

CITY OF LINCOLNTON, NORTH CAROLINA
ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

PREPARED BY
CITY OF LINCOLNTON FINANCE DEPARTMENT

CITY OF LINCOLNTON, NORTH CAROLINA

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INTRODUCTORY SECTION

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-

CITY COUNCIL
Ed L. Hatley, Mayor
Christine Poinsette, Mayor Pro-Tem
Roby D. Jetton
Kevin Demeny
Jill Tipton



CITY MANAGER
Ritchie Haynes
rhaynes@lincolntonnc.org
CITY CLERK
Daphne Ingram
d Ingram@lincolntonnc.org
CITY ATTORNEY
John M. Friguglietti, Jr., P.A.
john@davidsonlawyers.net

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, 2023, 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, 2023. The independent auditors' report is located at the front of the financial section of this report.

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

Profile of the City

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

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

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

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

Local Economy

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

During the past ten years, the unemployment rate rose from an initial high of 11.5 percent (2011) to a decade low of 3.0 percent (2022). The unemployment rate as of June 30, 2023, was 3.1 percent. This rate is lower than the State's rate of 3.3 percent and lower than the national rate of 3.6 percent. Lincolnton has followed the same pattern as the State during the economic cycles.

Numerous businesses opened in Lincolnton, including: Twisted Sugar, BlueRiver Outfitters, Noble Artistry Florist, Lincolnton Suites on Main, The Odd Duck, Sweet Side Bakery & Café, Liddy Bean Soap, Little Hidden Gem Consignment Boutique, Computer Clinic, Rooted & Co Hair Studio, Vittles' Restaurant (under new ownership), and Backwoods Boutique.

Race City Steel expanded their building with over 70K square feet and new equipment with an estimated value of \$5,600,000. This investment will create 30 new jobs.

Kirk & Matz Fine Awards & Gifts invested \$775,000 in a new building addition and equipment. This is LEDA's first level one industrial expansion.

Cataler North America, which manufactures catalysts for the automotive industry, announced a building improvements and equipment expansion of \$16,397,801. This investment will create 3 new jobs.

ST LeeBoy (formerly VT LeeBoy) invested \$7,000,000 in building improvements and equipment. This investment will create 30 new jobs.

Blum North America is investing \$15,023,584 in building improvements and equipment. This investment will create 10 new jobs.

United Plate Glass expanded their building with 24,000 square feet and new equipment with an estimated value of \$5,035,000. This investment will create 5 new jobs.

KACO USA, which manufactures high-precision, practical sealing solutions for the automotive and mechanical engineering sectors, announced a \$1,500,000 building improvements and equipment expansion. This investment will create 5 new jobs.

Timken, which manufactures bearings and industrial motion products, announced a \$1,500,000 building improvements and equipment expansion. This investment will create 15 new jobs.

Robert Bosch, which manufactures power tool accessories, announced a \$102,000,000 building improvements and equipment to the Lincolnton location. This expansion is an additional 325,000 square feet facility and expected to create 233 new jobs.

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

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

Long-Term Financial Planning and Major Initiatives

Unassigned fund balance in the general fund is 70.15 percent of total general fund expenditures, which is above the required amount of 8 percent set by the State of North Carolina. As a demonstration of the City's commitment to financial planning and fiscal health, the unreserved, unassigned fund balance in the general fund was \$9,769,179.

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

Public Service Center-The City purchased the Excel Textile Supply Company building and surrounding land in November 2022. This purchase is the initial phase for the City's PSC/Substation project to centralize Public Works and establish another substation for the City's electric services for future growth. This project is projected to have a minimum of three phases. Phase I – purchase of building/land (\$1.3M); Phase II – PSC architectural up-fit of the facilities; Phase III – substation design and construction.

Information Technology Server Upgrades – The City upgraded the Information Technology servers to be more in line with current advances and for future growth. The City's last partial upgrade was in 2015 and is no longer viable. This upgrade investment is \$263K and provides redundancy for any instances of power outages and other possible issues. This upgrade plays a part with the City's Cybersecurity Insurance costs, as well.

Fiber Ring Project –The City is constructing a flexible alternative to using connectivity services via AT&T/Altaworx. This project is set to increase the connectivity speeds between locations to match infrastructure capabilities by giving the City the flexibility to control these options. This project has multiple stages with an estimated completion date of December 2023, cost of \$450K, and an estimated savings within 5 years of approximately 1 million dollars.

City Park Redevelopment- The City contracted with McGill & Associates to facilitate the City Park Redevelopment project. This project is a multi-year endeavor to add to the City's Parks and Greenways. The City will be utilizing funding from various sources to pay for this project, which is estimated to cost \$4.1M. To assist with this project, the City was awarded \$500,000 from the NC Parks and Recreation Trust Fund Matching Grants. The City will also use ARPA funds for this project in addition to other funding resources that become available. The City sought input from the community and those ideas were presented to the City Council for approval.

Highland Drive Park-The City received the State Capital Infrastructure Fund (SCIF) Grant of \$243K to purchase and install new playground equipment at the park. In addition to the equipment, the City is grading and adding a new parking lot for patrons. The City budgeted \$90K for the additional parking lot to complete this project. Completion is anticipated by December 2023.

Solid Waste Garbage Truck-The City financed the purchase of a new solid waste garbage truck in October 2022. The cost was \$351K and is being financed through the Lincolnton branch of United Bank over a seven-year period.

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

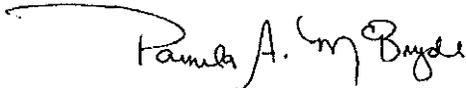
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lincolnton for its annual comprehensive financial report for the fiscal year ended June 30, 2022. This was the thirty-third consecutive year that Lincolnton has 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 twenty-first year in a row. Awards are given to water systems that demonstrate outstanding turbidity and microbial removal; two factors important in determining the drinking water quality. While all systems must meet strict guidelines from federal and State standards, those awarded met performance goals that were more rigorous.

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Pamela A. McBryde". The signature is written in black ink and is positioned above the typed name.

Pamela A. McBryde
Finance Director

November 13, 2023

GFOA Certificate of Achievement



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Lincolnton
North Carolina**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

