNTON FINANCE DEPARTMENT**

CITY OF LINCOLNTON, NORTH CAROLINA

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INTRODUCTORY SECTION

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 - **GFOA Certificate of Achievement**
 - **Organizational Chart**
 - **List of Principal Officials**
-

CITY COUNCIL
Ed L. Hatley, Mayor
Martin A. Eaddy, Mayor Pro-Tem
Mary Frances White
Roby D. Jetton
Christine Poinsette



CITY MANAGER
Ritchie Haynes
rhaynes@lincolntonnc.org
CITY CLERK
Daphne Ingram
[dingram@lincolntonnc.org](mailto:d Ingram@lincolntonnc.org)
CITY ATTORNEY
Thomas J. Wilson, Jr.

Letter of Transmittal

The Honorable Mayor, Members of the
City Council and the Citizens of
the City of Lincolnton, North Carolina

The Annual Comprehensive Financial Report of the City of Lincolnton, North Carolina is submitted for your review and use. The City, like other local governments in the State, is required by State law to publish a complete set of financial statements within four months of the close of each fiscal year. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report is published to fulfill that requirement for the fiscal year ended June 30, 2022, and to provide complete and further accountability to citizens and other interested parties, by providing a comprehensive report in lieu of the minimum basic financial statement requirements.

Management assumes full responsibility for the completeness and reliability of the information contained in this report. To provide a reasonable basis for making these representations, we have established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient, reliable information for the preparation of the City of Lincolnton's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The cost of internal controls should not outweigh their benefits. The City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we believe, to the best of our knowledge, this financial report is complete and reliable in all material respects and is reported in a manner to present fairly the financial position of the City.

Lowdermilk Church & Co., L.L.P., Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of Lincolnton's financial statements for the fiscal year ended June 30, 2022. The independent auditors' report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A is designed to complement this letter of transmittal and should be read in conjunction with it.

Profile of the City

The City of Lincolnton, incorporated in 1785, is the County seat of Lincoln County (the “County”). It is located in the heart of the Piedmont section of the State, approximately 32 miles northwest of Charlotte on highways U.S. 321, State 27, and State 150. The City is the second oldest city west of the Catawba River in North Carolina with Morganton, established 1784, being the oldest city. Evidence of our long and distinguished history abounds throughout the stately streets of the City. The State of North Carolina has erected over a dozen historical markers to honor some of the important events, landmarks, and distinguished people in Lincolnton’s past. Lincolnton was named for Benjamin Lincoln, who achieved fame at the time of Cornwallis’ surrender to Washington at Yorktown, Virginia. It currently occupies 8.6 square miles and serves a population of 11,678. Lincolnton is empowered by State statute to extend its corporate limits by annexation, which it has done from time to time.

The City of Lincolnton is the only incorporated municipality in the County and operates under the council-manager form of government. The Mayor is elected at large for a four-year term. Composed of four members, the Lincolnton City Council has policy making and legislative authority. Members are elected at large but must file for election by ward. Two members of the City Council are elected every two years in even numbered years, serving four-year terms. The City Council is responsible for the budget approval and appointing the City Manager and City Attorney. The City Manager is responsible for implementing Council policies and City ordinances, managing daily operations, and acts on all recommendations of employment for the City.

The City of Lincolnton provides a full range of services, including police and fire protection; the construction and maintenance of streets, curbs, gutters, sidewalks, and other infrastructure; solid waste and recycling; community development; planning and zoning; cemetery; and recreation and cultural activities. Additionally, the City owns and operates an electric and water and sewer system, which provides services to residents of the City and its environs. This report includes all of the City’s activities in delivering and administrating these services. Although legally separate from the City, the City of Lincolnton ABC Board (“the Board”) and the Lincolnton Tourism Development Authority (LTDA) are important to the City, because the City exercises control over the Board and the LTDA by appointing members to the boards, and because the Board is required to distribute its profits to the City. Additional information on those legally separate entities can be found in the notes to the financial statements.

The Council is required to adopt a budget by July 1 of each year. The City is empowered to levy a property tax on both real and personal property located within its boundaries. The City’s budget ordinance creates a legal limit on spending authorizations and serves as the foundation for Lincolnton’s financial planning and control. The budget is prepared by fund and department (e.g., police).

Local Economy

Major industries located within the City boundaries or close proximity include manufacturers of ball bearings and textiles, as well as several financial institutions, restaurants, and real estate related businesses. Lincolnton is fortunate to have retained much of its older textile base due to the firms altering their production to a specialty product that gave them a niche in the market. The City has offered a favorable water and sewer fee rate structure that has also enabled the textile market to survive fierce domestic and foreign competition. Other major employers include the local county schools, local county and city government sectors, medical center, and retail businesses. The top employment sectors are manufacturing (41%), education (22%), retail (14%), public administration (14%) and medical (9%).

During the past ten years, the unemployment rate rose from an initial high of 11.5 percent (2011) to a decade low of 3.0 percent (2022). The unemployment rate as of June 30, 2022, was 3.0 percent. This rate is lower than the State’s rate of 3.4 percent and lower than the national rate of 6.0 percent. Lincolnton has followed the same pattern as the State during the economic cycles.

Numerous businesses opened in Lincolnton, including Harbor Freight Tools, CCP Mile Trucking, Alliance Bank & Trust, Sea Wireless Inc., Lincolnton Mechanical Services, Biscuitville, and Trinity Fitness Training Center.

Crow Holdings purchased two parcels of land (137 and 100 acres, respectively) which the development plans call for a Class A industrial building that combined is to become the Lincoln Commerce Center.

Robert Bosch Tool Corporation expanded their existing sandpaper converting operations by leasing an 83,000 square foot space in the Lincoln County Industrial Park. This keeps the jobs and wages in Lincoln County.

Cataler North America, which manufactures catalysts for the automotive industry, announced a building and equipment expansion of \$12,600,000.

Huber Technology, a Wastewater Solutions company, is expanding with a \$39,500,000 investment at its Denver facility. This investment will initially create 50 jobs.

Sparty Mill; a Hodges International project, opened in the old Bonview Avenue Mill in August. This project is ongoing and will have an investment of over \$1,000,000. The mill, when fully staffed, will create over 100 jobs.

During the past five years, the government's expenses related to public safety have increased in amount, and also increased as a percentage of total expense (a five-year increase of 8.06 percent). The increase reflects increases in salary and benefits and capital outlay.

During this same five-year period, charges for services have remained fairly constant as a percentage of total revenue (a five-year decrease of 1.33 percent). The reason for this relatively small decrease is the relative increase in expenses related to services that are not supported by fees and charges (e.g., public safety); thus, as taxes have increased to support these services, so has the proportion of total revenue generated by taxes.

Long-Term Financial Planning and Major Initiatives

Unassigned fund balance in the general fund is 39.45 percent of total general fund expenditures, which is above the required amount of 8 percent set by the State of North Carolina. As a demonstration of the City's commitment to financial planning and fiscal health, the unreserved, unassigned fund balance in the general fund was \$5,410,047.

Each year the City adopts a capital improvement budget and prepares a 5-year capital improvement plan.

Downtown Parking Lot – Water Street (Lincoln Times Building) - Completed October 2022.

City Surveillance System – Tsunami 360 cameras installed at City Parks, along the Rail Trail, Hollybrook Cemetery, at the City's Water Plant, Wastewater Treatment Plant, Public Works, and on city streets. Provides an added level of safety and security for the citizens and visitors of the City of Lincolnton.

The Water and Sewer department invested \$637,856 in capital infrastructure improvements ranging from lift-station pumps, LV & MV air breakers, sewage pump, Hoyle Street sewer line, Aeration blower, main influent pump head, and Aeration basin diffuser heads.

Motz Avenue Dog Park was completed and officially opened to the public on May 1, 2022.

Relevant Financial Policies

The City of Lincoln's Unified Development Ordinance requires that a developer of a subdivision dedicate land for a park, recreation, and open space purposes, or the developer pays a fee in lieu of land before the subdivision is approved. The use of these funds is governed by the North Carolina General Statute 160A-372.

Awards and Acknowledgments

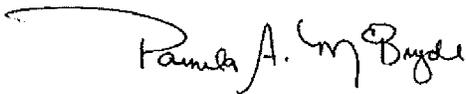
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lincoln for its annual comprehensive financial report for the fiscal year ended June 30, 2021. This was the thirty-second consecutive year that Lincoln has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized Annual Comprehensive Financial Report that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Water Department was one of four water systems that was honored for surpassing federal and State drinking water standards by the Department of Environmental Quality for twentieth years in a row. Awards are given to water systems that demonstrate outstanding turbidity and microbial removal; two factors important in determining the drinking water quality. While all systems must meet strict guidelines from federal and State standards, those awarded met performance goals that were more rigorous.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit must also be given to the City Manager, Mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Lincoln's finances.

Respectfully submitted,



Pamela A. McBryde
Finance Director

December 8, 2022

GFOA Certificate of Achievement



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Lincolnton
North Carolina**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

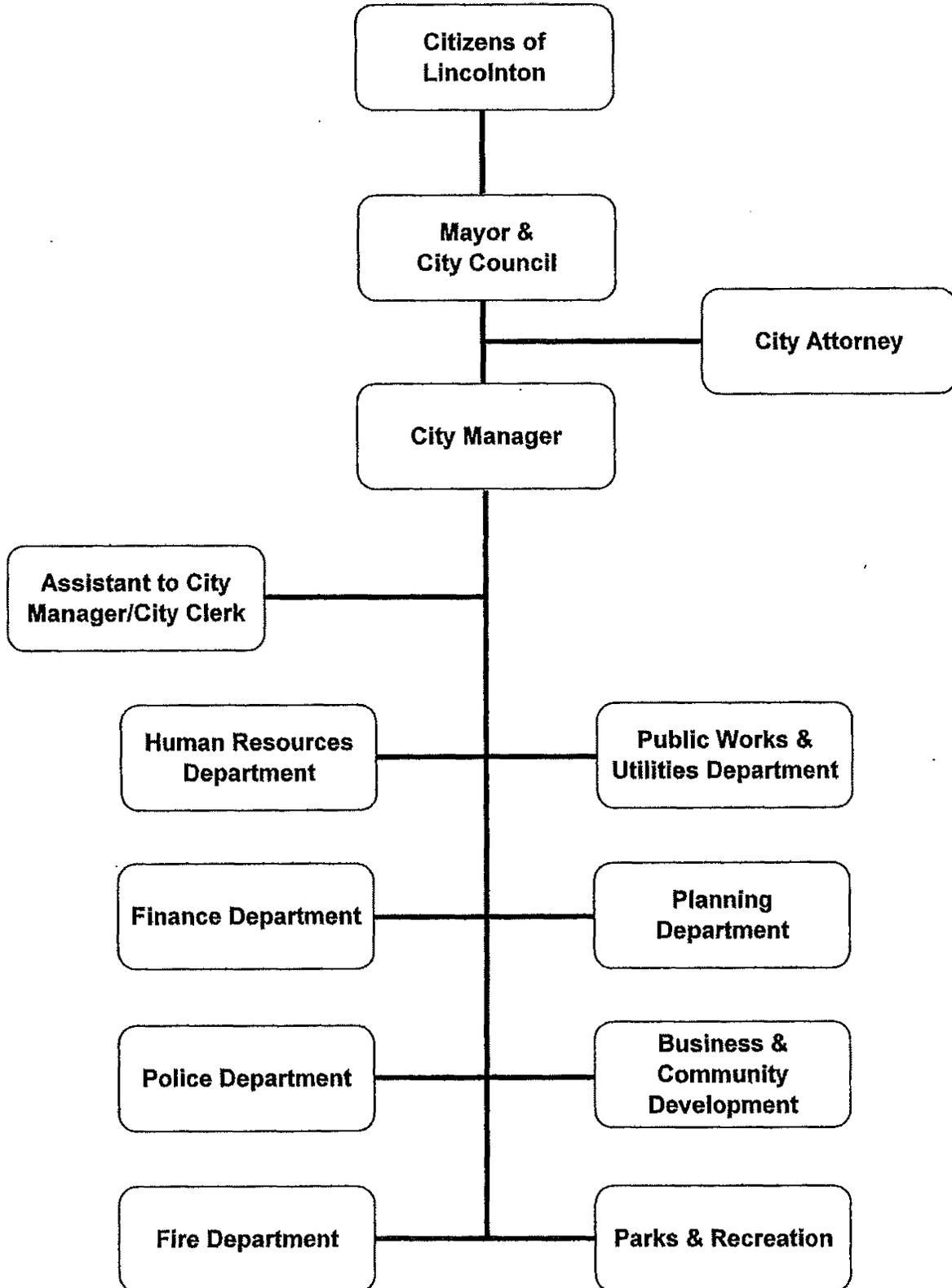
June 30, 2021

Christopher P. Morrill

Executive Director/CEO

CITY OF LINCOLNTON
Department Organizational Chart

City of Lincolnton Department Organizational Chart



CITY OF LINCOLNTON, NORTH CAROLINA

LIST OF PRINCIPAL OFFICIALS
June 30, 2022

Mayor & City Council

Mayor	Edward L. Hatley, Jr.
Ward I	Mary Frances White
Ward II	Christine Poinsette
Ward III Mayor Pro-Tem	Dr. Martin Eaddy
Ward IV	Rob D. Jetton

City Administration

City Manager	Richard Haynes
Finance Director	Pamela McBryde
Assistant to City Manager/City Clerk	Daphne Ingram
Human Resources Director	Tanya Osborne
Police Chief	Rodney Jordan
Fire Chief	Ryan Heavner
Business Services Director	David Ramsey
Public Utilities Director	Robert Pearson
Planning & Development Director	Jean Derby
Public Services Director	Nathan Eurey
Community Relations Director	Laura Morris

FINANCIAL SECTION

- **Independent Auditors' Report**
 - **Management's Discussion and Analysis**
 - **Basic Financial Statements**
 - **Notes to the Financial Statements**
 - **Required Supplemental Information**
 - **Individual Fund Statements and Schedules**
 - **Other Supplementary Financial Data**
-

Lowdermilk Church & Co., L.L.P.
Certified Public Accountants

121 North Sterling Street
Morganton, North Carolina 28655
Phone: (828) 433-1226
Fax: (828) 433-1230

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lincolnton, North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Lincolnton, North Carolina's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lincolnton, North Carolina, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Lincolnton, North Carolina and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of City of Lincolnton ABC Board and the Lincolnton Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Audit of the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the City of Lincolnton, North Carolina's ability to continue as a going concern for twelve 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 auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 the City of Lincolnton, North Carolina's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Lincolnton, North Carolina's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Other Postemployment Benefits' Schedule of Changes in Total OPEB Liability and Related Ratios, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions and the Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of the Proportionate Share of Net Pension Liability (Asset) and the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, on pages 12-20 and 73-78 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lincolnton, North Carolina's basic financial statements. The accompanying individual fund financial statements, budgetary schedules, and other schedules 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 financial statements, budgetary schedules, and other schedules and the schedule of expenditures of federal and State awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2022, on our consideration of the City of Lincolnton, North Carolina'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 the City of Lincolnton, North Carolina's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Lincolnton, North Carolina's internal control over financial reporting and compliance.

Lowmuth Chubb & Co., L.L.P.

Morganton, North Carolina
December 8, 2022

Management's Discussion and Analysis

As management of the City of Lincolnnton, we offer the readers of the City of Lincolnnton's financial statements this narrative overview and analysis of the financial activities of the City of Lincolnnton for the fiscal year ended June 30, 2022. We encourage readers to read the information presented here in conjunction with the additional information that we have furnished in the City's financial statements, which follow this narrative.

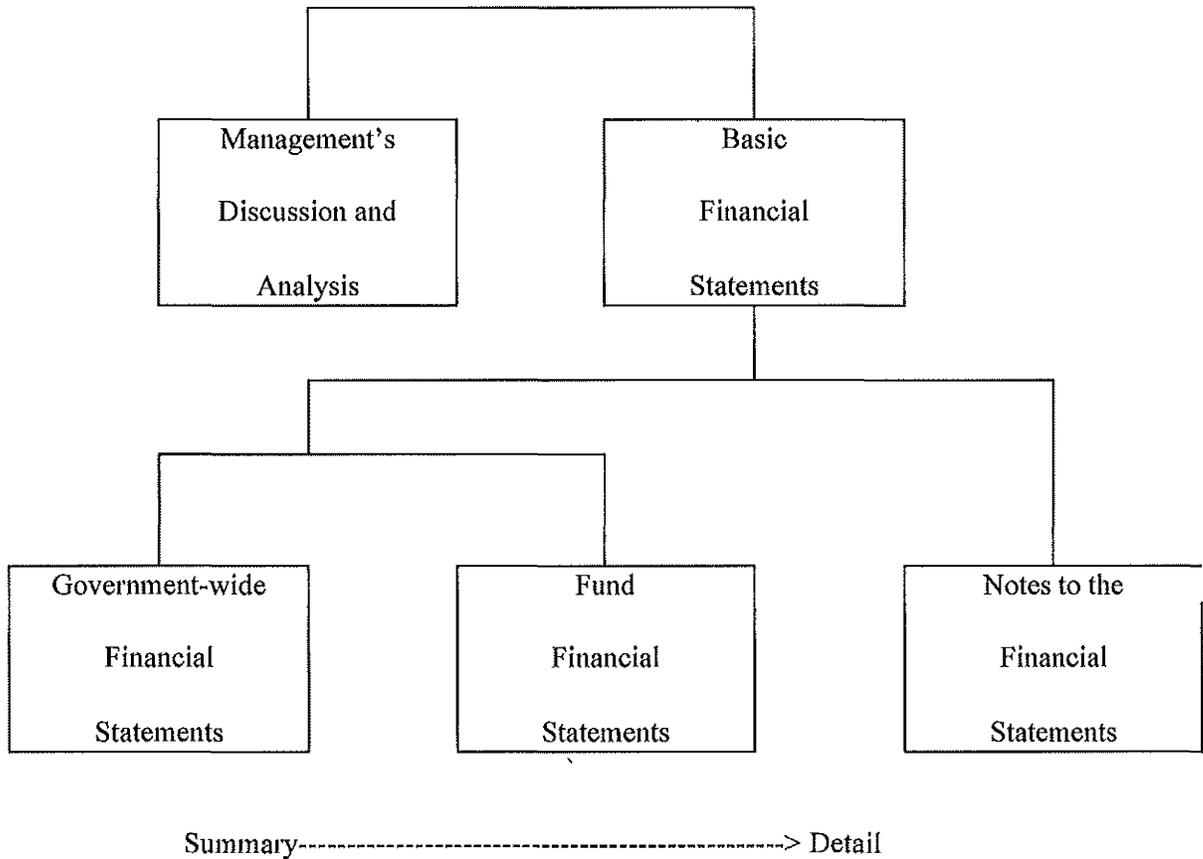
Financial Highlights

- The assets and deferred outflows of resources of the City of Lincolnnton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$54,566,330 (net position).
- The City's total net position increased by \$2,981,855, primarily due to additional grant funding and assuming the assets and operations of Boger City Fire Department.
- As of the close of the current fiscal year, the City of Lincolnnton's governmental funds reported combined ending fund balances of \$6,985,895, with a net increase of \$1,280,675 in fund balance. Approximately 22.56 percent of this total amount, or \$1,575,848, is non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,410,047, or 39.45 percent, of total General Fund expenditures for the fiscal year.
- The City of Lincolnnton's total debt decreased by \$1,480,456 (6.74%) during the current fiscal year. The key factor in this change was principal payments and a decrease in net pension liability (LGERS).
- The City's last bond rating was Aaa and AAA.
- The City's total capital assets decreased by \$882,177 (1.73%) during the current fiscal year. The key factor in this decrease is depreciation expense.

Overview of the Financial Statements

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

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

The first two statements (pages 21 through 24) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (pages 25 through 33) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the Governmental Funds Statements; 2) the Budgetary Comparison Statements; and 3) the Proprietary Fund Statements.

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

Government-wide Financial Statements

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

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

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

The government-wide financial statements are on pages 21 through 24 of this report.

Fund Financial Statements

The Fund Financial Statements (see Figure 1) provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Lincolnton, like all other governmental entities in North Carolina, uses fund accounting to ensure and to reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City of Lincolnton can be divided into two categories: governmental funds and proprietary funds.

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

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

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

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

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

The individual fund statements and schedules are presented immediately following the required supplementary information on pensions.

Interdependence with Other Entities – The City depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

City of Lincolnnton, Net Position

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 10,097,023	\$ 6,217,657	\$ 16,928,166	\$ 15,269,959	\$ 27,025,189	\$ 21,487,616
Capital assets	22,467,426	22,032,190	27,724,114	29,041,530	50,191,540	51,073,720
Total assets	32,564,449	28,249,847	44,652,281	44,311,489	77,216,730	72,561,336
Deferred outflows of resources	4,143,516	3,119,332	1,186,255	874,958	5,329,771	3,994,290
Long-term liabilities outstanding	14,356,858	14,196,617	6,106,790	6,044,434	20,463,648	20,241,051
Other liabilities	1,844,106	846,355	1,198,698	2,214,032	3,042,804	3,060,387
Total liabilities	16,200,964	15,042,972	7,305,488	8,258,466	23,506,452	23,301,438
Deferred inflows of resources	3,396,071	1,280,500	1,077,649	389,214	4,473,720	1,669,714
Net position:						
Net investment in capital assets	21,487,462	20,703,171	25,564,361	25,721,285	47,051,823	46,424,456
Restricted	1,487,501	1,435,400	-	-	1,487,501	1,435,400
Unrestricted	(5,864,033)	(7,092,864)	11,891,039	10,817,482	6,027,006	3,724,618
Total net position	\$ 17,110,930	\$ 15,045,707	\$ 37,455,400	\$ 36,538,767	\$ 54,566,330	\$ 51,584,474

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Lincoln exceeded liabilities and deferred inflows by \$54,566,330 as of June 30, 2022. The City's net position increased by \$2,981,855 for the fiscal year ended June 30, 2022. However, the largest portion of net position (86.23%) reflects the City's net investment in capital assets (e.g., land, buildings, machinery, and equipment). The City of Lincoln uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Lincoln's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Lincoln's net position, \$1,487,501, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,027,006 is unrestricted.

Several particular aspects of the City's financial operations influenced the total unrestricted governmental net position:

- Increase in capital grants and contributions due to additional grants received and the acquisition of the Boger City Fire Department assets.
- An increase in general revenues in the governmental activities due to an increase in property taxes.
- An increase in revenues due to the addition of the Boger City Fire Department.
- An increase in charges for services in the Water and Sewer Fund and a slight decrease in the Electric Fund.

City of Lincoln, Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program Revenues:						
Charges for services	\$241,305	\$104,696	\$15,782,194	\$16,521,408	\$16,023,499	\$16,626,104
Operating grants and contributions	1,446,519	1,673,229	-	-	1,446,519	1,673,229
Capital grants and contributions	1,385,764	401,152	-	-	1,385,764	401,152
General Revenues:						
Property taxes	5,618,118	5,556,374	-	-	5,618,118	5,556,374
Other taxes	7,058,557	5,411,921	-	-	7,058,557	5,411,921
Unrestricted investment earnings	41,877	59,940	73,137	69,429	115,014	129,369
Other	149,152	103,044	40,884	22,767	190,036	125,811
Total revenues	<u>15,941,292</u>	<u>13,310,356</u>	<u>15,896,215</u>	<u>16,613,604</u>	<u>31,837,507</u>	<u>29,923,960</u>
Expenses:						
General government	3,174,700	2,336,593	-	-	3,174,700	2,336,593
Public safety	7,637,598	6,893,445	-	-	7,637,598	6,893,445
Public works	1,386,645	1,592,569	-	-	1,386,645	1,592,569
Economic and physical development	374,984	472,536	-	-	374,984	472,536
Environmental protection	546,385	586,561	-	-	546,385	586,561
Cultural and recreational	1,098,701	938,555	-	-	1,098,701	938,555
Interest on long-term debt	76,743	45,071	85,919	132,043	162,662	177,114
Water and sewer	-	-	6,959,880	6,861,420	6,959,880	6,861,420
Electric	-	-	7,514,097	7,336,762	7,514,097	7,336,762
Total Expenses	<u>14,295,755</u>	<u>12,865,330</u>	<u>14,559,896</u>	<u>14,330,225</u>	<u>28,855,651</u>	<u>27,195,555</u>
Increase (decrease) in net position before transfers and extraordinary item	\$1,645,537	\$445,026	\$1,336,319	\$2,283,379	\$2,981,856	\$2,728,405
Transfers	419,687	419,687	(419,687)	(419,687)	-	-
Increase (decrease) in net position	<u>\$2,065,223</u>	<u>\$864,713</u>	<u>\$916,632</u>	<u>\$1,863,692</u>	<u>\$2,981,855</u>	<u>\$2,728,405</u>
Net position July 1	\$15,045,707	\$14,180,994	\$36,538,767	\$34,675,074	\$51,584,474	\$48,856,068
Increase (decrease) in net position	2,065,223	864,713	916,632	1,863,692	2,981,855	2,728,405
Net position June 30	<u>\$17,110,930</u>	<u>\$15,045,707</u>	<u>\$37,455,399</u>	<u>\$36,538,767</u>	<u>\$54,566,330</u>	<u>\$51,584,474</u>

Governmental Activities. Governmental activities increased the City's net position by \$2,065,223, thereby accounting for 69,26% of the total growth in the net position for the City of Lincolnton. Key elements of this increase are as follows:

- Property tax increases of \$61,744, due to growth in the tax base from new commercial and residential construction, resulted in revenues over projections.
- Other tax increases of \$1,646,636, due to sales tax increases and the acquisition of Boger City Fire Department.
- Capital grants and contributions increased \$984,612, mainly due to the merger of Boger City Fire Department with the City of Lincolnton Fire Department.

Business-type Activities. Business-type activities increased the City's net position by \$916,632, thereby accounting for 30.74% of the total growth in net position for the City of Lincolnton. Key elements of this increase are as follows:

- Revenues continue to rebound. The Water and Sewer Fund collections increased \$660,442 from the prior year, in part due to additional of smart meters; the Electric Fund collections decreased \$1,399,656 from the prior year.
- Operating expenditures were slightly higher than the prior year, primarily due to an increase in salaries and benefits.
- All utility rates remained unchanged from the prior year in an ongoing effort to stimulate growth for both commercial and residential purposes.
- Administrative expenditures to the General Fund were \$400,000 for the Water and Sewer Fund and \$600,000 for the Electric Fund.

Financial Analysis of the City's Funds

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

Governmental Funds. The focus of the City of Lincolnton's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Lincolnton's financing requirements.

