

CITY OF LINCOLNTON, NORTH CAROLINA
ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

PREPARED BY
CITY OF LINCOLNTON FINANCE DEPARTMENT

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CITY OF LINCOLNTON, NORTH CAROLINA

Annual Comprehensive Financial Report Table of Contents For the Year Ended June 30, 2021

	<u>Page No.</u>
Introductory Section:	
Letter of Transmittal	1-4
Certificate of Achievement For Excellence in Financial Reporting	5
Organizational Chart	6
List of Principal Officials	7
Financial Section:	
<i>Independent Auditors' Report</i>	8-10
<i>Management's Discussion and Analysis</i>	11-20
<i>Basic Financial Statements:</i>	
Government-wide Financial Statements:	
Statement of Net Position	21-22
Statement of Activities	23-24
Fund Financial Statements:	
Balance Sheet - Governmental Funds	25
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	26
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	27
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	28
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	29
Statement of Fund Net Position - Proprietary Funds	30
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	31
Statement of Cash Flows - Proprietary Funds	32-33
Notes to the Financial Statements	34-74

CITY OF LINCOLNTON, NORTH CAROLINA

**Annual Comprehensive Financial Report
Table of Contents - Continued
For the Year Ended June 30, 2021**

	<u>Page No.</u>
Financial Section (continued):	
<i>Required Supplementary Information:</i>	
Schedule of the Proportionate Share of Net Pension Liability (Asset) - Local Government Employees' Retirement System	75
Schedule of Contributions - Local Government Employees' Retirement System	76
Schedule of the Proportionate Share of Net Pension Liability - Firefighters' and Rescue Squad Workers' Pension	77
Schedule of Changes in Total Pension Liability - Law Enforcement Officers' Special Separation Allowance	78
Schedule of Total Pension Liability as a Percentage of Covered Payroll Law Enforcement Officers' Special Separation Allowance	79
Schedule of Changes in Total OPEB Liability and Related Ratios	80
<i>Individual Fund Statements and Schedules:</i>	
<i>Governmental Activities:</i>	
General Fund:	
Balance Sheets	81
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	82-87
Component Unit:	
Lincolnton Tourism Development Authority - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	88

CITY OF LINCOLNTON, NORTH CAROLINA

**Annual Comprehensive Financial Report
Table of Contents - Continued
For the Year Ended June 30, 2021**

	<u>Page No.</u>
Financial Section (continued):	
Business-Type Activities:	
Enterprise Funds:	
Water and Sewer Fund:	
Statements of Net Position	89
Statements of Revenues, Expenses, and Changes in Net Position	90
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	91-92
Statements of Cash Flows	93
Electric Fund:	
Statements of Net Position	94
Statements of Revenues, Expenses, and Changes in Net Position	95
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	96-97
Statements of Cash Flows	98
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) - Electric Rate Stabilization Fund	99
<i>Other Schedules:</i>	
Schedule of Ad Valorem Taxes Receivable	100
Analysis of Current Tax Levy	101
Statistical Section:	
Net Position by Component	102
Change in Net Position	103-104
Governmental Activities Tax Revenues by Source	105
Fund Balances, Governmental Funds - GASB 54	106
Changes in Fund Balances, Governmental Funds	107-108

CITY OF LINCOLNTON, NORTH CAROLINA

**Annual Comprehensive Financial Report
Table of Contents - Continued
For the Year Ended June 30, 2021**

	<u>Page No.</u>
Statistical Section continued:	
Assessed Value of Taxable Property	109
Property Tax Rates - Direct and Overlapping Governments	110
Principal Property Taxpayers	111
Property Tax Levies and Collections	112
Ratios of Outstanding Debt by Type	113
Ratios of General Bonded Debt Outstanding	114
Direct and Overlapping Government Activities Debt	115
Legal Debt Margin Information	116
Bond Coverage Combined Enterprise System Bonds	117
Demographic and Economic Statistics	118
Principal Employers	119
Full-Time Equivalent City Government Employees by Function	120
Operating Indicators by Function	121-122
Capital Asset Statistics by Function	123-124
Water Sold by Type of Customer	125
Sewer Sold by Type of Customer	126
Water and Sewer Rates	127
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 <u>Government Auditing Standards</u>	128-129
Schedule of Findings and Responses	130
Corrective Action Plan	131

INTRODUCTORY SECTION

- **Letter of Transmittal**
 - **GFOA Certificate of Achievement**
 - **Organizational Chart**
 - **List of Principal Officials**
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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, 2021, 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, 2021. 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 11,675. 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 3.5 percent (2018). The unemployment rate as of June 30, 2021 was 4.2 percent. This rate is lower than the State’s rate of 4.6 percent and lower than the national rate of 5.9 percent. Lincolnton has followed the same pattern as the State during the economic cycles.

Numerous businesses opened in Lincolnton, including: Benny's Boutique, Brick Tree Brewing Co., Local Roots & Provisions, and Vittles Restaurant.

Taiji Medical Supplies announced that it plans to make an investment to the Industrial Park of ~ \$12,200,000, creating 79 jobs.

Unox LLC announced plans of a \$3,000,000 expansion, creating ~27 new jobs over the next two years. Unox is the leading company for convection and combi ovens.

Blum Inc. is investing \$23,000,000 in expansion of its cabinet hardware manufacturing facility located in Lowesville. This investment will cover machinery and equipment upgrades and create 10 new jobs.

Husky Rack & Wine is investing \$3,800,000 in its expansion of its material handling manufacturing facility. This investment will create 25 jobs.

Spantek Expanded Metal Lincolnton's plant will invest \$1,800,000 in another production line, creating 4 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 5.93 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 31.76 percent of total general fund expenditures, which is above the required amount of 8 percent set by the State of North Carolina. As demonstration of the City's commitment to financial planning and fiscal health, the unreserved, unassigned fund balance in the general fund was \$4,250,111.

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

Welcome Center and Public Restrooms - Opened June 2021 - central location for literature about Lincolnton & community activities, DDA office and the City's communication office.

Purchase and renovation of a building for the purpose of recruiting a restaurant to downtown - Local Roots restaurant opened June 18, 2021.

Motz Avenue Dog Park was completed and officially opened to the public on May 1, 2021.

Police Department Building on 701 East Main Street - renovations completed and officially opened to the public on February 1, 2021.

Relevant Financial Policies

The City of Lincolnton'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 Lincolnton for its annual comprehensive financial report for the fiscal year ended June 30, 2020. This was the thirty-first consecutive year that Lincolnton 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 nineteen 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 have not 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 Lincolnton's finances.

Respectfully submitted,



Pamela A. McBryde
Finance Director

January 11, 2022



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Lincolnton
North Carolina**

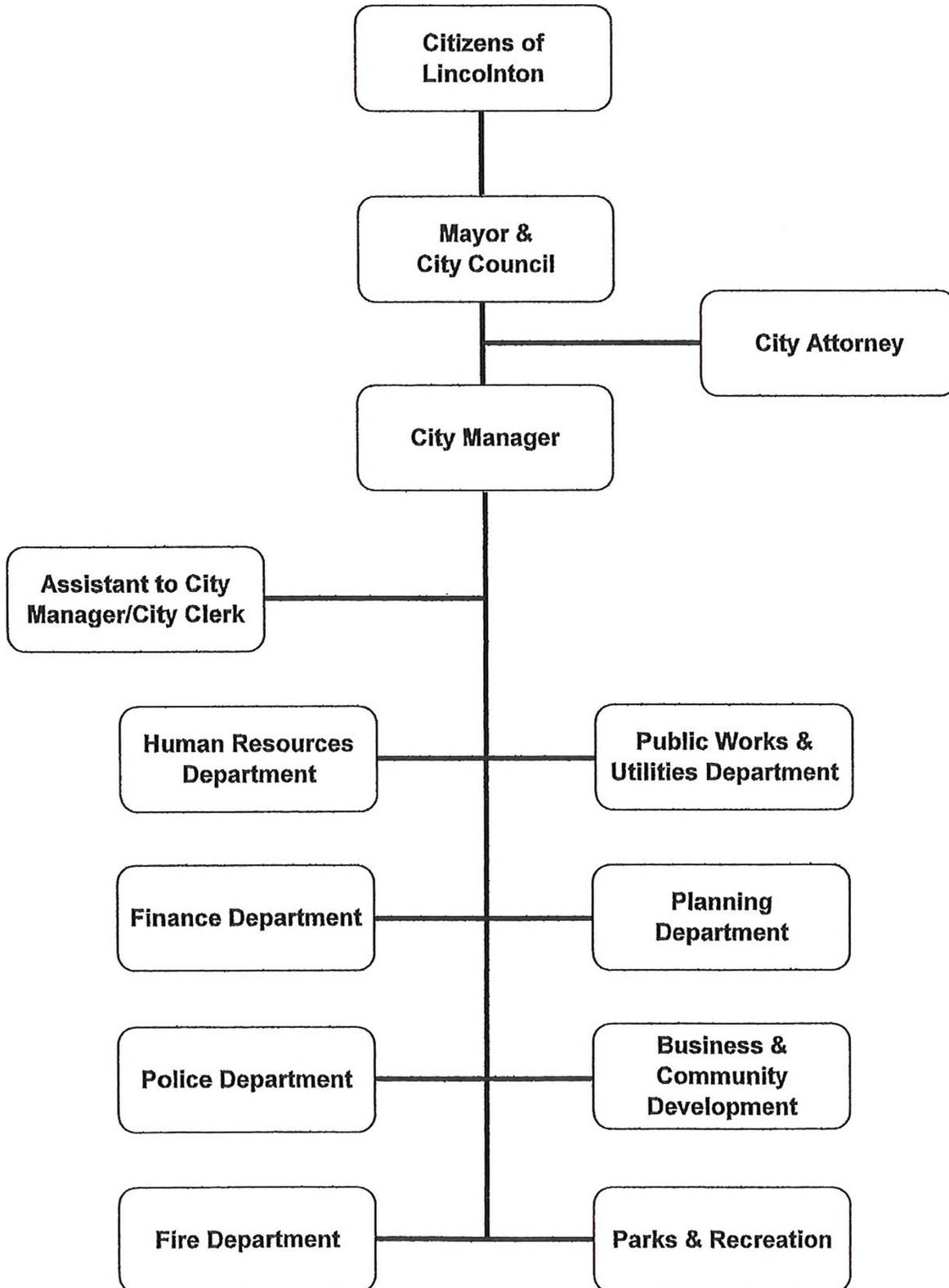
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

City of Lincoln Department Organizational Chart



CITY OF LINCOLNTON, NORTH CAROLINA

LIST OF PRINCIPAL OFFICIALS
June 30, 2021

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 Director	David Ramsey
Public Utilities Director	Robert Pearson
Planning & Development Director	Laura Elam
Public Services Director	Nathan Eurey
Community Relations Director	Laura Morris

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

121 N. 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, 2021, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the City of Lincolnton ABC Board and the Lincolnton Tourism Development Authority were not audited in accordance with Government Auditing Standards.

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

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

Opinion

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, 2021, 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.

Other Matters

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 Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions and the Firefighters' and Rescue Squad Workers' Pension Fund 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 11–20 and 75-80, be presented to supplement the basic financial statements. Such information, 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.

Other 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 introductory section, the individual fund financial statements, the budgetary schedules, other schedules and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report, dated January 11, 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, 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 the City of Lincolnton, North Carolina's internal control over financial reporting and compliance.

Lawson Smith Church & Co., P.C.

Morganton, North Carolina
January 11, 2022

Management's Discussion and Analysis

As management of the City of Lincoln, we offer the readers of the City of Lincoln's financial statements this narrative overview and analysis of the financial activities of the City of Lincoln for the fiscal year ended June 30, 2021. 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.

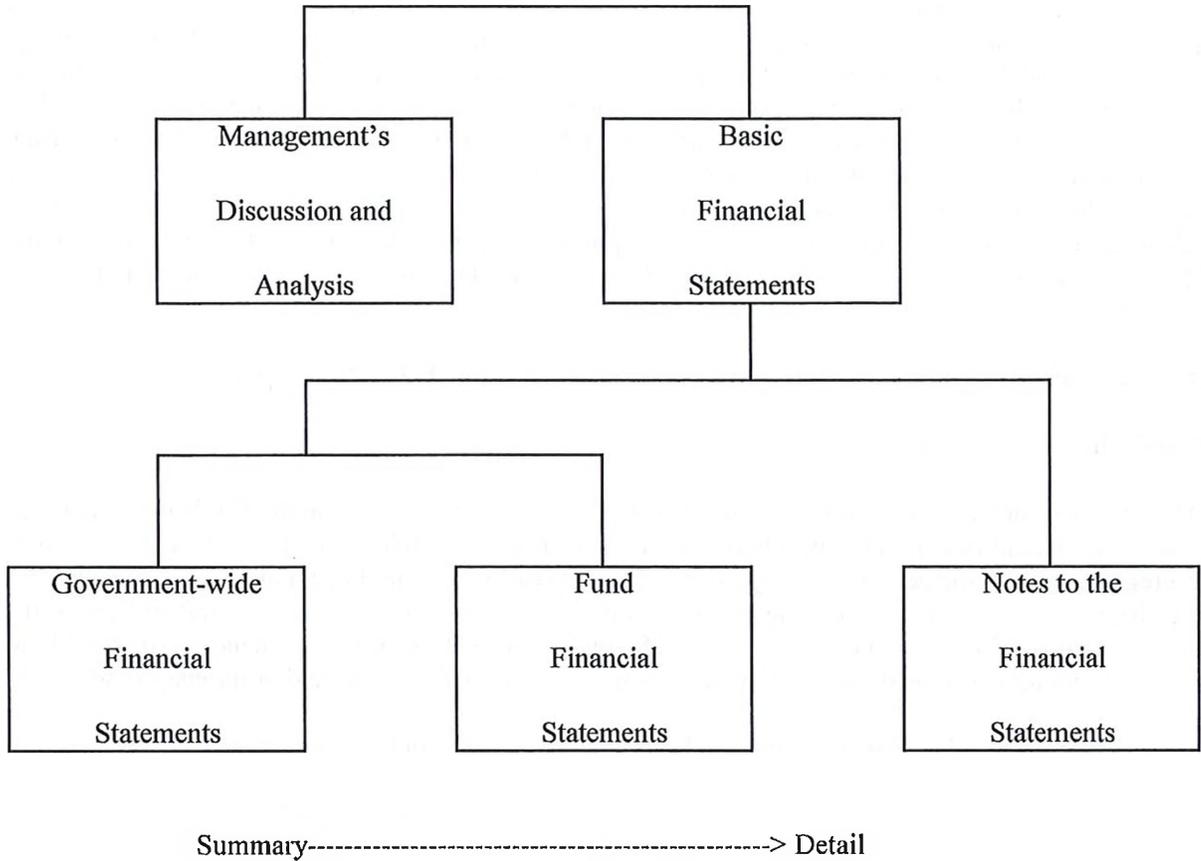
Financial Highlights

- The assets and deferred outflows of resources of the City of Lincoln exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$51,584,474 (net position).
- The City's total net position increased by \$2,728,405, primarily due to additional grant funding and assuming the operations of Boger City Fire Department.
- As of the close of the current fiscal year, the City of Lincoln's governmental funds reported combined ending fund balances of \$5,708,206, with a net decrease of \$1,140,417 in fund balance. Approximately 25.54 percent of this total amount, or \$1,458,095, is non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,250,111, or 31.76 percent, of total General Fund expenditures for the fiscal year.
- The City of Lincoln's total debt increased by \$727,203 (3.4%) during the current fiscal year. The key factor in this change was principal payments and an increase in OPEB and net pension liability.
- The City's last bond rating was Aaa and AAA.
- The City's total capital assets increased by \$679,689 (1.35%) during the current fiscal year. The key factor in this increase is the acquisition of capital assets.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Lincoln'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 Lincoln.

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 less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of 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. The notes to the financial statements begin on page 34 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Lincolnnton’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 75 of this report.

The individual fund statements and schedules are presented immediately following the required supplementary information on pensions. Individual fund statements and schedules can be found beginning on page 81 of this report.

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

	<u>City of Lincolnnton, Net Position</u>					
	Governmental		Figure 2 Business-type		Total	
	Activities		Activities			
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 6,217,657	\$ 7,299,481	\$15,269,959	\$13,552,699	\$21,487,616	\$20,852,180
Capital assets	<u>22,032,190</u>	<u>19,016,581</u>	<u>29,041,530</u>	<u>31,377,450</u>	<u>51,073,720</u>	<u>50,394,031</u>
Total assets	<u>28,249,847</u>	<u>26,316,062</u>	<u>44,311,489</u>	<u>44,930,149</u>	<u>\$72,561,336</u>	<u>\$71,246,212</u>
Deferred outflows of resources	<u>3,119,332</u>	<u>1,585,357</u>	<u>874,958</u>	<u>516,783</u>	<u>3,994,290</u>	<u>2,102,140</u>
Long-term liabilities outstanding	14,196,617	11,484,030	6,044,434	6,402,751	20,241,051	17,886,782
Other liabilities	<u>846,355</u>	<u>688,615</u>	<u>2,214,032</u>	<u>3,892,145</u>	<u>3,060,387</u>	<u>4,580,760</u>
Total liabilities	<u>15,042,972</u>	<u>12,172,645</u>	<u>8,258,466</u>	<u>10,294,896</u>	<u>23,301,438</u>	<u>22,467,542</u>
Deferred inflows of resources	<u>1,280,500</u>	<u>1,547,780</u>	<u>389,214</u>	<u>476,963</u>	<u>1,669,714</u>	<u>2,024,743</u>
Net position:						
Net investment in capital assets	20,703,171	18,104,701	25,721,285	25,485,337	46,424,456	43,590,039
Restricted	1,435,400	2,127,871	-	-	1,435,400	2,127,871
Unrestricted	<u>(7,092,864)</u>	<u>(6,051,578)</u>	<u>10,817,482</u>	<u>9,189,737</u>	<u>3,724,618</u>	<u>3,138,159</u>
Total net position	<u>\$15,045,707</u>	<u>\$14,180,994</u>	<u>\$36,538,767</u>	<u>\$34,675,074</u>	<u>\$51,584,474</u>	<u>\$48,856,068</u>

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 \$51,584,474 as of June 30, 2021. The City's net position increased by \$2,728,405 for the fiscal year ended June 30, 2021. However, the largest portion of net position (90.00%) 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, \$1,435,400, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,724,618 is unrestricted.

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

- Increase in operating grants and contributions due to additional grants received.
- 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 both the Water and Sewer Fund and the Electric Fund.