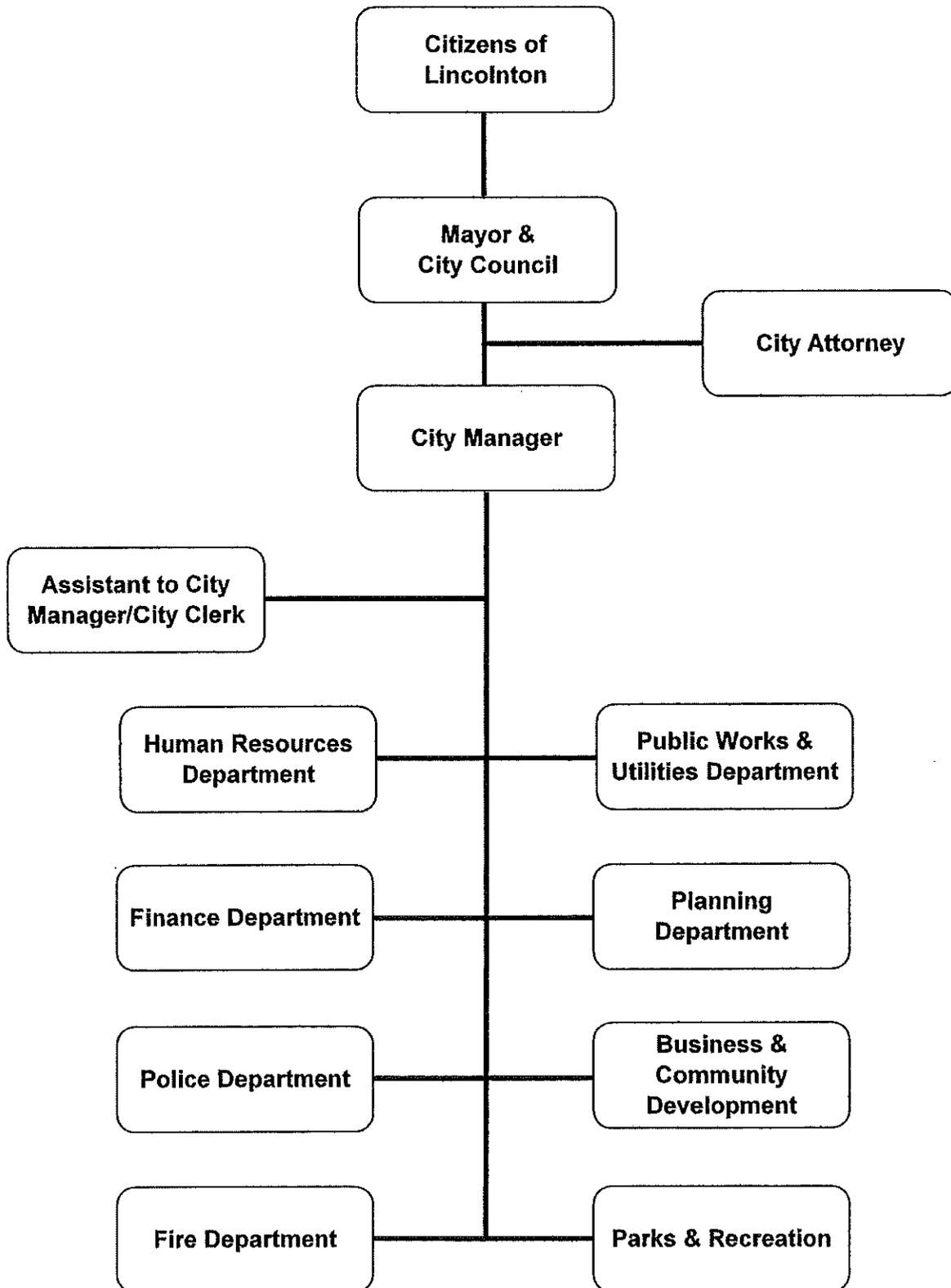
Christopher P. Morill

Executive Director/CEO

CITY OF LINCOLNTON
Department Organizational Chart

City of Lincolnton

Department Organizational Chart



CITY OF LINCOLNTON, NORTH CAROLINA

LIST OF PRINCIPAL OFFICIALS
June 30, 2023

Mayor & City Council

Mayor	Edward L. Hatley, Jr.
Ward I	Kevin Demeny
Ward II Mayor Pro-Tem	Christine Poinsette
Ward III	Jill Tipton
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	Brian Greene
Fire Chief	Ryan Heavner
Business Services Director	David Ramsey
Water Resources Director	Todd Elmore
Planning & Development Director	Jean Derby
Public Services Director	Nathan Eurey
Community Relations Director	Laura Morris

FINANCIAL SECTION

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

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

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

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the City of Lincolnton, North Carolina's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Audit of the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lincolnton, North Carolina's basic financial statements. The accompanying individual fund financial statements, budgetary schedules, other schedules and schedule of expenditures of federal and State awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements, budgetary schedules, and other schedules and the schedule of expenditures of federal and State awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2023, on our consideration of the City of Lincolnton, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Lincolnton, North Carolina's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Lincolnton, North Carolina's internal control over financial reporting and compliance.

Lowdermilk Church & Co., L.L.P.

Morganton, North Carolina
November 13, 2023

Management's Discussion and Analysis

As management of the City of Lincolnton, we offer the readers of the City of Lincolnton's financial statements this narrative overview and analysis of the financial activities of the City of Lincolnton for the fiscal year ended June 30, 2023. 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

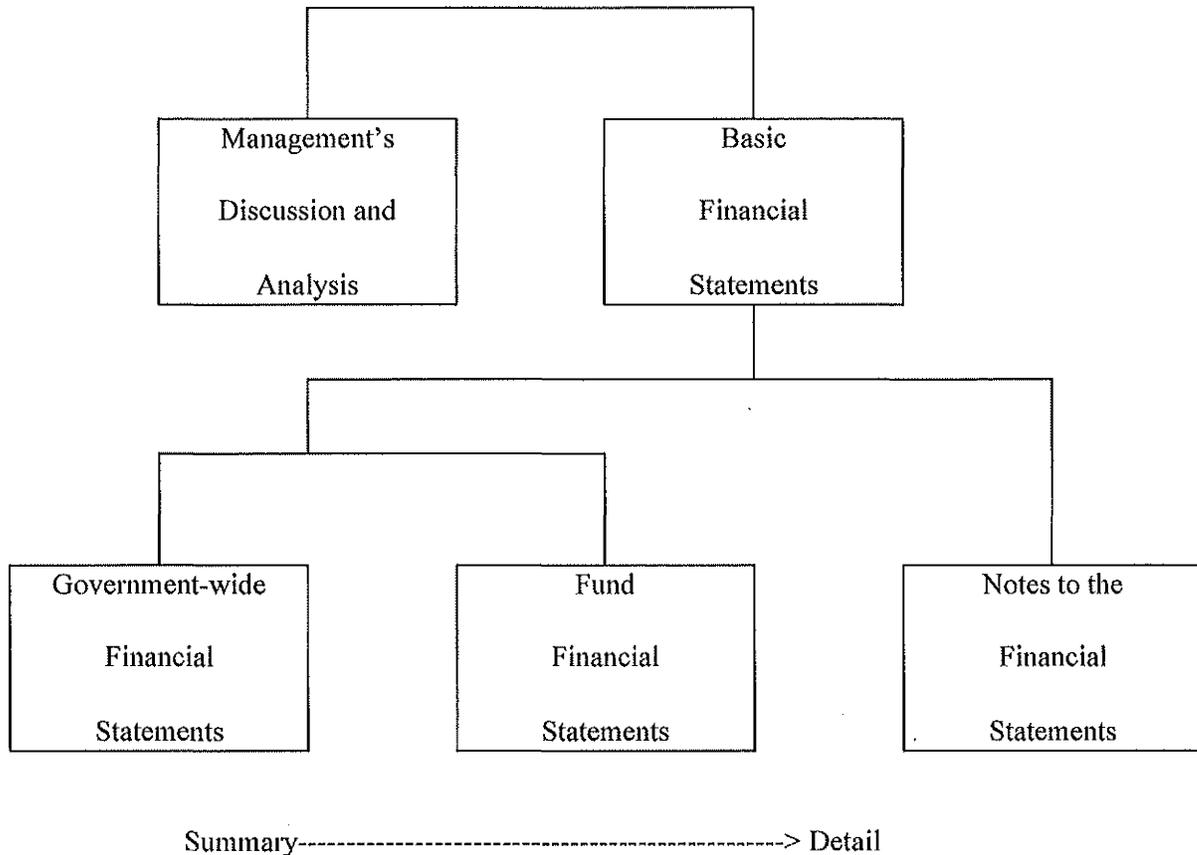
- The assets and deferred outflows of resources of the City of Lincolnton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$59,438,577 (net position).
- The City's total net position increased by \$4,872,249, primarily due to additional grant funding.
- As of the close of the current fiscal year, the City of Lincolnton's governmental funds reported combined ending fund balances of \$11,490,337, with a net increase of \$4,504,441 in fund balance. Approximately 14.98 percent of this total amount, or \$1,721,158, is non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$9,769,179, or 70.15 percent, of total General Fund expenditures for the fiscal year.
- The City of Lincolnton's total debt increased by \$2,527,296 (12.35%) during the current fiscal year. The key factor in this change was principal payments and an increase in net pension liability (LGMERS).
- The City's last bond rating was Aaa and AAA.
- The City's total capital assets decreased by \$106,754 (0.21%) during the current fiscal year. The key factor in this decrease is depreciation expense and disposal of capital assets.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (pages 23 through 26) 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 27 through 35) 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 for major governmental funds; 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 23 through 26 of this report.