As the City completed the year, its governmental funds (as presented in the balance sheet) reported a combined fund balance of \$6,985,593, which is more than last year's total of \$5,708,206. Included in this change in fund balance is an increase in the General Fund balance of \$1,280,675. The primary reasons for the change mirror the governmental activities analysis highlighted on page 16.

The General Fund is the chief operating fund of the City of Lincolnton. At the end of the current fiscal year, the City of Lincolnton's fund balance available in the General Fund was \$5,728,646, while total fund balance reached \$6,895,895. The City currently has an available fund balance of 41.78 percent of General Fund expenditures, while total fund balance represents 50.29 percent of that same amount.

General Fund Budgetary Highlights. During the year, there was a \$1,723,475 increase in appropriations between the original and final budget. Following are the main components of the increase:

- \$483,903 Salary/Overtime Benefits
- \$406,125 Extraordinary Service Premium Pay/COVID-19 Pandemic
- \$164,271 Enterprise Lease
- \$146,000 Tsunami 360 Surveillance System
- \$128,905 Lincoln Times Property

Revenue increases were realized from vehicle tax collections, sales tax collections, NCVTS license fees, Parks & Recreation registration fees, and the sale of surplus capital assets. The one revenue source that saw a major decrease in collections was the Franchise Tax collected by NCDOR. The most significant differences between estimated revenues and actual revenues were as follows:

<u>Revenue Source</u>	<u>Estimated Revenues</u>	<u>Actual Revenues</u>	<u>Difference</u>
Local Sales & Use Tax	\$ 3,300,000	\$ 4,845,657	\$ 1,545,657
Vehicle Taxes & Fees	415,000	586,714	171,714
Capital Asset Sales	16,500	71,638	55,138
Recreation-Registration & Entry Fees	65,000	100,580	35,580
NCVTS - License Fee	150,000	180,140	30,140
Franchise Tax	855,000	809,362	(45,638)

The final budget and actual results varied during the year. The significant budgetary variances are as follows:

- Total governmental expenditures were approximately \$212,120 less than budgeted due to an overall controlling of costs in all departments. This amount includes \$300,000 Contra-Administration costs not recouped from Enterprise funds.
- Public works was less than budgeted due to lower operating costs for personnel costs due to retirements and other administrative costs by \$42,917 and equipment repairs by \$50,423.
- Parks and recreation was less than budgeted due to lower operating costs for building maintenance of \$10,403 and capital expense of \$21,000.
- Economic and Physical Development was less than budgeted due to unspent Brownsfield Grant funds \$33,999 and operation costs of \$48,715.
- General government expenditures were less than budgeted due to lower operating costs for personnel of \$47,369, debt service of \$15,467 and unused contingency funds of \$76,330. One note to this is the majority of the Contra-Administration costs impacted general government by \$205,246 negatively.

Proprietary Funds. The City of Lincolnton’s proprietary funds provide the same type of information found in the government-wide statements, but in more detail. The unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$5,531,322, and unrestricted net position for the Electric Fund amounted to \$6,359,717. The total change in net position for both funds was \$913,738 and \$2,894, respectively. The change in net position in the Water and Sewer Fund is a result of an increase in operating revenues and a decrease in administration expenses. The change in net position in the Electric Fund is a result of a decrease in operating revenues and an increase in administration expenses.

Capital Asset and Debt Administration

Capital Assets. The City of Lincolnnton's investment in capital assets for its governmental and business-type activities as of June 30, 2022, totals \$50,191,540 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following:

- Major additions in the General Fund included vehicles and equipment of approximately \$2,220,567, land of \$346,770, buildings and improvements of \$2,688,355, and construction in progress of \$90,838. The majority of these additions were from the transfer of the Boger City Fire Departments assets effective 7/1/2021.
- The Water and Sewer Fund had approximately \$498,136 of new additions for equipment, \$220,360 for construction in progress, \$43,180 building and improvements, and \$96,540 of distribution systems.

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
	Land	\$ 9,167,092	\$ 8,820,322	\$ 303,903	\$ 303,903	\$ 9,470,995
Buildings/improvements	8,941,571	7,764,413	6,926,464	7,288,487	15,868,035	15,052,900
Distribution Systems	134,108	143,274	16,291,355	17,341,618	16,425,463	17,484,892
Infrastructure	2,081,580	2,230,886	-	-	2,081,580	2,230,886
Vehicles/equipment	2,000,488	2,462,968	3,951,475	4,103,569	5,951,963	6,566,537
Construction in progress	142,588	610,327	250,918	3,952	393,506	614,279
Total	\$ 22,467,427	\$ 22,032,190	\$ 27,724,115	\$ 29,041,529	\$ 50,191,540	\$ 51,073,719

Additional information on the City's capital assets can be found in Note IIIA of the Basic Financial Statements.

Long-Term Debt. As of June 30, 2022, the City of Lincolnnton had \$3,139,718 of direct placement installment purchases. The direct placement installment purchases are backed by security interest in the property for which it was issued.

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Direct placement installment purchases	\$ 979,964	\$ 1,329,019	\$ 2,159,754	\$ 3,320,245	\$ 3,139,718	\$ 4,649,264
Lease payable	1,140,461	-	294,310	-	1,434,771	-
Compensated absences	419,559	378,605	141,226	132,931	560,785	511,536
OPEB	9,075,397	8,880,890	3,150,033	2,769,101	12,225,430	11,649,991
Pension related debt (LGERS)	1,210,162	2,765,089	361,467	937,339	1,571,629	3,702,428
Pension related debt (LEO)	1,531,315	1,430,885	-	-	1,531,315	1,430,885
Total	\$ 14,356,858	\$ 14,784,488	\$ 6,106,790	\$ 7,159,616	\$ 20,463,648	\$ 21,944,104

The City of Lincolnnton's total debt decreased by \$1,480,456 (6.75%) during the fiscal year, primarily due to the principal payments and a decrease in pension obligations (LGERS).

The City of Lincolnton has an Aaa bond rating from Moody's Investors' Service and an AAA rating from Standard and Poor's Corporation and Fitch Ratings. This bond rating is a clear indicator of the sound financial condition of the City of Lincolnton. This achievement is a primary factor in keeping interest costs low on the City's outstanding debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within the government's boundaries. The legal debt margin for the City of Lincolnton is \$81,318,116. The City has no bonds authorized, but un-issued, at June 30, 2022.

Additional information regarding the City of Lincolnton's long-term debt can be found in Note III.B of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the City:

- The City is continuing to evaluate its infrastructure assets and, as part of that ongoing evaluation, will prioritize any necessary capital improvements.
- Two industrial parks in Lincoln County are located within close proximity of our corporate limits, and their continuous growth benefits the City economically.
- The City replaced 15 aging vehicles through a lease program with Enterprise.

Budget Highlights for the Fiscal Year Ending June 30, 2023

Governmental Activities: Property taxes are expected to increase 1 percent from amounts budgeted in the prior year due to growth. The City's general fund budgeted revenues are approximately \$12,259,687.

The tax rate is to remain the same at \$.56 cents per 100 dollars valuation.

Budgeted expenditures compared with the 2022 actual expenditures are expected to decrease 0.2%.

Business-type Activities: The City continues to evaluate its water and sewer rates to ensure that revenues generated by that activity are sufficient to meet operating requirements, as well as ongoing debt service requirements.

Water and Sewer rates did not change. Electric rates did not change.

The City does anticipate an increase of five, or more, percent in water and sewer revenues due to the installation of smart meters.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the City's information found in this report, or requests for additional information, should be directed to the Director of Finance, City of Lincolnton, P. O. Box 617, Lincolnton, N. C. 28092. Questions concerning any of the Alcoholic Beverage Control Board information found in this report, or requests for additional information, should be directed to the Finance Officer, City of Lincolnton ABC Board, 105 Stanford Road, Lincolnton, N. C. 28092. You can also call 704-736-8980, visit our website at www.ci.lincolnton.nc.us or send an email to pmcbryde@lincolntonnc.org for more information.

BASIC FINANCIAL STATEMENTS

The Basic Financial Statements provide a condensed overview of the financial position and results of operations of the City as a whole. They also serve as an introduction to the more detailed statements and schedules that follow.

CITY OF LINCOLNTON, NORTH CAROLINA

**Statement of Net Position
June 30, 2022**

	Primary Government			Component Units	
	Governmental <u>Activities</u>	Business- type <u>Activities</u>	<u>Total</u>	Lincolnton Tourism Development <u>Authority</u>	City of Lincolnton <u>ABC Board</u>
<u>Assets</u>					
Current assets:					
Cash and cash equivalents	\$ 8,060,745	\$ 12,636,740	\$ 20,697,485	\$ 526,548	\$ 221,176
Taxes receivable, net	32,000	-	32,000	-	-
Accounts receivable, net	899,131	1,229,787	2,128,918	1,610	-
Note receivable	161,434	-	161,434	-	-
Due from other government agencies	342,908	-	342,908	-	-
Due from component unit	-	-	-	-	-
Internal balances	(2,167,141)	2,167,141	-	-	-
Inventories	8,210	172,496	180,706	-	662,155
Prepaid items	7,000	25,000	32,000	-	18,256
Total current assets	7,344,287	16,231,164	23,575,451	528,158	901,587
Noncurrent assets:					
Restricted cash	1,674,959	420,986	2,095,945	-	-
Right to use assets, net of amortization	1,077,777	276,016	1,353,793	-	-
Capital assets:					
Land and nondepreciable assets	9,309,680	554,821	9,864,501	-	716,082
Other capital assets, net of accumulated depreciation	13,157,746	27,169,293	40,327,039	45,800	1,688,487
Total noncurrent assets	25,220,162	28,421,116	53,641,278	45,800	2,404,569
Total assets	32,564,449	44,652,281	77,216,729	573,958	3,306,156
<u>Deferred Outflows of Resources</u>					
Pension deferrals	2,461,610	602,473	3,064,083	-	42,510
OPEB deferrals	1,681,906	583,782	2,265,688	-	-
Total deferred outflows of resources	4,143,516	1,186,255	5,329,771	-	42,510

cont.

CITY OF LINCOLNTON, NORTH CAROLINA

Page 2 of 2, cont.

**Statement of Net Position
June 30, 2022**

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	Lincolnton Tourism Development Authority	City of Lincolnton ABC Board
Liabilities					
Accounts payable and accrued liabilities	\$ 336,745	\$ 777,712	\$ 1,114,457	\$ 17,370	\$ 137,096
Customer deposits -restricted	-	420,986	420,986	-	-
Unearned revenues	151,001	-	151,001	-	-
Liabilities to be paid from restricted assets	1,356,360	-	1,356,360	-	-
Current portion of long-term liabilities	<u>764,958</u>	<u>1,196,306</u>	<u>1,961,264</u>	-	<u>30,291</u>
Total current liabilities	<u>2,609,064</u>	<u>2,395,004</u>	<u>5,004,068</u>	<u>17,370</u>	<u>167,387</u>
Long-term liabilities					
Net pension liability	1,210,162	361,467	1,571,629	-	24,844
Total pension liability	1,531,315	-	1,531,315	-	-
Total OPEB liability	9,075,397	3,150,033	12,225,430	-	-
Due in more than one year	<u>1,775,026</u>	<u>1,398,984</u>	<u>3,174,010</u>	-	<u>1,002,001</u>
Total noncurrent liabilities	<u>13,591,900</u>	<u>4,910,484</u>	<u>18,502,384</u>	-	<u>1,026,845</u>
Total liabilities	<u>16,200,964</u>	<u>7,305,488</u>	<u>23,506,452</u>	<u>17,370</u>	<u>1,194,232</u>
Deferred Inflows of Resources					
Prepaid taxes	1,863	-	1,863	-	-
Pension deferrals	1,777,216	516,428	2,293,644	-	39,135
OPEB deferrals	<u>1,616,992</u>	<u>561,221</u>	<u>2,178,213</u>	-	-
Total deferred inflows of resources	<u>3,396,071</u>	<u>1,077,649</u>	<u>4,473,720</u>	-	<u>39,135</u>
Net Position					
Net investment in capital assets	21,487,462	25,564,361	47,051,823	45,800	1,372,277
Restricted for:					
Working capital	-	-	-	-	131,963
Stabilization by State Statute	1,242,039	-	1,242,039	-	-
Streets	241,661	-	241,661	-	-
Public safety	3,801	-	3,801	-	-
Economic development	-	-	-	510,788	-
Unrestricted	<u>(5,864,033)</u>	<u>11,891,039</u>	<u>6,027,006</u>	-	<u>611,059</u>
Total net position	<u>\$ 17,110,930</u>	<u>\$ 37,455,400</u>	<u>\$ 54,566,330</u>	<u>\$ 556,588</u>	<u>\$ 2,115,299</u>

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

CITY OF LINCOLNTON, NORTH CAROLINA

**Statement of Activities
For the Year Ended June 30, 2022**

Functions/Programs	Net (Expense) Revenue and Changes in Net Position								
	Expenses	Program Revenues			Primary Government			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Lincolnton Tourism Development Authority	City of Lincolnton ABC Board
Primary Government:									
Governmental activities:									
General government	\$ 3,174,700	\$ -	\$ 784,706	\$ -	\$ (2,389,994)	\$ -	\$ (2,389,994)	\$ -	\$ -
Public safety	7,637,598	37,340	251,823	1,307,829	(6,040,606)	-	(6,040,606)	-	-
Public works	1,386,645	-	348,137	-	(1,038,508)	-	(1,038,508)	-	-
Economic and physical development	374,984	19,230	-	-	(355,754)	-	(355,754)	-	-
Environmental protection	546,385	42,450	61,853	-	(442,082)	-	(442,082)	-	-
Cultural and recreational	1,098,701	142,285	-	77,935	(878,481)	-	(878,481)	-	-
Interest on long-term debt	76,743	-	-	-	(76,743)	-	(76,743)	-	-
Total governmental activities	14,295,755	241,305	1,446,519	1,385,764	(11,222,168)	-	(11,222,168)	-	-
Business-type activities:									
Water and sewer	7,045,627	8,284,548	-	-	-	1,238,921	1,238,921	-	-
Electric	7,514,269	7,497,646	-	-	-	(16,623)	(16,623)	-	-
Total business-type activities	14,559,896	15,782,194	-	-	-	1,222,298	1,222,298	-	-
Total primary government	\$ 28,855,651	\$ 16,023,499	\$ 1,446,519	\$ 1,385,764	(11,222,168)	1,222,298	(9,999,870)	-	-
Component Unit:									
Lincolnton Tourism Development Authority	\$ 150,185	\$ -	\$ 132,270	\$ -	\$ -	\$ -	\$ -	(17,915)	\$ -
City of Lincolnton ABC Board	3,246,652	3,431,036	-	-	-	-	-	-	184,384
Total component unit	\$ 3,396,837	\$ 3,431,036	\$ 132,270	\$ -	\$ -	\$ -	\$ -	(17,915)	184,384

cont.

CITY OF LINCOLNTON, NORTH CAROLINA

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**Statement of Activities
For the Year Ended June 30, 2022**

	Net (Expense) Revenue and Changes in Net Position				
	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Lincolnton Tourism Develop- ment Authority	City of Lincolnton ABC Board
General revenues:					
Ad valorem taxes	\$ 5,618,118	\$ -	\$ 5,618,118	\$ -	\$ -
Local option sales tax	4,845,657	-	4,845,657	-	-
Franchise tax	809,362	-	809,362	-	-
Other taxes and licenses	1,403,538	-	1,403,538	-	-
Unrestricted investment earnings	41,877	73,137	115,014	2,126	483
Miscellaneous	109,322	-	109,322	-	-
Gain (loss) on sale of capital assets	39,830	40,884	80,714	-	-
Transfers	419,687	(419,687)	-	-	-
Total general revenues and transfers	<u>13,287,391</u>	<u>(305,666)</u>	<u>12,981,725</u>	<u>2,126</u>	<u>483</u>
Changes in net position	<u>\$ 2,065,223</u>	<u>\$ 916,632</u>	<u>\$ 2,981,855</u>	<u>\$ (15,789)</u>	<u>\$ 184,867</u>
Net position- beginning	\$ 15,045,707	\$ 36,538,767	\$ 51,584,474	\$ 572,377	\$ 1,930,432
Changes in net position	<u>2,065,223</u>	<u>916,632</u>	<u>2,981,855</u>	<u>(15,789)</u>	<u>184,867</u>
Net position- ending	<u>\$ 17,110,930</u>	<u>\$ 37,455,400</u>	<u>\$ 54,566,330</u>	<u>\$ 556,588</u>	<u>\$ 2,115,299</u>

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

CITY OF LINCOLNTON, NORTH CAROLINA

**Balance Sheet
Governmental Funds
June 30, 2022**

	Major		Non-Major		Total
	General Fund	Special Revenue Fund/Federal	Other Governmental		
<u>Assets</u>					
Cash and cash equivalents	\$ 8,060,745	\$ -	\$ -	\$ -	8,060,745
Taxes receivable, net	32,000	-	-	-	32,000
Accounts receivable, net	899,131	-	-	-	899,131
Due from government agencies	342,908	-	-	-	342,908
Inventories	8,210	-	-	-	8,210
Prepaid items	7,000	-	-	-	7,000
Restricted cash	318,599	1,000,000	356,360	-	1,674,959
Total assets	\$ 9,668,593	\$ 1,000,000	\$ 356,360	\$ -	\$ 11,024,953
<u>Liabilities</u>					
Accounts payable and accrued liabilities	\$ 330,693	\$ -	\$ -	\$ -	330,693
Unearned revenues	151,001	1,000,000	356,360	-	1,507,361
Advance from other funds	2,167,141	-	-	-	2,167,141
Total liabilities	2,648,835	1,000,000	356,360	-	4,005,195
<u>Deferred Inflows of Resources</u>					
Property taxes receivable	32,000	-	-	-	32,000
Prepaid taxes	1,863	-	-	-	1,863
Total deferred inflows of resources	33,863	-	-	-	33,863
<u>Fund Balances</u>					
Nonspendable:					
Inventories	8,210	-	-	-	8,210
Prepaid expenditures	7,000	-	-	-	7,000
Restricted:					
Stabilization by State Statute	1,242,039	-	-	-	1,242,039
Streets - Powell Bill	314,798	-	-	-	314,798
Public safety - police	3,801	-	-	-	3,801
Assigned:					
Unassigned	5,410,047	-	-	-	5,410,047
Total fund balances	6,985,895	-	-	-	6,985,895
Total liabilities, deferred inflows of resources and fund balances	\$ 9,668,593	\$ 1,000,000	\$ 356,360	\$ -	\$ 11,024,953

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

CITY OF LINCOLNTON, NORTH CAROLINA

**Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
June 30, 2022**

Total Fund Balance, Governmental Funds	\$	6,985,895
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Note receivable used in governmental activities is not a financial resource and, therefore, is not reported in the funds.		
		161,434
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Gross capital assets at historical cost	\$	52,041,157
Accumulated depreciation		<u>(29,573,731)</u>
		22,467,426
Right to use assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Right to use assets at historical cost	\$	1,424,341
Accumulated amortization		<u>(346,565)</u>
		1,077,776
Deferred outflows of resources related to the following are not reported in the funds:		
Pensions		2,461,610
OPEB		1,681,906
Earned revenues considered deferred inflows of resources in the fund statements.		
Property taxes receivable		32,000
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Accrued interest on long-term debt		(6,052)
Long-term debt		(979,964)
Lease liability		(1,140,462)
Compensated absences		(419,559)
Net pension liability		(1,210,162)
Total pension liability		(1,531,315)
OPEB liability		(9,075,397)
Deferred inflows of resources related to the following are not reported in the funds:		
Pensions		(1,777,216)
OPEB		<u>(1,616,992)</u>
Net position of governmental activities	\$	<u><u>17,110,930</u></u>

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

CITY OF LINCOLN, NORTH CAROLINA

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022**

	Major		Non-Major	Total
	General Fund	Special Revenue Fund/Federal	Other Governmental	
Revenues:				
Ad valorem taxes	\$ 5,638,718	\$ -	\$ -	\$ 5,638,718
Other taxes and licenses	1,227,033	-	-	1,227,033
Unrestricted intergovernmental revenues	5,978,781	-	-	5,978,781
Restricted intergovernmental revenues	514,557	784,706	77,935	1,377,198
Permits and fees	46,937	-	-	46,937
Sales and services	215,802	-	-	215,802
Investment earnings	35,267	-	-	35,267
Miscellaneous	179,450	-	-	179,450
Total revenues	13,836,545	784,706	77,935	14,699,186
Expenditures:				
General government	2,911,859	47,366	-	2,959,225
Public safety	7,221,585	-	-	7,221,585
Public works	1,279,448	-	-	1,279,448
Economic and physical development	441,575	-	-	441,575
Environmental protection	476,928	-	-	476,928
Cultural and recreational	953,767	-	77,935	1,031,702
Debt service:				
Principal retirement	349,056	-	-	349,056
Interest and other charges	78,679	-	-	78,679
Total expenditures	13,712,897	47,366	77,935	13,838,198
Revenues over (under) expenditures	123,648	737,340	-	860,988
Other Financing Sources (Uses):				
Transfers - in	1,157,027	-	-	1,157,027
Transfers - out	-	(737,340)	-	(737,340)
Total other financing sources (uses)	1,157,027	(737,340)	-	419,687
Net changes in fund balances	\$ 1,280,675	\$ -	\$ -	\$ 1,280,675
Fund balances, July 1, originally stated	\$ 5,708,205	\$ -	\$ -	\$ 5,708,205
Prior period adjustment	-	-	-	-
Fund balances, July 1, restated	5,708,205	-	-	5,708,205
Net changes in fund balances	1,280,675	-	-	1,280,675
Increase (decrease) in inventory	(2,985)	-	-	(2,985)
Fund balances, June 30	\$ 6,985,895	\$ -	\$ -	\$ 6,985,895

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

CITY OF LINCOLNTON, NORTH CAROLINA

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2022**

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

Net change in fund balances - total governmental funds	\$ 1,280,675
Change in fund balance due to change in reserve for inventory	(2,985)

Governmental funds report capital outlays as expenditures. However, in the
the Statement of Activities, the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense. This is the amount
by which capital outlays exceeded depreciation in the current period.

Capital outlay	430,314
Depreciation and amortization expense	(1,649,470)
Gain (loss) on sale of capital assets	39,830
Proceeds from sale of capital assets	(39,830)
Capital outlay acquired through a transfer of operations	1,307,829

Contributions to the pension plan in the current year fiscal year are not included on the Statement of Activities	769,549
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Benefit payments paid and administrative expenses for the LEOSSA are not included in the Statement of Activities	87,118
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OPEB benefit payments and administrative costs made in the current fiscal year are not included in the Statement of Activities	473,480
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred revenue for tax purposes	(20,600)

The issuance of long-term debt provides current financial resources to governmental funds,
while the repayment of the principal of long-term debt consumes the current financial
resources of the governmental funds. Neither transaction has any effect on net position.
This amount is the net effect of these differences in the treatment of long-term
and related items.

Principal payments on long-term debt	349,056
Accrued interest payable	1,937
Principal payments on leases	283,880
Loans principal received	(45,119)

Some expenses reported in the statement of activities do not require the
use of current financial resources and, therefore, are not reported as
expenditures in governmental funds.