	City of Lincoln, Changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 104,696	\$ 155,739	\$16,521,408	\$15,436,859	\$16,626,104	\$15,592,598
Operating grants and contributions	1,673,229	1,458,602	-	-	1,673,229	1,458,602
Capital grants and contributions	401,152	-	-	-	401,152	-
General revenues:						
Property taxes	5,556,374	5,421,455	-	-	5,556,374	5,421,455
Other taxes	5,411,921	4,756,706	-	-	5,411,921	4,756,706
Unrestricted investment earnings	59,940	90,267	69,429	215,711	129,368	305,978
Other	103,044	204,664	22,767	-	125,811	204,664
Total revenues	13,310,356	12,087,433	16,613,604	15,652,570	29,923,959	27,740,002
Expenses:						
General government	2,336,593	1,802,847	-	-	2,336,593	1,802,847
Public safety	6,893,445	5,895,541	-	-	6,893,445	5,895,541
Public works	1,592,569	1,094,464	-	-	1,592,569	1,094,464
Economic and physical development	472,536	456,021	-	-	472,536	456,021
Environmental protection	586,561	761,337	-	-	586,561	761,337
Cultural and recreational	938,555	980,229	-	-	938,555	980,229
Interest on long-term debt	45,071	40,228	132,043	175,910	177,114	216,138
Water and sewer	-	-	6,861,420	6,522,861	6,861,420	6,522,861
Electric	-	-	7,336,762	6,773,377	7,336,762	6,773,377
Total expenses	12,865,330	11,030,668	14,330,225	13,472,148	27,195,555	24,502,815

	City of Lincolnton, Changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Increase (decrease) in net position before transfers and extraordinary item	\$ 445,026	\$ 1,056,765	\$ 2,283,422	\$ 2,180,422	\$ 2,728,404	\$ 3,237,187
Transfers	419,687	405,071	(419,687)	(405,071)	-	-
Increase (decrease) in net position	<u>\$ 864,713</u>	<u>\$ 1,461,836</u>	<u>\$ 1,863,692</u>	<u>\$ 1,775,351</u>	<u>\$ 2,728,404</u>	<u>\$ 3,237,188</u>
Net position, July 1	\$14,180,994	\$12,719,158	\$34,675,074	\$32,899,723	\$45,856,068	\$45,618,881
Increase (decrease) in net position	<u>864,713</u>	<u>1,461,836</u>	<u>1,863,692</u>	<u>1,775,351</u>	<u>2,728,407</u>	<u>3,237,187</u>
Net position, June 30	<u>\$15,045,707</u>	<u>\$14,180,994</u>	<u>\$36,538,767</u>	<u>\$34,675,075</u>	<u>\$51,584,474</u>	<u>\$48,856,068</u>

Governmental Activities. Governmental activities increased the City's net position by \$864,713, thereby accounting for 31.69% 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 \$134,919, due to growth in the tax base from new commercial and residential construction, resulted in revenues over projections;
- Other tax increases of \$655,215, due to sales tax from online purchases and stimulus checks received from the Federal government;
- Operating grants and contributions increased \$214,627;
- Capital grants and contributions increased \$401,152, 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 \$1,863,692, thereby accounting for 68.31% of the total growth in net position for the City of Lincolnton. Key elements of this increase are as follows:

- Revenues rebounded from the prior year. The Water and Sewer Fund collections increased \$86,950 from the prior year; the Electric Fund collections increased \$1,050,547 from the prior year.
- Operating expenditures were higher than the prior year, primarily due to multiple capital projects. The Electric Fund restaurant development capital project was re-classified to General Funds for current year expenditures and hit fund balance for prior expenditures. The Electric Fund experienced a second reduction in electricity cost from the electric provider of approximately \$1,335,000.
- 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 \$600,000 for the Water and Sewer Fund and \$400,000 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 \$5,708,206, which is less than last year's total of \$6,848,623. Included in this change in fund balance is an increase in the General Fund balance of \$1,140,417. The primary reasons for the change mirror the governmental activities analysis highlighted on page 16, along with a decrease due to a prior period adjustment of \$1,557,806.

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 \$4,529,320, while total fund balance reached \$5,708,206. The City currently has an available fund balance of 33.86 percent of General Fund expenditures, while total fund balance represents 42.67 percent of that same amount.

General Fund Budgetary Highlights. During the year, there was a \$2,773,384 increase in appropriations between the original and final budget. Following are the main components of the increase:

- \$683,683 Police Department Building
- \$662,149 Pierce Enforcer Pumper-Fire Truck
- \$494,695 Welcome Center and Restaurant Renovations
- \$338,409 Water Street
- \$157,390 Knuckleboom-Solid Waste
- \$142,958 Firefighters Salaries & Benefits
- \$126,750 Motz Avenue Dog Park
- \$120,000 Culvert Repairs - Massapoag Road, Shell Street, and Rail-Trail
- \$26,850 System Wide Master Recreation Plan
- \$20,500 Small Business Emergency Loan Program

Revenues increases were realized from property tax collections, vehicle tax collections, sales tax collections, Federal Grants and the sale of surplus capital assets. Other areas of revenue that are associated with the Parks and Recreation Department saw a decrease in collections due to the continued effects of Covid-19.

<u>Revenue source</u>	<u>Estimated revenues</u>	<u>Actual revenues</u>	<u>Difference</u>
Local Sales & Use Tax	\$2,885,000	\$4,185,806	\$1,300,806
Vehicle Taxes & Fees	585,000	774,914	189,914
Misc. Revenue - Capital Asset Sales	16,500	75,555	59,055
Interest Income	30,000	57,750	27,750
Federal Grants	222,470	246,747	24,277
Recreation Fees	119,800	40,957	(78,843)

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

- Total governmental expenditures were approximately \$1,600,000 less than budgeted due to an overall controlling of costs in all departments and capital projects not completed by year end.
- Public safety was less than budgeted due to vacancies and lower operating costs of \$584,000. This amount includes the Boger City Department addition to public safety.
- Public works was less than budgeted due to lower operating costs for personnel costs due to retirements and other administrative costs by \$77,000, the cost of capital projects by \$15,000, and paving/street repairs by \$90,000.
- Parks and recreation was less than budgeted due to lower operating costs of \$64,000. Most of the cost savings was the result of Covid-19.
- Economic and Physical Development was less than budgeted due to unspent Brownsfield Grant Funds of \$94,000 and operation costs \$39,000.
- General government expenditures were less than budgeted due to lower operating costs of \$280,000 and the Parking Lot repair project that was not completed in the amount of \$240,000.

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. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$4,691,882, and unrestricted net position for the Electric Fund amounted to \$6,125,600. The total change in net position for both funds was \$303,996 and \$1,559,697, respectively. The change in net position in the Water and Sewer Fund is a result of a slight increase in operating revenues and an increase in depreciation expense. The change in net position in the Electric Fund is a result of a decrease in purchase for power and a one-time credit related to power purchases.

Capital Asset and Debt Administration

Capital Assets. The City of Lincolnton's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$51,073,720 (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 \$1,247,700, land of \$104,800, buildings and improvements of \$1,959,500, infrastructure of \$138,605 and construction in progress of \$607,100
- The Electric Fund had approximately \$616,600 of vehicles and equipment in current year additions.
- The Water and Sewer Fund had approximately \$338,200 of new additions for vehicles and equipment, \$256,600 for construction in progress and \$500,000 of distribution system.

<u>City of Lincolnton Capital Assets</u>						
Figure 4						
	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Land	\$ 8,820,322	\$ 8,715,555	\$ 303,903	\$ 295,397	\$ 9,124,225	\$ 9,010,952
Buildings and	7,764,413	6,061,523	7,288,487	7,571,058	15,052,900	13,632,581
Distribution systems	143,274	152,440	17,341,618	17,986,799	17,484,892	18,139,239
Infrastructure	2,230,886	2,391,173	-	-	2,230,886	2,391,173
Vehicles and	2,462,968	1,692,634	4,103,569	3,774,615	6,566,537	5,467,249
Construction in	<u>610,327</u>	<u>3,255</u>	<u>3,952</u>	<u>1,749,580</u>	<u>614,279</u>	<u>1,752,835</u>
Total	<u>\$22,032,190</u>	<u>\$19,016,581</u>	<u>\$29,041,530</u>	<u>\$31,377,450</u>	<u>\$51,073,720</u>	<u>\$50,394,031</u>

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, 2021, the City of Lincolnton had \$4,649,264 of direct placement installment purchases. The direct placement installment purchases are backed by security interest in the property for which it was issued. The remainder of the City’s debt represents bonds secured solely by specified revenue sources (e.g., revenue bonds).

City of Lincolnton Outstanding Debt

	Figure 5					
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Direct placement installment purchases	\$ 1,329,019	\$ 911,880	\$3,320,245	\$4,245,113	\$ 4,649,264	\$ 5,156,993
Revenue bonds	-	-	-	1,647,000	-	1,647,000
Compensated absences	378,605	369,615	132,931	146,253	511,536	515,868
OPEB	8,880,890	7,820,616	2,769,101	2,464,718	11,649,991	10,285,334
Pension related debt (LGERS)	2,765,089	1,896,664	937,339	695,253	3,702,428	2,591,917
Pension related debt (LEO)	<u>1,430,885</u>	<u>1,019,789</u>	<u>-</u>	<u>-</u>	<u>1,430,885</u>	<u>1,019,789</u>
Total	<u>\$14,784,488</u>	<u>\$12,018,564</u>	<u>\$7,159,616</u>	<u>\$9,198,337</u>	<u>\$21,944,104</u>	<u>\$21,216,901</u>

The City of Lincolnton’s total debt increased by \$727,203 (3.43%) during the fiscal year, primarily due to the principal payments and an increase in pension obligations.

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 \$80,325,452. The City has no bonds authorized, but un-issued, at June 30, 2021.

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 24 aging vehicles through a lease program with Enterprise.
- The 2020-21 budget included \$325,000 to complete the installation of smart meters for all electric users. The water meters project was completed, and the City is recouping previously unbilled usage of ~\$100,000, per month.
- Numerous businesses opened in Lincolnton, including Benny's Boutique, BrickTree Brewing Co., Local Roots & Provisions, and Vittles Restaurant.

Budget Highlights for the Fiscal Year Ending June 30, 2022

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 \$11,037,157.

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

Budgeted expenditures compared with the 2021 actual expenditures are expected to decrease 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.

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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, 2021

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	Lincolnton Tourism Development Authority	City of Lincolnton ABC Board
<u>Assets</u>					
Current assets:					
Cash and cash equivalents	\$ 6,895,509	\$ 10,875,789	\$ 17,771,298	\$ 524,013	\$ 316,335
Taxes receivable, net	52,600	-	52,600	-	-
Accounts receivable, net	806,971	1,406,783	2,213,754	150	-
Note receivable	206,554	-	206,554	-	-
Due from other government agencies	349,220	-	349,220	-	-
Due from component unit	-	-	-	-	-
Internal balances	(2,394,830)	2,394,830	-	-	-
Inventories	11,195	147,634	158,829	-	321,127
Prepaid items	11,500	25,000	36,500	-	15,351
Total current assets	5,938,719	14,850,036	20,788,755	524,163	652,813
Noncurrent assets:					
Restricted cash	278,938	419,923	698,861	-	-
Capital assets:					
Land and nondepreciable assets	9,430,650	307,856	9,738,506	-	425,000
Other capital assets, net of accumulated depreciation	12,601,540	28,733,674	41,335,214	48,662	1,005,539
Total noncurrent assets	22,311,128	29,461,453	51,772,581	48,662	1,430,539
Total assets	28,249,847	44,311,489	72,561,336	572,825	2,083,352
<u>Deferred Outflows of Resources</u>					
Pension deferrals	2,153,955	573,949	2,727,904	-	39,043
OPEB deferrals	965,377	301,009	1,266,386	-	-
Total deferred outflows of resources	3,119,332	874,958	3,994,290	-	39,043

cont.

CITY OF LINCOLNTON, NORTH CAROLINA

Page 2 of 2, cont.

**Statement of Net Position
June 30, 2021**

	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	\$ 257,483	\$ 678,927	\$ 936,410	\$ 450	\$ 124,923
Customer deposits -restricted	-	419,923	419,923	-	-
Unearned revenues	-	-	-	-	-
Current portion of long-term liabilities	588,872	1,115,182	1,704,054	-	-
Total current liabilities	846,355	2,214,032	3,060,387	450	124,923
Long-term liabilities					
Net pension liability	2,765,089	937,339	3,702,428	-	65,751
Total pension liability	1,430,885	-	1,430,885	-	-
Total OPEB liability	8,880,890	2,769,101	11,649,991	-	-
Due in more than one year	1,119,753	2,337,994	3,457,747	-	-
Total noncurrent liabilities	14,196,617	6,044,434	20,241,051	-	65,751
Total liabilities	15,042,972	8,258,466	23,301,438	450	190,674
Deferred Inflows of Resources					
Prepaid taxes	802	-	802	-	-
Pension deferrals	31,436	-	31,436	-	1,289
OPEB deferrals	1,248,262	389,214	1,637,476	-	-
Total deferred inflows of resources	1,280,500	389,214	1,669,714	-	1,289
Net Position					
Net investment in capital assets	20,703,171	25,721,285	46,424,456	48,662	1,430,539
Restricted for:					
Working capital	-	-	-	-	109,759
Stabilization by State Statute	1,156,191	-	1,156,191	-	-
Streets	278,229	-	278,229	-	-
Public safety	980	-	980	-	-
Economic development	-	-	-	523,713	-
Unrestricted	(7,092,864)	10,817,482	3,724,618	-	390,134
Total net position	\$ 15,045,707	\$ 36,538,767	\$ 51,584,474	\$ 572,377	\$ 1,930,432

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, 2021**

Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Position							
		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	\$ 2,336,593	\$ -	\$ 5,000	\$ -	\$ (2,331,593)	\$ -	\$ (2,331,593)	\$ -	\$ -
Public safety	6,893,445	20,038	1,295,097	-	(5,578,310)	-	(5,578,310)	-	-
Public works	1,592,569	-	293,868	401,152	(897,549)	-	(897,549)	-	-
Economic and physical development	472,536	11,950	-	-	(460,586)	-	(460,586)	-	-
Environmental protection	586,561	31,751	74,264	-	(480,546)	-	(480,546)	-	-
Cultural and recreational	938,555	40,957	5,000	-	(892,598)	-	(892,598)	-	-
Interest on long-term debt	45,071	-	-	-	(45,071)	-	(45,071)	-	-
Total governmental activities	12,865,330	104,696	1,673,229	401,152	(10,686,253)	-	(10,686,253)	-	-
Business-type activities:									
Water and sewer	6,993,463	7,624,106	-	-	-	630,643	630,643	-	-
Electric	7,336,762	8,897,302	-	-	-	1,560,540	1,560,540	-	-
Total business-type activities	14,330,225	16,521,408	-	-	-	2,191,183	2,191,183	-	-
Total primary government	\$ 27,195,555	\$ 16,626,104	\$ 1,673,229	\$ 401,152	(10,686,253)	2,191,183	(8,495,070)	-	-
Component Unit:									
Lincolnton Tourism Development Authority	\$ 24,533	\$ -	\$ 98,211	\$ -	-	-	-	73,678	-
City of Lincolnton ABC Board	2,738,379	2,853,751	-	-	-	-	-	-	115,372
Total component unit	\$ 2,762,912	\$ 2,853,751	\$ 98,211	\$ -	-	-	-	73,678	115,372

cont.

CITY OF LINCOLNTON, NORTH CAROLINA

**Statement of Activities
For the Year Ended June 30, 2021**

	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	\$ 5,556,374	\$ -	\$ 5,556,374	\$ -	\$ -
Local option sales tax	4,184,806	-	4,184,806	-	-
Franchise tax	821,540	-	821,540	-	-
Other taxes and licenses	405,575	-	405,575	-	-
Unrestricted investment earnings	59,940	69,429	129,369	3,951	552
Miscellaneous	48,363	-	48,363	-	-
Gain (loss) on sale of capital assets	54,681	22,767	77,448	-	-
Transfers	419,687	(419,687)	-	-	-
Total general revenues and transfers	<u>11,550,966</u>	<u>(327,491)</u>	<u>11,223,475</u>	<u>3,951</u>	<u>552</u>
Changes in net assets	<u>\$ 864,713</u>	<u>\$ 1,863,692</u>	<u>\$ 2,728,405</u>	<u>\$ 77,630</u>	<u>\$ 115,924</u>
Net position- beginning	\$ 14,180,994	\$ 34,675,074	\$ 48,856,068	\$ 494,747	\$ 1,814,508
Changes in net position	<u>864,713</u>	<u>1,863,692</u>	<u>2,728,405</u>	<u>77,630</u>	<u>115,924</u>
Net position- ending	<u>\$ 15,045,707</u>	<u>\$ 36,538,767</u>	<u>\$ 51,584,474</u>	<u>\$ 572,377</u>	<u>\$ 1,930,432</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, 2021**

	<u>Major Fund</u> <u>General</u> <u>Fund</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 6,895,509
Taxes receivable, net	52,600
Accounts receivable, net	806,971
Due from government agencies	349,220
Inventories	11,195
Prepaid items	11,500
Restricted cash	278,938
Total assets	<u>\$ 8,405,933</u>
<u>Liabilities</u>	
Accounts payable and accrued liabilities	\$ 249,495
Advance from other funds	<u>2,394,830</u>
Total liabilities	<u>2,644,325</u>
<u>Deferred Inflows of Resources</u>	
Property taxes receivable	52,600
Prepaid taxes	<u>802</u>
Total deferred inflows of resources	<u>53,402</u>
<u>Fund Balances</u>	
Nonspendable:	
Inventories	11,195
Prepaid expenditures	11,500
Restricted:	
Stabilization by State Statute	1,156,191
Streets - Powell Bill	278,229
Public safety - police	980
Assigned:	
Unassigned	<u>4,250,111</u>
Total fund balances	<u>5,708,206</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,405,933</u>

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, 2021**

Total Fund Balance, Governmental Funds	\$ 5,708,206
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.	206,554
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Gross capital assets at historical cost	\$ 47,393,532
Accumulated depreciation	<u>(25,361,342)</u> 22,032,190
Deferred outflows of resources related to the following are not reported in the funds:	
Pensions	2,153,955
OPEB	965,377
Earned revenues considered deferred inflows of resources in the fund statements.	
Property taxes receivable	52,600
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	(7,989)
Long-term debt	(1,329,019)
Compensated absences	(379,605)
Net pension liability	(2,765,089)
Total pension liability	(1,430,885)
OPEB liability	(8,880,890)
Deferred inflows of resources related to the following are not reported in the funds:	
Pensions	(31,436)
OPEB	<u>(1,248,262)</u>
Net position of governmental activities	<u>\$ 15,045,707</u>

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 Balances
Governmental Funds
For the Year Ended June 30, 2021**

	<u>Major Fund</u>
	<u>General</u>
	<u>Fund</u>
Revenues:	
Ad valorem taxes	\$ 5,605,996
Other taxes and licenses	1,216,803
Unrestricted intergovernmental revenues	5,323,877
Restricted intergovernmental revenues	544,468
Permits and fees	30,501
Sales and services	75,982
Investment earnings	57,750
Miscellaneous	116,393
Total revenues	<u>12,971,770</u>
Expenditures:	
General government	2,047,976
Public safety	7,708,278
Public works	1,402,534
Economic and physical development	977,246
Environmental protection	641,937
Cultural and recreational	974,988
Debt service:	
Principal retirement	402,337
Interest and other charges	42,702
Total expenditures	<u>14,197,998</u>
Revenues over (under) expenditures	<u>(1,226,229)</u>
Other Financing Sources (Uses):	
Issuance of debt	819,539
Contribution from Boger City Fire	401,152
Transfers - in	419,687
Total other financing sources (uses)	<u>1,640,378</u>
Net changes in fund balances	<u>\$ 414,149</u>
Fund balances, July 1, originally stated	\$ 6,848,623
Prior period adjustment	<u>(1,557,806)</u>
Fund balances, July 1, restated	5,290,817
Net changes in fund balances	414,149
Increase (decrease) in inventory	<u>3,240</u>
Fund balances, June 30	<u>\$ 5,708,206</u>

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

CITY OF LINCOLN, 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, 2021**

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

Net change in fund balances - total governmental funds	\$ 414,149
Change in fund balance due to change in reserve for inventory	3,240

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	2,503,095
Depreciation expense	(1,045,295)
Gain (loss) on sale of capital assets	54,681
Proceeds from sale of capital assets	(54,681)

Contributions to the pension plan in the current year fiscal year are not included on the Statement of Activities	611,214
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Benefit payments paid and administrative expenses for the LEOSA are not included in the Statement of Activities	88,880
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OPEB benefit payments and administrative costs made in the current fiscal year are not included in the Statement of Activities	444,411
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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	(49,622)

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.