Fund Financial Statements

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

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

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

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

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

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

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

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

Government-Wide Financial Analysis

City of Lincolnnton, Net Position

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
	Current and other assets	\$ 12,457,119	\$ 9,019,246	\$ 16,833,452	\$ 16,652,150	\$ 29,290,571
Capital assets	23,663,188	23,545,203	27,862,376	28,000,130	51,525,564	51,545,333
Total assets	36,120,307	32,564,449	44,695,829	44,652,280	80,816,135	77,216,729
Deferred outflows of resources	4,923,741	4,143,516	1,589,286	1,186,255	6,513,027	5,329,771
Long-term liabilities outstanding	17,051,441	14,356,858	5,939,502	6,106,790	22,990,943	20,463,648
Other liabilities	758,448	1,844,106	1,023,382	1,198,698	1,781,830	3,042,804
Total liabilities	17,809,889	16,200,964	6,962,883	7,305,488	24,772,773	23,506,452
Deferred inflows of resources	2,379,441	3,396,071	738,372	1,077,649	3,117,813	4,473,720
Net position:						
Net investment in capital assets	21,205,099	21,487,462	26,519,946	25,564,361	47,725,045	47,051,823
Restricted	1,706,358	1,487,501	-	-	1,706,358	1,487,501
Unrestricted	(2,056,739)	(5,864,033)	12,063,913	11,891,039	10,007,174	6,027,006
Total net position	\$ 20,854,718	\$ 17,110,930	\$ 38,583,859	\$ 37,455,399	\$ 59,438,577	\$ 54,566,330

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 Lincolnnton exceeded liabilities and deferred inflows by \$59,438,577 as of June 30, 2023. The City’s net position increased by \$4,872,249 for the fiscal year ended June 30, 2023. However, the largest portion of net position (80.29%) reflects the City’s net investment in capital assets (e.g., land, buildings, machinery, and equipment). The City of Lincolnnton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Lincolnnton’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 Lincolnnton’s net position, \$1,706,358, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$10,007,174 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 and other taxes.
- An increase in general revenues in the governmental activities due to an increase in property taxes.
- An increase in interest income due to an increase in cash and interest rates.
- An increase in charges for services in the Electric Fund and a slight decrease in the Water and Sewer Fund.

City of Lincoln, Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program Revenues:						
Charges for services	\$308,335	\$241,305	\$15,838,542	\$15,782,194	\$16,146,877	\$16,023,499
Operating grants and contributions	3,369,957	1,446,519	-	-	3,369,957	1,446,519
Capital grants and contributions	47,870	1,385,764	-	-	47,870	1,385,764
General Revenues:						
Property taxes	5,815,807	5,618,118	-	-	5,815,807	5,618,118
Other taxes	7,468,878	7,058,557	-	-	7,468,878	7,058,557
Unrestricted investment earnings	341,958	41,877	405,605	73,137	747,563	115,014
Other	525,985	149,152	10,606	40,884	536,591	190,036
Total revenues	<u>17,878,790</u>	<u>15,941,292</u>	<u>16,254,753</u>	<u>15,896,215</u>	<u>34,133,543</u>	<u>31,837,507</u>
Expenses:						
General government	2,541,629	3,174,700	-	-	2,541,629	3,174,700
Public safety	8,456,741	7,637,598	-	-	8,456,741	7,637,598
Public works	1,294,415	1,386,645	-	-	1,294,415	1,386,645
Economic and physical development	686,249	374,984	-	-	686,249	374,984
Environmental protection	444,674	546,385	-	-	444,674	546,385
Cultural and recreational	1,062,649	1,098,701	-	-	1,062,649	1,098,701
Interest on long-term debt	68,332	76,743	58,536	85,919	126,868	162,662
Water and sewer	-	-	7,721,494	6,959,880	7,721,494	6,959,880
Electric	-	-	6,926,575	7,514,097	6,926,575	7,514,097
Total Expenses	<u>14,554,689</u>	<u>14,295,755</u>	<u>14,706,605</u>	<u>14,559,896</u>	<u>29,261,294</u>	<u>28,855,651</u>
Increase (decrease) in net position before transfers and extraordinary item	\$3,324,101	\$1,645,537	\$1,548,148	\$1,336,319	\$4,872,249	\$2,981,855
Transfers	419,687	419,687	(419,687)	(419,687)	-	-
Increase (decrease) in net position	<u>\$3,743,788</u>	<u>\$2,065,223</u>	<u>\$1,128,460</u>	<u>\$916,632</u>	<u>\$4,872,249</u>	<u>\$2,981,855</u>
Net position July 1	\$17,110,930	\$15,045,707	\$37,455,399	\$36,538,767	\$54,566,329	\$51,584,474
Increase (decrease) in net position	<u>3,743,788</u>	<u>2,065,223</u>	<u>1,128,460</u>	<u>916,632</u>	<u>4,872,249</u>	<u>2,981,855</u>
Net position June 30	<u>\$20,854,718</u>	<u>\$17,110,930</u>	<u>\$38,583,859</u>	<u>\$37,455,399</u>	<u>\$59,438,577</u>	<u>\$54,566,329</u>

Governmental Activities. Governmental activities increased the City's net position by \$3,743,788, thereby accounting for 76.84% of the total growth in the net position for the City of Lincolnnton. Key elements of this increase are as follows:

- Property tax increases of \$197,689, due to growth in the tax base from new commercial and residential construction, resulted in revenues over projections.
- Other tax increases of \$410,321, due to sales tax increases due to a more robust economy.
- Operating grants and contributions increased \$1,923,438, mainly due to an increase in federal and State grants.
- Interest income increased \$300,081, due to an increase in cash at year end and an increase in the rates received.