Compensated absences	(39,954)
Pension expense	(840,295)
OPEB plan expense	(320,192)

Change in net position of governmental activities	<u>\$ 2,065,223</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF LINCOLNTON, NORTH CAROLINA

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 5,550,000	\$ 5,550,000	\$ 5,638,718	\$ 88,718
Other taxes and licenses	1,157,000	1,157,000	1,227,033	70,033
Unrestricted intergovernmental revenues	4,429,470	4,958,727	5,978,781	1,020,054
Restricted intergovernmental revenues	406,700	529,829	514,557	(15,272)
Permits and fees	21,000	38,741	46,937	8,196
Sales and services	142,800	172,800	215,802	43,002
Investment earnings	31,000	31,000	35,267	4,267
Miscellaneous	49,500	95,010	179,450	84,440
Total revenues	<u>11,787,470</u>	<u>12,533,107</u>	<u>13,836,545</u>	<u>1,303,438</u>
Expenditures:				
General government	2,093,140	2,875,007	2,911,859	(36,852)
Public safety	6,549,720	7,271,304	7,221,585	49,719
Public works	1,231,475	1,321,677	1,279,448	42,229
Economic and physical development	453,640	531,365	441,575	89,790
Environmental protection	522,095	521,595	476,928	44,667
Cultural and recreational	1,063,163	973,502	953,767	19,735
Debt service:				
Principal retirement	254,800	365,590	349,056	16,534
Interest and other charges	39,124	70,592	78,679	(8,087)
Total expenditures	<u>12,207,157</u>	<u>13,930,632</u>	<u>13,712,897</u>	<u>217,735</u>
Revenues over (under) expenditures	<u>(419,687)</u>	<u>(1,397,525)</u>	<u>123,647</u>	<u>1,521,172</u>
Other Financing Sources (Uses):				
Appropriated fund balance	-	240,500	-	(240,500)
Transfers in	419,687	1,157,027	1,157,027	-
Transfer out	-	-	-	-
Total other financing sources (uses)	<u>419,687</u>	<u>1,397,527</u>	<u>1,157,027</u>	<u>(240,500)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,280,675</u>	<u>\$ 1,280,675</u>
Fund balance, July 1, originally stated			\$ 5,708,205	
Prior period adjustment			-	
Fund balance, July 1, restated			5,708,205	
Net change in fund balance			1,280,675	
Increase (decrease) in reserve for inventory			(2,985)	
Fund balance, June 30			<u>\$ 6,985,895</u>	

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

CITY OF LINCOLNTON, NORTH CAROLINA

Statement of Fund Net Position

Proprietary Funds

June 30, 2022

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 7,805,955	\$ 4,830,785	\$ 12,636,740
Accounts receivable	670,213	559,574	1,229,787
Advance to other funds	-	155,056	155,056
Inventories	102,039	70,456	172,495
Prepaid expenses	-	25,000	25,000
Total current assets	<u>8,578,207</u>	<u>5,640,871</u>	<u>14,219,078</u>
Noncurrent assets:			
Restricted cash and cash equivalents	127,906	293,080	420,986
Advance to other funds	-	2,012,085	2,012,085
Right to use leased assets, net of amortization	250,719	25,298	276,017
Capital assets, net of accumulated depreciation	25,535,940	2,188,175	27,724,115
Total noncurrent assets	<u>25,914,565</u>	<u>4,518,638</u>	<u>30,433,203</u>
Total assets	<u>34,492,772</u>	<u>10,159,509</u>	<u>44,652,281</u>
Deferred Outflows of Resources			
Pension deferrals	449,059	153,414	602,473
OPEB deferrals	480,191	103,591	583,782
Total deferred outflows of resources	<u>929,250</u>	<u>257,005</u>	<u>1,186,255</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	143,963	633,749	777,712
Customer deposits - restricted	127,906	293,080	420,986
Loans payable - current	1,038,951	-	1,038,951
Lease payable - current	68,422	4,776	73,198
Accrued compensated absences	67,076	17,081	84,157
Total current liabilities	<u>1,446,318</u>	<u>948,686</u>	<u>2,395,004</u>
Noncurrent liabilities:			
Loans payable	1,120,803	-	1,120,803
Leases payable	200,573	20,539	221,112
Total OPEB liability	2,591,066	558,967	3,150,033
Accrued compensated absences	39,749	17,320	57,069
Net pension liability	269,423	92,044	361,467
Total noncurrent liabilities	<u>4,221,614</u>	<u>688,870</u>	<u>4,910,484</u>
Total liabilities	<u>5,667,932</u>	<u>1,637,556</u>	<u>7,305,488</u>
Deferred Inflows of Resources			
Pension deferrals	384,924	131,504	516,428
OPEB deferrals	461,658	99,563	561,221
	<u>846,582</u>	<u>231,067</u>	<u>1,077,649</u>
Net Position			
Net investment in capital assets	23,376,186	2,188,175	25,564,361
Unrestricted	5,531,322	6,359,717	11,891,039
Total net position	<u>\$ 28,907,508</u>	<u>\$ 8,547,892</u>	<u>\$ 37,455,400</u>

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

CITY OF LINCOLNTON, NORTH CAROLINA

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2022**

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
Operating Revenues:			
Electricity sales	\$ -	\$ 6,582,812	\$ 6,582,812
Water sales	3,383,021	-	3,383,021
Sewer charges	4,297,521	-	4,297,521
Water and sewer taps	265,951	-	265,951
Electricity - municipal operations	-	500,508	500,508
Other operating revenues	338,055	414,326	752,381
Total operating revenues	<u>8,284,548</u>	<u>7,497,646</u>	<u>15,782,194</u>
Operating Expenses:			
Electrical operations	-	1,674,223	1,674,223
Electrical power purchases	-	4,979,686	4,979,686
Water treatment plant	1,280,055	-	1,280,055
Water and sewer distribution maintenance	1,461,464	-	1,461,464
Waste treatment plant	1,801,581	-	1,801,581
Administrative	400,000	600,000	1,000,000
Depreciation/amortization	2,016,779	260,189	2,276,968
Other operating expenses	-	-	-
Total operating expenses	<u>6,959,879</u>	<u>7,514,098</u>	<u>14,473,977</u>
Operating income (loss)	<u>1,324,669</u>	<u>(16,452)</u>	<u>1,308,217</u>
Nonoperating Revenues (Expenses):			
Investment earnings	23,154	49,983	73,137
Gain (loss) on sale disposition of assets	40,884	-	40,884
Interest on long term debt	(85,747)	(172)	(85,919)
Total nonoperating revenues (expenses)	<u>(21,709)</u>	<u>49,811</u>	<u>28,102</u>
Income (loss) before transfers and capital contributions	1,302,960	33,359	1,336,319
Transfers (to) from other funds			
General Fund-payment in lieu of taxes	<u>(389,222)</u>	<u>(30,465)</u>	<u>(419,687)</u>
Changes in net position	<u>\$ 913,738</u>	<u>\$ 2,894</u>	<u>\$ 916,632</u>
Total net position - beginning	\$ 27,993,770	\$ 8,544,998	\$ 36,538,768
Changes in net position	913,738	2,894	916,632
Total net position - ending	<u>\$ 28,907,508</u>	<u>\$ 8,547,892</u>	<u>\$ 37,455,400</u>

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

CITY OF LINCOLN, NORTH CAROLINA

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**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2022**

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
Cash Flows From Operating Activities:			
Cash received from customers and users	\$ 8,332,370	\$ 7,626,820	\$ 15,959,190
Customer deposits received	2,788	(1,725)	1,063
Cash paid for goods and services	(2,550,541)	(6,386,524)	(8,937,065)
Cash paid to or on behalf of employees for services	(2,256,542)	(734,333)	(2,990,875)
Net cash provided (used) by operating activities	<u>3,528,075</u>	<u>504,238</u>	<u>4,032,313</u>
Cash Flows From Non-Capital Financing Activities:			
Advance to General Fund	-	-	-
Repayment from General Fund	-	227,689	227,689
Transfers - in (out)	(389,222)	(30,465)	(419,687)
Net cash provided (used) by non-capital financing activities	<u>(389,222)</u>	<u>197,224</u>	<u>(191,998)</u>
Cash Flows From Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(858,216)	(26,606)	(884,822)
Proceeds from sale of capital assets	55,278	-	55,278
Proceeds from borrowing	-	-	-
Principal paid on long-term debt	(1,228,978)	(2,344)	(1,231,322)
Interest paid on long-term debt	(90,399)	(172)	(90,571)
Net cash provided (used) by capital and related financing activities	<u>(2,122,315)</u>	<u>(29,122)</u>	<u>(2,151,437)</u>
Cash Flows From Investing Activities:			
Investment earnings	23,154	49,983	73,137
Net cash provided (used) by investing activities	<u>23,154</u>	<u>49,983</u>	<u>73,137</u>
Net increase (decrease) in cash and cash equivalents	1,039,692	722,323	1,762,015
Cash and cash equivalents at beginning of year	<u>6,894,170</u>	<u>4,401,542</u>	<u>11,295,712</u>
Cash and cash equivalents at end of year	<u>\$ 7,933,862</u>	<u>\$ 5,123,865</u>	<u>\$ 13,057,727</u>

cont.

CITY OF LINCOLN, NORTH CAROLINA

Page 2 of 2, cont.

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2022**

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash			
Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 1,324,669	\$ (16,452)	\$ 1,308,217
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation/amortization	2,016,779	260,189	2,276,968
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	47,822	129,174	176,996
(Increase) decrease in inventory	(13,508)	(11,353)	(24,861)
Increase (decrease) in accounts payable and other accrued liabilities	68,757	34,680	103,437
Increase (decrease) in accrued vacation pay	4,871	3,424	8,295
Increase (decrease) in OPEB liability	238,973	141,959	380,932
Increase (decrease) in deferred outflows of resources - OPEB	(224,512)	(58,261)	(282,773)
Increase (decrease) in deferred inflows of resources - OPEB	131,057	40,950	172,007
Increase (decrease) in deferred outflows of resources - pensions	(14,859)	(13,665)	(28,524)
Increase (decrease) in net pension liability	(439,686)	(136,186)	(575,872)
Increase (decrease) in deferred inflows of resources - pensions	384,924	131,504	516,428
Increase (decrease) in customer deposits	<u>2,788</u>	<u>(1,725)</u>	<u>1,063</u>
Net cash provided (used) by operating activities	<u>\$ 3,528,075</u>	<u>\$ 504,238</u>	<u>\$ 4,032,313</u>
Supplemental Schedule of Non Cash Financing Activities:			
Acquisition of right to use assets through issuance of lease liability	<u>\$ 337,482</u>	<u>\$ 27,659</u>	<u>\$ 365,141</u>
Additional advance with the transfer of assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

NOTES TO THE FINANCIAL STATEMENTS

These notes are intended to communicate information necessary for a fair presentation of financial position and results of operations that are not readily apparent from, or cannot be included in, the financial statements themselves. The notes supplement the financial statements, are an integral part thereof, and are intended to be read in conjunction with the financial statements.

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2022

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

City of Lincolnton ABC Board

The members of the ABC Board's governing board are appointed by the City. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the City. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at City of Lincolnton ABC Board, 105 Stanford Road, Lincolnton, N. C. 28092.

Lincolnton Tourism Development Authority

The members of the Lincolnton Tourism Development Authority (LTDA) governing board are appointed by the City. The City collects Room Occupancy Tax as provided in N. C. General Statutes 160A-215 and remits the tax to LTDA. The LTDA is required to make use of at least 2/3 of the funds remitted to it to promote travel and tourism in the City of Lincolnton and the remainder for tourism related expenditures. The LTDA, which has a June 30 year-end, is presented as if it were a governmental fund (discrete presentation). Financial statements of LTDA are included in this report. The LTDA does not issue separate financial statements.

B. Basis of Presentation

Government-wide Statements. The statement of net position and the statement of activities display information about the primary government and its component units. These statements include the financial activities of the overall government. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent to the interfund services provided and other charges between the City's Water and Sewer Fund and Electric Fund. Elimination of these activities would distort the direct costs and program revenues reported for the various functions concerned. These statements distinguish between the governmental and business-type activities of the City. Governmental activities, generally, are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole, or in part, by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include: (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a specific program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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

The City reports the following major governmental funds:

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

Special Revenue Fund/Federal. The City uses this fund to account for grant funding under the American Rescue Plan Act (ARPA) to address a public need that has been created, or exaggerated by, the COVID-19 pandemic.

The City reports the following non-major governmental fund:

Special Revenue Fund/State. The City uses this fund to account for grant funding from the state that is being used for various projects.

The City reports the following major enterprise funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Enterprise Funds and the Lincoln Tourism Development Authority (a discretely presented component unit). All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Special Revenue Funds. The enterprise fund projects are consolidated with their respective operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Budget ordinances allow for the transfer of funds within the department as long as expenditures do not exceed the appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. All amendments must be approved by the governing board, and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the City, the ABC Board and LTDA to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The investments of the City, the ABC Board and LTDA are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT-Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2022, the Term Portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

In accordance with State law, the City has invested in securities which are callable, and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. The unexpended debt proceeds of the General Fund are classified as restricted assets for the General Fund because their use is completely restricted to the purpose for which the debt was originally issued. Powell Bill Funds are also classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4. Federal Asset Seizure Funds are also classified as restricted cash because it can be expended only for the purposes of expenses associated with forfeited operations or used to finance certain general investigative expenses.

City of Lincoln Restricted Cash	
Governmental activities	
General Fund	
Streets	\$ 314,798
Public safety	3,801
ARPA funds	1,000,000
SCIF funds	<u>356,360</u>
	<u>1,674,959</u>
Business-type activities	
Water and Sewer Fund	
Customer deposits	127,906
Electric Fund	
Customer deposits	<u>293,080</u>
Total business-type activities	<u>420,986</u>
Total restricted cash	<u>\$ 2,095,945</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2021. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventories and Prepaid Items

The inventory of the City is valued at cost (first-in, first-out), which approximates market. The City's General Fund inventory consists of expendable supplies that are recorded as expenditures as used, rather than when purchased. The inventories of the City's enterprise funds and the ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed, rather than when purchased. The inventory of the ABC Board is valued at lower of cost (FIFO) or market.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements and are expensed as the items are used. The cost of prepaid items is recorded as expenditures/expenses when consumed, rather than when purchased.

7. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	20-45 years
Buildings	25-50 years
Improvements	8-25 years
Vehicles	4-6 years
Furniture and equipment	5-15 years
Computer equipment	5 years

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	10-33 years
Improvements and equipment	5-10 years

8. Right to Use Assets

The City 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.

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net assets that applies to future periods and so will not be recognized as an expense or expenditure until then. The City has two items that meet this criterion, pension and other post-employment deferrals for the 2022 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net assets that applies to future periods and so will not be recognized as revenue until then. The City has only four items that meet the criterion for this category - prepaid taxes, property taxes receivable, pension and other post-employment deferrals.

10. Long-Term Obligations

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

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

11. Compensated Absences

The vacation policy of the City provides for a maximum of 240 hours to be carried from one year to the next. Any employee with more than 240 hours of accumulated leave during the last pay period of each calendar year shall have the excess accumulation removed so that only 240 hours are carried forward to the first pay period of the next calendar year. All excess vacation hours over 240 will be converted to the employee's sick leave account. If the employee separates from service, payment for accumulated vacation leave shall not exceed 240 hours. The vacation policy of the ABC Board provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements. The ABC Board's accumulated vacation pay is not considered to be material.

Both the City and the ABC Board's sick leave policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since neither the City, nor the ABC Board, has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

12. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Inventories - the portion of fund balance that is not an available resource, because it represents the year-end balance of ending inventories, which are not spendable resources.

Prepaid Items - the portion of fund balance that is not available for appropriation, because it represents the year-end balance of prepaid items, which are not expendable available resources.

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

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

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

Restricted for Economic Development - the portion of fund balance used to account for occupancy tax revenue which is restricted for tourism related purposes.

Restricted for Public Safety - the portion of fund balance that is restricted by revenue source for narcotic enforcement.

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

Assigned Fund Balance - the portion of fund balance that City of Lincoln intends to use for specific purposes but does not meet the criteria to be classified as committed. The governing council (the "Council") has the authority to assign fund balance. The Council may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

Subsequent Year's Expenditures - the portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

Unassigned Fund Balance - the portion of fund balance that represents the residual amount for the general fund that is not contained in the other classifications. The general fund is the only fund that reports a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

The City of Lincoln does not have a formal revenue spending policy that provides guidance for programs with multiple revenue sources. However, the Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local, non-city funds, and city funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and, lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the City.

13. Defined Benefit Cost-Sharing Plans

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

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additions to/deductions from FRSWPF's fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

F. Other

Management Estimates

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

G. Reimbursements for Pandemic-related Expenditures

In FY 2020/2021, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for eligible state, local, territorial, and tribal governments. The City was allocated \$3,569,412 of fiscal recovery funds to be paid in two equal installments. The first installment of \$1,784,706 was received in July 2021. The second installment will be received in mid-2022. The City staff and the City Council have elected to use \$784,706 of the ARPA funds for premium pay and a vaccine incentive for employees. The City plans on using the rest of the funds for revenue replacement in Fiscal Year 2023. \$737,340 used for premium pay was transferred to the General Fund from the ARPA Fund. Revenue replacement funds will be transferred to the appropriate funds once the intended use of the Funds has been met.

II. Stewardship, Compliance, and Accountability

A. Noncompliance with North Carolina General Statutes

Excess Expenditures Over Appropriations

G.S. 159-28(a) states that all money received and expended by a local government or public authority should be included in the budget ordinance. Funds were spent that exceeded the authorized appropriations in the General Fund – general government by \$36,852 due to interdepartmental charges and in the Water and Sewer Fund – debt service by \$144,139 and waste treatment by \$125,530 due to additional debt, salary and repairs and maintenance expenditures. Management and the Board will more closely review the budget reports to ensure compliance in future years.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the City, the ABC Board and the LTDA are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's, the ABC Board's and LTDA's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, the ABC Board and the LTDA, these deposits are considered to be held by the City's, the ABC Board's and the LTDA's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits.

The State Treasurer does not confirm this information with the City, the ABC Board and LTDA, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City, the ABC Board and LTDA under the Pooling Method, the potential exists for under collateralization. This risk may increase in periods of high cash flows.

However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City, the ABC Board and LTDA have no formal policy regarding custodial credit risk for deposits but rely on the State Treasurer to enforce standards of minimum capitalization for all Pooling Method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2022, the City's deposits had a carrying amount of \$15,997,468 and a bank balance of \$16,376,553. Of the bank balance, \$250,000 was covered by federal depository insurance, and the remainder was covered by collateral held under the Pooling Method. At June 30, 2022, the City's petty cash fund totaled \$1,350.

At June 30, 2022, the ABC Board had a carrying amount of \$215,476 and a bank balance of \$342,917. Of the bank balance, \$342,917 was covered by federal depository insurance.

At June 30, 2022, the ABC Board had cash on hand of \$5,700.

At June 30, 2022, the LTDA had a carrying amount of \$526,548 and a bank balance of \$528,229. Of the bank balance \$250,000 was covered by federal depository insurance.

2. Investments

<u>Investment by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/22</u>	<u>Maturity</u>	<u>Rating</u>
N. C. Capital Management Trust - Government Portfolio	Fair Value Level 1	\$ <u>6,794,612</u>	N/A	AAAm

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

Interest Rate Risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The City has no formal policy regarding credit risk but has internal management procedures that limit the City's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City's investment in the N. C. Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard and Poor's, and AAAm-mf by Moody's Investment Service as of June 30, 2022.

3. Receivables - Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ <u>123,000</u>
Enterprise Funds:	
Water and Sewer Fund	105,845
Electric Fund	<u>121,386</u>
Total Enterprise Funds	<u>227,231</u>
Total	<u>\$ 350,231</u>

4. Right to Use Leased Assets

The City has recorded right to use leased assets. The assets are right to use assets for leased vehicles. The related leases are discussed in the Leases subsection of the Liabilities section of this note. The right to use lease assets are amortized on a straight-line basis over the terms of the related leases.

Right to use asset activity for the Primary Government for the year ended June 30, 2022, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Right to use assets:				
Leased vehicles	\$ -	\$ 1,424,341	\$ -	\$ 1,424,341
Less accumulated amortization for:				
Leased vehicles	-	346,565	-	346,565
Right to use assets, net	<u>\$ -</u>	<u>\$ 1,077,777</u>	<u>\$ -</u>	<u>\$ 1,077,777</u>
Business-type Activities:				
Water and Sewer Fund				
Right to use assets:				
Leased vehicles	\$ -	\$ 337,482	\$ -	\$ 337,482
Less accumulated amortization for:				
Leased vehicles	-	86,763	-	86,763
Right to use assets, net	<u>-</u>	<u>250,719</u>	<u>-</u>	<u>250,719</u>
Electric Fund				
Right to use assets:				
Leased vehicles	-	27,659	-	27,659
Less accumulated amortization for:				
Leased vehicles	-	2,361	-	2,361
Right to use assets, net	<u>-</u>	<u>25,298</u>	<u>-</u>	<u>25,298</u>
Business-type activities right to use assets, net	<u>\$ -</u>	<u>\$ 276,016</u>	<u>\$ -</u>	<u>\$ 276,016</u>

5. Capital Assets

Primary Government

Capital asset activity for the primary government for the year ended June 30, 2022, was as follows:

	<u>Beginning Balances</u>	<u>Transfer In</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 8,820,322	\$ 190,000	\$ 156,770	\$ -	\$ 9,167,092
Construction in progress	610,327	-	90,838	558,577	142,588
Total capital assets not being depreciated	<u>9,430,649</u>	<u>\$ 190,000</u>	<u>\$ 247,608</u>	<u>\$ 558,577</u>	<u>9,309,680</u>
Capital assets being depreciated:					
Building	10,587,461	\$ 2,059,118	\$ 615,963	\$ -	13,262,542
Other improvements	3,535,917	-	13,274	-	3,549,191
Plant and distribution systems	239,075	-	-	-	239,075
Furniture and equipment	3,080,637	42,652	60,118	-	3,183,407
Vehicles and motorized equipment	6,862,773	2,065,868	51,929	140,327	8,840,243
Infrastructure	13,657,019	-	-	-	13,657,019
Total capital assets being depreciated	<u>37,962,882</u>	<u>\$ 4,167,638</u>	<u>\$ 741,284</u>	<u>\$ 140,327</u>	<u>42,731,477</u>
Less accumulated depreciation for:					
Building	4,483,970	\$ 952,344	\$ 402,509	\$ -	5,838,823
Other improvements	1,874,995	-	156,344	-	2,031,339
Plant and distribution systems	95,801	-	9,166	-	104,967
Furniture and equipment	2,025,367	33,662	224,772	-	2,283,801
Vehicles and motorized equipment	5,455,075	2,063,803	360,810	140,327	7,739,361
Infrastructure	11,426,133	-	149,306	-	11,575,439
Total accumulated depreciation	<u>25,361,341</u>	<u>\$ 3,049,809</u>	<u>\$ 1,302,907</u>	<u>\$ 140,327</u>	<u>29,573,730</u>
Total capital assets being depreciated, net	<u>12,601,541</u>				<u>13,157,747</u>
Governmental activity capital assets, net	<u>\$ 22,032,190</u>				<u>\$ 22,467,427</u>

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

General government	\$ 416,267
Public safety	535,985
Public works	137,482
Economic and physical development	24,727
Environmental protection	89,897
Cultural and recreational	98,549
Total depreciation expense	<u>\$ 1,302,907</u>

Effective July 1, 2022, the Boger City Fire Department transferred its assets comprised of buildings, engines, trucks, and equipment to the City of Lincolnton. The City of Lincolnton assumed fire service operations for the Boger City Fire Department area.

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type Activities:				
Water and Sewer Fund:				
Capital assets, not being depreciated:				
Land	\$ 131,107	\$ -	\$ -	\$ 131,107
Construction in progress	3,952	220,360	-	224,312
Total capital assets not being depreciated	<u>135,059</u>	<u>\$ 220,360</u>	<u>\$ -</u>	<u>355,419</u>
Capital assets being depreciated:				
Building and improvements	14,317,258	\$ 43,180	\$ 27,151	14,333,287
Plant and distribution systems	47,576,943	96,540	-	47,673,483
Furniture and equipment	10,757,629	498,136	-	11,255,765
Vehicles	624,996	-	67,732	557,264
Total capital assets being depreciated	<u>73,276,826</u>	<u>\$ 637,856</u>	<u>\$ 94,883</u>	<u>73,819,799</u>
Less accumulated depreciation for:				
Building and improvements	7,590,571	\$ 339,470	\$ 12,757	7,917,284
Plant and distribution systems	30,952,426	1,090,411	-	32,042,837
Furniture and equipment	7,823,682	432,348	-	8,256,030
Vehicles	423,072	67,787	67,732	423,127
Total accumulated depreciation	<u>46,789,751</u>	<u>\$ 1,930,016</u>	<u>\$ 80,489</u>	<u>48,639,278</u>
Total capital assets being depreciated, net	<u>26,487,075</u>			<u>25,180,521</u>
Water and Sewer Fund capital assets, net	<u>26,622,134</u>			<u>25,535,940</u>
Electric Fund:				
Capital assets, not being depreciated:				
Land	172,796	\$ -	\$ -	172,796
Construction in progress	-	26,606	-	26,606
Total capital assets not being depreciated	<u>172,796</u>	<u>\$ 26,606</u>	<u>\$ -</u>	<u>199,402</u>
Capital assets being depreciated:				
Building and improvements	1,095,744	\$ -	\$ -	1,095,744
Plant and distribution systems	3,896,376	-	-	3,896,376
Furniture and equipment	929,603	-	-	929,603
Vehicles	948,556	-	-	948,556
Total capital assets being depreciated	<u>6,870,279</u>	<u>\$ -</u>	<u>\$ -</u>	<u>6,870,279</u>
Less accumulated depreciation for:				
Building and improvements	533,944	\$ 51,340	\$ -	585,284
Plant and distribution systems	3,179,275	56,392	-	3,235,667
Furniture and equipment	227,624	101,721	-	329,345
Vehicles	682,837	48,374	-	731,211
Total accumulated depreciation	<u>4,623,680</u>	<u>\$ 257,827</u>	<u>\$ -</u>	<u>4,881,507</u>
Total capital assets being depreciated, net	<u>2,246,599</u>			<u>1,988,772</u>
Electric Fund capital assets, net	<u>2,419,395</u>			<u>2,188,175</u>
Business-type activities capital assets, net	<u>\$ 29,041,529</u>			<u>\$ 27,724,115</u>

The City has active construction projects as of June 30, 2022. At year-end, the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Public Restrooms/Welcome Center	\$ 567,490	\$ -
Smart Meter Project	1,657,512	120,000
Total	\$ 2,225,002	\$ 120,000

Discretely Presented Component Units:

Activity for the City of Lincolnton ABC Board for the year ended June 30, 2022, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 425,000	\$ 291,082	\$ -	\$ 716,082
Capital assets being depreciated:				
Building and improvements	1,354,603	\$ 652,666	\$ -	2,007,269
Equipment	205,568	105,745	-	311,313
Total capital assets being depreciated	1,560,171	\$ 758,411	\$ -	2,318,582
Less accumulated depreciation for:				
Building and improvements	402,180	\$ 51,142	\$ -	453,322
Equipment	152,452	24,321	-	176,773
Total accumulated depreciation	554,632	\$ 75,463	\$ -	630,095
Total capital assets being depreciated, net	1,005,539			1,688,487
Capital assets, net	\$ 1,430,539			\$ 2,404,569

Activity for the Lincolnton Tourism Development Authority for the year ended June 30, 2022, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Capital assets being depreciated:				
Equipment	57,249	\$ -	\$ -	57,249
Less accumulated depreciation for:				
Equipment	8,585	\$ 2,864	\$ -	11,449
Total capital assets being depreciated, net	48,664			45,800
Capital assets, net	\$ 48,664			\$ 45,800

B. Liabilities

1. Accounts Payable and Accrued Liabilities

Payables at the government-wide level at June 30, 2022 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Other</u>	<u>Total</u>
Governmental activities:					
General	\$ 237,178	\$ 68,837	\$ 6,052	\$ 24,678	\$ 336,745
Other governmental	-	-	-	-	-
Total governmental activities	<u>237,178</u>	<u>68,837</u>	<u>6,052</u>	<u>24,678</u>	<u>336,745</u>
Business-type activities:					
Water and Sewer	135,413	-	8,550	-	143,963
Electric	570,580	-	-	63,169	633,749
Total business-type activities	<u>705,993</u>	<u>-</u>	<u>8,550</u>	<u>63,169</u>	<u>777,712</u>
Total	<u>\$ 943,171</u>	<u>\$ 68,837</u>	<u>\$ 14,602</u>	<u>\$ 87,847</u>	<u>\$ 1,114,457</u>

2. Pension Plan and Post-employment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The City of Lincolnton is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members -- nine appointed by the Governor, one appointed by the State Senate, and one appointed by the State House of Representatives, the State Treasurer and the State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation, times the years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service, or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The City of Lincolnton employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Lincolnton's contractually required contribution rate for the year ended June 30, 2022, was 12.04% of compensation for law enforcement officers and 11.42% 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 the City of Lincolnton were \$999,408 for the year ended June 30, 2022.

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

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

At June 30, 2022, the City reported a liability of \$1,571,629 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. 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. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2021 (measurement date), the City's proportion was 0.10248%, which was a decrease of 0.00113% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City recognized pension expense of \$761,553. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 499,992	\$ -
Changes of assumptions	987,385	-
Net difference between projected and actual earnings on pension plan investments	-	2,245,386
Changes in proportion, and differences between, City contributions and proportionate share of contributions	132,724	-
City contributions subsequent to the measurement date	999,408	-
Total	<u>\$ 2,619,509</u>	<u>\$ 2,245,386</u>

\$999,408, reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date, will be recognized as a decrease of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2023	\$ 212,374
2024	13,840
2025	(164,399)
2026	(687,102)
2027	-
Thereafter	-

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	2.5 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100.0%</u>	

The information above is based on 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.