New long-term debt issued	(819,539)
Principal payments on long-term debt	402,337
Accrued interest payable	(2,369)
Loans receivable issued	20,500
Loans principal received	(12,946)

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	(9,990)
Pension expense	(1,193,363)
OPEB plan expense	(489,989)

Change in net position of governmental activities	<u>\$ 864,713</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, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 5,508,000	\$ 5,508,000	\$ 5,605,996	\$ 97,996
Other taxes and licenses	1,144,000	1,144,000	1,216,803	72,803
Unrestricted intergovernmental revenues	4,011,470	5,211,470	5,323,877	112,407
Restricted intergovernmental revenues	947,700	536,519	544,468	7,949
Permits and fees	38,500	13,500	30,501	17,001
Sales and services	142,800	142,800	75,982	(66,818)
Investment earnings	31,000	31,000	57,750	26,750
Miscellaneous	61,935	61,934	116,393	54,459
Total revenues	<u>11,885,405</u>	<u>12,649,223</u>	<u>12,971,770</u>	<u>322,547</u>
Expenditures:				
General government	2,004,201	2,535,473	2,047,976	487,497
Public safety	6,606,220	8,280,375	7,708,278	572,097
Public works	1,577,256	1,495,040	1,402,534	92,506
Economic and physical development	631,620	1,139,384	977,246	162,138
Environmental protection	692,375	692,375	641,937	50,438
Cultural and recreational	1,038,663	1,038,813	974,988	63,825
Debt service:				
Principal retirement	301,000	420,213	402,337	17,876
Interest and other charges	33,757	56,803	42,702	14,101
Total expenditures	<u>12,885,092</u>	<u>15,658,476</u>	<u>14,197,998</u>	<u>1,460,478</u>
Revenues over (under) expenditures	<u>(999,687)</u>	<u>(3,009,253)</u>	<u>(1,226,229)</u>	<u>1,783,024</u>
Other Financing Sources (Uses):				
Issuance of debt	175,000	837,149	819,539	(17,610)
Appropriated fund balance	405,000	1,752,417	-	(1,752,417)
Contribution from Boger City Fire	-	-	401,152	401,152
Transfers in	419,687	419,687	419,687	-
Transfer out	-	-	-	-
Total other financing sources (uses)	<u>999,687</u>	<u>3,009,253</u>	<u>1,640,378</u>	<u>(1,368,875)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 414,149</u>	<u>\$ 414,149</u>
Fund balance, July 1, originally stated			\$ 6,848,623	
Prior period adjustment			<u>(1,557,806)</u>	
Fund balance, July 1, restated			5,290,817	
Net change in fund balance			414,149	
Increase (decrease) in reserve for inventory			3,240	
Fund balance, June 30			<u>\$ 5,708,206</u>	

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

CITY OF LINCOLN, NORTH CAROLINA

**Statement of Fund Net Position
Proprietary Funds
June 30, 2021**

	Business-type Activities		
	Enterprise Funds		Total
	Water and Sewer Fund	Electric Fund	
Assets			
Current assets:			
Cash and cash equivalents	\$ 6,769,052	\$ 4,106,737	\$ 10,875,789
Accounts receivable	718,035	688,748	1,406,783
Advance to other funds	-	61,756	61,756
Inventories	88,531	59,103	147,634
Prepaid expenses	-	25,000	25,000
Total current assets	<u>7,575,618</u>	<u>4,941,344</u>	<u>12,516,962</u>
Noncurrent assets:			
Restricted cash and cash equivalents	125,118	294,805	419,923
Advance to other funds	-	2,333,074	2,333,074
Capital assets, net of accumulated depreciation	26,622,133	2,419,397	29,041,530
Total noncurrent assets	<u>26,747,251</u>	<u>5,047,276</u>	<u>31,794,527</u>
Total assets	<u>34,322,869</u>	<u>9,988,620</u>	<u>44,311,489</u>
Deferred Outflows of Resources			
Pension deferrals	434,200	139,749	573,949
OPEB deferrals	255,679	45,330	301,009
Total deferred outflows of resources	<u>689,879</u>	<u>185,079</u>	<u>874,958</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	79,858	599,069	678,927
Customer deposits - restricted	125,118	294,805	419,923
Loans payable - current	1,033,728	-	1,033,728
Accrued compensated absences	63,437	18,017	81,454
Total current liabilities	<u>1,302,141</u>	<u>911,891</u>	<u>2,214,032</u>
Noncurrent liabilities:			
Bonds payable	-	-	-
Loans payable	2,286,517	-	2,286,517
Total OPEB liability	2,352,093	417,008	2,769,101
Accrued compensated absences	38,517	12,960	51,477
Net pension liability	709,109	228,230	937,339
Total noncurrent liabilities	<u>5,386,236</u>	<u>658,198</u>	<u>6,044,434</u>
Total liabilities	<u>6,688,377</u>	<u>1,570,089</u>	<u>8,258,466</u>
Deferred Inflows of Resources			
OPEB deferrals	330,601	58,613	389,214
	<u>330,601</u>	<u>58,613</u>	<u>389,214</u>
Net Position			
Net investment in capital assets	23,301,888	2,419,397	25,721,285
Unrestricted	4,691,882	6,125,600	10,817,482
Total net position	<u>\$ 27,993,770</u>	<u>\$ 8,544,997</u>	<u>\$ 36,538,767</u>

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

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CITY OF LINCOLNTON, NORTH CAROLINA

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2021**

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer <u>Fund</u>	Electric <u>Fund</u>	<u>Total</u>
Operating Revenues:			
Electricity sales	\$ -	\$ 6,650,567	\$ 6,650,567
Water sales	3,204,632	-	3,204,632
Sewer charges	4,010,275	-	4,010,275
Water and sewer taps	110,625	-	110,625
Electricity - municipal operations	-	500,875	500,875
Other operating revenues	298,574	1,745,860	2,044,434
Total operating revenues	<u>7,624,106</u>	<u>8,897,302</u>	<u>16,521,408</u>
Operating Expenses:			
Electrical operations	-	1,703,749	1,703,749
Electrical power purchases	-	4,978,896	4,978,896
Water treatment plant	1,374,335	-	1,374,335
Water and sewer distribution maintenance	1,385,806	-	1,385,806
Waste treatment plant	1,599,689	-	1,599,689
Administrative	600,000	400,000	1,000,000
Depreciation	1,901,589	254,117	2,155,706
Other operating expenses	-	-	-
Total operating expenses	<u>6,861,419</u>	<u>7,336,762</u>	<u>14,198,181</u>
Operating income (loss)	<u>762,687</u>	<u>1,560,540</u>	<u>2,323,227</u>
Nonoperating Revenues (Expenses):			
Investment earnings	39,807	29,622	69,429
Gain (loss) on sale disposition of assets	22,767	-	22,767
Interest on long term debt	(132,043)	-	(132,043)
Total nonoperating revenues (expenses)	<u>(69,469)</u>	<u>29,622</u>	<u>(39,847)</u>
Income (loss) before transfers and capital contributions	693,218	1,590,162	2,283,380
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>\$ 303,996</u>	<u>\$ 1,559,697</u>	<u>\$ 1,863,693</u>
Total net position - beginning	\$ 27,689,774	\$ 6,985,300	\$ 34,675,074
Changes in net position	303,996	1,559,697	1,863,693
Total net position - ending	<u>\$ 27,993,770</u>	<u>\$ 8,544,997</u>	<u>\$ 36,538,767</u>

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

CITY OF LINCOLN, NORTH CAROLINA

Page 1 of 2

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021**

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
Cash Flows From Operating Activities:			
Cash received from customers and users	\$ 7,602,311	\$ 8,784,044	\$ 16,386,355
Customer deposits received	3,130	8,381	11,511
Cash paid for goods and services	(2,695,859)	(6,365,248)	(9,061,107)
Cash paid to or on behalf of employees for services	(2,244,230)	(665,572)	(2,909,802)
Net cash provided (used) by operating activities	<u>2,665,352</u>	<u>1,761,605</u>	<u>4,426,957</u>
Cash Flows From Non-Capital Financing Activities:			
Advance to General Fund	-	-	-
Repayment from General Fund	-	117,135	117,135
Transfers - in (out)	(389,222)	(30,465)	(419,687)
Net cash provided (used) by non-capital financing activities	<u>(389,222)</u>	<u>86,670</u>	<u>(302,552)</u>
Cash Flows From Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(761,031)	(616,565)	(1,377,596)
Proceeds from sale of capital assets	22,767	-	22,767
Proceeds from borrowing	146,463	-	146,463
Principal paid on long-term debt	(2,718,331)	-	(2,718,331)
Interest paid on long-term debt	(139,486)	-	(139,486)
Net cash provided (used) by capital and related financing activities	<u>(3,449,618)</u>	<u>(616,565)</u>	<u>(4,066,183)</u>
Cash Flows From Investing Activities:			
Investment earnings	39,807	29,622	69,429
Net cash provided (used) by investing activities	<u>39,807</u>	<u>29,622</u>	<u>69,429</u>
Net increase (decrease) in cash and cash equivalents	(1,133,681)	1,261,332	127,651
Cash and cash equivalents at beginning of year	8,027,851	3,140,210	11,168,061
Cash and cash equivalents at end of year	<u>\$ 6,894,170</u>	<u>\$ 4,401,542</u>	<u>\$ 11,295,712</u>

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CITY OF LINCOLNTON, NORTH CAROLINA

Page 2 of 2, cont.

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021**

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer <u>Fund</u>	Electric <u>Fund</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash			
Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 762,687	\$ 1,560,540	\$ 2,323,227
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	1,901,589	254,117	2,155,706
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(21,795)	(113,258)	(135,053)
(Increase) decrease in inventory	(12,998)	(884)	(13,882)
(Increase) decrease in prepaid expense	-	-	-
Increase (decrease) in accounts payable and other accrued liabilities	9,214	(10,989)	(1,775)
Increase (decrease) in accrued vacation pay	(10,177)	(3,143)	(13,320)
Increase (decrease) in OPEB liability	222,476	81,907	304,383
Increase (decrease) in deferred outflows of resources - OPEB	(199,992)	(36,567)	(236,559)
Increase (decrease) in deferred inflows of resources - OPEB	(78,409)	(5,746)	(84,155)
Increase (decrease) in deferred outflows of resources - pensions	(94,225)	(27,391)	(121,616)
Increase (decrease) in net pension liability	186,553	55,531	242,084
Increase (decrease) in deferred inflows of resources - pensions	(2,701)	(893)	(3,594)
Increase (decrease) in customer deposits	3,130	8,381	11,511
Net cash provided (used) by operating activities	<u>\$ 2,665,352</u>	<u>\$ 1,761,605</u>	<u>\$ 4,426,957</u>
Supplemental Schedule of Non Cash Financing Activities:			
Acquisition of capital assets through issuance of debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Additional advance with the transfer of assets	<u>\$ -</u>	<u>\$ 1,557,809</u>	<u>\$ -</u>

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

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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.

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CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2021

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. Eliminations 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.

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2021

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 fund:

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.

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.

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2021

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.

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2021

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 Lincolnton, 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 Lincolnton Tourism Development Authority (a discretely presented component unit). All annual appropriations lapse at the fiscal year-end. The enterprise fund projects are consolidated with their respective operating fund 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 SuperNOW 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, 2021, 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.

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2021**

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 Lincolnton Restricted Cash	
Governmental activities	
General Fund	
Streets	\$277,958
Public safety	<u>980</u>
	<u>278,938</u>
Business-type activities	
Water and Sewer Fund	
Customer deposits	125,118
Electric Fund	
Customer deposits	<u>294,805</u>
Total business-type activities	<u>419,923</u>
Total restricted cash	<u><u>\$698,861</u></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, 2020. 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.

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2021**

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
Buildings	25-50
Improvements	8-25
Vehicles	4-6
Furniture and equipment	5-15
Computer equipment	5

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2021**

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
Improvements and equipment	5-10

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has two items that meet this criterion, pension and other post-employment deferrals for the 2021 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has only four items that meet the criterion for this category - prepaid taxes, property taxes receivable, pension and other post-employment deferrals.

9. Long-Term Obligations

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

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2021

10. 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.

11. 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.

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements

June 30, 2021

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 Lincolnton'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 Lincolnton 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.

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2021

The City of Lincolnton 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.

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Lincolnton's employer contributions are recognized when due, and the City of Lincolnton 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.

II. Stewardship, Compliance, and Accountability

A. Noncompliance with North Carolina General Statutes

General Provisions of a Public Enterprise - G.S. 160A-311 allows a government to own/operate a "public enterprise" which includes electric power generation, transmission and distributions systems. The City spent electric funds for the construction of a police station, visitor center and restaurant improvement project which does not meet the definition of a public enterprise.

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2021

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 undercollateralization. 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, 2021, the City's deposits had a carrying amount of \$11,704,128 and a bank balance of \$12,033,455. 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, 2021, the City's petty cash fund totaled \$1,350.

At June 30, 2021, the ABC Board had a carrying amount of \$311,535 and a bank balance of \$316,636. Of the bank balance, \$250,000 was covered by federal depository insurance. At June 30, 2021, the ABC Board had cash on hand of \$4,800.

At June 30, 2021, the LTDA had a carrying amount of \$524,013 and a bank balance of \$524,013. Of the bank balance \$250,000 was covered by federal depository insurance.

CITY OF LINCOLN, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2021**

2. Investments

<u>Investment by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/20</u>	<u>Maturity</u>	<u>Rating</u>
N. C. Capital Management Trust - Government Portfolio	Fair Value Level 1	<u>\$ 6,764,681</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, 2021.