Business-type Activities. Business-type activities increased the City's net position by \$1,128,460 hereby accounting for 23.16% of the total growth in net position for the City of Lincolnnton. Key elements of this increase are as follows:

- Revenues continue to rebound. The Water and Sewer Fund collections decreased slightly by \$147,706, from the prior year; the Electric Fund collections increased \$204,053 from the prior year.
- Operating expenditures were slightly higher than the prior year, primarily due to an increase in salaries and benefits.
- All utility rates remained unchanged from the prior year in an ongoing effort to stimulate growth for both commercial and residential purposes.
- Administrative expenditures to the General Fund were \$723,360 for the Water and Sewer Fund and \$622,000 for the Electric Fund.

Financial Analysis of the City's Funds

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

Governmental Funds. The focus of the City of Lincolnnton'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 Lincolnnton's financing requirements.

As the City completed the year, its governmental funds (as presented in the balance sheet) reported a combined fund balance of \$11,490,337, which is more than last year's total of \$6,985,896. Included in this change in fund balance is an increase in the General Fund balance of \$4,504,440. The primary reasons for the change mirror the governmental activities analysis highlighted on page 16.

The General Fund is the chief operating fund of the City of Lincolnnton. At the end of the current fiscal year, the City of Lincolnnton's fund balance available in the General Fund was \$10,138,148, while total fund balance reached \$11,490,337. The City currently has an available fund balance of 72.79 percent of General Fund expenditures, while total fund balance represents 82.50 percent of that same amount.

General Fund Budgetary Highlights. During the year, there was a \$2,937,276 increase in appropriations between the original and final budget. Following are the main components of the increase:

- \$2,387,143 Reimbursement from ARP/CSLFRF
- \$350,582 Solid waste – 2021 automated trash truck purchase
- \$262,380 Information technology service upgrades
- \$168,503 Salary/overtime benefits
- \$149,265 Fiber Ring Project (Phase 1)
- \$141,889 Water Street-City parking
- \$48,700 Street-MX5400HSTC tractor and LA1065 loader purchase

Revenue increases were realized from local sales tax collections, vehicle tax collections, interest, franchise tax collections, insurance settlements, cemetery lot sales, Parks & Recreation registration fees, and the sale of surplus capital assets. The most significant differences between estimated revenues and actual revenues were as follows:

<u>Revenue Source</u>	<u>Estimated Revenues</u>	<u>Actual Revenues</u>	<u>Difference</u>
Local sales & use tax	\$ 4,000,000	\$ 5,185,778	\$ 1,185,778
Capital asset sales	10,000	509,823	499,823
Interest-General Fund	30,000	334,756	304,756
Vehicle taxes & fees	480,000	606,477	126,477
Recreation-registration & entry fees	65,000	132,874	67,874
Insurance settlement	-	62,864	62,864
Franchise tax	800,000	848,501	48,501
Cemetery lot sales	25,000	45,550	20,550

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

- Total governmental expenditures were approximately \$495,428 more than originally budgeted due to inflationary increases in costs. Revenue increases as noted countered those expenses allowing the City to fund major projects and add to the General Funds fund balance.
- Public works was less than budgeted due to lower operating costs for personnel costs due to retirements and other administrative costs by \$131,890, street-related expenses of \$104,727 and equipment repairs by \$54,838.
- Parks and recreation was less than budgeted due to lower operating costs for personnel costs due to turnover in the amount of \$10,042, building maintenance of \$15,715, sports programs of \$25,291 and parks & trails maintenance of \$8,114.
- Economic and Physical Development was less than budgeted due to personnel retirements in the amount of \$63,740, consulting fees of \$26,935, and CBD Enhancements/promotion costs of \$39,058.
- General government expenditures were less than budgeted due to lower operating costs for personnel of \$40,398, debt service of \$47,576, telecommunication of \$78,531 and unused contingency funds of \$41,435.

Proprietary Funds. The City of Lincolnton’s proprietary funds provide the same type of information found in the government-wide statements, but in more detail. The unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$5,191,192, and unrestricted net position for the Electric Fund amounted to \$6,872,721. The total change in net position for both funds was \$913,738 and \$2,894, respectively. The change in net position in the Water and Sewer Fund is a result of an increase in operating revenues and a decrease in administration expenses. The change in net position in the Electric Fund is a result of a decrease in operating revenues and an increase in administration expenses.

Capital Asset and Debt Administration

Capital Assets. The City of Lincolnton's investment in capital assets for its governmental and business-type activities as of June 30, 2023, totals \$50,084,786 (net of accumulated depreciation) and right to use assets totaling \$1,440,778 (net of accumulated amortization). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles and leases.

Major capital asset transactions during the year include the following:

- Major additions in the General Fund included vehicles and equipment of approximately \$739,935, land of \$160,773, buildings and improvements of \$526,899, and construction in progress of \$379,741.
- Major additions in the Electric Fund included land of \$431,012, buildings and improvements of \$202,988, and construction in progress of \$232,112. These additions related to the purchase of the building and land for the Public Service Center.
- Major additions to the Water and Sewer Fund included land of \$130,619, approximately \$667,415 for equipment, \$0 for construction in progress, \$202,381 for building and improvements, and \$669,897 for distribution systems.

**City of Lincolnton Capital Assets
(Net of depreciation/amortization)**

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 9,251,965	\$ 9,167,092	\$ 865,534	\$ 303,903	\$ 10,117,499	\$ 9,470,995
Buildings/improvements	8,788,515	8,941,571	6,948,458	6,926,464	15,736,973	15,868,035
Distribution Systems	124,944	134,108	15,802,844	16,291,355	15,927,788	16,425,463
Infrastructure	1,937,867	2,081,580	-	-	1,937,867	2,081,580
Vehicles/equipment	2,090,378	2,000,488	3,911,766	3,951,475	6,002,144	5,951,963
Construction in progress	212,474	142,588	150,041	250,918	362,515	393,506
Total	\$ 22,406,143	\$ 22,467,427	\$ 27,678,643	\$ 27,724,115	\$ 50,084,786	\$ 50,191,542
Right to use assets:						
Leases	\$ 1,257,045	\$ 1,077,777	\$ 183,733	\$ 276,016	\$ 1,440,778	\$ 1,353,793

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, 2023, the City of Lincolnnton had \$2,214,752 of direct placement installment purchases. The direct placement installment purchases are backed by security interest in the property for which it was issued.

City of Lincolnnton Outstanding Debt

	Figure 5					
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Direct placment installment purchases	\$ 1,093,434	\$ 979,964	\$ 1,121,318	\$ 2,159,754	\$ 2,214,752	\$ 3,139,718
Lease payable	1,364,655	1,140,461	221,113	294,310	1,585,768	1,434,771
Compensated absences	465,031	419,559	167,329	141,226	632,360	560,785
OPEB	8,070,475	9,075,397	2,800,547	3,150,033	10,871,022	12,225,430
Pension related debt (LGERS)	4,719,104	1,210,162	1,629,195	361,467	6,348,299	1,571,629
Pension related debt (LEO)	1,338,743	1,531,315	-	-	1,338,743	1,531,315
Total	\$ 17,051,442	\$ 14,356,858	\$ 5,939,502	\$ 6,106,790	\$ 22,990,944	\$ 20,463,648

The City of Lincolnnton’s total debt increased by \$2,527,296 (12.35%) during the fiscal year, primarily due to the principal payments and an increase in pension obligations (LGERS).