Sensitivity of the City's proportionate share of the net pension asset to changes in the discount rate - The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 6.50 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
City's proportionate share of the net pension liability (asset)	<u>\$6,100,934</u>	<u>\$1,571,629</u>	<u>\$(2155,725)</u>

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

b. Law Enforcement Officers' Special Separation Allowance

Plan Description. The City administers a public employee retirement system (the "Separation Allowance"), a single-employer, defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time City law enforcement officers are covered by the Separation Allowance. At December 31, 2020, the valuation date, the Separation Allowance's membership consisted of:

Retirees receiving benefits	7
Terminated plan members entitled to, but not receiving, benefits	-
Active plan members	<u>31</u>
Total	<u>38</u>

Summary of Significant Accounting Policies

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

The Separation Allowance has no assets accumulated in a trust that meet the following criteria which we outlined in GASB Statement 73:

Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2020, valuation. 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	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity
Discount rate	2.25 percent

The discount rate used to measure the TPL is the S & P Municipal Bond 20 Year High Grade Rate Index.

Mortality assumption: All mortality rates use Pub-2010 amount-weighted tables.

Mortality projection: All mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established, and may be amended by, the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$81,749 as benefits came due for the reporting period.

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

At June 30, 2022, the City reported a total pension liability of \$1,531,315. The total pension liability was measured as of December 31, 2021, based on a December 31, 2020, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the City recognized pension expense of \$133,517.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 111,435	\$ 12,609
Changes of assumptions	286,897	35,648
City benefit payments and plan administrative expense made subsequent to the measurement date	46,243	-
Total	<u>\$ 444,575</u>	<u>\$ 48,257</u>

\$46,243, paid as benefits came due, and \$-0- of administrative expenses subsequent to the measurement date have been reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ending June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Year ending June 30:

2023	\$ 107,484
2024	97,776
2025	95,719
2026	41,237
2027	7,859
Thereafter	-

Sensitivity of the City's total pension liability to changes in the discount rate. The following presents the City's total pension liability calculated using the discount rate of 2.25 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.25 percent) or 1-percentage-point higher (3.25 percent) than the current rate:

	<u>1% Decrease (1.25%)</u>	<u>Discount Rate (2.25%)</u>	<u>1% Increase (3.25%)</u>
Total pension liability	<u>\$ 1,647,788</u>	<u>\$ 1,531,315</u>	<u>\$ 1,424,359</u>

Law Enforcement Officers' Special Separation Allowance

Beginning Balance	\$ 1,430,885
Service Cost	74,718
Interest on the total pension liability	26,827
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of total pension liability	116,846
Changes of assumptions	(36,212)
Benefit payments	(81,749)
Other changes	-
Ending balance of the total pension liability	<u>\$ 1,531,315</u>

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

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>FRSWPF</u>	<u>Total</u>
Pension expense	\$ 761,553	\$ 133,517	\$ (1,721)	\$ 893,349
Pension liability	1,571,629	1,531,315	(15,623)	3,087,321
Proportionate share of the net pension liability	0.10248%	n/a	n/a	
Deferred Outflows of Resources				
Differences between expected and actual experience	499,992	111,435	-	611,427
Changes of assumptions	987,385	286,897	-	1,274,282
Net difference between projected and actual earnings on plan investments	-	-	-	-
Changes in proportion, and differences between, contributions and proportionate share of contributions	132,724	-	-	132,724
Benefit payments and administrative costs paid subsequent to the measurement date	999,408	46,243	-	1,045,651
Deferred Inflows of Resources				
Differences between expected and actual experience	-	12,609	-	12,609
Changes of assumptions	-	35,648	-	35,648
Net difference between projected and actual earnings on plan investments	2,245,386	-	-	2,245,386
Changes in proportion, and differences between, contributions and proportionate share of contributions	-	-	-	-

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

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

The City made contributions of \$96,463 for the reporting year. No amounts were forfeited.

d. Firefighters’ and Rescue Squad Workers’ Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the City of Lincoln, to the Firefighters’ and Rescue Squad Workers’ Pension Fund (FRSWPF), a cost-sharing, multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire and rescue squad workers who have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, and one appointed by the State House of Representatives, the State Treasurer and the State Superintendent, who serve as ex-officio members. The Firefighters’ and Rescue Squad Workers’ Pension Fund 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 the Firefighters’ and Rescue Squad Workers’ Pension Fund. 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. FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member, and contributions paid on the member’s behalf, into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed, minus the benefits collected.

Contributions. Plan members are required to contribute \$10 per month to the plan, which is paid by the City. The State, a non-employer contributor, funds the plan through appropriations. Contribution provisions are established by General Statute 58 - 86 and may be amended only by the North Carolina General Assembly. For the fiscal year ended June 30, 2022, the State contributed \$19,002,000 to the plan. The City of Lincolnton's proportionate share of the State's contribution is \$10,629.

Refunds of Contributions. Plan members who are no longer eligible, or who choose not to participate in the plan, may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions, or any other benefit provided by FRSWPF.

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

At June 30, 2022, the City reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the City through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the City, and supported by the State, was \$(15,623). The net pension liability was measured as of June 30, 2021. 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. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the City is not projected to make any future contributions to the plan, its proportionate share at June 30, 2022 and at June 30, 2021 was 0%.

For the year ended June 30, 2022, the City recognized pension expense of \$(1,721) and revenue of \$(1,721) for support provided by the State. At June 30, 2022, the City reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

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 percent
Salary increases	Not applicable
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

For more information regarding actuarial assumptions including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan in Section a. of this note.

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

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.

e. Other Post-employment Benefits

Healthcare Benefits

Plan Description - Under the terms of a City resolution, the City administers a single-employer defined benefit Healthcare Benefits Plan (the “HCB Plan”). This plan provides post-employment health care benefits to retirees of the City, provided they participate in the North Carolina Local Government Employees’ Retirement System (the “System”) and have at least the following years of creditable service with the City or a disability status with the following years of creditable service with the City:

	<u>Creditable Years of Service</u>	<u>Disability Creditable Years of Service</u>
For employees hired on, or after, July 1, 2012	25	15
For employees hired prior to July 1, 2012	20	10

The City pays the full cost of coverage for these benefits. Also, the City’s retirees can purchase coverage for their dependents. Currently, thirty-two (32) retirees are eligible for post-employment health benefits. As of February 1, 2018, the City participates in the North Carolina State Health Plan which is a division of the North Carolina Department of the State Treasury.

Membership of the HCB Plan consisted of the following at June 30, 2021, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	39
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	135
Total	<u>174</u>

Funding Policy. The City pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a City resolution that can be amended by City Council. The City’s members pay the City’s group rates for dependent coverage, if enrolled in dependent coverage at the time of retirement. The City has chosen to fund the healthcare benefits on a pay as you go basis.

Total OPEB Liability

The City's total OPEB liability of \$12,225,430 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	2.5 percent
Salary increases	3.50 to 8.41 percent, average, including inflation
Discount Rate	2.16 percent
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 Municipal Bond Index Rate as of the measurement date.

Changes in the Total OPEB Liability

	<u>Total OPEB</u>
Balance July 1, 2020	<u>\$ 11,649,991</u>
Changes for the year	
Service cost	510,663
Interest	263,026
Changes of benefit terms	(40,713)
Difference between expected and actual experience	(1,070,127)
Changes in assumptions or other inputs	1,433,508
Benefit payments	(520,918)
Net Changes	<u>575,439</u>
Balance June 30, 2021	<u>\$ 12,225,430</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.210% to 2.21%.

Mortality rates were based on the RP-2014 Mortality Tables with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period January 2015 through December 2019.

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

	1% Decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB liability	<u>\$ 13,391,286</u>	<u>\$ 12,225,430</u>	<u>\$ 11,186,153</u>

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

	(Medical - 6.0% Prescription - 6.0%)	Discount Rate (Medical - 7.0% Prescription - 7.0%)	(Medical - 8.0% Prescription - 8.0%)
Total OPEB liability	<u>\$ 11,050,576</u>	<u>\$ 12,225,430</u>	<u>\$ 13,604,355</u>

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

For the year ended June 30, 2022, the City recognized OPEB expense of \$637,822. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 40,830	\$ 1,902,583
Changes of assumptions	2,224,858	275,660
Total	<u>\$ 2,265,688</u>	<u>\$ 2,178,243</u>

\$-0-, reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date, will be recognized as a decrease of the total pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2022	\$ (95,154)
2023	(72,998)
2024	(5,856)
2025	20,274
2026	171,393
Thereafter	69,786

The ABC Board has not elected to provide other post-employment benefits to employees.

f. Other Employment Benefits

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

3. Deferred Outflows and Inflows of Resources

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

Source

Contributions to pension plan in current fiscal year	\$ 999,408
Benefit payments and administrative expenses for LEOSSA made subsequent to the measurement date	46,243
Benefit payments and administrative expenses for OPEB made subsequent to the measurement date	-
Differences between expected and actual experience	652,257
Changes of assumptions	3,499,139
Net Differences between projected and actual	-
Changes in proportion, and differences between, employer contribution and proportionate share of contributions	132,724
Charge on refunding	-
Total	<u>\$ 5,329,771</u>

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Prepaid taxes (General Fund)	\$ 1,863	\$ 1,863
Taxes receivable, less penalties (General Fund)	-	32,000
Changes in assumptions	311,308	-
Differences between expected and actual experience	1,915,163	-
Changes in proportion, and differences between, employer contributions and proportionate share of contributions	2,245,386	-
	<u>\$ 4,473,720</u>	<u>\$ 33,863</u>

4. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in a self-funding risk financing pool offered by the North Carolina League of Municipalities for Workers' Compensation coverage up to statutory limits.

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

The City is eligible to and has purchased commercial flood insurance for a limit of \$5,000,000 for all locations on our commercial property policy, except the areas located in special flood hazard areas as defined by the National Flood Insurance Program, and all locations in any Federal Emergency Management Agency Flood Zones.

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more, at any given time, of the City's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$200,000. The remaining employees that have access to funds are insured up to \$100,000.

The Lincolnton Tourism Development Authority's finance officer is bonded for \$50,000.

The ABC Board's general manager and finance officer are bonded for \$50,000.

5. Long-Term Obligations

a. Installment Purchases

The City has entered into various direct placement installment purchases to finance the following:

Serviced by the General Fund:

\$120,000, 2015, 4.5% installment purchase payable to an individual bank in monthly installments of \$1,244, due in 2025, secured by land	\$ 39,479
\$250,000, 2020, 2.99% installment purchase payable to bank in annual installments of \$39,087, due in 2026, secured by equipment	145,809
\$309,000, 2020, 2.99% installment purchase payable to bank in annual installments of \$48,312, due in 2026, secured by equipment	181,147
\$662,149, 2021, 2.49% loan payable to a bank in annual installments of \$102,676, due in 2027, secured by equipment	476,630
\$157,390, 2021, 3.06% loan payable to a bank in annual installments of \$25,361, due in 2028, secured by equipment	136,898
	<u>979,964</u>

Serviced by the Water and Sewer Fund:

\$2,470,515, 2019, 3.00% installment purchase payable in annual installments of \$397,121, due in 2026, secured by equipment	1,473,754
\$146,463, 2021, 3.06% loan payable to a bank in semi-annual installments of \$23,601, due in 2028, secured by equipment	-
	<u>1,473,754</u>
Total	<u>\$ 2,453,718</u>

b. Revolving Loans

In June 2000, a grant of \$269,425 was received from the State of North Carolina Department of Environment and Natural Resources, and in December 2001, a State revolving loan was received in conjunction to finance water supply projects pursuant to the North Carolina Clean Water Revolving Loan and Grant Act of 1987. In July 2003, an additional revolving loan was received to finance a wastewater treatment facility upgrade. Both of these loans were refunded in June 2018 for \$4,240,000. The loans are reported as long-term debt in the Water and Sewer Fund. The loans are collateralized by water and sewer fee collections. Principal and interest requirements are appropriated when due.

Current refunding - On June 13, 2017, the City of Lincoln entered into a Series 2017 Water & Sewer Refunding Bonds of \$4,240,000, with an interest rate of 2.0%, for six years to refinance two revolving loans, a December 2001, 2.87% revolving loan with a remaining balance of \$322,146, maturity date 2022, and a July 2003, 2.87% revolving loan with a remaining balance of \$3,883,994, maturity date 2023. As a result of the current refunding, the City reduced its annual debt service cost from \$800,286 to \$784,580, which resulted in an economic gain (the difference between the present value of the old debt and the new debt service payments) of \$84,523. There were no premiums or discounts related to the refunded debt and, therefore, there was not a deferred inflow of resources, nor a deferred outflow of resources.

Revolving loans payable consist of the following individual issue at June 30, 2022:

\$4,240,000 Water and Sewer revenue loan, with principal installments due annually in May, with semiannual interest payments due in May and November at an annual interest rate of 2.00% through 2023. \$686,000

Annual debt service requirements to maturity for long-term obligations are as follows:

	Direct Placement		Revolving Loans		Total Debt Due	
	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities:						
2023	\$ 202,737	\$ 27,624	\$ -	\$ -	\$ 202,737	\$ 27,624
2024	208,591	21,770	-	-	208,591	21,770
2025	212,071	15,631	-	-	212,071	15,631
2026	207,997	9,787	-	-	207,997	9,787
2027	123,985	4,032	-	-	123,985	4,032
2028	24,583	765	-	-	24,583	765
Total governmental	<u>979,964</u>	<u>79,608</u>	<u>-</u>	<u>-</u>	<u>979,964</u>	<u>79,608</u>
Business-type Activities:						
2023	352,951	44,170	686,000	13,720	1,038,951	57,890
2024	363,540	33,581	-	-	363,540	33,581
2025	374,446	22,675	-	-	374,446	22,675
2026	382,818	11,442	-	-	382,818	11,442
Total business-type	<u>1,473,754</u>	<u>111,868</u>	<u>686,000</u>	<u>13,720</u>	<u>2,159,754</u>	<u>125,588</u>
Total	<u>\$ 2,453,718</u>	<u>\$ 191,476</u>	<u>\$ 686,000</u>	<u>\$ 13,720</u>	<u>\$ 3,139,718</u>	<u>\$ 205,196</u>

At June 30, 2022, the City of Lincoln had no bonds authorized but un-issued and a legal debt margin of \$81,318,116.

c. Leases

The City entered into lease 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 future minimum lease payments as of the date of their inception.

The agreements with execution dates ranging from July 1, 2021, to January 27, 2022, are to lease vehicles with 20 to 60 monthly payments ranging from \$305 to \$966. As a result of the leases, the City has recorded right to use assets with a net book value of \$1,353,793 at June 30, 2022. The right to use assets is discussed in more detail in section III.A.4 of the notes.

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2022, were as follows:

Governmental Activities:	Principal	Interest	Interest
2023	\$ 327,919	\$ 9,236	\$ 337,155
2024	241,564	6,583	248,147
2025	210,840	4,560	215,400
2026	228,638	2,436	231,074
2027	131,499	425	131,924
Total governmental	\$ 1,140,460	\$ 23,240	\$ 1,163,700
Business-type Activities:			
Water and Sewer			
2023	\$ 68,422	\$ 1,852	\$ 70,274
2024	77,092	1,314	78,406
2025	54,204	797	55,001
2026	69,277	142	69,419
2027	-	-	-
	<u>268,995</u>	<u>4,105</u>	<u>273,100</u>
Electric			
2023	4,776	364	5,140
2024	4,776	293	5,069
2025	4,776	222	4,998
2026	4,776	149	4,925
2027	6,211	47	6,258
	<u>25,315</u>	<u>1,075</u>	<u>26,390</u>
Total business activities	\$ 294,310	\$ 5,180	\$ 299,490

Changes in Long-Term Liabilities

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022	Current Portion of Balance
Governmental activities:					
Compensated absences	\$ 378,605	\$ 268,020	\$ 227,066	\$ 419,559	\$ 234,303
Lease liabilities	-	1,424,341	283,880	1,140,461	327,919
Total pension liability (LEO)	1,430,885	182,179	81,749	1,531,315	-
Total OPEB liability	8,880,890	194,507	-	9,075,397	-
Net pension liability (LGERS)	2,765,089	-	1,554,927	1,210,162	-
Direct placement installment purchase	1,329,019	-	349,056	979,963	202,737
Governmental activities long-term liabilities	\$ 14,784,488	\$ 2,069,047	\$ 2,496,677	\$ 14,356,858	\$ 764,958
Business-type activities:					
Water and Sewer Fund:					
Compensated absences	\$ 101,954	\$ 70,034	\$ 65,163	\$ 106,825	\$ 67,076
Lease liabilities	-	337,482	68,487	268,995	68,422
Total OPEB liability	2,352,093	238,973	-	2,591,066	-
Net pension liability (LGERS)	709,109	-	439,686	269,423	-
Revenue bonds	-	-	-	-	-
Revolving loans	1,358,000	-	672,000	686,000	686,000
Direct placement installment purchase	1,962,245	-	488,490	1,473,755	352,951
Water and Sewer Fund long-term liabilities	6,483,401	646,489	1,733,826	5,396,064	1,174,449
Electric Fund:					
Compensated absences	30,977	22,861	19,437	34,401	17,081
Lease liabilities	-	27,659	2,344	25,315	4,776
Total OPEB liability	417,008	141,959	-	558,967	-
Net pension liability (LGERS)	228,230	-	136,186	92,044	-
Electric Fund long-term liabilities	676,215	192,478	157,967	710,726	21,857
Business-type activities long-term liabilities	\$ 7,159,616	\$ 838,967	\$ 1,891,793	\$ 6,106,791	\$ 1,196,306

Compensated absences, OPEB liabilities and pension liabilities are typically liquidated in the corresponding fund as the liability. Compensated absences are accounted for on a FIFO basis, assuming that employees are taking leave as it is earned.

C. Interfund Balances and Activity

Interfund Loan - The General Fund borrowed funds from the Electric Fund to fund various projects.

Interfund loans consist of the following at June 30, 2022:

\$1,000,000 interfund loan over fifteen years, with an interest rate of 1.5%, with \$74,994 annual payments for the construction of a police building, through 2033.	\$ 754,773
\$1,054,429 interfund loan over fifteen years, with an interest rate of 1.5%, with \$79,024 annual payments for the construction of a police building, through 2036.	991,222
\$448,000 interfund loan over fifteen years, with an interest rate of 1.5%, with \$33,575 annual payments for the construction of a welcome center, through 2036.	<u>421,145</u>
Total advances to other funds	2,167,141
Due within one year	<u>155,056</u>
Due in more than one year	<u><u>\$ 2,012,085</u></u>

Transfers To/From Other Funds

The composition of transfers as of June 30, 2022, is as follows:

	<u>General Fund</u>	<u>Transfers In Electric Rate Stabilizatin Fund</u>	<u>Total</u>
Transfer Out			
Water and Sewer Fund	\$ 389,222	\$ -	\$ 389,222
Electric Fund	<u>30,465</u>	-	<u>30,465</u>
Total	<u><u>\$ 419,687</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 419,687</u></u>

Transfers are used to: (1) move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs, (2) move funds from the fund with collection authorization to other funds to stabilize rates.

For the year ended June 30, 2022, the government made the following transfers:

Transfers from the Water and Sewer Fund to the General Fund - payment in lieu of taxes.

Transfers from the Electric Fund to the General Fund - payment in lieu of taxes.

D. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2022, the City of Lincolnton has recognized on-behalf payments for pension contributions made by the State as a revenue and an expenditure of \$(1,721) for the 23 employed firemen who perform firefighting duties for the City’s fire department. The employees elected to be members of the Firemen and Rescue Workers’ Pension Fund, a cost sharing, multiple-employer, public employee retirement system established, and administered, by the State of North Carolina. The Plan is funded by a \$120 annual contribution paid by the City, investment income, and a State appropriation.

Also, the City has recognized as a revenue and an expenditure, on-behalf payments for fringe benefits and salaries of \$-0- for the low interest loans provided to eligible firemen by the local board of trustees of the Firemen’s Relief Fund during the fiscal year ended June 30, 2022. Under State law, the local board of trustees for the Fund receives an amount each year, which the board may use at its own discretion for eligible firemen or their departments.

E. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$ 22,467,426	\$ 27,724,114
Less: long-term debt	<u>(979,964)</u>	<u>(2,159,753)</u>
	<u>\$ 21,487,462</u>	<u>\$ 25,564,361</u>

F. Fund Balance

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

Total Fund Balance - General Fund	\$ 6,985,895
Less:	
Inventories	8,210
Prepaid	7,000
Stabilization by State Statute	1,242,039
Streets - Powell Bill	314,798
Police	3,801
Appropriated Fund Balance in 2023 Budget	-
Remaining Fund Balance	5,410,047

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

<u>Encumbrances</u>	<u>General Fund</u>	<u>Non-Major Funds</u>
	\$-0-	\$-0-

III. Jointly Governed Organizations

The City, in conjunction with eighteen other local governments, is a member of the North Carolina Municipal Power Agency Number 1 (NCMPA#1). The Electric Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Electric Agency's governing board. The nineteen members, which receive power from the Electric Agency, have signed power sales agreements to purchase a specified share of the power generated by the Electric Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The City's purchases of power for the fiscal year ended June 30, 2022, were \$4,978,686.

The City, in conjunction with nine counties and seventy-four other municipalities, established the Centralina Council of Governments (the "Council"). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The City paid membership fees of \$2,672 to the Council during the fiscal year ended June 30, 2022.

IV. Joint Venture

The City, in conjunction with Lincoln County, participates in a general aviation airport. The Airport Authority's board shall be reconstructed as a five-member board, with one member appointed by the City and four members by the County; however, one of the four members selected by the County shall reside within the City of Lincolnton, and the other three shall reside within the County. The members on the Authority's board shall have staggered 3-year terms, and a two-term limit, with a chairman to be designated by the County. The Airport has been in existence since 1986, but it is not yet self-sustaining. The City has a pro-rata, shared, ongoing financial responsibility in proportion to the rate at which received sales taxes are allocated for the Airport, because it and the County are legally obligated, under the intergovernmental agreement that created the Airport, to honor any deficiencies in the event that proceeds from other default remedies are insufficient. The City contributed \$15,600 to the Airport during the fiscal year ended June 30, 2022. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2022. Complete financial statements for the Airport can be obtained from Lincoln County Administrative Offices at 115 West Main Street, Lincolnton, N. C. 28092.

The City and the members of the City's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. The City obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the City's fire department by the board of trustees. During the fiscal year ended June 30, 2022, the City reported revenues and expenditures for the payments of \$-0- made through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2022. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina, 27603.

V. Related Organization

The five-member board of the City of Lincolnton Housing Authority is appointed by the City Council of the City of Lincolnton. The City is accountable for the Housing Authority, because it appoints the governing board; however, the City is not financially accountable for the Housing Authority. The City of Lincolnton is also disclosed as a related organization in the notes to the financial statements for the City of Lincolnton Housing Authority. Complete financial statements for the Housing Authority can be obtained from the Authority's office at 806 McBee Street, Lincolnton, N.C. 28092.

VI. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

VII. Significant Effects of Subsequent Events

Management has evaluated subsequent events through December 8, 2022, the date on which the financial statements were available to be issued. During the period from the end of the year, and through this date, the following subsequent events occurred that require recognition or disclosure in these financial statements.

The City purchased the Excel Textile Supply Company in November as a part of the Public Service Center Project / Substation at a cost of \$1,300,000.

The City financed the purchase of a new Solid Waste Garbage Truck in the amount of \$350,582 with the Lincolnton branch of United Bank in October.

The City will be upgrading the Infrastructure for the Information Technology Servers at a cost of \$277,577 during the months of November and December 2022.

The City received its second disbursement of the American Rescue Plan Act funds in the amount of \$1,784,706 on July 29th. Eligible uses of these funds are COVID response to public health and economic impact, revenue lost replacement, premium pay, and infrastructure investments

COVID-19 Pandemic

The spread of the Coronavirus Disease (COVID-19) has been deemed a worldwide pandemic. The COVID-19 pandemic has had significant effects on global economic markets, supply chains, businesses, and communities. As a result, domestic and international equity markets have experienced significant fluctuations. The impact on the City of Lincolnton, North Carolina is not reflected in the financial statements for the year ended June 30, 2022, since the full impact of COVID-19 is unknown and cannot be reasonably estimated as of December 8, 2022.

VIII. Change in Accounting Principle

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, which gives guidance for accounting and reporting of all leases and is effective for the fiscal year beginning July 1, 2021. GASB 87 establishes a single model for lease accounting, substantially changing all prior lease accounting and financial statement footnote disclosures. The City has implemented the guidance starting fiscal year ending June 30, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

CITY OF LINCOLNTON, NORTH CAROLINA

**City of Lincolnton's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Nine Fiscal Years*
Local Government Employees' Retirement System**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City of Lincolnton's proportion of the net pension liability (asset) (%)	0.10248%	0.10361%	0.09491%	0.09534%	0.09746%	0.09605%	0.10989%	0.11119%	0.10930%
City of Lincolnton's proportion of the net pension liability (asset) (\$)	\$ 1,571,629	\$ 3,702,428	\$ 2,591,918	\$ 2,261,791	\$ 1,488,919	\$ 2,038,503	\$ 493,180	\$ (655,739)	\$ 1,317,485
City of Lincolnton's covered payroll	\$ 7,903,048	\$ 7,484,813	\$ 6,976,386	\$ 6,673,226	\$ 6,563,566	\$ 6,145,468	\$ 6,170,108	\$ 6,230,371	\$ 6,051,103
City of Lincolnton's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	19.89%	49.47%	37.15%	33.89%	22.68%	33.17%	7.99%	(10.52%)	21.77%
Plan fiduciary net pension as a percentage of the total pension liability**	95.51%	88.61%	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%

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

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

Information is not required to be presented retroactively. Additional years information will be displayed as it becomes available.

CITY OF LINCOLNTON, NORTH CAROLINA

**City of Lincolnton's Contributions
Required Supplementary Information
Last Nine Fiscal Years
Local Government Employees' Retirement System**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 999,408	\$ 818,409	\$ 687,610	\$ 557,523	\$ 516,612	\$ 491,998	\$ 437,201	\$ 440,567	\$ 443,242
Contributions in relation to the contractually required contributions	999,408	818,409	687,610	557,523	516,612	491,998	437,201	440,567	443,242
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City of Lincolnton's covered payroll	\$ 8,646,634	\$ 7,903,048	\$ 7,484,813	\$ 6,976,386	\$ 6,673,226	\$ 6,563,566	\$ 6,145,468	\$ 6,170,108	\$ 6,230,371
Contributions as a percentage of covered payroll	11.56%	10.36%	9.19%	7.99%	7.74%	7.50%	7.11%	7.14%	7.11%

Information is not required to be presented retroactively. Additional years information will be displayed as it becomes available.