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>\$124,000</u>
Enterprise Funds:	
Water and Sewer Fund	105,845
Electric Fund	<u>121,386</u>
Total Enterprise Funds	<u>227,231</u>
Total	<u>\$351,231</u>

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2021**

4. Capital Assets

Primary Government

Capital asset activity for the primary government for the year ended June 30, 2021 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 8,715,555	\$ 104,767	\$ -	\$ 8,820,322
Construction in progress	<u>3,255</u>	<u>685,244</u>	<u>78,172</u>	<u>610,327</u>
Total capital assets not being depreciated	<u>8,718,810</u>	<u>\$ 790,011</u>	<u>\$ 78,172</u>	<u>9,430,650</u>
Capital assets being depreciated:				
Building	8,627,934	\$ 1,959,527	\$ -	10,587,461
Other improvements	3,394,057	141,860	-	3,535,917
Plant and distribution systems	239,075	-	-	239,075
Furniture and equipment	2,654,561	426,076	-	3,080,637
Vehicles and motorized equipment	6,365,317	821,601	324,146	6,862,773
Infrastructure	<u>13,657,019</u>	<u>-</u>	<u>-</u>	<u>13,657,019</u>
Total capital assets being depreciated	<u>34,937,964</u>	<u>\$3,349,065</u>	<u>\$324,146</u>	<u>37,962,882</u>
Less accumulated depreciation for:				
Building	4,235,187	\$ 248,783	\$ -	4,483,970
Other improvements	1,725,281	149,714	-	1,874,995
Plant and distribution systems	86,635	9,166	-	95,801
Furniture and equipment	1,856,400	168,967	-	2,025,367
Vehicles and motorized equipment	5,470,844	308,377	324,146	5,455,075
Infrastructure	<u>11,265,846</u>	<u>160,287</u>	<u>-</u>	<u>11,426,133</u>
Total accumulated depreciation	<u>24,640,193</u>	<u>\$1,045,294</u>	<u>\$324,146</u>	<u>25,361,341</u>
Total capital assets being depreciated, net	<u>10,297,771</u>			<u>12,601,540</u>
Governmental activity capital assets, net	<u>\$19,016,581</u>			<u>\$22,032,190</u>

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

General government	\$ 421,549
Public safety	316,254
Public works	139,224
Economic and physical development	-
Environmental protection	81,043
Cultural and recreational	<u>87,225</u>
Total depreciation expense	<u>\$1,045,294</u>

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2021**

	<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	\$ 122,600	\$ 8,507	\$ -	\$ 131,107
Construction in progress	<u>191,771</u>	<u>256,644</u>	<u>444,463</u>	<u>3,952</u>
Total capital assets not being depreciated	<u>314,371</u>	<u>\$ 265,151</u>	<u>\$ 444,463</u>	<u>135,059</u>
Capital assets being depreciated:				
Building and improvements	14,215,117	\$ 102,141	\$ -	14,317,258
Plant and distribution systems	47,076,931	500,012	-	47,576,943
Furniture and equipment	10,419,440	338,189	-	10,757,629
Vehicles	<u>719,516</u>	<u>-</u>	<u>94,520</u>	<u>624,996</u>
Total capital assets being depreciated	<u>72,431,004</u>	<u>\$ 940,342</u>	<u>\$ 94,520</u>	<u>73,276,826</u>
Less accumulated depreciation for:				
Building and improvements	7,257,200	\$ 333,371	\$ -	7,590,571
Plant and distribution systems	29,866,936	1,085,490	-	30,952,426
Furniture and equipment	7,416,587	407,095	-	7,823,682
Vehicles	<u>441,961</u>	<u>75,632</u>	<u>94,521</u>	<u>423,072</u>
Total accumulated depreciation	<u>44,982,684</u>	<u>\$ 1,901,589</u>	<u>\$ 94,521</u>	<u>46,789,752</u>
Total capital assets being depreciated, net	<u>27,448,320</u>			<u>26,487,074</u>
Water and Sewer Fund capital assets, net	<u>27,762,691</u>			<u>26,622,133</u>
Electric Fund:				
Capital assets not being depreciated:				
Land	172,796	\$ -	\$ -	172,796
Construction in progress	<u>1,557,809</u>	<u>-</u>	<u>1,557,809</u>	<u>-</u>
Total capital assets not being depreciated	<u>1,730,605</u>	<u>\$ 162,576</u>	<u>\$ 1,557,809</u>	<u>172,796</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	601,247	328,356	-	929,603
Vehicles	<u>660,347</u>	<u>288,209</u>	<u>-</u>	<u>948,556</u>
Total capital assets being depreciated	<u>6,253,714</u>	<u>\$ 616,565</u>	<u>\$ -</u>	<u>6,870,279</u>
Less accumulated depreciation for:				
Building and improvements	\$ 482,603	\$ 51,341	\$ -	\$ 533,944
Plant and distribution systems	3,119,572	59,703	-	3,179,275
Furniture and equipment	128,639	98,985	-	227,624
Vehicles	<u>638,748</u>	<u>44,089</u>	<u>-</u>	<u>682,837</u>
Total accumulated depreciation	<u>4,369,561</u>	<u>\$ 254,117</u>	<u>\$ -</u>	<u>4,623,679</u>
Total capital assets being depreciated, net	<u>1,884,153</u>			<u>2,246,600</u>
Electric Fund capital assets, net	<u>3,614,757</u>			<u>2,419,397</u>
Business-type activities capital assets, net	<u>\$31,377,448</u>			<u>\$29,041,530</u>

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2021**

The City has active construction projects as of June 30, 2021. At year-end, the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Police Building Renovation	\$2,326,935	\$ -
Public Restrooms/Welcome Center	559,424	7,650
Dog Park	126,750	-
Smart Meter Project	<u>1,657,512</u>	<u>120,000</u>
Total	<u>\$4,670,621</u>	<u>\$127,650</u>

Discretely Presented Component Units:

Activity for the City of Lincolnton ABC Board for the year ended June 30, 2021 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	<u>\$ -</u>	<u>\$ -</u>	\$ 425,000
Capital assets being depreciated:				
Building and improvements	1,346,853	\$ 7,750	\$ -	1,354,603
Equipment	<u>200,967</u>	<u>4,601</u>	<u>-</u>	<u>205,568</u>
Total capital assets being depreciated	<u>1,547,820</u>	<u>\$12,351</u>	<u>\$ -</u>	<u>1,560,171</u>
Less accumulated depreciation for:				
Building and improvements	366,794	\$35,386	\$ -	402,180
Equipment	<u>132,479</u>	<u>19,973</u>	<u>-</u>	<u>152,452</u>
Total accumulated depreciation	<u>499,273</u>	<u>\$55,359</u>	<u>\$ -</u>	<u>554,632</u>
Total capital assets being depreciated, net	<u>1,048,547</u>			<u>1,005,539</u>
Capital assets, net	<u>\$1,473,547</u>			<u>\$1,430,539</u>

Activity for the Lincolnton Tourism Development Authority for the year ended June 30, 2021 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	\$ -	<u>\$ -</u>	<u>\$ -</u>	\$ -
Capital assets being depreciated:				
Equipment	<u>57,249</u>	<u>\$ -</u>	<u>\$ -</u>	<u>57,249</u>
Less accumulated depreciation for:				
Equipment	<u>5,724</u>	<u>\$ 2,862</u>	<u>\$ -</u>	<u>8,586</u>
Total capital assets being depreciated,	<u>51,525</u>			<u>48,662</u>
Capital assets, net	<u>\$ 51,525</u>			<u>\$ 48,662</u>

CITY OF LINCOLN, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2021**

B. Liabilities

1. Accounts Payable and Accrued Liabilities

Payables at the government-wide level at June 30, 2021 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Other</u>	<u>Total</u>
Governmental activities:					
General	\$105,698	\$143,796	\$ 7,989	\$ -	\$257,483
Other governmental	-	-	-	-	-
Total governmental activities	<u>105,698</u>	<u>143,796</u>	<u>7,989</u>	<u>-</u>	<u>257,483</u>
Business-type activities:					
Water and Sewer	66,656	-	13,202	-	79,858
Electric	<u>566,090</u>	<u>-</u>	<u>-</u>	<u>32,979</u>	<u>599,069</u>
Total business-type activities	<u>632,746</u>	<u>-</u>	<u>13,202</u>	<u>32,979</u>	<u>678,927</u>
Total	<u>\$738,444</u>	<u>\$143,796</u>	<u>\$21,191</u>	<u>\$32,979</u>	<u>\$936,410</u>

2. Pension Plan and Post-employment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The City of Lincoln 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.

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2021

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, 2021 was 10.84% of compensation for law enforcement officers and 10.23% 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 \$818,409 for the year ended June 30, 2021.

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.

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2021**

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

At June 30, 2021, the City reported a liability of \$3,702,428 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, 2020 (measurement date), the City's proportion was 0.10361%, which was an increase of 0.00870% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City recognized pension expense of \$1,344,758. At June 30, 2021, 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>
Differences between expected and actual experience	\$ 467,552	\$ -
Changes of assumptions	275,533	-
Net difference between projected and actual earnings on pension plan investments	521,017	-
Changes in proportion, and differences between, City contributions and proportionate share of contributions	184,553	-
City contributions subsequent to the measurement date	<u>818,409</u>	<u>-</u>
Total	<u>\$2,267,064</u>	<u>\$ -</u>

\$818,409, 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2022	\$426,214
2023	534,460
2024	333,788
2025	154,194
2026	-
Thereafter	-

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements

June 30, 2021

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

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

CITY OF LINCOLN, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2021**

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

Sensitivity of the City's proportionate share of the net pension 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 7.00 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	<u>\$7,511,820</u>	<u>\$3,702,427</u>	<u>\$536,553</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.

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2021**

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, 2019, 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, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 percent

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2021**

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 \$98,325 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, 2021, the City reported a total pension liability of \$1,430,885. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the City recognized pension expense of \$93,991.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 36,329	\$17,329
Changes of assumptions	383,638	14,107
City benefit payments and plan administrative expense made subsequent to the measurement date	<u>40,874</u>	<u>-</u>
Total	<u>\$460,841</u>	<u>\$31,436</u>

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2021**

\$40,874, 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:

2022	\$104,535
2023	92,929
2024	83,221
2025	81,164
2026	26,682
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 1.93 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 (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	<u>\$1,543,700</u>	<u>\$1,430,885</u>	<u>\$132,788</u>

Law Enforcement Officers' Special Separation Allowance

Beginning balance	\$1,019,789
Service cost	46,812
Interest on the total pension liability	31,642
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of total pension liability	(11,339)
Changes of assumptions or other inputs	442,306
Benefit payments	(98,325)
Other changes	-
Ending balance of the total pension liability	<u>\$1,430,885</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, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2021**

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>Total</u>
Pension expense	\$1,344,758	\$ 93,991	\$1,438,749
Pension liability	3,702,428	1,430,885	5,133,313
Proportionate share of the net pension liability	0.10361%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	467,552	36,329	503,881
Changes of assumptions	275,533	383,638	659,171
Net difference between projected and actual earnings on plan investments	521,017	-	521,017
Changes in proportion, and differences between, contributions and proportionate share of contributions	184,553	-	184,553
Benefit payments and administrative costs paid subsequent to the measurement date	818,409	40,874	859,283
Deferred Inflows of Resources			
Differences between expected and actual experience	-	17,329	17,329
Changes of assumptions	-	14,107	14,107
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion, and differences between, contributions and proportionate share of contributions	-	-	-

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2021

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 \$82,129 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 Lincolnton, 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.

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2021

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, 2021, the State contributed \$18,302,000 to the plan. The City of Lincolnton's proportionate share of the State's contribution is \$15,304.

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, 2021, 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 \$29,360. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, 2021 and at June 30, 2020 was 0%.

For the year ended June 30, 2021, the City recognized pension expense of \$11,885 and revenue of \$8,275 for support provided by the State. At June 30, 2021, the City reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

CITY OF LINCOLN, NORTH CAROLINA

Notes to the Financial Statements
June 30, 2021

Actuarial Assumptions. The total pension liability in the December 31, 2019 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.

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements

June 30, 2021

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, 2020, 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	126
Active employees-Law Enforcement Officers	<u>34</u>
Total	<u>199</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.

CITY OF LINCOLN, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2021**

Total OPEB Liability

The City's total OPEB liability of \$11,649,991 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2020 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 7.75 percent, average, including inflation
Discount Rate	2.21 percent
Healthcare cost trend rates	Pre-Medicare - 7.00% for 2019 decreasing to an ultimate rate of 4.50% by 2026

The discount rate is based on the Municipal Bond Index Rate as of the measurement date.

Changes in the Total OPEB Liability

	Total OPEB
Balance at July 1, 2020	<u>\$10,285,334</u>
Changes for the year	
Service cost	370,272
Interest	363,341
Changes of benefit terms	-
Differences between expected and actual experience	(28,075)
Changes in assumptions or other inputs	1,212,786
Benefit payments	<u>(553,667)</u>
Net changes	<u>1,364,657</u>
Balance at June 30, 2021	<u>\$11,649,991</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.50% 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-2015.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2021**

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 (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current rate:

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability	<u>\$12,706,624</u>	<u>\$11,649,991</u>	<u>\$10,695,799</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>\$10,380,514</u>	<u>\$11,649,991</u>	<u>\$13,148,097</u>

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

For the year ended June 30, 2021, the City recognized OPEB expense of \$582,981. At June 30, 2021, 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	\$ 57,431	\$1,229,787
Changes of assumptions	<u>1,208,955</u>	<u>407,689</u>
Total	<u>\$1,266,386</u>	<u>\$1,637,476</u>

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2021**

\$-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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2022	\$(150,632)
2023	(150,632)
2024	(128,476)
2025	(61,334)
2026	(35,204)
Thereafter	(155,188)

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 months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan, and not by the City, the City does not determine the number of eligible participants. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The City considers these contributions to be immaterial. 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.

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2021**

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	\$ 818,409
Benefit payments and administrative expenses for LEOSA made subsequent to the measurement date	40,874
Benefit payments and administrative expenses for OPEB made subsequent to the measurement date	561,312
Differences between expected and actual experience	1,868,126
Changes of assumptions	521,017
Net difference between projected and actual	-
Changes in proportion, and differences between, employer contributions and proportionate share of contributions	184,553
Charge on refunding	-
Total	<u>\$3,994,290</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)	\$ 802	\$ 802
Taxes Receivable, less penalties (General Fund)	-	53,600
Changes in assumptions	421,796	-
Differences between expected and actual experience	1,247,116	-
Changes in proportion, and differences between, employer contributions and proportionate share of contributions	-	-
Total	<u>\$1,669,714</u>	<u>\$54,402</u>

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2021

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.

CITY OF LINCOLN, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2021**

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. \$ 52,312

\$1,025,000, 2017, 1.65% installment purchase payable to bank in annual installments of \$154,395 to \$153,492, due in 2022, secured by vehicles. 151,000

\$275,589, 2019, 2.68% installment purchase payable to bank in annual installments of \$71,868, due in 2021, secured by equipment. -

\$250,000, 2020, 2.99% installment purchase payable to bank in annual installments of \$39,087, due in 2026, secured by equipment. 179,945

\$309,000, 2020, 2.99% installment purchase payable to bank in annual installments of \$48,312, due in 2026, secured by equipment. 223,311

\$662,149, 2021, 2.49% loan payable to a bank in annual installments of \$102,676, due in 2027, secured by equipment. 565,061

\$157,390, 2021, 3.06% loan payable to a bank in annual installments of \$25,361, due in 2028, secured by equipment. 157,390

1,329,019

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. 1,815,782

\$146,463, 2021, 3.06% loan payable to a bank in semi-annual installments of \$23,601, due in 2028, secured by equipment. 146,463

1,962,245

Total \$3,291,264

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2021**

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 Lincolnton 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 2021, 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, 2021:

\$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. \$1,358,000

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

	Direct Placement		Revolving Loans		Total Debt Due	
	Installment Purchase		Principal	Interest	Principal	Interest
	Principal	Interest				
Governmental activities:						
2022	\$ 347,998	\$ 35,854	\$ -	\$ -	\$ 347,998	\$ 35,854
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	209,021	9,787	-	-	209,021	9,787
2027	<u>148,602</u>	<u>4,797</u>	-	-	<u>148,602</u>	<u>4,797</u>
Total governmental	<u>1,329,019</u>	<u>115,462</u>	-	-	<u>1,329,019</u>	<u>115,462</u>
Business-type activities:						
2022	361,728	58,994	672,000	27,160	1,033,728	86,154
2023	372,599	48,123	686,000	13,720	1,058,599	61,843
2024	383,788	36,933	-	-	383,788	36,933
2025	395,332	25,390	-	-	395,332	25,390
2026	403,708	13,509	-	-	403,708	13,509
2027-2031	<u>45,090</u>	<u>2,111</u>	-	-	<u>45,090</u>	<u>2,111</u>
Total business-type	<u>1,962,245</u>	<u>185,060</u>	<u>1,358,000</u>	<u>40,880</u>	<u>3,320,246</u>	<u>225,940</u>
Total	<u>\$3,291,264</u>	<u>\$ 300,522</u>	<u>\$1,358,000</u>	<u>\$40,880</u>	<u>\$4,649,265</u>	<u>\$ 341,402</u>

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2021**

At June 30, 2021, the City of Lincolnton had no bonds authorized but un-issued and a legal debt margin of \$80,325,452.

Changes in Long-Term Liabilities

	<u>Balance</u> <u>July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Current</u> <u>Portion of</u> <u>Balance</u>
Governmental activities:					
Compensated absences	\$ 369,615	\$ 260,459	\$ 251,469	\$ 378,605	\$ 240,874
Total pension liability (LEO)	1,019,789	509,421	98,325	1,430,885	-
Total OPEB liability	7,820,616	1,060,274	-	8,880,890	-
Net pension liability (LGERS)	1,896,664	868,425	-	2,765,089	-
Direct placement installment purchase	<u>911,880</u>	<u>819,539</u>	<u>402,400</u>	<u>1,329,019</u>	<u>347,998</u>
Governmental activities long-term liabilities	<u>\$12,018,564</u>	<u>\$3,518,118</u>	<u>\$ 752,194</u>	<u>\$14,784,488</u>	<u>\$ 588,872</u>
Business-type activities:					
Water and Sewer Fund:					
Compensated absences	\$ 112,132	\$ 62,068	\$ 72,246	\$ 101,954	\$ 63,437
Total OPEB liability	2,129,617	222,476	-	2,352,093	-
Net pension liability (LGERS)	522,555	186,554	-	709,109	-
Revenue bonds	1,647,000	-	1,647,000	-	-
Revolving loans	2,101,000	-	743,000	1,358,000	672,000
Direct placement installment purchase	<u>2,144,113</u>	<u>146,463</u>	<u>328,331</u>	<u>1,962,245</u>	<u>361,728</u>
Water and Sewer Fund Long-term liabilities	<u>8,656,417</u>	<u>617,561</u>	<u>2,790,577</u>	<u>6,483,401</u>	<u>1,097,165</u>
Electric Fund:					
Compensated absences	34,121	14,797	17,941	30,977	18,017
Total OPEB liability	335,101	81,907	-	417,008	-
Net pension liability (LGERS)	<u>172,698</u>	<u>55,532</u>	<u>-</u>	<u>228,230</u>	<u>-</u>
Electric Fund long-term liabilities	<u>541,920</u>	<u>152,236</u>	<u>17,941</u>	<u>676,215</u>	<u>18,017</u>
Business-type activities long-term liabilities	<u>\$ 9,198,336</u>	<u>\$ 769,797</u>	<u>\$2,808,518</u>	<u>\$ 7,159,616</u>	<u>\$1,115,182</u>

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2021**

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, 2021:

\$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.	\$ 892,400
\$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.	1,054,429
\$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>448,000</u>
Total advances to other funds	2,394,829
Due within one year	<u>61,756</u>
Due in more than one year	<u>\$2,333,074</u>

Transfers To/From Other Funds

The composition of transfers as of June 30, 2021 is as follows:

	<u>General Fund</u>	<u>Transfers In Electric Rate Stabilization 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>\$419,687</u>	<u>\$ -</u>	<u>\$419,687</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, 2021, 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.

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements

June 30, 2021

D. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2021, the City of Lincolnton has recognized on-behalf payments for pension contributions made by the State as a revenue and an expenditure of \$11,885 for the 33 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, 2021. 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	\$22,032,190	\$29,041,530
Less: long-term debt	<u>(1,329,019)</u>	<u>(3,320,245)</u>
	<u>\$20,703,171</u>	<u>\$25,721,285</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	\$5,708,206
Less:	
Inventories	11,195
Prepaid	11,500
Stabilization by State Statute	1,156,191
Streets-Powell Bill	278,229
Police	980
Appropriated Fund Balance in 2021 Budget	-
Remaining Fund Balance	4,250,111

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-

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2021**

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, 2021 were \$4,978,896.

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 \$4,600 to the Council during the fiscal year ended June 30, 2021.

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, 2021. 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, 2021. 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, 2021, 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, 2021. 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.