The City of Lincolnnton 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 Lincolnnton. 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 Lincolnnton is \$84,123,783. The City has no bonds authorized, but un-issued, at June 30, 2023.

Additional information regarding the City of Lincolnnton’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 5 aging vehicles through a lease program with Enterprise.

Budget Highlights for the Fiscal Year Ending June 30, 2024

Governmental Activities: Property taxes are expected to increase 36 percent from amounts budgeted in the prior year due to growth and revaluation. The City's general fund budgeted revenues are approximately \$14,457,785.

The tax rate decreased \$.05 from \$.56 cents per 100 dollars valuation to \$.50 cents per 100 dollars valuation.

Budgeted expenditures compared with the 2023 actual expenditures are expected to increase 14% due to inflation and supply chain issues.

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

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

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

Requests for Information

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

BASIC FINANCIAL STATEMENTS

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

CITY OF LINCOLNTON, NORTH CAROLINA

**Statement of Net Position
June 30, 2023**

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	Lincolnton Tourism Development Authority	City of Lincolnton ABC Board
Assets					
Current assets:					
Cash and cash equivalents	\$ 12,267,973	\$ 12,891,696	\$ 25,159,669	\$ 543,054	\$ 341,362
Taxes receivable, net	45,917	-	45,917	-	-
Accounts receivable, net	915,644	1,223,891	2,139,535	1,294	-
Note receivable	121,479	-	121,479	-	-
Due from other government agencies	421,745	-	421,745	-	-
Due from component unit	-	-	-	-	-
Internal balances	(2,012,105)	2,012,105	-	-	-
Inventories	6,300	238,353	244,653	-	754,653
Prepaid items	8,500	25,000	33,500	-	20,493
Total current assets	<u>11,775,453</u>	<u>16,391,045</u>	<u>28,166,498</u>	<u>544,348</u>	<u>1,116,508</u>
Noncurrent assets:					
Restricted cash	681,666	442,407	1,124,073	-	-
Capital assets:					
Right to use assets, net of mortization	1,257,045	183,733	1,440,778	-	-
Land and nondepreciable assets	9,464,439	1,015,575	10,480,014	50,000	716,082
Other capital assets, net of accumulated depreciation	<u>12,941,704</u>	<u>26,663,068</u>	<u>39,604,772</u>	<u>42,937</u>	<u>1,640,042</u>
Total noncurrent assets	<u>24,344,854</u>	<u>28,304,783</u>	<u>52,649,637</u>	<u>92,937</u>	<u>2,356,124</u>
Total assets	<u>36,120,307</u>	<u>44,695,829</u>	<u>80,816,135</u>	<u>637,285</u>	<u>3,472,632</u>
Deferred Outflows of Resources					
Pension deferrals	3,548,655	1,112,115	4,660,770	-	75,228
OPEB deferrals	<u>1,375,086</u>	<u>477,171</u>	<u>1,852,257</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources	<u>4,923,741</u>	<u>1,589,286</u>	<u>6,513,027</u>	<u>-</u>	<u>75,228</u>

cont.

CITY OF LINCOLNTON, NORTH CAROLINA

Page 2 of 2, cont.

**Statement of Net Position
June 30, 2023**

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	Lincolnton Tourism Development Authority	City of Lincolnton ABC Board
<u>Liabilities</u>					
Accounts payable and accrued liabilities	\$ 289,772	\$ 580,975	\$ 870,747	\$ 326	\$ 169,261
Customer deposits - restricted	-	442,407	442,407	-	-
Unearned revenues	155,979	-	155,979	-	-
Liabilities to be paid from restricted assets	312,697	-	312,697	-	-
Current portion of long-term liabilities	943,349	536,240	1,479,589	-	43,092
Total current liabilities	1,701,797	1,559,622	3,261,419	326	212,353
Long-term liabilities					
Net pension liability	4,719,104	1,629,195	6,348,299	-	94,212
Total pension liability	1,338,743	-	1,338,743	-	-
Total OPEB liability	8,070,475	2,800,547	10,871,022	-	-
Due in more than one year	1,979,770	973,520	2,953,290	-	898,831
Total noncurrent liabilities	16,108,092	5,403,262	21,511,354	-	993,043
Total liabilities	17,809,889	6,962,883	24,772,773	326	1,205,396
<u>Deferred Inflows of Resources</u>					
Prepaid taxes	45,686	-	45,686	-	-
Pension deferrals	225,699	6,883	232,582	-	2,398
OPEB deferrals	2,108,056	731,489	2,839,545	-	-
Total deferred inflows of resources	2,379,441	738,372	3,117,813	-	2,398
<u>Net Position</u>					
Net investment in capital assets	21,205,099	26,519,946	47,725,045	92,937	1,414,201
Restricted for:					
Working capital	-	-	-	-	144,857
Stabilization by State Statute	1,337,389	-	1,337,389	-	-
Streets	361,415	-	361,415	-	-
Public safety	7,554	-	7,554	-	-
Economic development	-	-	-	544,022	-
Unrestricted	(2,056,739)	12,063,913	10,007,174	-	781,008
Total net position	\$ 20,854,718	\$ 38,583,859	\$ 59,438,577	\$ 636,959	\$ 2,340,066

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, 2023**

<u>Functions/Programs</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>								
	<u>Program Revenues</u>				<u>Primary Government</u>			<u>Component Units</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Lincolnton Tourism Development Authority</u>	<u>City of Lincolnton ABC Board</u>
Primary Government:									
Governmental activities:									
General government	\$ 2,541,629	\$ -	\$ 2,784,706	\$ -	\$ 243,077	\$ -	\$ 243,077	\$ -	\$ -
Public safety	8,456,741	38,543	229,327	-	(8,188,871)	-	(8,188,871)	-	-
Public works	1,294,415	-	355,924	-	(938,491)	-	(938,491)	-	-
Economic and physical development	686,249	16,045	-	-	(670,204)	-	(670,204)	-	-
Environmental protection	444,674	45,550	-	-	(399,124)	-	(399,124)	-	-
Cultural and recreational	1,062,649	208,197	-	47,870	(806,582)	-	(806,582)	-	-
Interest on long-term debt	68,332	-	-	-	(68,332)	-	(68,332)	-	-
Total governmental activities	14,554,689	308,335	3,369,957	47,870	(10,828,527)	-	(10,828,527)	-	-
Business-type activities:									
Water and sewer	7,779,666	8,136,843	-	-	-	357,177	357,177	-	-
Electric	6,926,939	7,701,699	-	-	-	774,760	774,760	-	-
Total business-type activities	14,706,605	15,838,542	-	-	-	1,131,937	1,131,937	-	-
Total primary government	\$ 29,261,294	\$ 16,146,877	\$ 3,369,957	\$ 47,870	(10,828,527)	1,131,937	(9,696,590)	-	-
Component Unit:									
Lincolnton Tourism Development Authority	\$ 76,783	\$ -	\$ 150,998	\$ -	\$ -	\$ -	\$ -	74,215	\$ -
City of Lincolnton ABC Board	3,541,609	3,766,283	-	-	-	-	-	-	224,674
Total component unit	\$ 3,618,392	\$ 3,766,283	\$ 150,998	\$ -	\$ -	\$ -	\$ -	74,215	224,674

cont.