CITY OF LINCOLN, NORTH CAROLINA

**City of Lincoln's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Eight Fiscal Years*
Firefighters' and Rescue Squad Workers' Pension**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City of Lincoln's proportionate share of the net pension liability (asset) (%)	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
City of Lincoln's proportionate share of the net pension liability (asset) (\$)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the City of Lincoln	(15,623)	29,360	15,717	30,683	22,859	16,133	20,230	11,033
Total	\$ (15,623)	\$ 29,360	\$ 15,717	\$ 30,683	\$ 22,859	\$ 16,133	\$ 20,230	\$ 11,033
City of Lincoln's covered payroll	\$1,874,956	\$1,387,166	\$1,387,168	\$1,082,484	\$1,061,834	\$936,500	\$744,636	\$824,108
City of Lincoln's proportionate share of the net pension liability as a percentage of covered payroll	(0.83%)	2.12%	1.13%	2.83%	2.15%	1.72%	2.72%	1.34%
Plan fiduciary net position as a percentage of the total pension liability	89.69%	89.69%	89.69%	89.35%	84.94%	91.40%	93.42%	92.76%

*The amounts are presented for the prior fiscal year.

Information is not required to be presented retroactively. Additional years information will be displayed as it becomes available.

CITY OF LINCOLNTON, NORTH CAROLINA

**Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Last Six Fiscal Years**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning Balance	\$ 1,430,885	\$ 1,019,789	\$ 1,014,141	\$ 980,468	\$ 943,092	\$ 976,259
Service cost	74,718	46,812	40,112	39,841	32,657	37,675
Interest on the total pension liability	26,827	31,642	35,422	29,583	34,553	33,318
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	116,846	(11,339)	(13,303)	85,376	17,713	-
Changes of assumptions or other inputs	(36,212)	442,306	25,430	(32,508)	48,344	(18,181)
Benefit payments	(81,749)	(98,325)	(82,013)	(8,619)	(95,891)	(85,979)
Other changes	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 1,531,315</u>	<u>\$ 1,430,885</u>	<u>\$ 1,019,789</u>	<u>\$ 1,094,141</u>	<u>\$ 980,468</u>	<u>\$ 943,092</u>

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

There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the pension plan.

Information is not required to be presented retroactively. Additional years information will be displayed as it becomes available.

CITY OF LINCOLNTON, NORTH CAROLINA

**Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
Last Six Fiscal Years**

	<u>2021</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total Pension liability	\$ 1,531,315	\$ 1,430,885	\$ 1,019,789	\$ 1,014,141	\$ 980,468	\$ 943,092
Covered-employee payroll	1,677,372	1,775,754	1,621,737	1,502,102	1,493,025	1,545,187
Total pension liability as a percentage of covered employee payroll	91.29%	80.58%	62.88%	67.51%	65.67%	61.03%

Notes to the schedule:

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

Information is not required to be presented retroactively. Additional years information will be displayed as it becomes available.

CITY OF LINCOLNTON, NORTH CAROLINA

**Schedule of Changes in the Total OPEB Liability and Related Ratios
Last Five Fiscal Years
June 30, 2022**

Total OPEB Liability	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service Cost	\$ 510,663	\$ 370,272	\$ 418,078	\$ 433,171	\$ 469,911
Interest	263,026	363,341	436,147	401,537	348,745
Changes of benefit terms	(40,713)	-	-	-	-
Differences between expected and actual experience	(1,070,127)	(28,075)	(1,665,740)	82,464	29,100
Changes of assumptions	1,433,508	1,212,786	226,155	(326,388)	(560,847)
Benefit payments	(520,918)	(553,667)	(676,174)	(640,476)	(549,082)
Net change in total OPEB liability	575,439	1,364,657	(1,261,534)	(49,692)	(262,173)
Total OPEB liability - beginning	11,649,991	10,285,334	11,546,868	11,596,560	11,858,733
Total OPEB liability - ending	<u>\$ 12,225,430</u>	<u>\$ 11,649,991</u>	<u>\$ 10,285,334</u>	<u>\$ 11,546,868</u>	<u>\$ 11,596,560</u>
Covered-employee payroll	\$ 6,456,672	\$ 7,026,971	\$ 7,026,971	\$ 5,935,441	\$ 5,935,441
Total OPEB liability as a percentage of covered-employee payroll	189.35%	165.79%	146.37%	194.54%	195.38%

Notes to Schedule

The OPEB plan has no assets accumulated in a trust that meet the criteria which are outlined in GASB Statement 75 to pay the related benefits for the plan.

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

<u>Fiscal year</u>	<u>Rate</u>
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

GOVERNMENTAL ACTIVITIES

GENERAL FUND

The General Fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

SPECIAL REVENUE FUND/FEDERAL

The Special Revenue Fund/Federal is used to account for federal grants funding which are legally required to be accounted for in a special revenue fund.

SPECIAL REVENUE FUND/STATE

The Special Revenue Fund/State is used to account for state grants funding which are legally required to be accounted for in a special revenue fund.

CITY OF LINCOLNTON, NORTH CAROLINA

General Fund

Balance Sheets

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 8,060,745	\$ 6,895,509
Taxes receivable, net	32,000	52,600
Accounts receivable, net	899,131	806,971
Due from governmental agencies	342,908	349,220
Inventories	8,210	11,195
Prepaid items	7,000	11,500
Restricted cash	318,599	278,938
Total assets	<u>\$ 9,668,593</u>	<u>\$ 8,405,933</u>
<u>Liabilities</u>		
Accounts payable and other accrued liabilities	\$ 330,693	\$ 249,495
Advance from other funds	2,167,141	2,394,830
Unearned revenues	151,001	-
Total liabilities	<u>2,648,835</u>	<u>2,644,325</u>
<u>Deferred Inflows of Resources</u>		
Property taxes receivable	32,000	52,600
Prepaid taxes	1,863	802
Total deferred inflows of resources	<u>33,863</u>	<u>53,402</u>
<u>Fund Balances</u>		
Non Spendable:		
Inventories	8,210	11,195
Prepaid expenditures	7,000	11,500
Restricted:		
Stabilization by State statute	1,242,039	1,156,191
Streets	314,798	278,229
Public safety - police	3,801	980
Assigned:		
Unassigned	5,410,047	4,250,111
Total fund balances	<u>6,985,895</u>	<u>5,708,206</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,668,593</u>	<u>\$ 8,405,933</u>

CITY OF LINCOLN, NORTH CAROLINA

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**General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2022
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2021)**

	2022		Variance Positive (Negative)	2021 Actual
	Budget	Actual		
Revenues:				
Ad valorem taxes:				
Current year	\$ 5,445,000	\$ 5,568,053	\$ 123,053	\$ 5,510,730
Prior years	80,000	52,397	(27,603)	68,968
Interest and penalties	25,000	18,268	(6,732)	26,298
Total	5,550,000	5,638,718	88,718	5,605,996
Other taxes and licenses:				
Other taxes	1,157,000	1,227,033	70,033	1,216,803
Unrestricted intergovernmental revenues:				
Local option sales tax	3,800,000	4,845,657	1,045,657	4,184,806
Payment in lieu of taxes	22,470	42,316	19,846	42,175
Utility franchise tax	855,000	809,362	(45,638)	821,540
Beer and wine tax	44,000	44,189	189	45,742
ABC profit distribution	90,000	90,000	-	90,747
Other	147,257	147,257	-	138,868
Total	4,958,727	5,978,781	1,020,054	5,323,878
Restricted intergovernmental revenues:				
Powell Bill street aid allocation	347,276	347,276	-	291,931
Powell Bill investment earnings	1,000	861	(139)	1,937
Controlled substance tax	4,500	1,986	(2,514)	3,169
Federal Equitable deposits	-	-	-	975
ABC revenue for law enforcement	20,000	20,000	-	20,000
CARES funds	5,639	5,639	-	10,000
On-behalf of payments-Fire and Rescue	5,200	(1,721)	(6,921)	11,885
Federal, state and local grants	146,213	140,515	(5,698)	204,571
Total	529,828	514,556	(15,272)	544,468

cont.

General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2022
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2021)

	<u>2022</u>		<u>Variance</u>	<u>2021</u> <u>Actual</u>
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>	
Revenues (continued):				
Permits and fees:				
Zoning fees	\$ 14,680	\$ 19,230	\$ 4,550	\$ 11,950
Other fees	24,061	27,707	3,646	18,551
Total	<u>38,741</u>	<u>46,937</u>	<u>8,196</u>	<u>30,501</u>
Sales and services:				
Cemetery lot sales	30,000	42,450	12,450	31,751
Recreation fees and concessions	119,800	142,285	22,485	40,957
Other	23,000	31,067	8,067	3,274
Total	<u>172,800</u>	<u>215,802</u>	<u>43,002</u>	<u>75,982</u>
Investment earnings	<u>31,000</u>	<u>35,267</u>	<u>4,267</u>	<u>57,750</u>
Miscellaneous:				
Sale of property	12,500	41,377	28,877	56,724
Small business emergency loan receipts	-	66,354	66,354	15,137
Other	82,510	71,719	(10,791)	44,533
Total	<u>95,010</u>	<u>179,450</u>	<u>84,440</u>	<u>116,394</u>
Total revenues	<u>12,533,106</u>	<u>13,836,542</u>	<u>1,303,438</u>	<u>12,971,770</u> cont.

General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2022
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2021)

	<u>2022</u>		Variance Positive (Negative)	2021 Actual
	<u>Budget</u>	<u>Actual</u>		
Expenditures:				
General government:				
Governing body				
Salaries and employee benefits	\$ 536,929	\$ 536,929	\$ -	\$ 69,245
Other operating expenditures	1,463,268	1,376,934	86,334	1,075,682
Tax collection fees	178,996	179,043	(47)	179,847
Capital outlay	232,294	232,294	-	179,814
Interdepartmental charges	(218,960)	(168,431)	(50,529)	(168,560)
	<u>2,192,527</u>	<u>2,156,769</u>	<u>35,758</u>	<u>1,336,028</u>
Administrative				
Salaries and employee benefits	626,934	601,232	25,702	627,815
Other operating expenditures	72,141	52,020	20,121	51,298
Interdepartmental charges	(195,100)	(150,077)	(45,023)	(153,480)
	<u>503,975</u>	<u>503,175</u>	<u>800</u>	<u>525,633</u>
Finance				
Salaries and employee benefits	481,043	460,757	20,286	497,392
Other operating expenditures	63,394	56,337	7,057	52,002
Interdepartmental charges	(475,340)	(365,646)	(109,694)	(363,080)
	<u>69,097</u>	<u>151,448</u>	<u>(82,351)</u>	<u>186,314</u>
IT				
Salaries and employee benefits	56,299	54,900	1,399	-
Other operating expenditures	53,109	45,567	7,542	-
	<u>109,408</u>	<u>100,467</u>	<u>8,941</u>	<u>-</u>
Total general government	<u>2,875,007</u>	<u>2,911,859</u>	<u>(36,852)</u>	<u>2,047,975</u>
Public safety:				
Police				
Salaries and employee benefits	3,143,093	3,143,093	-	2,850,315
Other operating expenditures	309,285	309,285	-	217,593
Capital outlay	36,494	36,494	-	784,964
	<u>3,488,872</u>	<u>3,488,872</u>	<u>-</u>	<u>3,852,872</u>

cont.

General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2022
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2021)

	2022		Variance Positive (Negative)	2021 Actual
	Budget	Actual		
Expenditures (continued):				
Fire				
Salaries and employee benefits	\$ 2,317,446	\$ 2,316,174	\$ 1,272	\$ 2,062,382
Other operating expenditures	214,913	215,851	(938)	180,489
Capital outlay	2,060	-	2,060	689,954
	<u>2,534,419</u>	<u>2,532,025</u>	<u>2,394</u>	<u>2,932,825</u>
Boger City Fire				
Salaries and employee benefits	891,859	888,290	3,569	702,299
Other operating expenditures	294,339	250,583	43,756	169,854
Capital outlay	61,814	61,814	-	50,429
	<u>1,248,012</u>	<u>1,200,687</u>	<u>47,325</u>	<u>922,582</u>
Total public safety	<u>7,271,303</u>	<u>7,221,584</u>	<u>49,719</u>	<u>7,708,279</u>
Public works:				
General and administrative				
Salaries and employee benefits	168,897	168,897	-	167,520
Operating expenditures	46,863	29,439	17,424	36,464
Interdepartmental charges	(171,680)	(132,062)	(39,618)	(131,040)
	<u>44,080</u>	<u>66,274</u>	<u>(22,194)</u>	<u>72,944</u>
Street maintenance				
Salaries and employee benefits	546,803	629,754	(82,951)	622,357
Operating expenditures	287,962	188,076	99,886	240,926
Interdepartmental charges	(176,660)	(135,892)	(40,768)	(134,840)
	<u>658,105</u>	<u>681,938</u>	<u>(23,833)</u>	<u>728,443</u>
Powell Bill assistance				
Operating expenditures	308,693	271,986	36,707	345,613
	<u>308,693</u>	<u>271,986</u>	<u>36,707</u>	<u>345,613</u>
Fleet maintenance				
Salaries and employee benefits	154,090	149,669	4,421	155,896
Operating expenditures	190,689	132,120	58,569	123,359
Interdepartmental charges	(49,580)	(38,138)	(11,442)	(39,320)
	<u>295,199</u>	<u>243,651</u>	<u>51,548</u>	<u>239,935</u>

cont.

General Fund

Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual

For the Fiscal Year Ended June 30, 2022

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2021)

	2022		Variance Positive (Negative)	2021 Actual
	Budget	Actual		
Expenditures (continued):				
Airport operation	\$ 15,600	\$ 15,600	\$ -	\$ 15,600
Total public works	<u>1,321,677</u>	<u>1,279,449</u>	<u>42,228</u>	<u>1,402,535</u>
Economic and physical development:				
Business and community development				
Salaries and employee benefits	91,939	91,820	119	4,200
Small business emergency loans	-	-	-	20,500
Operating expenditures	108,918	54,142	54,776	90,643
Capital outlay	8,503	8,503	-	494,695
	<u>209,360</u>	<u>154,465</u>	<u>54,895</u>	<u>610,038</u>
Planning and zoning				
Salaries and employee benefits	224,833	224,833	-	224,829
Operating expenditures	109,851	72,031	37,820	152,059
Interdepartmental charges	(12,680)	(9,754)	(2,926)	(9,680)
	<u>322,004</u>	<u>287,110</u>	<u>34,894</u>	<u>367,208</u>
Total economic and physical development	<u>531,364</u>	<u>441,575</u>	<u>89,789</u>	<u>977,246</u>
Environmental protection:				
Solid waste				
Salaries and employee benefits	412,781	374,285	38,496	409,887
Operating expenditures	108,814	102,643	6,171	72,598
Capital outlay	-	-	-	159,452
	<u>521,595</u>	<u>476,928</u>	<u>44,667</u>	<u>641,937</u>
Total environmental protection	<u>521,595</u>	<u>476,928</u>	<u>44,667</u>	<u>641,937</u>
Cultural and recreational:				
Salaries and employee benefits	652,087	652,087	-	658,980
Operating expenditures	287,141	288,406	(1,265)	172,221
Capital outlay	34,274	13,274	21,000	143,787
Total cultural and recreational	<u>973,502</u>	<u>953,767</u>	<u>19,735</u>	<u>974,988</u>

cont.

General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2022
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2021)

	<u>2022</u>		Variance Positive (Negative)	2020 Actual
	<u>Budget</u>	<u>Actual</u>		
Expenditures (continued):				
Debt service:				
Principal retirement	\$ 365,590	\$ 349,056	\$ 16,534	\$ 402,337
Interest and other charges	<u>70,592</u>	<u>78,679</u>	<u>(8,087)</u>	<u>42,702</u>
Total debt service	<u>436,182</u>	<u>427,735</u>	<u>8,447</u>	<u>445,039</u>
Total expenditures	<u>13,930,630</u>	<u>13,712,897</u>	<u>217,733</u>	<u>14,197,999</u>
Revenues over (under) expenditures	<u>(1,397,524)</u>	<u>123,645</u>	<u>1,521,171</u>	<u>(1,226,229)</u>
Other Financing Sources (Uses):				
Issuance of debt	-	-	-	819,539
Appropriated fund balance	240,500	-	(240,500)	-
Contribution from Boger City	-	-	-	401,152
Transfers (to) from other funds				
Special Revenue Fund/Federal	737,340	737,340	-	-
Water and Sewer Fund	389,222	389,222	-	389,222
Electric Fund	<u>30,465</u>	<u>30,465</u>	<u>-</u>	<u>30,465</u>
Total other financing sources (uses)	<u>1,397,527</u>	<u>1,157,027</u>	<u>(240,500)</u>	<u>1,640,378</u>
Revenues and other financing sources over (under) expenditures and other financing uses and extraordinary item	<u>\$ -</u>	<u>\$ 1,280,675</u>	<u>\$ 1,280,675</u>	<u>\$ 414,149</u>
Fund balances, July 1, originally stated		\$ 5,708,205		\$ 6,848,623
Prior period adjustment		<u>-</u>		<u>(1,557,807)</u>
Fund balances, July 1, restated		5,708,205		5,290,816
Revenues over (under) expenditures		1,280,675		414,149
Increase (decrease) in reserve for inventory		<u>(2,985)</u>		<u>3,240</u>
Fund balances, June 30		<u>\$ 6,985,895</u>		<u>\$ 5,708,205</u>

CITY OF LINCOLN, NORTH CAROLINA

**Special Revenue Fund/Federal
 Coronavirus State Local Fiscal Recovery Funds CFR 21.027 (ARPA Funds)
 Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2022**

	<u>Project</u>		<u>Actual</u>		<u>Variance</u>
	<u>Authorization</u>	<u>Prior</u>	<u>Current</u>	<u>Total to</u>	<u>Positive</u>
		<u>Years</u>	<u>Year</u>	<u>Date</u>	<u>(Negative)</u>
Revenues:					
ARPA Funds	\$ 784,706	\$ -	\$ 784,706	\$ 784,706	\$ -
Expenditures:					
Incentive pay	<u>47,366</u>	<u>-</u>	<u>47,366</u>	<u>47,366</u>	<u>-</u>
Total expenditures	<u>47,366</u>	<u>-</u>	<u>47,366</u>	<u>47,366</u>	<u>-</u>
Revenues over (under) expenditures	<u>737,340</u>	<u>-</u>	<u>737,340</u>	<u>737,340</u>	<u>-</u>
Other Financing Sources (Uses):					
Transfer in (out) - General Fund	<u>(737,340)</u>	<u>-</u>	<u>(737,340)</u>	<u>(737,340)</u>	<u>-</u>
Total other financing sources (uses)	<u>(737,340)</u>	<u>-</u>	<u>(737,340)</u>	<u>(737,340)</u>	<u>-</u>
Revenues and other financing sources (uses) over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$-</u>	<u>-</u>	<u>\$ -</u>
Fund balance, July 1				<u>-</u>	
Fund balance, June 30				<u>\$ -</u>	

CITY OF LINCOLNTON, NORTH CAROLINA

**Special Revenue Fund/State
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2022**

	<u>Project</u>	<u>Prior</u>	<u>Actual</u>	<u>Total to</u>	<u>Variance</u>
	<u>Authorization</u>	<u>Years</u>	<u>Current</u>	<u>Date</u>	<u>Positive</u>
			<u>Year</u>		<u>(Negative)</u>
Revenues:					
SCIF grant funds	\$ 77,935	\$ -	\$ 77,935	\$ 77,935	\$ -
Expenditures:					
Capital expense	71,935	-	71,935	71,935	-
Capital expense - playground	1,225	-	1,225	1,225	-
Capital expense - Rail Trail	4,775	-	4,775	4,775	-
Total expenditures	<u>77,935</u>	<u>-</u>	<u>77,935</u>	<u>77,935</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses):					
Transfer in (out) - General Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources (uses) over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, July 1				<u>-</u>	
Fund balance, June 30				<u>\$ -</u>	

GOVERNMENTAL ACTIVITIES
COMPONENT UNIT

Lincolnton Tourism Development Authority - This fund is used to account for occupancy tax revenue to be used for tourism related purposes.

CITY OF LINCOLNTON, NORTH CAROLINA

**Lincolnton Tourism Development Authority - Component Unit
Schedule of Revenues, Expenditures and Changes in Fund Balance**

Budget and Actual

For the Year Ended June 30, 2022

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2021)

	2022		Variance Positive (Negative)	2021 Actual
	Budget	Actual		
Revenues:				
Unrestricted intergovernmental:				
Local occupancy tax	\$ 95,000	\$ 132,270	\$ 37,270	\$ 98,211
Investment earnings	<u>3,000</u>	<u>2,126</u>	<u>(874)</u>	<u>3,951</u>
Total revenues	<u>98,000</u>	<u>134,396</u>	<u>36,396</u>	<u>102,162</u>
Expenditures:				
Advertising & promotions	74,740	44,286	30,454	23,220
Insurance	450	450	-	-
Other operating expenditures	64,810	102,585	(37,775)	(1,550)
Capital outlay	<u>40,000</u>	<u>-</u>	<u>40,000</u>	<u>-</u>
Total expenditures	<u>180,000</u>	<u>147,321</u>	<u>32,679</u>	<u>21,670</u>
Revenues over (under) expenditures	(82,000)	(12,925)	69,075	80,492
Other Financing Sources (Uses):				
Appropriated fund balance	<u>82,000</u>	<u>-</u>	<u>(82,000)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(12,925)</u>	<u>\$ (12,925)</u>	<u>80,492</u>
Reconciliation From Budgetary Basis (Modified Accrual)				
To Full Accrual:				
Depreciation expense		<u>(2,864)</u>		<u>(2,862)</u>
Revenues over (under) expenditures		(15,789)		77,630
Fund balance, July 1		<u>572,377</u>		<u>494,747</u>
Fund balance, June 30		<u>\$ 556,588</u>		<u>\$ 572,377</u>

BUSINESS - TYPE ACTIVITIES

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the government's governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government's governing body has decided that periodic determination of net income is appropriate for accountability purposes.

***Water and Sewer Fund* - This fund is used to account for the activities associated with the production, distribution and transmission of potable water by the City to its users and for the operation and maintenance of the City's sewer and surface drainage systems.**

***Electric Fund* - This fund is used to account for the activities associated with the distribution and transmission of electricity by the City to its users.**

***Electric Rate Stabilization Fund* - This fund is used to account for funds being accumulated to stabilize Electric Rates.**

CITY OF LINCOLNTON, NORTH CAROLINA

**Statements of Net Position
Water and Sewer Fund
June 30, 2022 and 2021**

<u>Assets</u>	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents	\$ 7,805,955	\$ 6,769,052
Accounts receivable	670,213	718,035
Inventories	102,039	88,531
Prepaid expenses	-	-
Total current assets	<u>8,578,207</u>	<u>7,575,618</u>
Noncurrent assets:		
Restricted cash and cash equivalents	127,906	125,118
Right to use leased assets, net of amortization	250,719	-
Capital assets, net of accumulated depreciation	<u>25,535,940</u>	<u>26,622,133</u>
Total assets	<u>34,492,772</u>	<u>34,322,869</u>
 <u>Deferred Outflows of Resources</u>		
Pension deferrals	449,059	434,200
OPEB deferrals	<u>480,191</u>	<u>255,679</u>
Total deferred outflows of resources	<u>929,250</u>	<u>689,879</u>
 <u>Liabilities</u>		
Current liabilities:		
Accounts payable and accrued liabilities	143,963	79,858
Customer deposits - restricted	127,906	125,118
Loans payable - current	1,038,951	1,033,728
Lease payable - current	68,422	-
Accrued compensated absences	<u>67,076</u>	<u>63,437</u>
Total current liabilities	<u>1,446,318</u>	<u>1,302,141</u>
Noncurrent liabilities:		
Loans payable	1,120,803	2,286,517
Lease payable	200,573	-
Total OPEB liability	2,591,066	2,352,093
Accrued compensated absences	39,749	38,517
Net pension liability	<u>269,423</u>	<u>709,109</u>
Total noncurrent liabilities	<u>4,221,614</u>	<u>5,386,236</u>
Total liabilities	<u>5,667,932</u>	<u>6,688,377</u>
 <u>Deferred Inflows of Resources</u>		
Pension deferrals	384,924	-
OPEB deferrals	<u>461,658</u>	<u>330,601</u>
Total deferred inflows of resources	<u>846,582</u>	<u>330,601</u>
 <u>Net Position</u>		
Net investment in capital assets	23,376,186	23,301,888
Unrestricted	<u>5,531,322</u>	<u>4,691,882</u>
Total net position	<u>\$ 28,907,508</u>	<u>\$ 27,993,770</u>

CITY OF LINCOLNTON, NORTH CAROLINA

**Statements of Revenues, Expenses and Changes in Net Position
Water and Sewer Fund
For the Years Ended June 30, 2022 and 2021**

Operating Revenues:	<u>2022</u>	<u>2021</u>
Water charges	\$ 3,383,021	\$ 3,204,632
Sewer charges	4,297,521	4,010,275
Water and sewer taps	265,951	110,625
Other operating revenues	<u>338,055</u>	<u>298,574</u>
Total operating revenues	<u>8,284,548</u>	<u>7,624,106</u>
Operating Expenses:		
Water treatment plant	1,280,055	1,374,335
Water and sewer distribution maintenance	1,461,464	1,385,806
Waste treatment plant	1,801,581	1,599,689
Administrattion	400,000	600,000
Depreciation/amortization	<u>2,016,779</u>	<u>1,901,589</u>
Total operating expenses	<u>6,959,879</u>	<u>6,861,419</u>
Operating income (loss)	<u>1,324,669</u>	<u>762,687</u>
Nonoperating Revenues (Expenses):		
Investment earnings	23,154	39,807
Gain (loss) on disposition of capital assets	40,884	22,767
Interest on long-term debt	<u>(85,747)</u>	<u>(132,043)</u>
Total nonoperating revenues (expenses)	<u>(21,709)</u>	<u>(69,469)</u>
Income (loss) before transfers and capital contributions	1,302,960	693,218
Transfer to General Fund-payment in lieu of taxes	(389,222)	(389,222)
Capital contributions	<u>-</u>	<u>-</u>
Change in net position	<u>\$ 913,738</u>	<u>\$ 303,996</u>
Total net position -beginning	\$27,993,770	\$27,689,774
Change in net position	<u>913,738</u>	<u>303,996</u>
Total net position - ending	<u>\$28,907,508</u>	<u>\$27,993,770</u>

CITY OF LINCOLNTON, NORTH CAROLINA

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)

Water and Sewer Fund

For the Year Ended June 30, 2022

(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	2022		Variance Positive (Negative)	2021 Actual
	Budget	Actual		
Revenues:				
Operating revenues:				
Water charges	\$ 3,610,000	\$ 3,383,021	\$ (226,979)	\$ 3,204,632
Sewer charges	4,300,000	4,297,521	(2,479)	4,010,275
Water and sewer taps	147,000	265,951	118,951	110,625
Other	293,647	338,055	44,408	298,574
Total operating revenues	<u>8,350,647</u>	<u>8,284,548</u>	<u>(66,099)</u>	<u>7,624,106</u>
Nonoperating revenues:				
Investment earnings	55,000	23,154	(31,846)	39,807
Total nonoperating revenues	<u>55,000</u>	<u>23,154</u>	<u>(31,846)</u>	<u>39,807</u>
Total revenues	<u>8,405,647</u>	<u>8,307,702</u>	<u>(97,945)</u>	<u>7,663,913</u>
Expenditures:				
Operating expenditures:				
Water treatment plant				
Salaries and employee benefits	709,965	632,430	77,535	709,344
Chemicals	134,301	127,964	6,337	136,054
Electricity	207,600	204,638	2,962	214,795
Water service contract	168,413	168,413	-	164,254
Repairs and maintenance	53,725	49,421	4,304	42,238
Other operating expenditures	103,585	69,676	33,909	81,614
	<u>1,377,589</u>	<u>1,252,542</u>	<u>125,047</u>	<u>1,348,299</u>
Water and sewer distribution maintenance				
Salaries and employee benefits	926,126	829,076	97,050	825,477
Supplies	268,941	268,941	-	190,003
Repairs and maintenance	176,909	176,918	(9)	163,711
Other operating expenditures	157,488	152,860	4,628	172,311
	<u>1,529,464</u>	<u>1,427,795</u>	<u>101,669</u>	<u>1,351,502</u>
Waste treatment plant				
Salaries and employee benefits	715,422	795,036	(79,614)	689,054
Sludge removal	183,858	183,858	-	229,947
Electricity	195,000	195,000	-	210,000
Repairs and maintenance	169,718	224,399	(54,681)	185,837
Other operating expenditures	405,976	397,211	8,765	314,310
	<u>1,669,974</u>	<u>1,795,504</u>	<u>(125,530)</u>	<u>1,629,148</u>
Administration	<u>700,000</u>	<u>400,000</u>	<u>300,000</u>	<u>600,000</u>

cont.