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements
June 30, 2021

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. Prior Period Adjustment

N. C. G.S. 160A-311 allows a local government to own/operate public enterprises. This includes "electric power generation, transmission, and distribution systems." The City spent Electric Fund resources of \$1,557,806 in 2019-2020 to help in the construction of a Police Station, Visitor Center and Restaurant Improvement Project. These expenses are not allowed per the above statute. The General Fund is reimbursing the Electric Fund for the expenditures, plus interest at a rate of 1.5%, to be repaid over fifteen years, See Note III C.

VIII. Significant Effects of Subsequent Events

Management has evaluated subsequent events through January 11, 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 event occurred that requires recognition or disclosure in these financial statements.

The City purchased the Lincoln Times Building in August as a part of the Parking Lot Project on Water Street at a cost of \$125,000.

The City received a \$50,000 grant in November from the Timken Foundation of Canton for the City Rail Trail Patio Project located on the Marcia Cloninger Rail Trail.

The City will be updating the Wifi Access Points at the City Hall and the Fire Department at a cost of \$25,000.

The City received its first disbursement of the American Rescue Plan Act Funds in the amount of \$1,784,707 on August 5th. Eligible uses of these funds are COVID response to public health and economic impact, revenue lost replacement, premium pay, and infrastructure investments.

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements
June 30, 2021

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, 2021, since the full impact of COVID-19 is unknown and cannot be reasonably estimated as of January 11, 2022.

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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) Local Government Employees' Retirement System**
 - **Schedule of Contributions - Local Government Employees' Retirement System**
 - **Schedule of the Proportionate Share of Net Pension Liability - Firefighters' and Rescue Squad Workers' Pension**
 - **Schedule of Changes in Total Pension Liability**
 - **Schedule of Total Pension Liability as a Percentage of Covered Payroll**
 - **Schedule of Changes in the Total OPEB Liability and Related Ratios**
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CITY OF LINCOLNTON, NORTH CAROLINA

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

	<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) (%)	0.10361%	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) (\$)	\$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	\$7,484,813	\$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	49.47%	37.15%	33.89%	22.68%	33.17%	7.99%	(10.52%)	21.75%
Plan fiduciary net pension as a percentage of the total pension liability**	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 Eight Fiscal Years
Local Government Employees' Retirement System**

	<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	\$ 818,409	\$ 687,610	\$ 557,523	\$ 516,612	\$ 491,998	\$ 437,201	\$ 440,567	\$ 443,242
Contributions in relation to the contractually required contributions	<u>818.409</u>	<u>687.610</u>	<u>557.523</u>	<u>516.612</u>	<u>491.998</u>	<u>437.201</u>	<u>440.567</u>	<u>443.242</u>
Contributions deficiency (excess)	<u>\$ -</u>							
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
Contributions as a percentage of covered payroll	10.36%	9.19%	7.99%	7.74%	7.50%	7.11%	7.15%	7.11%

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 Proportionate Share of Net Pension Liability
Required Supplementary Information
Last Seven Fiscal Years*
Firefighters' and Rescue Squad Workers' Pension**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City of Lincolnton's proportionate share of the net pension liability (%)	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
City of Lincolnton's proportionate share of the net pension liability (\$)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with City of Lincolnton	<u>29,360</u>	<u>15,717</u>	<u>30,683</u>	<u>22,859</u>	<u>16,133</u>	<u>20,230</u>	<u>11,033</u>
Total	<u>\$ 29,360</u>	<u>\$ 15,717</u>	<u>\$ 30,683</u>	<u>\$ 22,859</u>	<u>\$ 16,133</u>	<u>\$ 20,230</u>	<u>\$ 11,033</u>
City of Lincolnton's covered payroll	\$1,387,166	\$1,387,168	\$1,082,484	\$1,061,834	\$936,500	\$744,636	\$824,108
City of Lincolnton's proportionate share of the net pension liability as a percentage of its covered payroll	2.17%	1.13%	2.83%	2.15%	1.72%	2.72%	1.33%
Plan fiduciary net position as a percentage of the total pension liability	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 Five Fiscal Years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$1,019,789	\$1,014,141	\$ 980,468	\$943,092	\$976,259
Service cost	46,812	40,112	39,841	32,657	37,675
Interest on the total pension liability	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	(11,339)	(13,303)	85,376	17,713	-
Changes of assumptions or other inputs	442,306	25,430	(32,508)	48,344	(18,181)
Benefit payments	(98,325)	(82,013)	(88,619)	(95,891)	(85,979)
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<u>\$1,430,885</u>	<u>\$1,019,789</u>	<u>\$1,014,141</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 Five Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total Pension liability	\$1,430,885	\$1,019,789	\$1,014,141	\$ 980,468	\$ 943,092
Covered payroll	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	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
June 30, 2021**

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

Notes to Schedule

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

<u>Fiscal year</u>	<u>Rate</u>
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.

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CITY OF LINCOLN, NORTH CAROLINA

**General Fund
Balance Sheets
June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 6,895,509	\$ 5,805,328
Taxes receivable, net	52,600	102,222
Accounts receivable, net	806,971	1,437,598
Due from governmental agencies	349,220	320,743
Inventories	11,195	7,955
Prepaid items	11,500	11,500
Restricted cash	278,938	369,291
Total assets	<u>\$ 8,405,933</u>	<u>\$ 8,054,637</u>
<u>Liabilities</u>		
Accounts payable and other accrued liabilities	\$ 249,495	\$ 148,460
Advance from other funds	2,394,830	954,156
Unearned revenues	-	-
Total liabilities	<u>2,644,325</u>	<u>1,102,616</u>
<u>Deferred Inflows of Resources</u>		
Property taxes receivable	52,600	102,222
Prepaid taxes	802	1,176
Total deferred inflows of resources	<u>53,402</u>	<u>103,398</u>
<u>Fund Balances</u>		
Non Spendable:		
Inventories	11,195	7,955
Prepaid expenditures	11,500	11,500
Restricted:		
Stabilization by State statute	1,156,191	1,758,308
Streets	278,229	369,558
Public safety - police	980	5
Assigned:		
Subsequent year's expenditures	-	405,000
Unassigned	4,250,111	4,296,297
Total fund balances	<u>5,708,206</u>	<u>6,848,623</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,405,933</u>	<u>\$ 8,054,637</u>

CITY OF LINCOLNTON, NORTH CAROLINA

Page 1 of 6

**General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2020)**

	2021		Variance Positive (Negative)	2020 Actual
	Budget	Actual		
Revenues:				
Ad valorem taxes:				
Current year	\$ 5,403,000	\$ 5,510,730	\$ 107,730	\$ 5,340,040
Prior years	80,000	68,968	(11,032)	69,654
Interest and penalties	25,000	26,298	1,298	23,560
Total	<u>5,508,000</u>	<u>5,605,996</u>	<u>97,996</u>	<u>5,433,254</u>
Other taxes and licenses:				
Other taxes	<u>1,144,000</u>	<u>1,216,803</u>	<u>72,803</u>	<u>208,777</u>
Unrestricted intergovernmental revenues:				
Local option sales tax	4,085,000	4,184,806	99,806	3,520,805
Payment in lieu of taxes	22,470	42,175	19,705	35,233
Utility franchise tax	855,000	821,540	(33,460)	863,965
Beer and wine tax	44,000	45,742	1,742	45,441
ABC profit distribution	80,000	90,747	10,747	80,593
Other	125,000	138,868	13,868	131,860
Total	<u>5,211,470</u>	<u>5,323,878</u>	<u>112,408</u>	<u>4,677,897</u>
Restricted intergovernmental revenues:				
Powell Bill street aid allocation	304,000	291,931	(12,069)	301,283
Powell Bill investment earnings	1,000	1,937	937	6,987
Other Powell Bill receipts	-	-	-	1,361
Controlled substance tax	4,500	3,169	(1,331)	12,866
Federal Equitable deposits	-	975	975	-
ABC revenue for law enforcement	30,000	20,000	(10,000)	40,000
CARES funds	-	10,000	10,000	830,367
On-behalf of payments-Fire and Rescue	5,200	11,885	6,685	8,275
Federal, state and local grants	191,819	204,571	12,752	127,496
Total	<u>536,519</u>	<u>544,468</u>	<u>7,949</u>	<u>1,328,635</u>

cont.

General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2020)

	2021		Variance Positive (Negative)	2020 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues (continued):				
Permits and fees:				
Zoning fees	\$ 10,000	\$ 11,950	\$ 1,950	\$ 8,560
Online convenience fees	-	-	-	27,434
Other fees	<u>3,500</u>	<u>18,551</u>	<u>15,051</u>	<u>9,642</u>
Total	<u>13,500</u>	<u>30,501</u>	<u>17,001</u>	<u>45,636</u>
Sales and services:				
Cemetery lot sales	20,000	31,751	11,751	39,700
Recreation fees and concessions	119,800	40,957	(78,843)	90,281
Other	<u>3,000</u>	<u>3,274</u>	<u>274</u>	<u>3,353</u>
Total	<u>142,800</u>	<u>75,982</u>	<u>(66,818)</u>	<u>133,334</u>
Investment earnings	<u>31,000</u>	<u>57,750</u>	<u>26,750</u>	<u>90,267</u>
Miscellaneous:				
Sale of property	12,500	56,724	44,224	3,287
Small business emergency loan receipts	-	15,137	15,137	10,625
Other	<u>49,434</u>	<u>44,533</u>	<u>(4,901)</u>	<u>178,145</u>
Total	<u>61,934</u>	<u>116,394</u>	<u>54,460</u>	<u>192,057</u>
Total revenues	<u>12,649,223</u>	<u>12,971,770</u>	<u>322,549</u>	<u>12,109,855</u>

cont.

General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2020)

	2021		Variance Positive (Negative)	2020 Actual
	<u>Budget</u>	<u>Actual</u>		
Expenditures:				
General government:				
Governing body				
Salaries and employee benefits	\$ 73,896	\$ 69,245	\$ 4,651	\$ 70,022
Other operating expenditures	1,252,164	1,075,682	176,482	974,316
Tax collection fees	179,847	179,847	-	174,960
Capital outlay	383,409	179,814	203,595	140,000
Interdepartmental charges	(168,560)	(168,560)	-	(218,960)
	<u>1,720,756</u>	<u>1,336,028</u>	<u>384,728</u>	<u>1,140,338</u>
Administrative				
Salaries and employee benefits	678,199	627,815	50,384	566,815
Other operating expenditures	65,268	51,298	13,970	52,398
Capital outlay	1,000	-	1,000	-
Interdepartmental charges	(153,390)	(153,480)	90	(195,100)
	<u>591,077</u>	<u>525,633</u>	<u>65,444</u>	<u>424,113</u>
Finance				
Salaries and employee benefits	523,359	497,392	25,967	496,325
Other operating expenditures	63,361	52,002	11,359	55,955
Interdepartmental charges	(363,080)	(363,080)	-	(475,340)
	<u>223,640</u>	<u>186,314</u>	<u>37,326</u>	<u>76,940</u>
Total general government	<u>2,535,473</u>	<u>2,047,975</u>	<u>487,498</u>	<u>1,641,391</u>
Public safety:				
Police				
Salaries and employee benefits	2,940,626	2,850,315	90,311	2,882,934
Other operating expenditures	240,373	217,593	22,780	256,611
Capital outlay	796,950	784,964	11,986	14,785
	<u>3,977,949</u>	<u>3,852,872</u>	<u>125,077</u>	<u>3,154,330</u>

cont.

CITY OF LINCOLNTON, NORTH CAROLINA

**General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2020)**

	2021		Variance Positive (Negative)	2020 Actual
	Budget	Actual		
Expenditures (continued):				
Fire				
Salaries and employee benefits	\$ 2,122,934	\$ 2,062,382	\$ 60,552	\$ 2,046,744
Other operating expenditures	219,061	180,489	38,572	236,742
Capital outlay	689,954	689,954	-	22,666
	<u>3,031,949</u>	<u>2,932,825</u>	<u>99,124</u>	<u>2,306,152</u>
Boger City Fire				
Salaries and employee benefits	728,305	702,299	26,006	-
Other operating expenditures	399,757	169,854	229,903	-
Capital outlay	142,415	50,429	91,986	-
	<u>1,270,477</u>	<u>922,582</u>	<u>347,895</u>	
Total public safety	<u>8,280,375</u>	<u>7,708,279</u>	<u>572,096</u>	<u>5,460,482</u>
Public works:				
General and administrative				
Salaries and employee benefits	173,472	167,520	5,952	164,013
Operating expenditures	43,868	36,464	7,404	25,616
Interdepartmental charges	(131,040)	(131,040)	-	(171,680)
	<u>86,300</u>	<u>72,944</u>	<u>13,356</u>	<u>17,949</u>
Street maintenance				
Salaries and employee benefits	554,362	622,357	(67,995)	524,933
Operating expenditures	342,747	240,926	101,821	97,991
Capital outlay	-	-	-	248,256
Interdepartmental charges	(134,840)	(134,840)	-	(176,660)
	<u>762,269</u>	<u>728,443</u>	<u>33,826</u>	<u>694,520</u>
Powell Bill assistance				
Operating expenditures	360,613	345,613	15,000	190,556
Capital outlay	1,069	-	1,069	150,050
	<u>361,682</u>	<u>345,613</u>	<u>16,069</u>	<u>340,606</u>
Fleet maintenance				
Salaries and employee benefits	160,469	155,896	4,573	151,393
Operating expenditures	147,640	123,359	24,281	15,266
Interdepartmental charges	(39,320)	(39,320)	-	(49,580)
	<u>268,789</u>	<u>239,935</u>	<u>28,854</u>	<u>117,079</u>

cont.

General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2020)

	2021		Variance Positive (Negative)	2020 Actual
	Budget	Actual		
Expenditures (continued):				
Airport operation	\$ 16,000	\$ 15,600	\$ 400	\$ 15,600
Total public works	<u>1,495,040</u>	<u>1,402,535</u>	<u>92,505</u>	<u>1,185,754</u>
Economic and physical development:				
Business and community development				
Salaries and employee benefits	4,200	4,200	-	2,556
Small business emergency loans	20,500	20,500	-	199,000
Operating expenditures	119,750	90,643	29,107	82,499
Capital outlay	494,695	494,695	-	-
	<u>639,145</u>	<u>610,038</u>	<u>29,107</u>	<u>284,055</u>
Planning and zoning				
Salaries and employee benefits	253,919	224,829	29,090	209,599
Operating expenditures	256,000	152,059	103,941	137,360
Interdepartmental charges	(9,680)	(9,680)	-	(12,680)
	<u>500,239</u>	<u>367,208</u>	<u>133,031</u>	<u>334,279</u>
Total economic and physical development	<u>1,139,384</u>	<u>977,246</u>	<u>162,138</u>	<u>618,334</u>
Environmental protection:				
Solid waste				
Salaries and employee benefits	424,127	409,887	14,240	416,807
Operating expenditures	93,748	72,598	21,150	158,769
Capital outlay	174,500	159,452	15,048	310,677
	<u>692,375</u>	<u>641,937</u>	<u>50,438</u>	<u>886,253</u>
Total environmental protection	<u>692,375</u>	<u>641,937</u>	<u>50,438</u>	<u>886,253</u>
Cultural and recreational:				
Salaries and employee benefits	666,166	658,980	7,186	687,401
Operating expenditures	226,259	172,221	54,038	213,633
Capital outlay	146,387	143,787	2,600	266,236
Total cultural and recreational	<u>1,038,812</u>	<u>974,988</u>	<u>63,824</u>	<u>1,167,270</u>

cont.

General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2020)

	<u>2021</u>		Variance Positive (Negative)	2020 Actual
	<u>Budget</u>	<u>Actual</u>		
Expenditures (continued):				
Debt service:				
Principal retirement	\$ 420,213	\$ 402,337	\$ 17,876	\$ 426,797
Interest and other charges	56,803	42,702	14,101	36,719
Total debt service	<u>477,016</u>	<u>445,039</u>	<u>31,977</u>	<u>463,516</u>
Total expenditures	<u>15,658,475</u>	<u>14,197,999</u>	<u>1,460,476</u>	<u>11,423,000</u>
Revenues over (under) expenditures	<u>(3,009,252)</u>	<u>(1,226,229)</u>	<u>1,783,025</u>	<u>686,855</u>
Other Financing Sources (Uses):				
Issuance of debt	837,149	819,539	(17,610)	559,000
Appropriated fund balance	1,752,417	-	(1,752,417)	-
Contribution from Boger City	-	401,152	401,152	-
Transfers (to) from other funds				
Water and Sewer Fund	389,222	389,222	-	379,096
Electric Fund	30,465	30,465	-	25,975
Total other financing sources (uses)	<u>3,009,252</u>	<u>1,640,378</u>	<u>(1,368,875)</u>	<u>964,071</u>
Revenues and other financing sources over (under) expenditures and other financing uses and extraordinary item	<u>\$ -</u>	<u>\$ 414,149</u>	<u>\$ 414,149</u>	<u>\$ 1,650,926</u>
Fund balances, July 1, originally stated		\$ 6,848,623		\$ 5,200,341
Prior period adjustment		<u>(1,557,806)</u>		<u>-</u>
Fund balances, July 1, restated		5,290,817		5,200,341
Revenues over (under) expenditures		414,149		1,650,926
Increase (decrease) in reserve for inventory		<u>3,240</u>		<u>(2,644)</u>
Fund balances, June 30		<u>\$ 5,708,206</u>		<u>\$ 6,848,623</u>

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**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.**

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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, 2021

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2020)

	2021			
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2020 Actual</u>
Revenues:				
Unrestricted intergovernmental:				
Local occupancy tax	\$ 95,000	\$ 98,211	\$ 3,211	\$ 106,648
Investment earnings	2,000	3,951	1,951	5,158
Total revenues	<u>97,000</u>	<u>102,162</u>	<u>5,162</u>	<u>111,806</u>
Expenditures:				
Supplies	500	-	500	-
Advertising & promotions	105,050	23,220	81,830	48,455
Training	4,000	-	4,000	377
Other operating expenditures	45,450	(1,550)	47,000	6,150
Capital outlay	25,000	-	25,000	-
Total expenditures	<u>180,000</u>	<u>21,670</u>	<u>158,330</u>	<u>54,982</u>
Revenues over (under) expenditures	(83,000)	80,492	163,492	56,824
Other Financing Sources (Uses):				
Appropriated fund balance	83,000	-	(83,000)	-
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	80,492	<u>\$ 80,492</u>	56,824
Reconciliation From Budgetary Basis (Modified Accrual)				
To Full Accrual:				
Depreciation expense		<u>(2,862)</u>		<u>(2,862)</u>
Revenues over (under) expenditures		77,630		53,962
Fund balance, July 1		<u>494,747</u>		<u>440,785</u>
Fund balance, June 30		<u>\$ 572,377</u>		<u>\$ 494,747</u>