CITY OF LINCOLNTON, NORTH CAROLINA

Page 2 of 2, cont.

**Statement of Activities
For the Year Ended June 30, 2023**

	<u>Net (Expense) Revenue and Changes in Net Position</u>				
	<u>Primary Government</u>			<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Lincolnton Tourism Develop- ment Authority</u>	<u>City of Lincolnton ABC Board</u>
General revenues:					
Ad valorem taxes	\$ 5,815,807	\$ -	\$ 5,815,807	\$ -	\$ -
Local option sales tax	5,185,778	-	5,185,778	-	-
Franchise tax	848,501	-	848,501	-	-
Other taxes and licenses	1,434,599	-	1,434,599	-	-
Unrestricted investment earnings	341,958	405,605	747,563	6,156	93
Miscellaneous	173,729	-	173,729	-	-
Gain (loss) on sale of capital assets	352,256	10,606	362,862	-	-
Transfers	419,687	(419,687)	-	-	-
Total general revenues and transfers	14,572,315	(3,476)	14,568,839	6,156	93
Changes in net position	\$ 3,743,788	\$ 1,128,460	\$ 4,872,249	\$ 80,371	\$ 224,767
Net position- beginning	\$ 17,110,930	\$ 37,455,399	\$ 54,566,329	\$ 556,588	\$ 2,115,299
Changes in net position	3,743,788	1,128,460	4,872,249	80,371	224,767
Net position- ending	\$ 20,854,718	\$ 38,583,859	\$ 59,438,577	\$ 636,959	\$ 2,340,066

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

CITY OF LINCOLNTON, NORTH CAROLINA

**Balance Sheet
Governmental Funds
June 30, 2023**

	Major		Non-Major		Total
	General Fund	Special Revenue Fund/Federal	Other Governmental		
<u>Assets</u>					
Cash and cash equivalents	\$ 12,267,973	\$ -	\$ -	\$ -	12,267,973
Taxes receivable, net	45,917	-	-	-	45,917
Accounts receivable, net	915,644	-	-	-	915,644
Due from government agencies	421,745	-	-	-	421,745
Inventories	6,300	-	-	-	6,300
Prepaid items	8,500	-	-	-	8,500
Restricted cash	368,969	-	312,697	-	681,666
Total assets	\$ 14,035,048	\$ -	\$ 312,697	\$ -	\$ 14,347,745
<u>Liabilities</u>					
Accounts payable and accrued liabilities	\$ 285,024	\$ -	\$ -	\$ -	285,024
Unearned revenues	155,979	-	312,697	-	468,676
Advance from other funds	2,012,105	-	-	-	2,012,105
Total liabilities	2,453,108	-	312,697	-	2,765,805
<u>Deferred Inflows of Resources</u>					
Property taxes receivable	45,917	-	-	-	45,917
Prepaid taxes	45,686	-	-	-	45,686
Total deferred inflows of resources	91,603	-	-	-	91,603
<u>Fund Balances</u>					
Nonspendable:					
Inventories	6,300	-	-	-	6,300
Prepaid expenditures	8,500	-	-	-	8,500
Restricted:					
Stabilization by State Statute	1,337,389	-	-	-	1,337,389
Streets - Powell Bill	361,415	-	-	-	361,415
Public safety - police	7,554	-	-	-	7,554
Assigned:					
Unassigned	9,769,179	-	-	-	9,769,179
Total fund balances	11,490,337	-	-	-	11,490,337
Total liabilities, deferred inflows of resources and fund balances	\$ 14,035,048	\$ -	\$ 312,697	\$ -	\$ 14,347,745

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

CITY OF LINCOLN, NORTH CAROLINA

**Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
June 30, 2023**

Total Fund Balance, Governmental Funds	\$	11,490,337
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.		
		121,479
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Gross capital assets at historical cost	\$	50,825,004
Accumulated depreciation		<u>(28,418,862)</u>
		22,406,142
Right to use assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Right to use assets at historical cost	\$	2,095,733
Accumulated amortization		<u>(838,688)</u>
		1,257,045
Deferred outflows of resources related to the following are not reported in the funds:		
Pensions		3,548,655
OPEB		1,375,086
Earned revenues considered deferred inflows of resources in the fund statements.		
Property taxes receivable		45,917
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		(4,748)
Long-term debt		(1,093,434)
Lease liability		(1,364,655)
Compensated absences		(465,031)
Net pension liability		(4,719,104)
Total pension liability		(1,338,743)
OPEB liability		(8,070,475)
Deferred inflows of resources related to the following are not reported in the funds:		
Pensions		(225,699)
OPEB		<u>(2,108,056)</u>
Net position of governmental activities	\$	<u>20,854,718</u>

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

CITY OF LINCOLN, NORTH CAROLINA

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023**

	Major		Non-Major	Total
	General Fund	Special Revenue Fund/Federal	Other Governmental	
Revenues:				
Ad valorem taxes	\$ 5,801,889	\$ -	\$ -	\$ 5,801,889
Other taxes and licenses	1,255,966	-	-	1,255,966
Unrestricted intergovernmental revenues	6,371,007	-	-	6,371,007
Restricted intergovernmental revenues	427,156	2,784,706	47,824	3,259,686
Permits and fees	48,437	-	-	48,437
Sales and services	284,691	-	-	284,691
Investment earnings	338,920	-	46	338,966
Miscellaneous	700,898	-	-	700,898
Total revenues	15,228,964	2,784,706	47,870	18,061,540
Expenditures:				
General government	3,653,043	-	-	3,653,043
Public safety	7,572,671	-	-	7,572,671
Public works	1,174,512	-	-	1,174,512
Economic and physical development	384,345	-	-	384,345
Environmental protection	883,718	-	-	883,718
Cultural and recreational	1,026,446	-	47,870	1,074,316
Debt service:				
Principal retirement	237,112	-	-	237,112
Interest and other charges	69,636	-	-	69,636
Total expenditures	15,001,483	-	47,870	15,049,353
Revenues over (under) expenditures	227,480	2,784,706	-	3,012,187
Other Financing Sources (Uses):				
Issuance of debt/leases	1,074,478	-	-	1,074,478
Transfers - in	3,204,393	-	-	3,204,393
Transfers - out	-	(2,784,706)	-	(2,784,706)
Total other financing sources (uses)	4,278,871	(2,784,706)	-	1,494,165
Net changes in fund balances	\$ 4,506,350	\$ -	\$ -	\$ 4,506,350
Fund balances, July 1, originally stated	\$ 6,985,896	\$ -	\$ -	\$ 6,985,896
Prior period adjustment	-	-	-	-
Fund balances, July 1, restated	6,985,896	-	-	6,985,896
Net changes in fund balances	4,506,350	-	-	4,506,350
Increase (decrease) in inventory	(1,910)	-	-	(1,910)
Fund balances, June 30	\$ 11,490,337	\$ -	\$ -	\$ 11,490,337