CITY OF LINCOLNTON, NORTH CAROLINA

Page 2 of 2, cont.

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)

Water and Sewer Fund

For the Year Ended June 30, 2022

(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	<u>2022</u>		<u>Variance</u>	<u>2021</u>
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>	<u>Actual</u>
Total operating expenditures	\$ 5,277,027	\$ 4,875,841	\$ 401,186	\$ 4,928,949
Debt service:				
Principal retirement	1,086,990	1,228,977	(141,987)	2,718,331
Interest and fees	88,247	90,399	(2,152)	139,486
Total debt service	<u>1,175,237</u>	<u>1,319,376</u>	<u>(144,139)</u>	<u>2,857,817</u>
Capital outlay:				
Water treatment plant	459,000	383,456	75,544	103,004
Water and sewer distribution maintenance	778,750	506,192	272,558	567,820
Waste water treatment plant	608,411	306,050	302,361	90,207
Total capital outlay	<u>1,846,161</u>	<u>1,195,698</u>	<u>650,463</u>	<u>761,031</u>
Total expenditures	<u>8,298,425</u>	<u>7,390,915</u>	<u>907,510</u>	<u>8,547,797</u>
Revenues over (under) expenditures	<u>107,222</u>	<u>916,787</u>	<u>809,565</u>	<u>(883,884)</u>
Other Financing Sources (Uses):				
Appropriated fund balance	279,000	-	(279,000)	-
Transfer-General Fund-payment in lieu of taxes	(389,222)	(389,222)	-	(389,222)
Gain (loss) on disposition of capital assets	3,000	40,884	37,884	22,767
Lease liabilities issued	-	337,482	337,482	22,767
Proceeds from borrowing	-	-	-	146,463
Total other financing sources	<u>(107,222)</u>	<u>(10,856)</u>	<u>96,366</u>	<u>(197,225)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>905,931</u>	<u>\$ 905,931</u>	<u>(1,081,109)</u>
Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual:				
Increase (decrease) in inventory		13,509		12,998
(Increase) decrease in accrued vacation pay		(4,871)		(10,177)
Increase (decrease) in deferred outflows of resources - pensions		14,859		94,225
(Increase) decrease in net pension liability		439,686		(186,553)
(Increase) decrease in deferred inflows of resources - pensions		(384,924)		2,701
Increase (decrease) in deferred outflows of resources - OPEB		224,512		199,992
(Increase) decrease in OPEB liability		(238,973)		(222,476)
(Increase) decrease in deferred infows of resources - OPEB		(131,057)		78,409
Cost of expenditures that were capitalized		1,195,698		761,031
Payment of debt principal		1,228,977		2,718,331
Proceeds from borrowing		-		(146,463)
Lease liabilities issued		(337,482)		(22,767)
(Increase) decrease in accrued interest		4,652		7,443
Depreciation/amortization		<u>(2,016,779)</u>		<u>(1,901,589)</u>
Change in net position		<u>\$ 913,738</u>		<u>\$ 303,996</u>

CITY OF LINCOLNTON, NORTH CAROLINA

Statements of Cash Flows

Water and Sewer Fund

For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities:		
Cash received from customers and users	\$ 8,332,370	\$ 7,602,311
Customer deposits received	2,788	3,130
Cash paid for goods and services	(2,550,541)	(2,695,859)
Cash paid to or on behalf of employees for services	<u>(2,256,542)</u>	<u>(2,244,230)</u>
Net cash provided (used) by operating activities	<u>3,528,075</u>	<u>2,665,352</u>
Cash Flows From Non-Capital Financing Activities:		
Transfers - in (out)	<u>(389,222)</u>	<u>(389,222)</u>
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(858,216)	(761,031)
Proceeds from sale of capital assets	55,278	22,767
Proceeds from borrowing	-	146,463
Principal paid on long-term debt	(1,228,978)	(2,718,331)
Interest paid on long-term debt	<u>(90,399)</u>	<u>(139,486)</u>
Net cash provided (used) by capital and related financing activities	<u>(2,122,315)</u>	<u>(3,449,618)</u>
Cash Flows From Investing Activities:		
Investment earnings	<u>23,154</u>	<u>39,807</u>
Net cash provided (used) by investing activities	<u>23,154</u>	<u>39,807</u>
Net increase (decrease) in cash and cash equivalents	1,039,692	(1,133,681)
Cash and cash equivalents at beginning of year	<u>6,894,170</u>	<u>8,027,851</u>
Cash and cash equivalents at end of year	<u>\$ 7,933,862</u>	<u>\$ 6,894,170</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided		
(Used) by Operating Activities:		
Operating income (loss)	\$ 1,324,669	\$ 762,687
Adjustments to reconcile operating income (loss) to net cash provided		
(used) by operating activities:		
Depreciation/amortization	2,016,779	1,901,589
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	47,822	(21,795)
(Increase) decrease in inventory	(13,508)	(12,998)
Increase (decrease) in accounts payable and other accrued liabilities	68,757	9,214
Increase (decrease) in accrued vacation pay	4,871	(10,177)
Increase (decrease) in OPEB liability	238,973	222,476
(Increase) decrease in deferred outflows of resources-OPEB	(224,512)	(199,992)
Increase (decrease) in deferred inflows of resources-OPEB	131,057	(78,409)
(Increase) decrease in deferred outflows of resources-pensions	(14,859)	(94,225)
Increase (decrease) in net pension liability	(439,686)	186,553
Increase (decrease) in deferred inflows of resources-pensions	384,924	(2,701)
Increase (decrease) in customer deposits	2,788	3,130
Net cash provided (used) by operating activities	<u>\$ 3,528,075</u>	<u>\$ 2,665,352</u>
Supplemental Schedule of Non Cash Financing Activities:		
Purchase of capital assets with the issuance of debt	\$ -	\$ -
Acquisition of right to use asset through lease liability	<u>\$ 337,482</u>	<u>\$ -</u>

CITY OF LINCOLN, NORTH CAROLINA

**Statements of Net Position
Electric Fund
June 30, 2022 and 2021**

<u>Assets</u>	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents	\$ 4,830,785	\$ 4,106,737
Accounts receivable	559,574	688,748
Advance to other funds	155,036	61,756
Inventories	70,456	59,103
Prepaid expenses	<u>25,000</u>	<u>25,000</u>
Total current assets	5,640,851	4,941,344
Noncurrent assets:		
Restricted cash and cash equivalents	293,080	294,805
Advance to other funds	2,012,105	2,333,074
Right to use leased assets, net of amortization	25,298	-
Capital assets, net of accumulated depreciation	<u>2,188,175</u>	<u>2,419,397</u>
Total assets	<u>10,159,509</u>	<u>9,988,620</u>
<u>Deferred Outflows of Resources</u>		
Pension deferrals	153,414	139,749
OPEB deferrals	<u>103,591</u>	<u>45,330</u>
Total deferred outflows of resources	<u>257,005</u>	<u>185,079</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable and accrued liabilities	633,749	599,069
Customer deposits - restricted	293,080	294,805
Accrued compensated absences	17,081	18,017
Leases payable - current	<u>4,776</u>	<u>-</u>
Total current liabilities	<u>948,686</u>	<u>911,891</u>
Noncurrent liabilities:		
Leases payable	20,539	-
Total OPEB liability	558,967	417,008
Accrued compensated absences	17,320	12,960
Net pension liability	<u>92,044</u>	<u>228,230</u>
Total noncurrent liabilities	<u>688,870</u>	<u>658,198</u>
Total liabilities	<u>1,637,556</u>	<u>1,570,089</u>
<u>Deferred Inflows of Resources</u>		
Pension deferrals	131,504	-
OPEB deferrals	<u>99,563</u>	<u>58,613</u>
Total deferred inflows of resources	<u>231,067</u>	<u>58,613</u>
<u>Net Position</u>		
Net investment in capital assets	2,188,175	2,419,397
Unrestricted	<u>6,359,717</u>	<u>6,125,600</u>
Total net position	<u>\$ 8,547,892</u>	<u>\$ 8,544,997</u>

CITY OF LINCOLN, NORTH CAROLINA

Statements of Revenues, Expenses and Changes in Net Position

Electric Fund

For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Revenues:		
Electric sales	\$ 6,582,812	\$ 6,650,567
Electricity - municipal operations	500,508	500,875
Other operating revenues	<u>414,326</u>	<u>1,745,860</u>
Total operating revenues	<u>7,497,646</u>	<u>8,897,302</u>
Operating Expenses:		
Electrical operations	1,674,223	1,703,749
Electrical power purchases	4,979,686	4,978,896
Administrative	600,000	400,000
Depreciation/amortization	<u>260,189</u>	<u>254,117</u>
Total operating expenses	<u>7,514,098</u>	<u>7,336,762</u>
Operating income (loss)	<u>(16,452)</u>	<u>1,560,540</u>
Nonoperating Revenues (Expenses);		
Interest expense	(172)	-
Investment earnings	<u>49,983</u>	<u>29,622</u>
Total nonoperating revenues (expenses)	<u>49,811</u>	<u>29,622</u>
Income (loss) before transfers	33,359	1,590,162
Transfer to the General Fund-payment in lieu of taxes	<u>(30,465)</u>	<u>(30,465)</u>
Change in net position	<u>\$ 2,894</u>	<u>\$ 1,559,697</u>
Total net position - beginning	\$ 8,544,998	\$ 6,985,300
Change in net position	<u>2,894</u>	<u>1,559,697</u>
Total net position - ending	<u>\$ 8,547,892</u>	<u>\$ 8,544,997</u>

CITY OF LINCOLNTON, NORTH CAROLINA

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Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)

Electric Fund

For the Year Ended June 30, 2022

(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	2022		Variance Positive (Negative)	2021 Actual
	Budget	Actual		
Revenues:				
Operating revenues:				
Electricity sales	\$ 6,922,000	\$ 6,582,812	\$ (339,188)	\$ 6,650,567
Electricity - municipal operations	550,000	500,508	(49,492)	500,875
Other operating revenues	310,350	414,326	103,976	1,745,860
Total operating revenues	<u>7,782,350</u>	<u>7,497,646</u>	<u>(284,704)</u>	<u>8,897,302</u>
Nonoperating revenues:				
Investment earnings	<u>15,000</u>	<u>49,983</u>	<u>34,983</u>	<u>29,622</u>
Total revenues	<u>7,797,350</u>	<u>7,547,629</u>	<u>(249,721)</u>	<u>8,926,924</u>
Expenditures:				
Salaries and employee benefits	743,758	734,333	9,425	715,573
Electrical power purchases	4,979,686	4,979,686	-	4,978,896
Administrative	600,000	600,000	-	400,000
Repairs and maintenance	457,724	203,145	254,579	245,145
Other operating expenditures	638,373	638,373	-	680,218
Capital outlay	345,290	54,264	291,026	616,565
Debt service				
Principal retirement	2,054	2,344	(290)	-
Interest	-	172	(172)	-
Total operating expenditures	<u>7,766,885</u>	<u>7,212,317</u>	<u>554,568</u>	<u>7,636,397</u>
Revenues over (under) expenditures	<u>30,465</u>	<u>335,312</u>	<u>304,847</u>	<u>1,290,527</u>
Other Financing Sources (Uses):				
Proceeds from borrowing	-	-	-	-
Lease liabilities issued	-	27,659	27,659	-
Transfers from (to):				
General Fund-payment in lieu of taxes	(30,465)	(30,465)	-	(30,465)
Rate Stabilization Fund	-	-	-	-
Total other financing sources (uses)	<u>(30,465)</u>	<u>(2,806)</u>	<u>27,659</u>	<u>(30,465)</u>

cont.

CITY OF LINCOLNTON, NORTH CAROLINA

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Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)

Electric Fund

For the Year Ended June 30, 2022

(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	<u>2022</u>		<u>Variance</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>	<u>2021</u> <u>Actual</u>
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ 332,506	\$ 332,506	\$ 1,260,062
Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual:				
Transfer to Rate Stabilization Fund		-		-
Lease liabilities issued		(27,659)		-
Principal retirement		2,344		-
Increase (decrease) in inventory		11,353		884
(Increase) decrease in accrued vacation pay		(3,424)		3,144
Increase (decrease) in deferred outflows of resources - pensions		13,665		27,391
(Increase) decrease in net pension liability		136,186		(55,531)
(Increase) decrease in deferred inflows of resources - pensions		(131,504)		893
(Increase) decrease in OPEB liability		(141,959)		(81,907)
(Increase) decrease in deferred outflows of resources - OPEB		58,261		36,567
Increase (decrease) in deferred inflows of resources - OPEB		(40,950)		5,746
Cost of expenditures that were capitalized		54,264		616,565
Depreciation/amortization		<u>(260,189)</u>		<u>(254,117)</u>
Changes in net position		<u>\$ 2,894</u>		<u>\$ 1,559,697</u>

CITY OF LINCOLNTON, NORTH CAROLINA

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Statements of Cash Flows

Electric Fund

For the Years Ended June 30, 2022 and 2021

Cash Flows From Operating Activities:	<u>2022</u>	<u>2021</u>
Cash received from customers and users	\$ 7,626,820	\$ 8,784,044
Customer deposits received	(1,725)	8,381
Cash paid for goods and services	(6,386,524)	(6,365,248)
Cash paid to or on behalf of employees for services	(734,333)	(665,572)
Net cash provided (used) by operating activities	<u>504,238</u>	<u>1,761,605</u>
 Cash Flows From Non-Capital Financing Activities:		
Repayment from other fund	227,689	117,135
Transfers - in (out)	(30,465)	(30,465)
Net cash provided (used) by non-capital financing activities	<u>197,224</u>	<u>86,670</u>
 Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(26,606)	(616,565)
Proceeds from sale of capital assets	-	-
Principal paid	(2,344)	-
Interest paid	(172)	-
Net cash provided (used) by capital and related financing activities	<u>(29,122)</u>	<u>(616,565)</u>
 Cash Flows From Investing Activities:		
Investment earnings	49,983	29,622
Net cash provided (used) by investing activities	<u>49,983</u>	<u>29,622</u>
 Net increase (decrease) in cash and cash equivalents	722,323	1,261,332
Cash and cash equivalents at beginning of year	4,401,542	3,140,210
Cash and cash equivalents at end of year	<u>\$ 5,123,865</u>	<u>\$ 4,401,542</u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ (16,452)	\$ 1,560,540
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation/amortization	260,189	254,117
Changes in assets, deferred outflows of resources and liabilities:		
(Increase) decrease in accounts receivable	129,174	(113,258)
(Increase) decrease in inventory	(11,353)	(884)
(Increase) decrease in prepaid expense	-	-
Increase (decrease) in accounts payable and other accrued liabilities	34,680	(10,989)
Increase (decrease) in accrued vacation pay	3,424	(3,143)
Increase (decrease) in OPEB liability	141,959	81,907
(Increase) decrease in deferred outflows of resources-OPEB	(58,261)	(36,567)
(Increase) decrease in deferred outflows of resources-pensions	(13,665)	(27,391)
Increase (decrease) net pension liability	(136,186)	55,531
Increase (decrease) in deferred inflows of resources-pensions	131,504	(893)
Increase (decrease) in deferred inflows of resources-OPEB	40,950	(5,746)
Increase (decrease) in customer deposits	(1,725)	8,381
Net cash provided (used) by operating activities	<u>\$ 504,238</u>	<u>\$ 1,761,605</u>

CITY OF LINCOLN, NORTH CAROLINA

Statements of Cash Flows
Electric Fund
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Supplemental Schedule of Non Cash Financing Activities:		
Acquisition of right to use asset through lease liability	\$ 27,659	\$ -
Additional advance with the transfer of assets	<u>\$ -</u>	<u>\$ 1,557,809</u>

CITY OF LINCOLNTON, NORTH CAROLINA

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)

Electric Rate Stabilization Fund

From Inception and for the Year Ended June 30, 2022

	<u>Project</u> <u>Authorization</u>	<u>Actual</u> <u>Prior</u> <u>Years</u>	<u>Current</u> <u>Year</u>	<u>Total to</u> <u>Date</u>
Revenues:				
Investment earnings	\$ -	\$ -	\$ -	\$ -
Other Financing Sources (Uses):				
Transfers in (out):				
Electric Fund	750,000	750,000	-	750,000
Electric Fund	<u>(750,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>750,000</u>	<u>-</u>	<u>750,000</u>
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ 750,000</u>	<u>\$ -</u>	<u>\$ 750,000</u>

OTHER SCHEDULES

**This section contains additional information required on
property taxes and transfers.**

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

CITY OF LINCOLNTON, NORTH CAROLINA

**Schedule of Ad Valorem Taxes Receivable
June 30, 2022**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2021</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2022</u>
2021 - 2022	\$ -	\$ 5,692,268	\$ 5,643,215	\$ 49,053
2020 - 2021	50,338	-	33,480	16,858
2019 - 2020	30,954	-	9,159	21,795
2018 - 2019	18,908	-	6,476	12,432
2017 - 2018	9,986	-	2,496	7,490
2016 - 2017	8,949	-	4,683	4,266
2015 - 2016	5,831	-	186	5,645
2014 - 2015	6,151	-	173	5,978
2013 - 2014	18,931	-	563	18,368
2012 - 2013	13,614	-	498	13,116
2011 - 2012	12,937	-	12,937	-
Total	<u>\$ 176,599</u>	<u>\$ 5,692,268</u>	<u>\$ 5,713,866</u>	155,000
Less allowance for uncollectibles				<u>(123,000)</u>
Balance				<u>\$ 32,000</u>
Reconciliation With Revenue:				
Taxes - Ad valorem - General Fund				\$ 5,638,718
Adjustments, releases and discounts				80,479
Taxes written off				12,937
Interest collected				<u>(18,268)</u>
Total collections and credits				<u>\$ 5,713,866</u>

CITY OF LINCOLNTON, NORTH CAROLINA

**Analysis of Current Tax Levy
June 30, 2022**

	<u>City Wide</u>		<u>Total Levy</u>	
	<u>Property</u>	<u>Total</u>	<u>Property</u>	<u>Registered</u>
	<u>Valuation</u>	<u>Levy</u>	<u>Excluding</u>	<u>Motor</u>
			<u>Registered</u>	<u>Motor</u>
			<u>Motor</u>	<u>Vehicles</u>
			<u>Vehicles</u>	<u>Vehicles</u>
Original levy:				
Property taxes at current year's rate	\$ 910,743,784	0.56	\$ 5,100,165	\$ -
Motor vehicles taxed at current year rate	<u>104,770,375</u>	<u>0.56</u>	<u>586,714</u>	<u>-</u>
Total	<u>1,015,514,159</u>		<u>5,686,879</u>	<u>586,714</u>
Discoveries:				
Current year taxes	2,878,542		16,120	-
Adjustments	<u>(1,916,247)</u>		<u>(10,731)</u>	<u>-</u>
Total	<u>962,295</u>		<u>5,389</u>	<u>-</u>
Total property valuation	<u>\$1,016,476,454</u>			
Net levy			5,692,268	586,714
Less uncollected taxes at June 30, 2022			<u>(49,053)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 5,643,215</u>	<u>\$ 586,714</u>
Current levy collection percentage			<u>99.14</u>	<u>100.00</u>

STATISTICAL SECTION

(Unaudited)

This part of the City of Lincolnton's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents:

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports for the relevant year.

CITY OF LINCOLNTON, NORTH CAROLINA

**Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Governmental Activities:										
Net investment in capital assets	\$ 19,313,526	\$ 18,914,071	\$ 18,225,559	\$ 17,845,361	\$ 17,836,400	\$ 18,078,633	\$ 18,180,889	\$ 18,104,701	\$ 20,703,171	\$ 21,487,462
Restricted	1,876,915	1,903,248	1,490,531	1,592,074	1,522,318	1,721,261	1,446,522	2,127,871	1,435,400	1,487,501
Unrestricted	<u>1,656,570</u>	<u>1,213,155</u>	<u>748,673</u>	<u>857,731</u>	<u>133,971</u>	<u>(7,372,812)</u>	<u>(6,908,253)</u>	<u>(6,051,578)</u>	<u>(7,092,864)</u>	<u>(5,864,033)</u>
Total governmental activities										
net position	<u>\$ 22,847,010</u>	<u>\$ 22,030,474</u>	<u>\$ 20,464,763</u>	<u>\$ 20,295,166</u>	<u>\$ 19,492,689</u>	<u>\$ 12,427,082</u>	<u>\$ 12,719,158</u>	<u>\$ 14,180,994</u>	<u>\$ 15,045,707</u>	<u>\$ 17,110,930</u>
Business-type Activities:										
Net investment in capital assets	\$ 15,251,603	\$ 17,188,580	\$ 17,189,653	\$ 18,312,253	\$ 19,838,664	\$ 20,899,184	\$ 20,641,887	\$ 25,485,337	\$ 25,721,285	\$ 25,564,361
Unrestricted	<u>9,886,493</u>	<u>10,465,958</u>	<u>10,597,432</u>	<u>11,227,830</u>	<u>11,183,342</u>	<u>9,870,326</u>	<u>12,257,836</u>	<u>9,189,737</u>	<u>10,817,482</u>	<u>11,891,039</u>
Total business-type activities										
net position	<u>\$ 25,138,096</u>	<u>\$ 27,654,538</u>	<u>\$ 27,787,085</u>	<u>\$ 29,540,083</u>	<u>\$ 31,022,006</u>	<u>\$ 30,769,510</u>	<u>\$ 32,899,723</u>	<u>\$ 34,675,074</u>	<u>\$ 36,538,767</u>	<u>\$ 37,455,400</u>
Primary Government:										
Net investment in capital assets	\$ 34,565,129	\$ 36,102,651	\$ 35,415,212	\$ 36,157,614	\$ 37,675,064	\$ 38,977,817	\$ 38,822,776	\$ 43,590,038	\$ 46,424,456	\$ 47,051,823
Restricted	1,876,915	1,903,248	1,490,531	1,592,074	1,522,318	1,721,261	1,446,522	2,127,871	1,435,400	1,487,501
Unrestricted	<u>11,543,063</u>	<u>11,679,114</u>	<u>11,346,106</u>	<u>12,085,562</u>	<u>11,317,314</u>	<u>2,497,515</u>	<u>5,349,583</u>	<u>3,138,159</u>	<u>3,724,618</u>	<u>6,027,006</u>
Total primary government										
net position	<u>\$ 47,985,106</u>	<u>\$ 49,685,013</u>	<u>\$ 48,251,849</u>	<u>\$ 49,835,250</u>	<u>\$ 50,514,696</u>	<u>\$ 43,196,592</u>	<u>\$ 45,618,881</u>	<u>\$ 48,856,068</u>	<u>\$ 51,584,474</u>	<u>\$ 54,566,330</u>