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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, 2021 and 2020**

<u>Assets</u>	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$ 6,769,052	\$ 7,905,864
Accounts receivable	718,035	696,240
Inventories	88,531	75,533
Prepaid expenses	-	-
Total current assets	<u>7,575,618</u>	<u>8,677,637</u>
Noncurrent assets:		
Restricted cash and cash equivalents	125,118	121,988
Capital assets, net of accumulated depreciation	<u>26,622,133</u>	<u>27,762,692</u>
Total assets	<u>34,322,869</u>	<u>36,562,317</u>
 <u>Deferred Outflows of Resources</u>		
Pension deferrals	434,200	339,975
OPEB deferrals	<u>255,679</u>	<u>55,687</u>
Total deferred outflows of resources	<u>689,879</u>	<u>395,662</u>
 <u>Liabilities</u>		
Current liabilities:		
Accounts payable and accrued liabilities	79,858	78,088
Customer deposits - restricted	125,118	121,988
Bonds payable - current	-	1,647,000
Loans payable - current	1,033,728	1,072,117
Accrued compensated absences	<u>63,437</u>	<u>61,435</u>
Total current liabilities	<u>1,302,141</u>	<u>2,980,628</u>
Noncurrent liabilities:		
Bonds payable	-	-
Loans payable	2,286,517	3,172,996
Total OPEB liability	2,352,093	2,129,617
Accrued compensated absences	38,517	50,696
Net pension liability	<u>709,109</u>	<u>522,556</u>
Total noncurrent liabilities	<u>5,386,236</u>	<u>5,875,865</u>
Total liabilities	<u>6,688,377</u>	<u>8,856,493</u>
 <u>Deferred Inflows of Resources</u>		
Pension deferrals	-	2,701
OPEB deferrals	<u>330,601</u>	<u>409,010</u>
Total deferred inflows of resources	<u>330,601</u>	<u>411,711</u>
 <u>Net Position</u>		
Net investment in capital assets	23,301,888	21,870,579
Unrestricted	<u>4,691,882</u>	<u>5,819,195</u>
Total net position	<u>\$ 27,993,770</u>	<u>\$ 27,689,774</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, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Operating Revenues:		
Water charges	\$ 3,204,632	\$ 3,260,917
Sewer charges	4,010,275	4,138,154
Water and sewer taps	110,625	44,327
Other operating revenues	<u>298,574</u>	<u>154,766</u>
 Total operating revenues	 <u>7,624,106</u>	 <u>7,598,164</u>
 Operating Expenses:		
Water treatment plant	1,374,335	1,338,354
Water and sewer distribution maintenance	1,385,806	1,178,965
Waste treatment plant	1,599,689	1,610,376
Administrattion	600,000	700,000
Depreciation	<u>1,901,589</u>	<u>1,695,166</u>
 Total operating expenses	 <u>6,861,419</u>	 <u>6,522,861</u>
 Operating income (loss)	 <u>762,687</u>	 <u>1,075,303</u>
 Nonoperating Revenues (Expenses):		
Investment earnings	39,807	148,028
Gain (loss) on disposition of capital assets	22,767	-
Interest on long-term debt	<u>(132,043)</u>	<u>(175,910)</u>
 Total nonoperating revenues (expenses)	 <u>(69,469)</u>	 <u>(27,882)</u>
 Income (loss) before transfers and capital contributions	 693,218	 1,047,421
 Transfer to General Fund-payment in lieu of taxes	 (389,222)	 (379,096)
 Capital contributions	 <u>-</u>	 <u>-</u>
 Change in net position	 <u>\$ 303,996</u>	 <u>\$ 668,325</u>
 Total net position -beginning	 \$27,689,774	 \$27,021,449
Change in net position	<u>303,996</u>	<u>668,325</u>
Total net position - ending	<u>\$27,993,770</u>	<u>\$27,689,774</u>

CITY OF LINCOLNTON, NORTH CAROLINA

Page 1 of 2

**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Water and Sewer Fund
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)**

	2021		Variance Positive (Negative)	2020 Actual
	Budget	Actual		
Revenues:				
Operating revenues:				
Water charges	\$ 3,510,000	\$ 3,204,632	\$ (305,368)	\$ 3,260,917
Sewer charges	4,200,000	4,010,275	(189,725)	4,138,154
Water and sewer taps	27,000	110,625	83,625	44,327
Other	201,950	298,574	96,624	154,766
Total operating revenues	<u>7,938,950</u>	<u>7,624,106</u>	<u>(314,844)</u>	<u>7,598,164</u>
Nonoperating revenues:				
Investment earnings	55,000	39,807	(15,193)	148,028
Total nonoperating revenues	<u>55,000</u>	<u>39,807</u>	<u>(15,193)</u>	<u>148,028</u>
Total revenues	<u>7,993,950</u>	<u>7,663,913</u>	<u>(330,037)</u>	<u>7,746,192</u>
Expenditures:				
Operating expenditures:				
Water treatment plant				
Salaries and employee benefits	791,901	709,344	82,557	741,203
Chemicals	139,631	136,054	3,577	110,956
Electricity	254,600	214,795	39,805	214,697
Water service contract	174,766	164,254	10,512	118,905
Repairs and maintenance	58,354	42,238	16,116	65,730
Other operating expenditures	118,261	81,614	36,647	78,124
	<u>1,537,513</u>	<u>1,348,299</u>	<u>189,214</u>	<u>1,329,615</u>
Water and sewer distribution maintenance				
Salaries and employee benefits	873,004	825,477	47,527	742,854
Supplies	204,328	190,003	14,325	154,270
Repairs and maintenance	177,773	163,711	14,062	120,252
Other operating expenditures	179,422	172,311	7,111	140,868
	<u>1,434,527</u>	<u>1,351,502</u>	<u>83,025</u>	<u>1,158,244</u>
Waste treatment plant				
Salaries and employee benefits	737,050	689,054	47,996	669,762
Sludge removal	229,947	229,947	-	224,631
Electricity	219,000	210,000	9,000	220,000
Repairs and maintenance	188,063	185,837	2,226	93,497
Other operating expenditures	367,940	314,310	53,630	380,656
	<u>1,742,000</u>	<u>1,629,148</u>	<u>112,852</u>	<u>1,588,546</u>
Administration	<u>600,000</u>	<u>600,000</u>	<u>-</u>	<u>700,000</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, 2021

(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	<u>2021</u>		Variance	2020
	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>	<u>Actual</u>
Total operating expenditures	\$ 5,314,040	\$ 4,928,949	\$ 385,091	\$ 4,776,405
Debt service:				
Principal retirement	2,723,820	2,718,331	5,489	2,671,902
Interest and fees	152,808	139,486	13,322	184,172
Total debt service	<u>2,876,628</u>	<u>2,857,817</u>	<u>18,811</u>	<u>2,856,074</u>
Capital outlay:				
Water treatment plant	408,188	103,004	305,184	15,369
Water and sewer distribution maintenance	598,374	567,820	30,554	2,003,551
Waste water treatment plant	91,000	90,207	793	23,700
Total capital outlay	<u>1,097,562</u>	<u>761,031</u>	<u>336,531</u>	<u>2,042,620</u>
Total expenditures	<u>9,288,230</u>	<u>8,547,797</u>	<u>740,433</u>	<u>9,675,099</u>
Revenues over (under) expenditures	<u>(1,294,280)</u>	<u>(883,884)</u>	<u>410,396</u>	<u>(1,928,907)</u>
Other Financing Sources (Uses):				
Appropriated fund balance	1,530,502	-	(1,530,502)	-
Transfer-General Fund-payment in lieu of taxes	(389,222)	(389,222)	-	(379,096)
Gain (loss) on disposition of capital assets	3,000	22,767	19,767	-
Proceeds from borrowing	150,000	146,463	(3,537)	-
Total other financing sources	<u>1,294,280</u>	<u>(219,992)</u>	<u>(1,514,272)</u>	<u>(379,096)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>(1,103,876)</u>	<u>\$ (1,103,876)</u>	<u>(2,308,003)</u>
Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual:				
Increase (decrease) in inventory		12,998		3,154
(Increase) decrease in accrued vacation pay		(10,177)		(15,364)
Increase (decrease) in deferred outflows of resources - pensions		94,225		(4,050)
(Increase) decrease in net pension liability		(186,553)		(105,414)
(Increase) decrease in deferred infows of resources - pensions		2,701		5,434
Increase (decrease) in deferred outflows of resources - OPEB		199,992		36,646
(Increase) decrease in OPEB liability		(222,476)		296,192
(Increase) decrease in deferred infows of resources - OPEB		78,409		(267,887)
Cost of expenditures that were capitalized		761,031		2,042,620
Payment of debt principal		2,718,331		2,671,902
Proceeds from borrowing		(146,463)		-
(Increase) decrease in accrued interest		7,443		8,261
Transfers		-		-
Depreciation		<u>(1,901,589)</u>		<u>(1,695,166)</u>
Change in net position		<u>\$ 303,996</u>		<u>\$ 668,325</u>

CITY OF LINCOLNTON, NORTH CAROLINA

Statements of Cash Flows

Water and Sewer Fund

For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities:		
Cash received from customers and users	\$ 7,602,311	\$ 7,638,749
Customer deposits received	3,130	6,149
Cash paid for goods and services	(2,695,859)	(2,666,130)
Cash paid to or on behalf of employees for services	(2,244,230)	(2,153,819)
Net cash provided (used) by operating activities	<u>2,665,352</u>	<u>2,824,949</u>
Cash Flows From Non-Capital Financing Activities:		
Transfers - in (out)	<u>(389,222)</u>	<u>(379,096)</u>
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(761,031)	(2,042,620)
Proceeds from sale of capital assets	22,767	-
Proceeds from borrowing	146,463	-
Principal paid on long-term debt	(2,718,331)	(2,671,902)
Interest paid on long-term debt	(139,486)	(184,171)
Net cash provided (used) by capital and related financing activities	<u>(3,449,618)</u>	<u>(4,898,693)</u>
Cash Flows From Investing Activities:		
Investment earnings	<u>39,807</u>	<u>148,028</u>
Net cash provided (used) by investing activities	<u>39,807</u>	<u>148,028</u>
Net increase (decrease) in cash and cash equivalents	(1,133,681)	(2,304,812)
Cash and cash equivalents at beginning of year	<u>8,027,851</u>	<u>10,332,663</u>
Cash and cash equivalents at end of year	<u>\$ 6,894,170</u>	<u>\$ 8,027,851</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided		
(Used) by Operating Activities:		
Operating income (loss)	\$ 762,687	\$ 1,075,303
Adjustments to reconcile operating income (loss) to net cash provided		
(used) by operating activities:		
Depreciation	1,901,589	1,695,166
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(21,795)	40,585
(Increase) decrease in inventory	(12,998)	(3,154)
(Increase) decrease in prepaid expense	-	20,455
Increase (decrease) in accounts payable and other accrued liabilities	9,214	(63,997)
Increase (decrease) in accrued vacation pay	(10,177)	15,364
Increase (decrease) in OPEB liability	222,476	(296,192)
(Increase) decrease in deferred outflows of resources-OPEB	(199,992)	(36,646)
Increase (decrease) in deferred inflows of resources-OPEB	(78,409)	267,887
(Increase) decrease in deferred outflows of resources-pensions	(94,225)	4,050
Increase (decrease) in net pension liability	186,553	105,414
Increase (decrease) in deferred inflows of resources-pensions	(2,701)	(5,434)
Increase (decrease) in customer deposits	3,130	6,148
Net cash provided (used) by operating activities	<u>\$ 2,665,352</u>	<u>\$ 2,824,949</u>
Supplemental Schedule of Non Cash Financing Activities:		
Purchase of fixed assets with the issuance of debt	<u>\$ -</u>	<u>\$ -</u>

CITY OF LINCOLNTON, NORTH CAROLINA

**Statements of Net Position
Electric Fund
June 30, 2021 and 2020**

<u>Assets</u>	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$ 4,106,737	\$ 2,853,785
Accounts receivable	688,748	575,490
Advance to other funds	61,756	60,844
Inventories	59,103	58,219
Prepaid expenses	<u>25,000</u>	<u>25,000</u>
Total current assets	<u>4,941,344</u>	<u>3,573,338</u>
Noncurrent assets:		
Restricted cash and cash equivalents	294,805	286,424
Advance to other funds	2,333,074	893,312
Capital assets, net of accumulated depreciation	<u>2,419,397</u>	<u>3,614,758</u>
Total assets	<u>9,988,620</u>	<u>8,367,832</u>
 <u>Deferred Outflows of Resources</u>		
Pension deferrals	139,749	112,358
OPEB deferrals	<u>45,330</u>	<u>8,763</u>
Total deferred outflows of resources	<u>185,079</u>	<u>121,121</u>
 <u>Liabilities</u>		
Current liabilities:		
Accounts payable and accrued liabilities	599,069	610,058
Customer deposits - restricted	294,805	286,424
Accrued compensated absences	<u>18,017</u>	<u>15,034</u>
Total current liabilities	<u>911,891</u>	<u>911,516</u>
Noncurrent liabilities:		
Total OPEB liability	417,008	335,101
Accrued compensated absences	12,960	19,086
Net pension liability	<u>228,230</u>	<u>172,699</u>
Total noncurrent liabilities	<u>658,198</u>	<u>526,886</u>
Total liabilities	<u>1,570,089</u>	<u>1,438,402</u>
 <u>Deferred Inflows of Resources</u>		
Pension deferrals	-	893
OPEB deferrals	<u>58,613</u>	<u>64,359</u>
Total deferred inflows of resources	<u>58,613</u>	<u>65,252</u>
 <u>Net Position</u>		
Net investment in capital assets	2,419,397	3,614,758
Unrestricted	<u>6,125,600</u>	<u>3,370,542</u>
Total net position	<u>\$ 8,544,997</u>	<u>\$ 6,985,300</u>

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CITY OF LINCOLN, NORTH CAROLINA

Statements of Revenues, Expenses and Changes in Net Position

Electric Fund

For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues:		
Electric sales	\$ 6,650,567	\$ 6,489,145
Electricity - municipal operations	500,875	515,000
Other operating revenues	<u>1,745,860</u>	<u>834,549</u>
Total operating revenues	<u>8,897,302</u>	<u>7,838,694</u>
Operating Expenses:		
Electrical operations	1,703,749	1,505,336
Electrical power purchases	4,978,896	4,505,513
Administrative	400,000	600,000
Depreciation	<u>254,117</u>	<u>162,528</u>
Total operating expenses	<u>7,336,762</u>	<u>6,773,377</u>
Operating income (loss)	<u>1,560,540</u>	<u>1,065,317</u>
Nonoperating Revenues (Expenses);		
Investment earnings	<u>29,622</u>	<u>67,684</u>
Total nonoperating revenues (expenses)	<u>29,622</u>	<u>67,684</u>
Income (loss) before transfers	1,590,162	1,133,001
Transfer to the General Fund-payment in lieu of taxes	<u>(30,465)</u>	<u>(25,975)</u>
Change in net position	<u>\$ 1,559,697</u>	<u>\$ 1,107,026</u>
Total net position - beginning	\$ 6,985,300	\$ 5,878,274
Change in net position	<u>1,559,697</u>	<u>1,107,026</u>
Total net position - ending	<u>\$ 8,544,997</u>	<u>\$ 6,985,300</u>

CITY OF LINCOLNTON, NORTH CAROLINA

Page 1 of 2

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

Electric Fund

For the Year Ended June 30, 2021

(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	<u>2021</u>		Variance Positive (Negative)	<u>2020 Actual</u>
	<u>Budget</u>	<u>Actual</u>		
Revenues:				
Operating revenues:				
Electricity sales	\$ 6,922,000	\$ 6,650,567	\$ (271,433)	\$ 6,489,145
Electricity - municipal operations	550,000	500,875	(49,125)	515,000
Other operating revenues	<u>301,350</u>	<u>1,745,860</u>	<u>1,444,510</u>	<u>834,549</u>
Total operating revenues	<u>7,773,350</u>	<u>8,897,302</u>	<u>1,123,952</u>	<u>7,838,694</u>
Nonoperating revenues:				
Investment earnings	<u>15,000</u>	<u>29,622</u>	<u>14,622</u>	<u>67,684</u>
Total revenues	<u>7,788,350</u>	<u>8,926,924</u>	<u>1,138,574</u>	<u>7,906,378</u>
Expenditures:				
Salaries and employee benefits	733,246	715,573	17,673	730,559
Electrical power purchases	4,973,896	4,978,896	(5,000)	4,505,513
Administrative	400,000	400,000	-	600,000
Repairs and maintenance	404,576	245,145	159,431	232,314
Other operating expenditures	860,994	680,218	180,776	485,665
Capital outlay	<u>1,193,654</u>	<u>616,565</u>	<u>577,089</u>	<u>1,986,621</u>
Total operating expenditures	<u>8,566,366</u>	<u>7,636,397</u>	<u>929,969</u>	<u>8,540,672</u>
Revenues over (under) expenditures	<u>(778,016)</u>	<u>1,290,527</u>	<u>2,068,543</u>	<u>(634,294)</u>
Other Financing Sources (Uses):				
Appropriated fund balance	808,480	-	(808,480)	-
Proceeds from borrowing	-	-	-	-
Loan to General Fund	-	-	-	-
Transfers from (to):				
General Fund-payment in lieu of taxes	(30,465)	(30,465)	-	(25,975)
Rate Stabilization Fund	-	-	-	-
Total other financing sources (uses)	<u>778,015</u>	<u>(30,465)</u>	<u>(808,480)</u>	<u>(25,975)</u>

cont.

CITY OF LINCOLNTON, NORTH CAROLINA

Page 2 of 2, cont.