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, 2023**

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

Net change in fund balances - total governmental funds	\$ 4,506,350
Change in fund balance due to change in reserve for inventory	(1,910)

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	2,221,379
Depreciation and amortization expense	(1,946,681)
Gain (loss) on sale of capital assets	352,256
Proceeds from sale of capital assets	(517,323)

Contributions to the pension plan in the current year fiscal year are not included on the Statement of Activities	807,247
Benefit payments paid and administrative expenses for the LEOSSA are not included in the Statement of Activities	99,033
OPEB benefit payments and administrative costs made in the current fiscal year are not included in the Statement of Activities	286,698

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	13,917

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/lease issued	(1,074,478)
Principal payments on long-term debt	237,112
Accrued interest payable	1,304
Principal payments on leases	499,702
Loans principal received	(39,955)

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	(45,472)
Pension expense	(1,575,731)
OPEB plan expense	(79,660)
Change in net position of governmental activities	<u>\$ 3,743,788</u>

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

CITY OF LINCOLN, NORTH CAROLINA

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 5,740,000	\$ 5,813,938	\$ 5,801,889	\$ (12,049)
Other taxes and licenses	1,213,000	1,228,695	1,255,966	27,271
Unrestricted intergovernmental revenues	5,114,000	5,490,641	6,371,007	880,366
Restricted intergovernmental revenues	360,700	423,506	427,156	3,650
Permits and fees	25,000	42,861	48,437	5,576
Sales and services	165,800	280,455	284,691	4,236
Investment earnings	31,000	292,754	338,920	46,166
Miscellaneous	82,500	671,841	700,898	29,057
Total revenues	<u>12,732,000</u>	<u>14,244,691</u>	<u>15,228,964</u>	<u>984,273</u>
Expenditures:				
General government	2,169,187	4,102,361	3,653,043	449,318
Public safety	7,366,550	7,974,091	7,572,671	401,420
Public works	1,395,560	1,432,474	1,174,512	257,962
Economic and physical development	533,405	539,037	384,345	154,692
Environmental protection	906,125	909,437	883,718	25,719
Cultural and recreational	979,860	1,126,622	1,026,446	100,176
Debt service:				
Principal retirement	116,000	284,612	237,112	47,500
Interest and other charges	35,000	70,329	69,636	693
Total expenditures	<u>13,501,687</u>	<u>16,438,963</u>	<u>15,001,483</u>	<u>1,437,480</u>
Revenues over (under) expenditures	<u>(769,687)</u>	<u>(2,194,272)</u>	<u>227,480</u>	<u>2,421,752</u>
Other Financing Sources (Uses):				
Issuance of debt/leases	350,000	350,582	1,074,478	723,896
Transfers in	419,687	1,843,689	3,204,393	1,360,704
Transfer out	-	-	-	-
Total other financing sources (uses)	<u>769,687</u>	<u>2,194,272</u>	<u>4,278,871</u>	<u>2,084,600</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,506,350</u>	<u>\$ 4,506,350</u>
Fund balance, July 1, originally stated			\$ 6,985,896	
Prior period adjustment			-	
Fund balance, July 1, restated			6,985,896	
Net change in fund balance			4,506,350	
Increase (decrease) in reserve for inventory			(1,910)	
Fund balance, June 30			<u>\$ 11,490,337</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, 2023**

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 7,435,024	\$ 5,456,672	\$ 12,891,696
Accounts receivable	699,049	524,842	1,223,891
Advance to other funds	-	157,361	157,361
Inventories	127,912	110,441	238,353
Prepaid expenses	-	25,000	25,000
Total current assets	<u>8,261,985</u>	<u>6,274,316</u>	<u>14,536,301</u>
Noncurrent assets:			
Restricted cash and cash equivalents	133,197	309,210	442,407
Advance to other funds	-	1,854,744	1,854,744
Capital assets, right to use leased assets, net of amortization	163,955	19,778	183,733
Capital assets, net of accumulated depreciation	<u>25,120,747</u>	<u>2,557,897</u>	<u>27,678,644</u>
Total noncurrent assets	<u>25,417,899</u>	<u>4,741,629</u>	<u>30,159,528</u>
Total assets	<u>33,679,884</u>	<u>11,015,945</u>	<u>44,695,829</u>
Deferred Outflows of Resources			
Pension deferrals	832,555	279,560	1,112,115
OPEB deferrals	<u>390,035</u>	<u>87,136</u>	<u>477,171</u>
Total deferred outflows of resources	<u>1,222,590</u>	<u>366,696</u>	<u>1,589,286</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	57,573	523,401	580,974
Customer deposits - restricted	133,197	309,210	442,407
Loans payable - current	363,540	-	363,540
Lease payable - current	77,092	4,776	81,868
Accrued compensated absences	<u>70,364</u>	<u>20,468</u>	<u>90,832</u>
Total current liabilities	<u>701,766</u>	<u>857,855</u>	<u>1,559,621</u>
Noncurrent liabilities:			
Loans payable	757,778	-	757,778
Leases payable	123,118	16,127	139,245
Total OPEB liability	2,289,141	511,406	2,800,547
Accrued compensated absences	53,563	22,934	76,497
Net pension liability	<u>1,219,652</u>	<u>409,543</u>	<u>1,629,195</u>
Total noncurrent liabilities	<u>4,443,252</u>	<u>960,010</u>	<u>5,403,262</u>
Total liabilities	<u>5,145,018</u>	<u>1,817,865</u>	<u>6,962,883</u>
Deferred Inflows of Resources			
Pension deferrals	5,153	1,730	6,883
OPEB deferrals	<u>597,937</u>	<u>133,552</u>	<u>731,489</u>
	<u>603,090</u>	<u>135,282</u>	<u>738,372</u>
Net Position			
Net investment in capital assets	23,963,174	2,556,772	26,519,946
Unrestricted	<u>5,191,192</u>	<u>6,872,721</u>	<u>12,063,913</u>
Total net position	<u>\$ 29,154,366</u>	<u>\$ 9,429,493</u>	<u>\$ 38,583,859</u>