Change in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

Expenses:	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental activities:										
General government	\$ 1,898,069	\$ 2,025,069	\$ 1,864,278	\$ 1,896,606	\$ 1,864,038	\$ 2,121,703	\$ 2,061,727	\$ 1,802,847	\$ 2,336,593	\$ 3,174,700
Public safety	4,586,096	4,663,422	4,562,298	4,487,641	4,808,973	5,397,252	5,711,498	5,895,541	6,893,445	7,637,598
Public works	1,530,196	1,488,646	1,315,049	1,342,101	1,352,039	1,420,115	1,245,261	1,094,464	1,592,569	1,386,645
Economic and physical development	531,028	497,450	348,274	404,448	333,749	378,549	489,183	456,021	472,536	374,984
Environmental protection	1,133,471	1,067,913	1,173,121	1,120,857	1,010,361	759,807	750,577	761,337	586,561	546,385
Cultural and recreational	673,215	718,794	654,985	683,973	688,966	991,094	956,697	980,229	938,555	1,098,701
Interest on long-term debt	11,190	5,428	5,662	16,458	37,365	37,729	36,502	40,228	45,071	76,743
Total governmental activities	<u>10,363,265</u>	<u>10,466,722</u>	<u>9,923,668</u>	<u>9,952,085</u>	<u>10,095,491</u>	<u>11,106,249</u>	<u>11,251,446</u>	<u>11,030,667</u>	<u>12,865,330</u>	<u>14,295,756</u>
Business-type activities:										
Interest on long-term debt	827,061	760,216	663,840	312,468	296,382	200,965	158,795	175,910	132,043	85,919
Water and sewer	6,438,818	6,470,498	6,516,275	6,220,283	6,370,070	6,158,426	5,995,286	6,522,861	6,861,420	6,959,880
Electric	<u>7,351,083</u>	<u>7,601,547</u>	<u>8,066,191</u>	<u>7,525,821</u>	<u>7,445,989</u>	<u>7,561,454</u>	<u>7,403,339</u>	<u>6,773,377</u>	<u>7,336,762</u>	<u>7,514,097</u>
Total business-type activities	<u>14,616,961</u>	<u>14,832,261</u>	<u>15,246,306</u>	<u>14,058,572</u>	<u>14,112,442</u>	<u>13,920,845</u>	<u>13,557,420</u>	<u>13,472,148</u>	<u>14,330,225</u>	<u>14,559,896</u>
Total expenses	<u>\$ 24,980,226</u>	<u>\$ 25,298,983</u>	<u>\$ 25,169,974</u>	<u>\$ 24,010,658</u>	<u>\$ 24,207,933</u>	<u>\$ 25,027,094</u>	<u>\$ 24,808,865</u>	<u>\$ 24,502,815</u>	<u>\$ 27,195,555</u>	<u>\$ 28,855,652</u>
Program Revenues:										
Governmental activities:										
Charges for services:										
Environmental protection	\$ 19,001	\$ 71,766	\$ 8,875	\$ 29,259	\$ 27,201	\$ 12,221	\$ 49,377	\$ 39,700	\$ 31,751	\$ 42,450
Cultural and recreational	96,676	91,302	120,945	116,764	169,179	177,133	127,134	90,281	40,957	142,285
Other	13,014	13,860	24,052	17,187	17,427	43,303	21,908	25,758	31,988	56,570
Operating grants and contributions	617,234	557,434	447,765	428,431	490,071	545,794	592,248	1,458,602	1,673,229	1,446,519
Capital grants and contributions	<u>305,882</u>	<u>-</u>	<u>14,237</u>	<u>364,737</u>	<u>-</u>	<u>156,106</u>	<u>646,462</u>	<u>-</u>	<u>401,152</u>	<u>1,385,764</u>
Total governmental activities	<u>1,051,807</u>	<u>734,362</u>	<u>615,874</u>	<u>956,378</u>	<u>703,878</u>	<u>934,557</u>	<u>1,437,129</u>	<u>1,614,341</u>	<u>2,179,077</u>	<u>3,073,588</u>
Business-type activities:										
Charges for services-Water and Sewer	8,384,249	8,380,928	8,434,290	8,393,729	8,011,313	8,056,185	7,660,499	7,598,165	7,624,106	8,284,548
Charges for services-Electric	7,204,066	7,677,848	7,943,099	7,793,578	7,918,630	7,913,749	8,162,947	7,838,694	8,897,302	7,497,646
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	<u>-</u>	<u>1,674,563</u>	<u>-</u>							
Total business-type activities	<u>15,588,315</u>	<u>17,733,339</u>	<u>16,377,389</u>	<u>16,187,307</u>	<u>15,929,943</u>	<u>15,969,934</u>	<u>15,823,446</u>	<u>15,436,859</u>	<u>16,521,408</u>	<u>15,782,194</u>
Total program revenues	<u>\$ 16,640,122</u>	<u>\$ 18,467,701</u>	<u>\$ 16,993,263</u>	<u>\$ 17,143,685</u>	<u>\$ 16,633,821</u>	<u>\$ 16,904,491</u>	<u>\$ 17,260,575</u>	<u>\$ 17,051,200</u>	<u>\$ 18,700,485</u>	<u>\$ 18,855,782</u>

Change in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Net revenue (expense)										
Governmental activities	\$ (9,311,458)	\$ (9,732,360)	\$ (9,307,794)	\$ (8,995,707)	\$ (9,391,613)	\$ (10,171,692)	\$ (9,814,317)	\$ (9,416,326)	\$ (10,686,253)	\$ (11,222,168)
Business-type activities	<u>971,353</u>	<u>2,901,078</u>	<u>1,131,083</u>	<u>2,128,735</u>	<u>1,817,502</u>	<u>2,049,089</u>	<u>2,266,026</u>	<u>1,964,711</u>	<u>2,191,183</u>	<u>1,222,298</u>
Total net expense	<u>\$ (8,340,105)</u>	<u>\$ (6,831,281)</u>	<u>\$ (8,176,711)</u>	<u>\$ (6,866,972)</u>	<u>\$ (7,574,112)</u>	<u>\$ (8,122,603)</u>	<u>\$ (7,548,290)</u>	<u>\$ (7,451,615)</u>	<u>\$ (8,495,070)</u>	<u>\$ (9,999,870)</u>
General Revenues										
Governmental activities:										
Ad valorem taxes	\$ 4,724,967	\$ 4,849,278	\$ 4,761,205	\$ 4,641,125	\$ 4,718,281	\$ 4,737,848	\$ 4,855,114	\$ 5,421,455	\$ 5,556,374	\$ 5,618,118
Other taxes and licenses	3,292,144	3,349,868	3,573,901	3,682,640	4,148,713	4,466,391	4,662,968	4,756,705	5,411,921	7,058,557
Unrestricted investment earnings	3,990	1,916	3,477	10,321	18,979	49,932	95,717	90,267	59,940	41,877
Other	11,235	320,657	56,808	86,953	(3,245)	8,048	87,525	204,664	103,044	149,152
Transfers	390,700	394,105	394,135	405,071	405,071	405,071	405,071	405,071	419,687	419,687
Extraordinary item	-	-	-	-	-	-	-	-	-	-
Total governmental activities	<u>8,423,036</u>	<u>8,915,824</u>	<u>8,789,526</u>	<u>8,826,110</u>	<u>9,287,798</u>	<u>9,667,289</u>	<u>10,106,394</u>	<u>10,878,162</u>	<u>11,550,966</u>	<u>13,287,391</u>
Business-type activities:										
Unrestricted investment earnings	14,743	9,233	10,869	26,421	51,748	136,764	255,617	215,711	69,429	73,137
Other	(906)	236	(405,084)	2,914	17,744	(12,133)	13,641	-	22,767	40,884
Transfers	<u>(390,700)</u>	<u>(394,105)</u>	<u>(394,135)</u>	<u>(405,071)</u>	<u>(405,071)</u>	<u>(405,071)</u>	<u>(405,071)</u>	<u>(405,071)</u>	<u>(419,687)</u>	<u>(419,687)</u>
Total business-type activities	<u>(376,863)</u>	<u>(384,637)</u>	<u>(788,350)</u>	<u>(375,736)</u>	<u>(335,579)</u>	<u>(280,440)</u>	<u>(135,813)</u>	<u>(189,360)</u>	<u>(327,491)</u>	<u>(305,666)</u>
Total primary government	<u>\$ 8,046,172</u>	<u>\$ 8,531,188</u>	<u>\$ 8,001,176</u>	<u>\$ 8,450,374</u>	<u>\$ 8,952,219</u>	<u>\$ 9,386,849</u>	<u>\$ 9,970,581</u>	<u>\$ 10,688,802</u>	<u>\$ 11,223,475</u>	<u>\$ 12,981,725</u>
Change in Net Position:										
Governmental activities	\$ (888,422)	\$ (816,535)	\$ (518,268)	\$ (169,597)	\$ (103,815)	\$ (504,403)	\$ 292,076	\$ 1,461,836	\$ 864,713	\$ 2,065,223
Business-type activities	<u>594,491</u>	<u>2,516,442</u>	<u>342,733</u>	<u>1,752,998</u>	<u>1,481,923</u>	<u>1,768,648</u>	<u>2,130,213</u>	<u>1,775,351</u>	<u>1,863,692</u>	<u>916,632</u>
Total primary government	<u>\$ (293,933)</u>	<u>\$ 1,699,906</u>	<u>\$ (175,535)</u>	<u>\$ 1,583,401</u>	<u>\$ 1,378,108</u>	<u>\$ 1,264,246</u>	<u>\$ 2,422,291</u>	<u>\$ 3,237,187</u>	<u>\$ 2,728,405</u>	<u>\$ 2,981,855</u>

CITY OF LINCOLNTON, NORTH CAROLINA

Governmental Activities Tax Revenues By Source

Last Ten Fiscal Years

(Accrual Basis of Accounting)

(Unaudited)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Rental Vehicle Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Payment in lieu of Tax (1)</u>	<u>Payment in lieu of Tax (2)</u>	<u>Alcoholic Beverage Tax</u>	<u>Solid Waste Disposal Tax</u>	<u>Total</u>
2013	4,724,967	20,592	2,173,528	868,442	24,732	390,700	42,462	6,618	8,252,041
2014	4,849,278	19,622	2,264,938	808,761	22,651	394,105	45,873	5,899	8,411,127
2015	4,761,205	21,270	2,499,885	920,256	22,471	394,135	50,317	6,717	8,676,256
2016	4,641,125	16,000	2,644,526	873,432	21,216	405,071	46,286	5,900	8,653,556
2017	4,718,281	27,376	2,983,564	911,698	23,400	405,071	47,787	7,086	9,124,263
2018	4,737,848	26,362	3,155,789	895,540	28,545	405,071	46,076	7,250	9,302,481
2019	4,855,114	29,012	3,357,639	897,284	28,669	405,071	45,706	7,413	9,625,908
2020	5,421,455	26,833	3,520,805	863,965	35,233	405,071	45,441	8,044	10,326,847
2021	5,556,374	31,861	4,184,806	821,540	42,175	419,687	45,742	8,074	11,110,259
2022	5,618,118	32,596	4,845,657	809,362	42,316	419,687	44,189	8,485	11,820,410

(1) Payment in lieu of tax from the Housing Authority

(2) Payment in lieu of tax from the Enterprise Funds

CITY OF LINCOLNTON, NORTH CAROLINA

**Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
General Fund:										
Nonspendable:										
Inventories	\$ 144,390	\$ 134,268	\$ 22,880	\$ 14,316	\$ 5,828	\$ 14,396	\$ 10,598	\$ 7,955	\$ 11,195	\$ 8,210
Prepaid expenditures	53,022	55,321	58,524	57,490	44,437	33,207	50,587	11,500	11,500	7,000
Restricted:										
Stabilization by State Statute	635,842	686,430	633,776	695,340	827,256	1,045,057	1,006,402	1,758,308	1,156,191	1,242,039
Streets - Powell Bill	905,325	833,430	849,755	896,728	695,057	676,199	440,115	369,558	278,229	314,798
Public safety - Police	-	-	7,000	5	5	5	5	5	980	3,801
Assigned:										
Subsequent year's expenditures	1,443,059	1,547,057	1,405,541	1,050,000	785,301	765,470	237,000	405,000	-	-
Unassigned	1,618,193	1,364,736	1,714,961	2,508,579	2,794,186	2,261,650	3,455,634	4,296,297	4,250,111	5,410,047
Total general fund	\$ 4,799,831	\$ 4,621,242	\$ 4,692,437	\$ 5,222,459	\$ 5,152,070	\$ 4,795,984	\$ 5,200,341	\$ 6,848,623	\$ 5,708,206	\$ 6,985,895
All Other Governmental Funds:										
Restricted:										
Economic development	\$ 362,848	\$ 383,128	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned:										
Subsequent year's expenditures	16,850	260	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 379,698	\$ 383,388	\$ -							

Change in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

Expenses:	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental activities:										
General government	\$ 1,898,069	\$ 2,025,069	\$ 1,864,278	\$ 1,896,606	\$ 1,864,038	\$ 2,121,703	\$ 2,061,727	\$ 1,802,847	\$ 2,336,593	\$ 3,174,700
Public safety	4,586,096	4,663,422	4,562,298	4,487,641	4,808,973	5,397,252	5,711,498	5,895,541	6,893,445	7,637,598
Public works	1,530,196	1,488,646	1,315,049	1,342,101	1,352,039	1,420,115	1,245,261	1,094,464	1,592,569	1,386,645
Economic and physical development	531,028	497,450	348,274	404,448	333,749	378,549	489,183	456,021	472,536	374,984
Environmental protection	1,133,471	1,067,913	1,173,121	1,120,857	1,010,361	759,807	750,577	761,337	586,561	546,385
Cultural and recreational	673,215	718,794	654,985	683,973	688,966	991,094	956,697	980,229	938,555	1,098,701
Interest on long-term debt	11,190	5,428	5,662	16,458	37,365	37,729	36,502	40,228	45,071	76,743
Total governmental activities	10,363,265	10,466,722	9,923,668	9,952,085	10,095,491	11,106,249	11,251,446	11,030,667	12,865,330	14,295,756
Business-type activities:										
Interest on long-term debt	827,061	760,216	663,840	312,468	296,382	200,965	158,795	175,910	132,043	85,919
Water and sewer	6,438,818	6,470,498	6,516,275	6,220,283	6,370,070	6,158,426	5,995,286	6,522,861	6,861,420	6,959,880
Electric	7,351,083	7,601,547	8,066,191	7,525,821	7,445,989	7,561,454	7,403,339	6,773,377	7,336,762	7,514,097
Total business-type activities	14,616,961	14,832,261	15,246,306	14,058,572	14,112,442	13,920,845	13,557,420	13,472,148	14,330,225	14,559,896
Total expenses	\$ 24,980,226	\$ 25,298,983	\$ 25,169,974	\$ 24,010,658	\$ 24,207,933	\$ 25,027,094	\$ 24,808,865	\$ 24,502,815	\$ 27,195,555	\$ 28,855,652
Program Revenues:										
Governmental activities:										
Charges for services:										
Environmental protection	\$ 19,001	\$ 71,766	\$ 8,875	\$ 29,259	\$ 27,201	\$ 12,221	\$ 49,377	\$ 39,700	\$ 31,751	\$ 42,450
Cultural and recreational	96,676	91,302	120,945	116,764	169,179	177,133	127,134	90,281	40,957	142,285
Other	13,014	13,860	24,052	17,187	17,427	43,303	21,908	25,758	31,988	56,570
Operating grants and contributions	617,234	557,434	447,765	428,431	490,071	545,794	592,248	1,458,602	1,673,229	1,446,519
Capital grants and contributions	305,882	-	14,237	364,737	-	156,106	646,462	-	401,152	1,385,764
Total governmental activities	1,051,807	734,362	615,874	956,378	703,878	934,557	1,437,129	1,614,341	2,179,077	3,073,588
Business-type activities:										
Charges for services-Water and Sewer	8,384,249	8,380,928	8,434,290	8,393,729	8,011,313	8,056,185	7,660,499	7,598,165	7,624,106	8,284,548
Charges for services-Electric	7,204,066	7,677,848	7,943,099	7,793,578	7,918,630	7,913,749	8,162,947	7,838,694	8,897,302	7,497,646
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	1,674,563	-	-	-	-	-	-	-	-
Total business-type activities	15,588,315	17,733,339	16,377,389	16,187,307	15,929,943	15,969,934	15,823,446	15,436,859	16,521,408	15,782,194
Total program revenues	\$ 16,640,122	\$ 18,467,701	\$ 16,993,263	\$ 17,143,685	\$ 16,633,821	\$ 16,904,491	\$ 17,260,575	\$ 17,051,200	\$ 18,700,485	\$ 18,855,782

CITY OF LINCOLNTON, NORTH CAROLINA

Change in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net revenue (expense)										
Governmental activities	\$ (9,311,458)	\$ (9,732,360)	\$ (9,307,794)	\$ (8,995,707)	\$ (9,391,613)	\$ (10,171,692)	\$ (9,814,317)	\$ (9,416,326)	\$ (10,686,253)	\$ (11,222,168)
Business-type activities	971,353	2,901,078	1,131,083	2,128,735	1,817,502	2,049,089	2,266,026	1,964,711	2,191,183	1,222,298
Total net expense	<u>\$ (8,340,105)</u>	<u>\$ (6,831,281)</u>	<u>\$ (8,176,711)</u>	<u>\$ (6,866,972)</u>	<u>\$ (7,574,112)</u>	<u>\$ (8,122,603)</u>	<u>\$ (7,548,290)</u>	<u>\$ (7,451,615)</u>	<u>\$ (8,495,070)</u>	<u>\$ (9,999,870)</u>
General Revenues										
Governmental activities:										
Ad valorem taxes	\$ 4,724,967	\$ 4,849,278	\$ 4,761,205	\$ 4,641,125	\$ 4,718,281	\$ 4,737,848	\$ 4,855,114	\$ 5,421,455	\$ 5,556,374	\$ 5,618,118
Other taxes and licenses	3,292,144	3,349,868	3,573,901	3,682,640	4,148,713	4,466,391	4,662,968	4,756,705	5,411,921	7,058,557
Unrestricted investment earnings	3,990	1,916	3,477	10,321	18,979	49,932	95,717	90,267	59,940	41,877
Other	11,235	320,657	56,808	86,953	(3,245)	8,048	87,525	204,664	103,044	149,152
Transfers	390,700	394,105	394,135	405,071	405,071	405,071	405,071	405,071	419,687	419,687
Extraordinary item	-	-	-	-	-	-	-	-	-	-
Total governmental activities	<u>8,423,036</u>	<u>8,915,824</u>	<u>8,789,526</u>	<u>8,826,110</u>	<u>9,287,798</u>	<u>9,667,289</u>	<u>10,106,394</u>	<u>10,878,162</u>	<u>11,550,966</u>	<u>13,287,391</u>
Business-type activities:										
Unrestricted investment earnings	14,743	9,233	10,869	26,421	51,748	136,764	255,617	215,711	69,429	73,137
Other	(906)	236	(405,084)	2,914	17,744	(12,133)	13,641	-	22,767	40,884
Transfers	(390,700)	(394,105)	(394,135)	(405,071)	(405,071)	(405,071)	(405,071)	(405,071)	(419,687)	(419,687)
Total business-type activities	<u>(376,863)</u>	<u>(384,637)</u>	<u>(788,350)</u>	<u>(375,736)</u>	<u>(335,579)</u>	<u>(280,440)</u>	<u>(135,813)</u>	<u>(189,360)</u>	<u>(327,491)</u>	<u>(305,666)</u>
Total primary government	<u>\$ 8,046,172</u>	<u>\$ 8,531,188</u>	<u>\$ 8,001,176</u>	<u>\$ 8,450,374</u>	<u>\$ 8,952,219</u>	<u>\$ 9,386,849</u>	<u>\$ 9,970,581</u>	<u>\$ 10,688,802</u>	<u>\$ 11,223,475</u>	<u>\$ 12,981,725</u>
Change in Net Position:										
Governmental activities	\$ (888,422)	\$ (816,535)	\$ (518,268)	\$ (169,597)	\$ (103,815)	\$ (504,403)	\$ 292,076	\$ 1,461,836	\$ 864,713	\$ 2,065,223
Business-type activities	594,491	2,516,442	342,733	1,752,998	1,481,923	1,768,648	2,130,213	1,775,351	1,863,692	916,632
Total primary government	<u>\$ (293,933)</u>	<u>\$ 1,699,906</u>	<u>\$ (175,535)</u>	<u>\$ 1,583,401</u>	<u>\$ 1,378,108</u>	<u>\$ 1,264,246</u>	<u>\$ 2,422,291</u>	<u>\$ 3,237,187</u>	<u>\$ 2,728,405</u>	<u>\$ 2,981,855</u>

CITY OF LINCOLNTON, NORTH CAROLINA

**Assessed Value of Taxable Property
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	Assessed Value (1)				Property Tax Rate (Per \$100 Assessed Value)	Percent Increase in Value	Estimated Actual Taxable Value (4)	Assessed Value as a Percentage of Actual Value
	Real Property	Personal Value (3)	Public Service Companies	Total				
2013	702,066,213	125,389,496	21,180,272	848,635,981	0.56	3.2 %	812,869,714	104.40 %
2014	705,934,770	157,621,750	18,774,043	882,330,563	0.56	4.0 %	845,954,519	104.30 %
2015	706,398,383	134,664,090	19,126,151	860,188,624	0.56	(2.5)%	859,243,456	100.11 %
2016 (2)	685,583,561	125,026,097	21,026,134	831,635,792	0.56	(3.3)%	831,552,637	100.01 %
2017	702,208,297	125,357,003	23,533,271	851,098,571	0.56	2.3 %	846,166,992	100.58 %
2018	701,648,672	132,992,216	24,285,332	858,926,220	0.56	0.9 %	870,315,305	98.69 %
2019	715,613,213	137,747,098	25,290,939	878,651,250	0.56	2.3 %	857,870,168	102.42 %
2020	807,305,151	145,584,898	26,327,143	979,217,192	0.56	11.4 %	966,200,603	101.35 %
2021	823,334,077	155,334,000	25,400,076	1,004,068,153	0.56	2.5 %	1,005,800,000	99.83 %
2022	884,662,089	105,924,557	25,889,808	1,016,476,454	0.56	1.2 %	1,046,000,000	97.18 %

Notes:

- (1) Assessed value is established by Lincoln County Assessor's office.
- (2) North Carolina General Statutes require that a reappraisal of real property be conducted every eight years. A revaluation of real property became effective for the fiscal year.
- (3) Includes vehicles. During 2014, the State of North Carolina began collecting vehicle taxes.
- (4) The estimated market value is calculated by dividing the assessed value by an assessment-to-sales ratio determined by the State Department of Revenue. The ratio is based on the actual property sales which took place for Lincoln County during the fiscal year.

CITY OF LINCOLNTON, NORTH CAROLINA

**Property Tax Rates - Direct and Overlapping Governments
Last Ten Fiscal Years
(Unaudited)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
City of Lincolnton	0.56	0.56	0.56	0.56	0.56	0.56	0.56	0.56	0.56	0.56
Lincoln County	0.598	0.598	0.598	0.611	0.611	0.611	0.611	0.599	0.599	0.619
Special District:										
East Lincoln Water and Sewer District	0.0355	0.0342	0.0342	0.0345	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Fire Districts:										
Alexis	0.1100	0.1100	0.1100	0.1165	0.1165	0.1165	0.1165	0.1165	0.1165	0.1165
Boger City	0.0925	0.0925	0.0925	0.0999	0.0999	0.0999	0.0999	0.1050	0.1250	0.1250
Crouse	0.0609	0.0609	0.0609	0.0640	0.0640	0.0640	0.0640	0.0860	0.0860	0.0860
Denver	0.1099	0.1099	0.1099	0.1125	0.1125	0.1150	0.1150	0.1150	0.1150	0.1150
East Lincoln	0.0785	0.0850	0.0850	0.0850	0.1125	0.0890	0.0890	0.0980	0.0980	0.1250
Howards Creek	0.1050	0.1150	0.1150	0.1203	0.1223	0.1223	0.1223	0.1355	0.1355	0.1355
North Brook	0.0600	0.0800	0.0800	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
North 321	0.0350	0.0400	0.0400	0.0400	0.0400	0.0400	0.0400	0.0700	0.0700	0.0700
Pumpkin Center	0.0951	0.1242	0.1242	0.1295	0.9700	0.9700	0.9700	0.9700	0.1200	0.1200
South Fork	0.0910	0.1236	0.1236	0.1250	0.1250	0.1250	0.1250	0.1250	0.1250	0.1250
Union	0.0900	0.0900	0.0900	0.0900	0.0900	0.1250	0.1250	0.1250	0.1250	0.1250
	0.93	1.03	1.03	1.08	1.95	1.97	1.97	2.05	1.22	1.24

Other Tax Data:

Tax rates are established on a per \$100 valuation basis and are levied on July 1, the first day of the fiscal year.

There is a State statutory tax rate limit of \$1.50 per hundred dollars valuation for operating expenses, but no limitation on the rate of tax, which may be levied for debt service.

The City has no financial responsibility for the public school system. It is funded through the County, State and Federal Government.

Lincoln County is an overlapping district of the East Lincoln Water and Sewer District.

Fire districts are overlapping of the County and the East Lincoln Water and Sewer District, but not of the City of Lincolnton.

CITY OF LINCOLNTON, NORTH CAROLINA

**Principal Property Taxpayers
Nine Years Ago and Current Year
(Unaudited)**

<u>Taxpayer</u>	<u>Type of Enterprise</u>	<u>2022</u>		<u>2013</u>		<u>Rank</u>	<u>Percentage of Total Assessed Valuation</u>
		<u>Total Assessed Valuation</u>	<u>Rank</u>	<u>Total Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>		
Triangle Real Estate	Apts/ Real Estate	\$ 19,434,000	1	\$ -	-		-
Wal-Mart Real Estate Business	Real Estate	15,348,184	2	14,434,595	1		1.70
Griffin-American Healthcare REIT	Healthcare	13,679,758	3	-	-		-
Colonial Village of Linc, LLC	Apts/ Real Estate	11,160,073	4	6,967,497	5		0.82
Duke Energy	Utility	9,835,275	5	5,517,740			0.65
Ingles Markets	Retail	9,642,687	6	-			-
Lowes Home Centers, Inc.	Retail	9,412,307	7	11,382,325	2		1.34
Provest Lincolnton Center, LLC	Retail	7,179,081	8	-			-
T & T Investments	Real Estate	6,575,923	9	12,190,510	2		1.44
The Oaks Apartments	Apts/ Real Estate	6,503,519	10	5,732,400	8		0.68
Bell South Telephone Company	Utility	-		8,464,593	4		1.00
Lincoln General, LLC	Real Estate	-		6,195,911	6		0.73
SMV Lincolnton, LLC	Real Estate	-		5,901,194	7		0.69
Carillon Asisted Living	Assisted Living	-		5,462,682	10		0.64
		-		-			-
Totals		\$ 108,770,807		\$ 82,249,447			9.69

CITY OF LINCOLNTON, NORTH CAROLINA

**Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	Total tax Levy for Fiscal Year	Current Year's Taxes Collected/Credited	Percentage of Levy Collected	Collections in Subsequent Years	Total Collections and Credits	Percentage of Total tax Collections to Net Levy	Total Receivable Balance June 30 (1)
2013	4,756,670	4,619,621	97.1	123,933	4,743,554	99.7	13,116
2014	4,941,052	4,819,616	97.5	103,068	4,922,684	99.6	18,368
2015	4,817,056	4,688,416	97.3	122,662	4,811,078	99.9	5,978
2016	4,657,160	4,577,654	98.3	73,861	4,651,515	99.9	5,645
2017	4,766,152	4,653,457	97.6	108,429	4,761,886	99.9	4,266
2018	4,813,332	4,723,012	98.1	82,830	4,805,842	99.8	7,490
2019	4,920,447	4,840,432	98.4	67,583	4,908,015	99.7	12,432
2020	5,483,656	5,395,076	98.4	66,785	5,461,861	99.6	21,795
2021	5,622,783	5,572,445	99.1	33,480	5,605,925	99.7	16,858
2022	5,692,268	5,643,215	99.1	-	5,643,215	99.1	49,053

Notes:

(1) Includes current portion only of taxes receivable.