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

Electric Fund

For the Year Ended June 30, 2021

(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021		Variance	
	<u>Budget</u>	<u>Actual</u>	<u>(Positive)</u>	<u>2020</u>
			<u>(Negative)</u>	<u>Actual</u>
Revenues and other sources over (under) expenditures and other uses	\$ <u> -</u>	\$ 1,260,062	\$ <u>1,260,062</u>	\$ (660,269)
Reconciliation From Budgetary Basis				
(Modified Accrual) to Full Accrual:				
Transfer to Rate Stabilization Fund		-		-
Proceeds from General Fund		-		-
Increase (decrease) in inventory		884		31,300
(Increase) decrease in accrued vacation pay		3,144		(4,850)
Increase (decrease) in deferred outflows of resources - pensions		27,391		(15,965)
(Increase) decrease in net pension liability		(55,531)		(17,103)
(Increase) decrease in deferred inflows of resources - pensions		893		2,141
(Increase) decrease in OPEB liability		(81,907)		(12,938)
(Increase) decrease in deferred outflows of resources - OPEB		36,567		6,234
Increase (decrease) in deferred inflows of resources - OPEB		5,746		(45,617)
Cost of expenditures that were capitalized		616,565		1,986,621
Depreciation		<u>(254,117)</u>		<u>(162,528)</u>
Changes in net position		\$ <u>1,559,697</u>		\$ <u>1,107,026</u>

CITY OF LINCOLNTON, NORTH CAROLINA

Statements of Cash Flows

Electric Fund

For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities:		
Cash received from customers and users	\$ 8,784,044	\$ 7,942,250
Customer deposits received	8,381	12,769
Cash paid for goods and services	(6,365,248)	(6,017,013)
Cash paid to or on behalf of employees for services	<u>(665,572)</u>	<u>(642,461)</u>
Net cash provided (used) by operating activities	<u>1,761,605</u>	<u>1,295,545</u>
 Cash Flows From Non-Capital Financing Activities:		
Repayment from other fund	117,135	45,844
Transfers - in (out)	<u>(30,465)</u>	<u>(25,975)</u>
Net cash provided (used) by non-capital financing activities	<u>86,670</u>	<u>19,869</u>
 Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(616,565)	(1,986,621)
Proceeds from sale of capital assets	-	-
Net cash provided (used) by capital and related financing activities	<u>(616,565)</u>	<u>(1,986,621)</u>
 Cash Flows From Investing Activities:		
Investment earnings	<u>29,622</u>	<u>67,684</u>
Net cash provided (used) by investing activities	<u>29,622</u>	<u>67,684</u>
 Net increase (decrease) in cash and cash equivalents	1,261,332	(603,523)
Cash and cash equivalents at beginning of year	<u>3,140,210</u>	<u>3,743,733</u>
Cash and cash equivalents at end of year	<u>\$ 4,401,542</u>	<u>\$ 3,140,210</u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 1,560,540	\$ 1,065,317
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	254,117	162,528
Changes in assets, deferred outflows of resources and liabilities:		
(Increase) decrease in accounts receivable	(113,258)	103,556
(Increase) decrease in inventory	(884)	(31,300)
(Increase) decrease in prepaid expense	-	15,375
Increase (decrease) in accounts payable and other accrued liabilities	(10,989)	(120,798)
Increase (decrease) in accrued vacation pay	(3,143)	4,850
Increase (decrease) in OPEB liability	81,907	12,938
(Increase) decrease in deferred outflows of resources-OPEB	(36,567)	(6,234)
(Increase) decrease in deferred outflows of resources-pensions	(27,391)	15,965
Increase (decrease) net pension liability	55,531	17,103
Increase (decrease) in deferred inflows of resources-pensions	(893)	(2,141)
Increase (decrease) in deferred inflows of resources-OPEB	(5,746)	45,617
Increase (decrease) in customer deposits	<u>8,381</u>	<u>12,769</u>
Net cash provided (used) by operating activities	<u>\$ 1,761,605</u>	<u>\$ 1,295,545</u>
 Supplemental Schedule of Non Cash Financing Activities:		
Additional advance with the transfer of assets	<u>\$ 1,557,809</u>	<u>\$ -</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, 2021

	<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>

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OTHER SCHEDULES

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

- **Schedule of Ad Valorem Taxes Receivable**
 - **Analysis of Current Tax Levy**
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CITY OF LINCOLNTON, NORTH CAROLINA

**Schedule of Ad Valorem Taxes Receivable
June 30, 2021**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020 - 2021	\$ -	\$ 5,622,783	\$ 5,572,445	\$ 50,338
2019 - 2020	88,580	-	57,626	30,954
2018 - 2019	33,737	-	14,830	18,908
2017 - 2018	15,463	-	5,477	9,986
2016 - 2017	11,204	-	2,254	8,949
2015 - 2016	7,499	-	1,668	5,831
2014 - 2015	7,709	-	1,558	6,151
2013 - 2014	20,866	-	1,935	18,931
2012 - 2013	14,830	-	1,216	13,614
2011 - 2012	13,779	-	843	12,937
2010 - 2011	<u>11,555</u>	<u>-</u>	<u>11,555</u>	<u>-</u>
 Total	 <u>\$ 225,222</u>	 <u>\$ 5,622,783</u>	 <u>\$ 5,671,407</u>	 176,599
 Less allowance for uncollectibles				 <u>(124,000)</u>
 Balance				 <u>\$ 52,600</u>
 Reconciliation With Revenue:				
Taxes - Ad valorem - General Fund				\$ 5,605,996
Adjustments, releases and discounts				80,154
Taxes written off				11,555
Interest collected				<u>(26,298)</u>
 Total collections and credits				 <u>\$ 5,671,407</u>

CITY OF LINCOLNTON, NORTH CAROLINA

**Analysis of Current Tax Levy
June 30, 2021**

	<u>City Wide</u>		<u>Total Levy</u>		
			<u>Registered</u>	<u>Registered</u>	
	<u>Property</u>	<u>Total</u>	<u>Excluding</u>	<u>Motor</u>	
	<u>Valuation</u>	<u>Rate</u>	<u>Motor</u>	<u>Motor</u>	
			<u>Vehicles</u>	<u>Vehicles</u>	
Original levy:					
Property taxes at current year's rate	\$ 905,034,259	0.56	\$ 5,068,192	\$ 5,068,192	\$ -
Motor vehicles taxed at current year rate	<u>99,427,414</u>	0.56	<u>556,794</u>	<u>-</u>	<u>556,794</u>
Total	<u>1,004,461,673</u>		<u>5,624,986</u>	<u>5,068,192</u>	<u>556,794</u>
Discoveries:					
Current year taxes	451,535		2,529	2,529	-
Adjustments	<u>(845,055)</u>		<u>(4,732)</u>	<u>(4,732)</u>	<u>-</u>
Total	<u>(393,520)</u>		<u>(2,203)</u>	<u>(2,203)</u>	<u>-</u>
Total property valuation	<u>\$1,004,068,153</u>				
Net levy			5,622,783	5,065,989	556,794
Less uncollected taxes at June 30, 2021			<u>(50,338)</u>	<u>(50,338)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 5,572,445</u>	<u>\$ 5,015,651</u>	<u>\$ 556,794</u>
Current levy collection percentage			<u>99.10</u>	<u>99.01</u>	<u>100.00</u>

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STATISTICAL SECTION

(Unaudited)

This part of the City of Lincolnnton's comprehensive annual 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 comprehensive annual financial reports for the relevant year.

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CITY OF LINCOLNTON, NORTH CAROLINA

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

	<u>2012</u>	<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>
Governmental Activities:										
Net investment in capital assets	\$ 19,493,069	\$ 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
Restricted	1,912,469	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
Unrestricted	<u>2,329,895</u>	<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>
Total governmental activities										
net position	<u>\$ 23,735,434</u>	<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>
Business-type Activities:										
Net investment in capital assets	\$ 15,270,921	\$ 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
Unrestricted	<u>9,272,685</u>	<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>
Total business-type activities										
net position	<u>\$ 24,543,606</u>	<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>
Primary Government:										
Net investment in capital assets	\$ 34,763,990	\$ 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
Restricted	1,912,469	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
Unrestricted	<u>11,602,580</u>	<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>
Total primary government										
net position	<u>\$ 48,279,040</u>	<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>

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

Expenses:	<u>2012</u>	<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>
Governmental activities:										
General government	\$ 1,880,470	\$ 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
Public safety	4,773,082	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
Public works	1,312,549	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
Economic and physical development	532,931	531,028	497,450	348,274	404,448	333,749	378,549	489,183	456,021	472,536
Environmental protection	1,194,004	1,133,471	1,067,913	1,173,121	1,120,857	1,010,361	759,807	750,577	761,337	586,561
Cultural and recreational	667,510	673,215	718,794	654,985	683,973	688,966	991,094	956,697	980,229	938,555
Interest on long-term debt	16,973	11,190	5,428	5,662	16,458	37,365	37,729	36,502	40,228	45,071
Total governmental activities	<u>10,377,520</u>	<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>
Business-type activities:										
Interest on long-term debt	911,725	827,061	760,216	663,840	312,468	296,382	200,965	158,795	175,910	132,043
Water and sewer	6,420,997	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
Electric	7,341,177	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
Total business-type activities	<u>14,673,899</u>	<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>
Total expenses	<u>\$ 25,051,419</u>	<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>
Program Revenues:										
Governmental activities:										
Charges for services:										
Environmental protection	\$ 40,608	\$ 19,001	\$ 71,766	\$ 8,875	\$ 29,259	\$ 27,201	\$ 12,221	\$ 49,377	\$ 39,700	\$ 31,751
Cultural and recreational	98,702	96,676	91,302	120,945	116,764	169,179	177,133	127,134	90,281	40,957
Other	15,638	13,014	13,860	24,052	17,187	17,427	43,303	21,908	25,758	31,988
Operating grants and contributions	644,722	617,234	557,434	447,765	428,431	490,071	545,794	592,248	1,458,602	1,673,229
Capital grants and contributions	-	305,882	-	14,237	364,737	-	156,106	646,462	-	401,152
Total governmental activities	<u>799,670</u>	<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>
Business-type activities:										
Charges for services-Water and Sewer	8,186,402	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
Charges for services-Electric	6,681,363	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
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	1,674,563	-	-	-	-	-	-	-
Total business-type activities	<u>14,867,765</u>	<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>
Total program revenues	<u>\$ 15,667,435</u>	<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>

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

	<u>2012</u>	<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>
Net revenue (expense)										
Governmental activities	\$ (9,577,850)	\$ (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)
Business-type activities	193,865	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
Total net expense	<u>\$ (9,383,985)</u>	<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>
General Revenues										
Governmental activities:										
Ad valorem taxes	\$ 4,563,151	\$ 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
Other taxes and licenses	3,311,700	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
Unrestricted investment earnings	6,830	3,990	1,916	3,477	10,321	18,979	49,932	95,717	90,267	59,940
Other	71,951	11,235	320,657	56,808	86,953	(3,245)	8,048	87,525	204,664	103,044
Transfers	387,800	390,700	394,105	394,135	405,071	405,071	405,071	405,071	405,071	419,687
Extraordinary item	-	-	-	-	-	-	-	-	-	-
Total governmental activities	<u>8,341,432</u>	<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>
Business-type activities:										
Unrestricted investment earnings	21,211	14,743	9,233	10,869	26,421	51,748	136,764	255,617	215,711	69,429
Other	-	(906)	236	(405,084)	2,914	17,744	(12,133)	13,641	-	22,767
Transfers	(387,800)	(390,700)	(394,105)	(394,135)	(405,071)	(405,071)	(405,071)	(405,071)	(405,071)	(419,687)
Total business-type activities	<u>(366,589)</u>	<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>
Total primary government	<u>\$ 7,974,843</u>	<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>
Change in Net Position:										
Governmental activities	\$ (1,236,418)	\$ (888,422)	\$ (816,535)	\$ (518,268)	\$ (169,597)	\$ (103,815)	\$ (504,403)	\$ 292,076	\$ 1,461,836	\$ 864,713
Business-type activities	<u>(172,724)</u>	<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>
Total primary government	<u>\$ (1,409,142)</u>	<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>

CITY OF LINCOLN, NORTH CAROLINA

Governmental Activities Tax Revenues By Source

Last Ten Fiscal Years

(Accrual Basis of Accounting)

(Unaudited)

Fiscal Year	Property Tax	Rental Vehicle Tax	Sales Tax	Franchise Tax	Payment in lieu of Tax (1)	Payment in lieu of Tax (2)	Alcoholic Beverage Tax	Solid Waste Disposal Tax	Total
2012	\$ 4,563,151	\$ 16,399	\$ 2,138,139	\$ 849,492	\$ 25,552	\$ 387,800	\$ 45,667	\$ 7,375	\$ 8,033,575
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

(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>2012</u>	<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>
General Fund:										
Nonspendable:										
Inventories	\$ 149,779	\$ 144,390	\$ 134,268	\$ 22,880	\$ 14,316	\$ 5,828	\$ 14,396	\$ 10,598	\$ 7,955	\$ 11,195
Prepaid expenditures	57,049	53,022	55,321	58,524	57,490	44,437	33,207	50,587	11,500	11,500
Restricted:										
Stabilization by State Statute	644,443	635,842	686,430	633,776	695,340	827,256	1,045,057	1,006,402	1,758,308	1,156,191
Streets - Powell Bill	917,139	905,325	833,430	849,755	896,728	695,057	676,199	440,115	369,558	278,229
Public safety - Police	-	-	-	7,000	5	5	5	5	5	980
Assigned:										
Subsequent year's expenditures	1,784,060	1,443,059	1,547,057	1,405,541	1,050,000	785,301	765,470	237,000	405,000	-
Unassigned	1,737,430	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
Total general fund	<u>\$ 5,289,900</u>	<u>\$ 4,799,831</u>	<u>\$ 4,621,242</u>	<u>\$ 4,692,437</u>	<u>\$ 5,222,459</u>	<u>\$ 5,152,070</u>	<u>\$ 4,795,984</u>	<u>\$ 5,200,341</u>	<u>\$ 6,848,623</u>	<u>\$ 5,708,206</u>
All Other Governmental Funds:										
Restricted:										
Economic development	\$ 350,887	\$ 362,848	\$ 383,128	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned:										
Subsequent year's expenditures	43,950	16,850	260	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 394,837</u>	<u>\$ 379,698</u>	<u>\$ 383,388</u>	<u>\$ -</u>						

CITY OF LINCOLNTON, NORTH CAROLINA

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

	<u>2012</u>	<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>
Revenues:										
Ad valorem taxes	\$ 4,573,099	\$ 4,680,104	\$ 4,905,832	\$ 4,734,705	\$ 4,712,610	\$ 4,704,877	\$ 4,800,673	\$ 4,879,429	\$ 5,433,254	\$ 5,605,996
Other taxes and licenses	23,774	27,210	25,521	27,986	32,034	167,263	203,572	207,745	208,777	1,216,803
Unrestricted intergovernmental	3,397,305	3,398,765	3,379,348	3,601,858	3,709,323	4,109,375	4,387,039	4,584,284	4,677,896	5,323,877
Restricted intergovernmental	534,113	768,655	418,009	391,822	505,951	362,145	577,679	1,109,648	1,328,634	544,468
Permits and fees	15,638	13,014	25,768	27,756	32,559	35,394	44,632	45,786	45,636	30,501
Sales and services	139,310	115,676	166,235	142,760	149,132	199,336	210,912	179,758	133,334	75,982
Investment earnings	8,060	4,618	1,916	3,477	10,321	18,979	49,932	95,717	90,267	57,750
Miscellaneous	71,951	92,549	304,501	54,519	296,487	120,621	59,802	60,400	192,057	116,393
Total revenues	<u>8,763,250</u>	<u>9,100,592</u>	<u>9,227,129</u>	<u>8,984,882</u>	<u>9,448,416</u>	<u>9,717,989</u>	<u>10,334,241</u>	<u>11,162,766</u>	<u>12,109,855</u>	<u>12,971,770</u>
Expenditures:										
General government	1,165,808	1,248,570	1,392,411	1,355,882	1,327,589	1,293,767	1,572,754	1,607,558	1,641,391	2,047,976
Public safety	4,485,885	4,487,544	4,599,355	4,902,029	5,060,727	5,022,088	6,029,667	5,534,104	5,460,482	7,708,278
Public works	1,359,972	1,566,676	1,553,660	1,234,560	1,241,230	1,651,114	1,266,038	1,301,877	1,185,753	1,402,534
Economic and physical development	565,131	902,831	409,460	346,769	374,412	315,893	422,053	484,657	618,334	977,246
Environmental protection	1,102,472	1,065,771	980,682	1,099,891	1,519,010	873,584	580,802	593,203	886,254	641,937
Cultural and recreational	593,648	610,871	781,570	632,441	708,628	977,385	1,036,387	1,258,794	1,167,270	974,988
Debt service:										
Principal	94,126	97,658	67,134	89,200	271,078	404,726	435,016	357,078	426,797	402,337
Interest	16,973	11,190	5,428	5,662	12,229	37,591	38,714	37,410	36,719	42,702
Total expenditures	<u>9,384,015</u>	<u>9,991,112</u>	<u>9,789,700</u>	<u>9,666,434</u>	<u>10,514,903</u>	<u>10,576,148</u>	<u>11,381,430</u>	<u>11,174,683</u>	<u>11,423,000</u>	<u>14,197,998</u>
Revenues over (under) expenditures	<u>(620,765)</u>	<u>(890,520)</u>	<u>(562,571)</u>	<u>(681,552)</u>	<u>(1,066,487)</u>	<u>(858,158)</u>	<u>(1,047,189)</u>	<u>(11,916)</u>	<u>686,855</u>	<u>(1,226,228)</u>

CITY OF LINCOLNTON, NORTH CAROLINA

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

	<u>2012</u>	<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>
Other Financing Sources (Uses):										
Transfers in	\$ 387,800	\$ 390,700	\$ 394,105	\$ 394,135	\$ 405,071	\$ 405,071	\$ 405,071	\$ 405,071	\$ 405,071	\$ 419,687
Transfers out	-	-	-	-	-	-	-	-	-	-
Capital contributions	-	-	-	-	-	-	-	-	-	401,152
Issuance of debt	-	-	-	470,000	1,200,000	391,186	275,589	-	559,000	819,539
Miscellaneous	-	-	-	-	-	-	1,875	15,000	-	-
Extraordinary item	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>387,800</u>	<u>390,700</u>	<u>394,105</u>	<u>864,135</u>	<u>1,605,071</u>	<u>796,257</u>	<u>682,535</u>	<u>420,071</u>	<u>964,071</u>	<u>1,640,377</u>
Net change in fund balances	<u>\$ (232,965)</u>	<u>\$ (499,820)</u>	<u>\$ (168,466)</u>	<u>\$ 182,583</u>	<u>\$ 538,585</u>	<u>\$ (61,901)</u>	<u>\$ (364,654)</u>	<u>\$ 408,155</u>	<u>\$ 1,650,926</u>	<u>\$ 414,149</u>
Debt service as a percentage of non-capital project expenditures	1.2%	1.2%	0.8%	1.0%	3.1%	4.7%	4.7%	3.8%	4.5%	3.8%

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				
2012 (2)	\$ 686,864,483	\$ 114,288,978	\$ 21,123,419	\$ 822,276,880	0.56	(2.7)%	\$ 833,360,576	98.67 %
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	96.17 %
2021	823,334,077	155,334,000	25,400,076	1,004,068,153	0.56	2.5 %	1,005,800,000	99.00 %

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>2012</u>	<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>
City of Lincolnton	<u>0.56</u>									
Lincoln County	<u>0.598</u>	<u>0.598</u>	<u>0.598</u>	<u>0.598</u>	<u>0.611</u>	<u>0.611</u>	<u>0.611</u>	<u>0.611</u>	<u>0.599</u>	<u>0.599</u>
Special District:										
East Lincoln Water and Sewer District	<u>0.0199</u>	<u>0.0355</u>	<u>0.0342</u>	<u>0.0342</u>	<u>0.0345</u>	<u>0.0000</u>	<u>0.0000</u>	<u>0.0000</u>	<u>0.0000</u>	<u>0.0000</u>
Fire Districts:										
Alexis	0.1100	0.1100	0.1100	0.1100	0.1165	0.1165	0.1165	0.1165	0.1165	0.1165
Boger City	0.0925	0.0925	0.0925	0.0925	0.0999	0.0999	0.0999	0.0999	0.1050	0.1250
Crouse	0.0609	0.0609	0.0609	0.0609	0.0640	0.0640	0.0640	0.0640	0.0860	0.0860
Denver	0.1099	0.1099	0.1099	0.1099	0.1125	0.1125	0.1150	0.1150	0.1150	0.1150
East Lincoln	0.0680	0.0785	0.0850	0.0850	0.0850	0.1125	0.0890	0.0890	0.0980	0.0980
Howards Creek	0.1050	0.1050	0.1150	0.1150	0.1203	0.1223	0.1223	0.1223	0.1355	0.1355
North Brook	0.0600	0.0600	0.0800	0.0800	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
North 321	0.0350	0.0350	0.0400	0.0400	0.0400	0.0400	0.0400	0.0400	0.0700	0.0700
Pumpkin Center	0.0951	0.0951	0.1242	0.1242	0.1295	0.9700	0.9700	0.9700	0.9700	0.1200
South Fork	0.0910	0.0910	0.1236	0.1236	0.1250	0.1250	0.1250	0.1250	0.1250	0.1250
Union	<u>0.0750</u>	<u>0.0900</u>	<u>0.0900</u>	<u>0.0900</u>	<u>0.0900</u>	<u>0.0900</u>	<u>0.1250</u>	<u>0.1250</u>	<u>0.1250</u>	<u>0.1250</u>
	<u>0.90</u>	<u>0.93</u>	<u>1.03</u>	<u>1.03</u>	<u>1.08</u>	<u>1.95</u>	<u>1.97</u>	<u>1.97</u>	<u>2.05</u>	<u>1.22</u>

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>2021</u>			<u>2012</u>		
		<u>Total Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Assessed Valuation</u>	<u>Total Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Assessed Valuation</u>
Triangle Real Estate	Apts/ Real Estate	\$ 19,465,618	1	2.38	\$ -	-	-
Wal-Mart Real Estate Business	Real Estate	15,348,184	2	1.88	-	-	-
Griffin-American Healthcare REIT	Healthcare	13,679,758	3	1.67	-	-	-
Colonial Village of Linc, LLC	Apts/ Real Estate	11,160,073	4	1.36	6,969,217	4	0.85
Lowes Home Centers, Inc.	Retail	11,147,237	5	1.36	11,358,810	2	1.38
Ingles Markets	Retail	9,361,182	6	1.14	-	-	-
Duke Energy	Utility	8,425,411	7	1.03	-	-	-
Provest Lincolnton Center, LLC	Retail	7,179,081	8	0.88	-	-	-
T & T Investments	Real Estate	6,575,923	9	0.80	12,147,021	1	1.48
The Oaks Apartments	Apts/ Real Estate	6,504,004	10	0.79	5,732,400	7	0.70
Bell South Telephone Company	Utility	-	-	-	9,214,612	3	1.12
Lincoln General, LLC	Real Estate	-	-	-	6,195,911	5	0.75
SMV Lincolnton, LLC	Real Estate	-	-	-	5,901,194	6	0.72
Carillon Assisted Living	Assisted Living	-	-	-	5,575,792	8	0.68
Archer Central Building, LLC	Real Estate	-	-	-	5,257,743	9	0.64
Junker R. Norman, Heirs	Real Estate	-	-	-	5,221,502	10	0.63
		<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals		<u>\$ 108,846,471</u>		<u>13.29</u>	<u>\$ 73,574,202</u>		<u>8.95</u>

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)
2012	\$ 4,609,731	\$ 4,483,921	97.3	\$ 112,873	\$ 4,596,794	99.7	\$ 12,937
2013	4,756,670	4,619,621	97.1	123,435	4,743,056	99.7	13,614
2014	4,941,052	4,819,616	97.5	102,505	4,922,121	99.6	18,931
2015	4,817,056	4,688,416	97.3	122,489	4,810,905	99.9	6,151
2016	4,657,160	4,577,654	98.3	73,675	4,651,329	99.9	5,831
2017	4,766,152	4,653,457	97.6	103,746	4,757,203	99.8	8,949
2018	4,813,332	4,723,012	98.1	80,334	4,803,346	99.8	9,986
2019	4,920,447	4,840,432	98.4	61,107	4,901,539	99.6	18,908
2020	5,483,656	5,395,076	98.4	57,626	5,452,702	99.4	30,954
2021	5,622,783	5,572,445	99.1	-	5,572,445	99.1	50,338

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	State		Installment			
	Installment Financing	Revenue Bonds	Revolving Loan				
2012	\$ 164,792	\$ 13,280,000	\$ 7,329,956	\$ -	\$ 20,774,748	5.98	1,975
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

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)**

<u>Fiscal Year</u>	<u>Population</u>	<u>Total Assessed Value</u>	<u>Gross Bonded Debt</u>	<u>Less: Debt Payable From Enterprise Revenues</u>	<u>Total General Bonded Debt</u>	<u>Percentage of Estimated Actual Taxable Value of Property</u>	<u>Per Capita</u>
2012	10,517	\$ 822,276,880	\$ 13,280,000	\$ 13,280,000	\$ -	-	-
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	-	-	-	-	-

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

CITY OF LINCOLNTON, NORTH CAROLINA

**Direct and Overlapping Government Activities Debt
June 30, 2021
(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	\$ 99,290,575	9.00 %	\$ <u>8,936,152</u>
Subtotal, overlapping debt			8,936,152
City of Lincolnton direct debt			<u>1,329,019</u>
Total direct and overlapping debt			<u>\$ 10,265,171</u>

Note: The percentage of overlapping debt is based on the June 30, 2021 assessed valuation of the County of Lincoln of \$11,602,702,000 as compared to the June 30, 2021 assessed valuation for the City of Lincolnton of \$1,004,068,153.

CITY OF LINCOLNTON, NORTH CAROLINA

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

	<u>2012</u>	<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>
Assessed value of taxable property	\$ 822,276,880	\$ 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
Debt limit, 8% of assessed value (statutory limitation)	\$ 65,782,150	\$ 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
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	\$ 65,782,150	\$ 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
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		Income		Total		Coverage
	Available for Debt Service	Less Expenses	Available for Debt Service	Debt Service	Principal	Interest	
2012	\$ 8,194,878	\$ 4,486,488	\$ 3,708,390	\$ 2,700,825	\$ 1,768,458	\$ 932,367	1.37
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

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)
2012	10,517	\$ 347,366	33,029	41.1	11,655	10.4
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	11,200	528,394	47,178	43.0	11,406	12.0
2021	11,675	-	-	43.0	11,406	4.2

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 2021 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>2021</u>			<u>2012</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	1,545	1	3.59 %	1,600	1	4.14 %
RSI Home Products	1,000	2	2.32 %	570	6	1.48 %
Atrium Health (Lincoln Medical Center)	840	3	1.95 %	720	5	1.86 %
Wal-Mart Stores, Inc.	800	4	1.86 %	730	4	1.89 %
Lincoln County Government	795	5	1.85 %	750	2	1.94 %
The Timken Company	650	6	1.51 %	750	3	1.94 %
Julius Blum, Inc.	435	7	1.01 %	370	7	0.96 %
Robert Bosch Tool Corporation	410	8	0.95 %	183	16	0.47 %
Cataler North America	400	9	0.93 %	200	13	0.52 %
VT LeeBoy, Inc.	310	10	0.72 %	275	10	0.71 %
Medline	285	11	0.66 %			
Lowes	280	12	0.65 %	270	11	0.70 %
Food Lion	280	13	0.65 %			
Lincoln Charter School Incorporated	250	14	0.58 %			
Amerihealth Caritas Service, LLC	245	15	0.57 %			
G & W	240	16	0.56 %			
Actavis Corp				330	8	0.85 %
Mohican Mills				300	9	0.78 %
United Technologies				210	12	0.54 %
State of North Carolina				190	14	0.49 %
McMurray Fabrics				188	15	0.49 %
Total	<u>8,765</u>		<u>20.36 %</u>	<u>7,636</u>		<u>19.76 %</u>
Total Civilian Labor Force	<u>43,052</u>			<u>38,609</u>		

Sources: Lincoln Economic Development Association
 North Carolina Department of Commerce Division of Employment Security
 Telephone survey by Lincoln County Finance Department

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)**

	<u>2012</u>	<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>
Function										
General Government										
City Manager	3	3	3	3	3	4	3	3	3	2
Human resources	4	4	4	4	4	4	4	4	5	5
Finance	9	9	9	9	9	8	8	8	7	7
Public Safety										
Police										
Officers	27	30	31	31	31	33	33	33	33	33
Civilians	5	5	5	5	5	5	5	5	4	2
Fire										
Firefighters and officers	24	21	22	21	21	22	23	26	27	38
Civilians	1	1	1	1	1	1	1	1	1	1
Public Works										
Public works	3	3	3	3	3	3	3	3	2	3
Street	12	12	12	12	12	12	11	11	11	11
Equipment services	3	3	3	3	2	2	2	2	2	2
Environmental Protection										
Solid waste	13	12	12	12	13	13	11	7	7	6
General services-cemetery	3	2	2	2	2	2	-	-	-	-
Economic and Physical Development										
Planning and zoning	3	3	2	2	2	2	3	3	3	2
Business and community development	2	2	2	2	2	1	1	1	1	1
Cultural and Recreational										
Parks and recreation	5	5	5	5	5	5	7	7	7	5
Water and Sewer										
Water treatment plant	10	9	9	9	10	10	10	10	10	9
Distribution and collection	12	11	13	13	11	11	11	11	12	13
Waste water treatment plant	9	8	8	8	9	9	9	9	9	9
Electric	<u>5</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>
Total	<u>153</u>	<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>

Source: Finance Department's payroll records.

CITY OF LINCOLNTON, NORTH CAROLINA

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

Function	<u>2012</u>	<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>
Public Safety										
Police										
Physical arrests	1,580	1,588	1,500	1,505	1,330	1,243	1,308	652	1,017	904
Parking violations	63	74	68	79	61	150	843	477	816	563
Traffic violations	707	1,183	1,366	1,727	2,359	1,830	1,667	1,357	1,068	896
Fire										
Number of calls answered	1,983	2,013	2,016	2,164	2,185	2,212	2,294	2,259	2,074	2,629
Inspections	615	598	526	597	344	301	297	243	317	363
Public Works - Highways and streets										
Street resurfacing (miles)	0.22	0.95	0.98	0.98	1.03	2.24	1.57	1.80	-	-
Potholes repaired	37	41	39	42	39	83	83	196	193	102
Environmental Protection										
Refuse collected (tons/day)	29.98	31.13	31.01	30.33	27.88	26.56	22.82	18.91	14.74	9.00
Recyclables collected (tons/day)	2.62	0.82	0.89	1.07	1.04	1.10	1.03	0.69	0.30	0.32
Cultural and Recreational (1)										
Youth sports participants	698	932	1,075	1,228	1,209	1,157	1,281	1,396	829	432
Youth camps/clinics participants	286	235	170	235	179	199	2,121	1,634	1,298	39
Open gym participants	12,703	13,118	4,072	10,099	7,827	9,846	15,219	15,229	14,122	4,500
Swimming pool participants	12,467	11,672	6,826	10,825	11,045	7,767	9,686	8,101	5,697	1,595
Other programs participants	5,015	5,196	4,125	5,305	3,992	3,435	3,885	5,531	2,879	2,279
Special events	26	26	13	19	23	23	27	25	14	12
Special events participants	7,399	7,935	4,456	6,427	6,971	3,435	6,750	6,101	4,003	12
Recreation program participants	38,568	39,088	20,724	34,109	34,223	28,791	38,942	37,992	28,828	23,110
Facility and ball field rentals	2,848	2,587	727	2,570	2,911	2,952	2,843	1,862	1,041	349

CITY OF LINCOLNTON, NORTH CAROLINA

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

Function	<u>2012</u>	<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>
Water										
New connections	20	12	9	18	12	14	12	34	24	58
Water main breaks	42	21	20	20	31	18	23	22	25	30
Average daily consumption (thousands of gallons)	2,810	3,000	3,000	3,000	3,000	2,689	2,424	2,295	2,606	2,605
Wastewater										
New connections	19	9	7	10	5	14	9	25	9	38
Average daily sewage treatment (thousands of gallons)	2,390	2,357	2,650	2,075	2,390	1,760	1,700	1,760	2,415	2,442
Electric										
New connections	6	9	5	15	4	23	9	6	8	16

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>2012</u>	<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>
Function										
Public Safety										
Police										
Stations	2	2	2	2	2	2	2	2	2	2
Patrol units	25	25	25	34	37	38	38	38	38	38
Fire stations	2	2	2	2	2	2	2	2	2	2
Public Works - Highways and streets										
Streets (miles)	60.03	59.90	59.90	59.90	59.90	60.15	60.15	60.15	60.15	60.15
Streetlights	979	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	3	4	4	4	4
Park acreage	79.37	79.37	79.37	79.37	79.37	79.37	89.37	89.37	89.37	89.37
Parks with trail systems	2	2	2	2	2	2	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	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

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

Function	<u>2012</u>	<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>
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>2012</u>	<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>
Residential	217.1	216.9	210.8	198.1	214.7	215.9	213.5	228.8	237.5	237.7
Industrial	3.7	3.9	4.9	4.0	18.2	20.2	18.3	20.1	13.4	16.1
Industrial/Textile	418.6	438.6	363.6	308.8	227.1	167.7	132.0	130.0	69.1	39.7
Commerical	148.1	148.0	111.1	108.5	107.7	106.4	107.6	124.9	117.7	113.9
Institutional (1)	-	-	33.2	37.9	38.7	38.0	39.1	37.4	40.3	32.4
Other Local Governments	77.4	63.6	65.7	19.8	116.3	187.7	194.3	193.3	239.3	393.5
Military	-	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Government	<u>8.4</u>	<u>10.4</u>	<u>9.5</u>	<u>7.3</u>	<u>7.6</u>	<u>8.7</u>	<u>8.5</u>	<u>7.5</u>	<u>7.5</u>	<u>7.0</u>
Total	<u>873.3</u>	<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>
Total direct rate per 1,000 gallons	<u>\$ 3.88</u>	<u>\$ 3.99</u>	<u>\$ 4.31</u>	<u>\$ 4.99</u>	<u>\$ 5.00</u>	<u>\$ 4.81</u>	<u>\$ 4.90</u>	<u>\$ 4.90</u>	<u>\$ 4.90</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)**

	<u>2012</u>	<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>
Type of Customer										
Residential	161.3	161.6	158.9	161.6	157.6	158.9	158.7	175.2	178.3	237.9
Industrial	56.4	55.5	54.7	55.2	63.8	58.8	52.9	125.1	54.8	55.0
Industrial/Textile	380.5	415.5	350.0	267.9	195.2	137.7	116.4	67.5	69.1	39.7
Commerical	125.1	128.5	99.3	94.4	91.8	93.1	97.2	116.2	104.7	114.7
Institutional (1)	-	-	30.0	33.3	28.9	30.5	32.8	31.7	34.1	34.6
Military	-	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Government	<u>7.8</u>	<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>
Total	<u>731.1</u>	<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>
Total direct rate per 1,000 gallons	<u>\$ 6.25</u>	<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
2012	13.62	3.67	20.39	6.07
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

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
State Program And On Internal Control Over Compliance
Required By The Uniform Guidance And The State Single
Audit Implementation Act**

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**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 the City of Lincolnton, North Carolina, as of, and for, the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Lincolnton, North Carolina's basic financial statements and have issued our report thereon dated January 11, 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.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the City of Lincolnton, North Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 have not been identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies.
Item 2021-001

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 one instance of noncompliance or other matters that are required to be reported under Government Auditing Standards. Item 2021-001

The City of Lincolnton, North Carolina's Response to Findings

The City of Lincolnton, North Carolina's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City of Lincolnton, North Carolina's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

LowSmith Church & Co., L.L.P.

Morganton, North Carolina
January 11, 2022

CITY OF LINCOLNTON, NORTH CAROLINA

Schedule of Findings and Responses
For the Year Ended June 30, 2021

**Financial Statement Finding
Compliance**

Finding : 2021-001
Significant Deficiency
Prior Period Adjustment and
Noncompliance

Criteria:	N. C. General Statute 160A-311 allows a local government to own/operate public enterprises. This includes electric power generation, transmission and distribution systems.
Condition:	The City spent Electric Fund resources of \$1,557,806 for the construction of a police station, visitor center and restaurant improvement project.
Effect:	The City spent Electric Fund resources for non enterprise utility activities.
Cause:	The Electric Fund spent resources for expenditures that did not meet the qualifications of a public enterprise fund expenditure.
Recommendation:	The City should only spend Electric Fund resources on electric utility activities. The General Fund should reimburse the Electric Fund for the non allowed expenditures.
Views of responsible officials and planned corrective action:	The City agrees with this finding. Please refer to corrective action plan on page 131.

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.

**Corrective Action Plan
For the Year Ended June 30, 2021**

**Financial Statement Finding
Compliance**

Finding: 2020-001

Name of contact person:

Pamela McBryde, Finance Director

Corrective action:

The City will only spend Electric Fund resources on electric utility activities and the General Fund is repaying the Electric Fund for the non allowed expenditures. The General Fund is reimbursing the Electric Fund for the expenditures, plus interest at a rate of 1.5%, to be repaid over fifteen years.

Proposed completion date:

The City will implement this immediately.