CITY OF LINCOLNTON, NORTH CAROLINA

**Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	Governmental	Business Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Activities	Revenue	State Revolving	Installment			
	Installment Financing	Bonds	Loan	Financing			
2013	67,134	12,040,000	6,740,040	-	18,847,174	5.24	1,797
2014	-	10,750,000	6,133,193	-	16,883,193	4.40	1,608
2015	380,800	9,479,000	5,508,929	-	15,368,729	3.78	1,461
2016	1,309,722	7,968,000	4,866,749	-	14,144,471	3.34	1,333
2017	1,296,182	6,428,000	4,240,000	-	11,964,182	2.74	1,112
2018	1,136,755	4,861,000	3,543,000	-	9,540,755	2.01	902
2019	779,678	3,265,000	2,829,000	2,470,015	9,343,693	1.82	854
2020	911,880	1,647,000	2,101,000	2,144,113	6,803,993	1.29	607
2021	1,329,019	-	1,358,000	1,962,245	4,649,264	*	398
2022	979,964	-	686,000	1,473,755	3,139,719	*	269

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.

(1) See the Schedule of Demographic and Economic Statistics for personal income and population data.

* - information not available

CITY OF LINCOLNTON, NORTH CAROLINA

**Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	Population	Total Assessed Value	Gross Bonded Debt	Less: Debt Payable From Enterprise Revenues	Total General Bonded Debt	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2013	10,487	848,635,981	12,040,000	12,040,000	-	-	-
2014	10,498	882,330,563	10,750,000	10,750,000	-	-	-
2015	10,552	860,188,624	9,479,000	9,479,000	-	-	-
2016	10,612	831,635,792	7,968,000	7,968,000	-	-	-
2017	10,754	851,098,571	6,428,000	6,428,000	-	-	-
2018	10,578	858,926,220	4,861,000	4,861,000	-	-	-
2019	10,945	878,651,250	3,265,000	3,265,000	-	-	-
2020	11,200	979,217,192	1,647,000	1,647,000	-	-	-
2021	11,675	1,004,068,153	-	-	-	-	-
2022	11,678	1,016,476,454	-	-	-	-	-

(1) North Carolina Office of State Budget and Management.

CITY OF LINCOLNTON, NORTH CAROLINA

Direct and Overlapping Government Activities Debt

June 30, 2022

(Unaudited)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
County of Lincoln	\$ 104,484,721	8.64 %	\$ <u>9,027,480</u>
Subtotal, overlapping debt			9,027,480
City of Lincolnton direct debt			<u>979,964</u>
Total direct and overlapping debt			<u>\$ 10,007,444</u>

Note: The percentage of overlapping debt is based on the June 30, 2022 assessed valuation of the County of Lincoln of \$12,102,000,000 as compared to the June 30, 2022 assessed valuation for the City of Lincolnton of \$1,016,476,454.

CITY OF LINCOLN, NORTH CAROLINA

**Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Assessed value of taxable property	\$ 848,635,981	\$ 882,330,563	\$ 860,188,624	\$ 831,635,792	\$ 851,098,571	\$ 858,926,220	\$ 878,651,250	\$ 979,217,192	\$ 1,004,068,153	\$ 1,016,476,454
Debt limit, 8% of assessed value (statutory limitation)	\$ 67,890,878	\$ 70,586,445	\$ 68,815,090	\$ 66,530,863	\$ 68,087,886	\$ 68,714,098	\$ 70,292,100	\$ 78,337,375	\$ 80,325,452	\$ 81,318,116
Debt applicable to limit:										
General obligation bonds	-	-	-	-	-	-	-	-	-	-
Less: Amount set aside for repayment of general obligation debt	-	-	-	-	-	-	-	-	-	-
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	\$ 67,890,878	\$ 70,586,445	\$ 68,815,090	\$ 66,530,863	\$ 68,087,886	\$ 68,714,098	\$ 70,292,100	\$ 78,337,375	\$ 80,325,452	\$ 81,318,116
Total net debt applicable to the limit as a percentage of debt limit	-	-	-	-	-	-	-	-	-	-

Note: NC Statute GS 159-55 limits the City's outstanding debt to 8% of the appraised value of property subject to taxation.

CITY OF LINCOLNTON, NORTH CAROLINA

**Bond Coverage
Combined Enterprise System Bonds
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	Revenues Available for Debt Service	Less Expenses	Income Available for Debt Service	Total Debt Service	Principal	Interest	Coverage
2013	8,390,074	4,583,075	3,806,999	2,597,647	1,829,916	767,731	1.47
2014	10,059,186	4,702,685	5,356,501	2,597,732	1,896,847	700,885	2.06
2015	8,445,905	4,769,117	3,676,788	2,575,103	1,985,263	589,840	1.43
2016	8,416,097	4,485,512	3,930,585	2,465,652	2,153,184	312,468	1.59
2017	8,061,581	4,617,328	3,444,253	6,703,132	6,406,750	296,382	0.51
2018	8,161,071	4,537,616	3,623,455	2,464,965	2,264,000	200,965	1.47
2019	7,850,776	4,338,029	3,512,747	2,468,796	2,310,000	158,796	1.42
2020	7,746,192	4,827,695	2,918,497	2,847,812	2,671,902	175,910	1.02
2021	7,686,680	4,959,830	2,726,850	2,850,374	2,718,331	132,043	0.96
2022	8,348,586	4,943,100	3,405,486	1,314,724	1,228,977	85,747	2.59

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.
Operating expenses do not include interest, depreciation or PILOT (payment in lieu of taxes).

CITY OF LINCOLNTON, NORTH CAROLINA

**Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	Population (1)	Personal Income Amounts Expressed in Thousands)	Per Capita Personal Income (2)	Median Age (1)	School Enrollment (3)	Unemployment Rate (%) (4)
2013	10,487	\$ 359,442	34,275	41.5	11,447	9.8
2014	10,498	384,016	36,580	42.0	11,589	8.3
2015	10,522	406,301	38,614	42.0	11,646	5.9
2016	10,612	423,938	39,949	38.5	11,503	4.7
2017	10,754	436,515	40,591	42.0	11,503	3.8
2018	10,578	475,593	44,961	43.0	11,441	3.5
2019	10,945	512,859	46,858	43.0	11,443	4.1
2020	11,091	528,394	47,642	43.0	11,443	12.0
2021	11,675	562,771	48,203	43.0	11,406	4.2
2022	11,678	-	-	43.0	11,288	3.0

Data Sources

(1) North Carolina Office of State Budget and Management, U.S. Census Bureau

(2) State Department of Commerce, Bureau of Economic Analysis

(3) School District

(4) North Carolina Employment Security Commission

Information not available for 2022 personal income and per capita personal income.

Note: Separate data for the City is not available except for the population amounts, Lincoln County data was provided. Personal income information is a total for the previous year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.

CITY OF LINCOLNTON, NORTH CAROLINA

**Principal Employers
Current Year and Nine Years Ago
(Unaudited)**

<u>Employer</u>	<u>2022</u>			<u>2013</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Lincoln County Schools	1,549	1	3.60 %	1,600	1	4.02 %
RSI Home Products	985	2	2.29 %	570	6	1.43 %
Lincoln County Government	799	3	1.86 %	750	2	1.88 %
Atrium Health (Lincoln Medical Center)	750	4	1.74 %	720	5	1.81 %
Wal-Mart Stores, Inc.	725	5	1.68 %	730	4	1.83 %
The Timken Company	650	6	1.51 %	750	3	1.88 %
Robert Bosch Tool Corporation	450	7	1.05 %	180	15	0.45 %
Medline	435	8	1.01 %			
Julius Blum, Inc.	430	9	1.00 %	370	7	0.93 %
Lowes	400	10	0.93 %	270	9	0.68 %
Amerihealth Caritas Service, LLC	350	11	0.81 %			
Cataler North America	345	12	0.80 %	200	12	0.50 %
VT LeeBoy, Inc.	325	13	0.75 %	175	16	0.44 %
Lincoln Charter School Incorporated	285	14	0.66 %			
Food Lion	280	15	0.63 %			
Aptargroup, Inc.	235	16	0.55 %			
Actavis Corp				330	8	0.83 %
Mohican Mills				240	10	0.60 %
United Technologies				230	11	0.58 %
State of North Carolina				190	13	0.48 %
McMurray Fabrics				190	14	0.48 %
Total	<u>8,993</u>		<u>20.87 %</u>	<u>7,495</u>		<u>18.82 %</u>
Total Civilian Labor Force	<u>43,052</u>			<u>39,810</u>		

Sources: Lincoln Economic Development Association

North Carolina Department of Commerce Division of Employment Security

Note: Separate Data for the City is not available, Lincoln County data was provided.

CITY OF LINCOLNTON, NORTH CAROLINA

**Full-Time Equivalent City Government Employees By Function
Last Ten Fiscal Years
(Unaudited)**

Function	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
General Government										
City Manager	3	3	3	3	4	3	3	3	2	2
Human resources	4	4	4	4	4	4	4	5	5	5
Finance	9	9	9	9	8	8	8	7	7	6
Information technology	-	-	-	-	-	-	-	-	-	1
Public Safety										
Police										
Officers	30	31	31	31	33	33	33	33	33	33
Civilians	5	5	5	5	5	5	5	4	2	3
Fire										
Firefighters and officers	21	22	21	21	22	23	26	27	38	39
Civilians	1	1	1	1	1	1	1	1	1	1
Public Works										
Public works	3	3	3	3	3	3	3	2	3	3
Street	12	12	12	12	12	11	11	11	11	11
Equipment services	3	3	3	2	2	2	2	2	2	2
Environmental Protection										
Solid waste	12	12	12	13	13	11	7	7	6	6
General services-cemetery	2	2	2	2	2	-	-	-	-	-
Economic and Physical Development										
Planning and zoning	3	2	2	2	2	3	3	3	2	2
Business and community development	2	2	2	2	1	1	1	1	1	1
Cultural and Recreational										
Parks and recreation	5	5	5	5	5	7	7	7	5	5
Water and Sewer										
Water treatment plant	9	9	9	10	10	10	10	10	9	10
Distribution and collection	11	13	13	11	11	11	11	12	13	11
Waste water treatment plant	8	8	8	9	9	9	9	9	9	9
Electric	<u>7</u>	<u>7</u>	<u>7</u>	<u>8</u>						
Total	<u>150</u>	<u>153</u>	<u>152</u>	<u>153</u>	<u>155</u>	<u>153</u>	<u>152</u>	<u>152</u>	<u>157</u>	<u>158</u>

Source: Finance Department's payroll records.

CITY OF LINCOLNTON, NORTH CAROLINA

**Operating Indicators By Function
Last Ten Fiscal Years
(Unaudited)**

Function	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Public Safety										
Police										
Physical arrests	1,588	1,500	1,505	1,330	1,243	1,308	652	1,017	904	688
Parking violations	74	68	79	61	150	843	477	816	563	942
Traffic violations	1,183	1,366	1,727	2,359	1,830	1,667	1,357	1,068	896	1,613
Fire										
Number of calls answered	2,013	2,016	2,164	2,185	2,212	2,294	2,259	2,074	2,629	3,462
Inspections	598	526	597	344	301	297	243	317	363	775
Public Works - Highways and streets										
Street resurfacing (miles)	0.95	0.98	0.98	1.03	2.24	1.57	1.80	-	1.94	1.36
Potholes repaired	41	39	42	39	83	83	196	193	102	267
Environmental Protection										
Refuse collected (tons/day)	31.13	31.01	30.33	27.88	26.56	22.82	18.91	14.74	9.00	21.40
Recyclables collected (tons/day)	0.82	0.89	1.07	1.04	1.10	1.03	0.69	0.30	0.32	0.32
Cultural and Recreational (1)										
Youth sports participants	932	1,075	1,228	1,209	1,157	1,281	1,396	829	432	1,766
Youth camps/clinics participants	235	170	235	179	199	2,121	1,634	1,298	39	1,101
Open gym participants	13,118	4,072	10,099	7,827	9,846	15,219	15,229	14,122	4,500	14,506
Swimming pool participants	11,672	6,826	10,825	11,045	7,767	9,686	8,101	5,697	1,595	6,896
Other programs participants	5,196	4,125	5,305	3,992	3,435	3,885	5,531	2,879	2,279	3,196
Special events	26	13	19	23	23	27	25	14	12	21
Special events participants	7,935	4,456	6,427	6,971	3,435	6,750	6,101	4,003	12	10,440
Recreation program participants	39,088	20,724	34,109	34,223	28,791	38,942	37,992	28,828	23,110	37,905
Facility and ball field rentals	2,587	727	2,570	2,911	2,952	2,843	1,862	1,041	349	474

CITY OF LINCOLNTON, NORTH CAROLINA

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**Operating Indicators By Function
Last Ten Fiscal Years
(Unaudited)**

Function	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Water										
New connections	12	9	18	12	14	12	34	24	58	120
Water main breaks	21	20	20	31	18	23	22	25	30	33
Average daily consumption (thousands of gallons)	3,000	3,000	3,000	3,000	2,689	2,424	2,295	2,606	2,605	2,763
Wastewater										
New connections	9	7	10	5	14	9	25	9	38	63
Average daily sewage treatment (thousands of gallons)	2,357	2,650	2,075	2,390	1,760	1,700	1,760	2,415	2,442	1,641
Electric										
New connections	9	5	15	4	23	9	6	8	16	21

Sources: Various City departments.

Note: Indicators are not available for general government function.

(1) Flood on July 28, 2013, resulted in a lower number of participants in 2014.

· Covid pandemic resulted in a lower number of participants in 2020 and 2021

CITY OF LINCOLNTON, NORTH CAROLINA

**Capital Asset Statistics By Function
Last Ten Fiscal Years
(Unaudited)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Function										
Public Safety										
Police										
Stations	2	2	2	2	2	2	2	2	2	2
Patrol units	25	25	34	37	38	38	38	38	38	38
Fire stations	2	2	2	2	2	2	2	2	2	2
Public Works - Highways and streets										
Streets (miles)	59.90	59.90	59.90	59.90	60.15	60.15	60.15	60.15	60.15	60.15
Streetlights	981	981	981	981	981	981	981	981	981	981
Traffic signals	11	11	11	11	11	11	11	11	11	11
Environmental Protection										
Refuse collection trucks	5	5	5	5	5	5	5	5	5	5
Cultural and Recreational										
Number of parks	3	3	3	3	3	4	4	4	4	4
Park acreage	79.37	79.37	79.37	79.37	79.37	89.37	89.37	89.37	89.37	89.37
Parks with trail systems	2	2	2	2	2	3	3	3	3	3
Park trail mileage	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
Number of greenways	1	1	1	1	1	1	1	1	1	1
Greenway mileage	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70
Number of ball fields	5	5	5	5	5	5	5	5	5	5
Number of soccer fields	2	2	2	2	2	2	2	2	2	2

CITY OF LINCOLNTON, NORTH CAROLINA

Page 2 of 2, cont.

**Capital Asset Statistics By Function
Last Ten Fiscal Years
(Unaudited)**

Function	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Water										
Water mains (miles)	260	260	260	260	260	260	260	260	260	260
Fire hydrants	717	717	717	717	717	717	717	717	717	717
Maximum daily capacity (thousands of gallons)	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000
Sewer										
Sanitary sewers (miles)	225.75	225.75	225.75	225.75	225.75	225.75	225.75	225.75	225.75	225.75
Storm sewers (miles)(1)	-	-	-	-	-	-	-	-	-	-
Maximum daily treatment capacity (thousands of gallons)	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Electric										
Number of distribution stations	1	1	1	1	1	1	1	1	1	1
Miles of services lines	76.0	76.0	76.0	76.0	76.0	76.0	76.0	76.0	76.0	76.0

Sources: Various city departments.

Note: No capital asset indicators are available for general government function.

(1) Not under Phase I or II storm water regulations-miles unknown.

CITY OF LINCOLNTON, NORTH CAROLINA

**Water Sold By Type Of Customer
Last Ten Fiscal Years
(in millions of gallons)
(Unaudited)**

Type of Customer	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Residential	216.9	210.8	198.1	214.7	215.9	213.5	228.8	237.5	237.7	400.5
Industrial	3.9	4.9	4.0	18.2	20.2	18.3	20.1	13.4	16.1	13.9
Industrial/Textile	438.6	363.6	308.8	227.1	167.7	132.0	130.0	69.1	39.7	45.6
Commerical	148.0	111.1	108.5	107.7	106.4	107.6	124.9	117.7	113.9	119.5
Institutional (1)	-	33.2	37.9	38.7	38.0	39.1	37.4	40.3	32.4	52.7
Other Local Governments	63.6	65.7	19.8	116.3	187.7	194.3	193.3	239.3	393.5	227.1
Military	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Government	10.4	9.5	7.3	7.6	8.7	8.5	7.5	7.5	7.0	7.9
Total	<u>881.4</u>	<u>798.8</u>	<u>684.5</u>	<u>730.4</u>	<u>744.7</u>	<u>713.4</u>	<u>742.1</u>	<u>724.9</u>	<u>840.4</u>	<u>867.3</u>
Total direct rate per 1,000 gallons	<u>\$ 3.99</u>	<u>\$ 4.31</u>	<u>\$ 4.99</u>	<u>\$ 5.00</u>	<u>\$ 4.81</u>	<u>\$ 4.90</u>				

Source: City of Lincolnton, Utility Billing Office

(1) 2014-First year of segregating water sold to customers classified as Institutional category.

CITY OF LINCOLNTON, NORTH CAROLINA

**Sewer Sold By Type Of Customer
Last Ten Fiscal Years
(in millions of gallons)
(Unaudited)**

Type of Customer	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Residential	161.6	158.9	161.6	157.6	158.9	158.7	175.2	178.3	237.9	411.3
Industrial	55.5	54.7	55.2	63.8	58.8	52.9	125.1	54.8	55.0	51.9
Industrial/Textile	415.5	350.0	267.9	195.2	137.7	116.4	67.5	69.1	39.7	45.6
Commerical	128.5	99.3	94.4	91.8	93.1	97.2	116.2	104.7	114.7	120.3
Institutional (1)	-	30.0	33.3	28.9	30.5	32.8	31.7	34.1	34.6	55.9
Military	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Government	<u>9.3</u>	<u>8.7</u>	<u>7.0</u>	<u>7.3</u>	<u>8.3</u>	<u>8.5</u>	<u>7.6</u>	<u>7.2</u>	<u>7.0</u>	<u>7.9</u>
Total	<u>770.4</u>	<u>701.6</u>	<u>619.5</u>	<u>544.7</u>	<u>487.4</u>	<u>466.6</u>	<u>523.4</u>	<u>448.3</u>	<u>489.0</u>	<u>693.0</u>
Total direct rate per 1,000 gallons	<u>\$ 6.33</u>	<u>\$ 6.87</u>	<u>\$ 7.57</u>	<u>\$ 8.60</u>	<u>\$ 9.00</u>					

Source: City of Lincolnton, Utility Billing Office

(1) 2014-First year of segregating sewer sold to customers classified as Institutional category.

CITY OF LINCOLNTON, NORTH CAROLINA

**Water and Sewer Rates
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	Water		Sewer	
	Monthly Base Rate	Rate per 1,000 Gallons	Monthly Base Rate	Rate per 1,000 Gallons
2013	14.16	3.82	21.21	6.31
2014	14.73	3.97	22.06	6.56
2015	15.32	4.57	22.94	6.82
2016	16.71	4.52	22.94	7.47
2017	16.55	4.48	24.77	7.40
2018	16.55	4.48	24.77	7.40
2019	16.55	4.48	24.77	7.40
2020	16.55	4.48	24.77	7.40
2021	16.55	4.48	24.77	7.40
2022	16.55	4.48	24.77	7.40

Note: Rates are based on 5/8" meter, which is the standard household meter size.

COMPLIANCE SECTION

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

Independent Auditors' Report On Compliance For Each Major Federal Program And On Internal Control Over Compliance Required By The Uniform Guidance And The State Single Audit Implementation Act

**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**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Lincolnton, North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise City of Lincolnton, North Carolina's basic financial statements and have issued our report thereon dated December 8, 2022. The financial statements of the Lincolnton Tourism Development Authority and the City of Lincolnton ABC Board were not audited in accordance with *Government Auditing Standards* and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Lincolnton Tourism Development Authority and the City of Lincolnton ABC Board.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Lincolnton, North Carolina'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Lincolnton, North Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Lincolnton, North Carolina's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Lincolnton, North Carolina'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2022-001.

City of Lincolnton, North Carolina's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Lincolnton, North Carolina's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. City of Lincolnton, North Carolina's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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



Morganton, North Carolina
December 8, 2022

**Independent Auditors' Report On Compliance For Each Major Federal Program And On
Internal Control Over Compliance Required By The Uniform Guidance And The
State Single Audit Implementation Act**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Lincolnton, North Carolina's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City of Lincolnton, North Carolina's major federal programs for the year ended June 30, 2022. The City of Lincolnton, North Carolina's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses.

In our opinion, City of Lincolnton, North Carolina 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Lincolnton, North Carolina 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 the City of Lincolnton, North Carolina'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 the City of Lincolnton, North Carolina'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 the City of Lincolnton, North Carolina'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 the City of Lincolnton, North Carolina'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 the City of Lincolnton, North Carolina'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 the City of Lincolnton, North Carolina'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 the City of Lincolnton, North Carolina'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 Auditor's 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.

Lawrence Champ & Co., P.C.

Morganton, North Carolina
December 8, 2022

CITY OF LINCOLNTON, NORTH CAROLINA

Schedule of Findings and Responses
For the 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 with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X none reported

Significant deficiency(ies) identified?

_____ yes X none reported

Noncompliance material to financial statements noted?

X yes _____ none reported

Federal Awards

Internal control over major federal programs:

* Material weakness(es) identified?

_____ yes X none reported

* Significant deficiency(ies) identified?

_____ yes X none reported

Type of auditors' 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 none reported

Identification of major federal programs:

Federal Assistance Listing No. Names of Federal Program or Cluster
21.027 Coronavirus State and Local Fiscal Recovery Funds

Capitalization Grants for Drinking State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs

\$750,000

Auditee qualified as low-risk auditee?

_____ yes X no

State Awards

Identification of major State programs:

None.

cont.

CITY OF LINCOLN, NORTH CAROLINA

**Schedule of Findings and Responses (Continued)
For the Year Ended June 30, 2022**

Section II. Financial Statement Findings

Noncompliance:

Finding: 2022-001

Excess Expenditures Over Appropriations

Criteria:

G.S. 159-28(a) states that no obligation may be incurred in a program, function or activity accounted for in a fund included in the budget ordinance, unless the budget ordinance includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction for the current fiscal year.

Condition:

The City expended more than appropriated in the annual budget ordinance in the General fund, general government by \$36,852 and in Water and Sewer Funds, debt service works by \$144,139 and waste treatment by \$125,530.

Effect:

Moneys were spent that had not been obligated and appropriated.

Identification of repeat finding:

This is not a repeat finding from the immediate previous audit.

Cause:

The City expended additional interdepartmental charges in general government and additional debt, salaries and repairs and maintenance in the Water and Sewer Fund that had not been budgeted for in the budget ordinance and budget amendments were not adopted.

Recommendation:

Before an obligation is to occur that will exceed the amount that was previously approved in the budget ordinance, an amendment to the budget should be adopted.

**Views of responsible officials
and planned corrective action:**

The City agrees with this finding and will adhere to the corrective action plan on page 136 of this report.

One reported.

Section III. Federal Award Findings and Responses

None reported.

Section IV. State Award Findings and Responses

None reported.

CITY COUNCIL
Ed L. Hatley, Mayor
Martin A. Eaddy, Mayor Pro-Tem
Mary Frances White
Roby D. Jetton
Christine Poinsette



CITY MANAGER
Ritchie Haynes
rhaynes@lincolntonnc.org
CITY CLERK
Daphne Ingram
d Ingram@lincolntonnc.org
CITY ATTORNEY
Thomas J. Wilson, Jr.

**Corrective Action Plan
For the Year Ended June 30, 2022**

Section II. Financial Statement Findings

Finding 2022-001:

Name of contact person: Pamela McBryde, Finance Director
Corrective action: Management will comply with G.S. 159-28(a), and budget amendments will be adopted prior to making expenditures that exceed budgeted amounts.
Proposed completion date: The City will implement this immediately.

Section III. Federal Award Findings and Responses

None reported.

Section IV. State Award Findings and Responses

None reported.

CITY OF LINCOLNTON, NORTH CAROLINA

**Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2022**

Finding 2021-001: Corrected during year ended June 30, 2022.

CITY OF LINCOLN, NORTH CAROLINA

**Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2022**

Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	State/Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients
Federal Awards:					
Cash Programs:					
<u>U.S. Environmental Protection Agency</u>					
Brownfield Grant	66.818	XXXX	\$ 61,853	\$ -	\$ -
<u>U.S. Department of Treasury</u>					
Passed-through the N.C. Office of Management and Budget, N.C. Pandemic Recovery Office:					
Coronavirus State and Local Fiscal Recovery Funds	21.027	XXXX	784,706	-	-
<u>U.S. Department of Homeland Security</u>					
FEMA					
Staffing for Adequate Fire & Emergency Response Grant	97.083	XXXX	51,739	-	-
Total assistance - federal programs			898,298	-	-
State Grants:					
Cash Assistance:					
<u>N.C. Department of Transportation</u>					
Powell Bill		38570	-	311,569	-
<u>N.C. Office of State Budget and Management</u>					
State Capital and Infrastructure Fund (SCIF)			-	77,935	-
Total assistance - state programs			-	389,504	-
Total assistance			\$ 898,298	\$ 389,504	\$ -

cont.

CITY OF LINCOLNTON, NORTH CAROLINA

Schedule of Expenditures of Federal and State Awards (Continued)
For the Year Ended June 30, 2022

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

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the Federal and State grant activity of the City of Lincolnton, North Carolina 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 *U. S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Lincolnton, North Carolina, it is not intended to, and does not, present the financial position, changes in net position or cash flows of City of Lincolnton, North Carolina.

Note 2: Summary of Significant Accounting Policies

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

Note 3: Indirect Cost Rate

City of Lincolnton, North Carolina has elected not to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.