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

CITY OF LINCOLN, NORTH CAROLINA

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2023**

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
Operating Revenues:			
Electricity sales	\$ -	\$ 6,629,936	\$ 6,629,936
Water sales	3,463,192	-	3,463,192
Sewer charges	4,247,794	-	4,247,794
Water and sewer taps	171,390	-	171,390
Electricity - municipal operations	-	635,345	635,345
Other operating revenues	254,466	436,418	690,884
Total operating revenues	<u>8,136,842</u>	<u>7,701,699</u>	<u>15,838,541</u>
Operating Expenses:			
Electrical operations	-	1,640,811	1,640,811
Electrical power purchases	-	4,413,439	4,413,439
Water treatment plant	1,490,429	-	1,490,429
Water and sewer distribution maintenance	1,711,935	-	1,711,935
Waste treatment plant	1,736,625	-	1,736,625
Administrative	723,360	622,000	1,345,360
Depreciation/amortization	2,059,145	250,324	2,309,469
Other operating expenses	-	-	-
Total operating expenses	<u>7,721,494</u>	<u>6,926,574</u>	<u>14,648,068</u>
Operating income (loss)	<u>415,348</u>	<u>775,125</u>	<u>1,190,473</u>
Nonoperating Revenues (Expenses):			
Investment earnings	248,825	156,780	405,605
Gain (loss) on disposition of assets	30,079	(19,473)	10,606
Interest on long term debt	<u>(58,172)</u>	<u>(364)</u>	<u>(58,536)</u>
Total nonoperating revenues (expenses)	220,732	136,943	357,675
Income (loss) before transfers and capital contributions	636,080	912,068	1,548,148
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>\$ 246,858</u>	<u>\$ 881,602</u>	<u>\$ 1,128,461</u>
Total net position - beginning	\$ 28,907,507	\$ 8,547,892	\$ 37,455,399
Changes in net position	246,858	881,602	1,128,460
Total net position - ending	<u>\$ 29,154,365</u>	<u>\$ 9,429,493</u>	<u>\$ 38,583,859</u>

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

CITY OF LINCOLN, NORTH CAROLINA

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**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023**

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
Cash Flows From Operating Activities:			
Cash received from customers and users	\$ 8,108,006	\$ 7,736,432	\$ 15,844,438
Customer deposits received	5,291	16,130	21,421
Cash paid for goods and services	(3,090,846)	(5,934,351)	(9,025,197)
Cash paid to or on behalf of employees for services	<u>(2,551,408)</u>	<u>(818,769)</u>	<u>(3,370,177)</u>
Net cash provided (used) by operating activities	<u>2,471,043</u>	<u>999,442</u>	<u>3,470,485</u>
 Cash Flows From Non-Capital Financing Activities:			
Advance to General Fund	-	-	-
Repayment from General Fund	-	155,036	155,036
Transfers - in (out)	<u>(389,222)</u>	<u>(30,465)</u>	<u>(419,687)</u>
Net cash provided (used) by non-capital financing activities	<u>(389,222)</u>	<u>124,571</u>	<u>(264,651)</u>
 Cash Flows From Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(1,569,435)	(634,000)	(2,203,435)
Proceeds from sale of capital assets	42,325	-	42,325
Proceeds from borrowing	-	-	-
Principal paid on long-term debt	(1,107,221)	(4,412)	(1,111,633)
Interest paid on long-term debt	<u>(61,956)</u>	<u>(364)</u>	<u>(62,320)</u>
Net cash provided (used) by capital and related financing activities	<u>(2,696,287)</u>	<u>(638,776)</u>	<u>(3,335,063)</u>
 Cash Flows From Investing Activities:			
Investment earnings	<u>248,825</u>	<u>156,780</u>	<u>405,605</u>
Net cash provided (used) by investing activities	<u>248,825</u>	<u>156,780</u>	<u>405,605</u>
 Net increase (decrease) in cash and cash equivalents	(365,641)	642,017	276,376
Cash and cash equivalents at beginning of year	<u>7,933,862</u>	<u>5,123,865</u>	<u>13,057,727</u>
Cash and cash equivalents at end of year	<u>\$ 7,568,221</u>	<u>\$ 5,765,882</u>	<u>\$ 13,334,103</u>

cont.

CITY OF LINCOLN, NORTH CAROLINA

Page 2 of 2, cont.

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023**

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash			
Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 415,348	\$ 775,125	\$ 1,190,473
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation/amortization	2,059,145	250,324	2,309,469
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(28,836)	34,733	5,897
(Increase) decrease in inventory	(25,873)	(39,985)	(65,858)
Increase (decrease) in accounts payable and other accrued liabilities	(82,606)	(110,348)	(192,954)
Increase (decrease) in accrued vacation pay	17,102	9,001	26,103
Increase (decrease) in OPEB liability	(301,925)	(47,561)	(349,486)
Increase (decrease) in deferred outflows of resources - OPEB	90,156	16,455	106,611
Increase (decrease) in deferred inflows of resources - OPEB	136,279	33,989	170,268
Increase (decrease) in deferred outflows of resources - pensions	(383,496)	(126,146)	(509,642)
Increase (decrease) in net pension liability	950,229	317,499	1,267,728
Increase (decrease) in deferred inflows of resources - pensions	(379,771)	(129,774)	(509,545)
Increase (decrease) in customer deposits	5,291	16,130	21,421
Net cash provided (used) by operating activities	<u>\$ 2,471,043</u>	<u>\$ 999,442</u>	<u>\$ 3,470,485</u>
Supplemental Schedule of Non Cash Financing Activities:			
Acquisition of right to use assets through issuance of lease liability	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Additional advance with the transfer of assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

NOTES TO THE FINANCIAL STATEMENTS

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

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2023

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

City of Lincolnton ABC Board

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

Lincolnton Tourism Development Authority

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

B. Basis of Presentation

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

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

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

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

The City reports the following major governmental funds:

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

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

The City reports the following non-major governmental fund:

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

The City reports the following major enterprise funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

D. Budgetary Data

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

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the City, the ABC Board and LTDA to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The investments of the City, the ABC Board and LTDA are reported at fair value. Non-participating interest-earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT-Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2023, the Term Portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

City of Lincolnton Restricted Cash	
Governmental activities	
General Fund	
Streets	\$ 361,415
Public safety	7,554
SCIF funds	312,697
	<u>681,666</u>
Business-type activities	
Water and Sewer Fund	
Customer deposits	133,197
Electric Fund	
Customer deposits	309,210
	<u>442,407</u>
Total business-type activities	<u>442,407</u>
Total restricted cash	<u>\$ 1,124,073</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, 2022. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventories and Prepaid Items

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

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

7. Capital Assets

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

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

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

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

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

8. Right to Use Assets

The City has also recorded right to use assets. The right to use assets arise in association with agreements where the City reports a Lease (only applies when the City is the lessee) or agreements where the City reports Information Technology (IT) Subscriptions in accordance with the requirements of GASB 87 and GASB 96, respectively. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives received from the lessor at or prior to the start of the lease term, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

9. Deferred Outflows/Inflows of Resources

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

10. Long-Term Obligations

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

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

11. Compensated Absences

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

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

12. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

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

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

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

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

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

The City of 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.

13. Defined Benefit Cost-Sharing Plans

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

G. Reimbursements for Pandemic-related Expenditures

In FY 2020/2021, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for eligible state, local, territorial, and tribal governments. The City was allocated \$3,569,412 of fiscal recovery funds to be paid in two equal installments. The first installment of \$1,784,706 was received in July 2022. The second installment was received in mid-2023. The City staff and the City Council used \$784,706 of the ARPA funds for premium pay and a vaccine incentive for employees in Fiscal Year 2022. The City used the rest of the funds for revenue replacement in Fiscal Year 2023. \$737,340 used for premium pay was transferred to the General Fund from the ARPA Fund in Fiscal Year 2022 and replacement funds of \$2,784,706 was transferred to the General Fund in Fiscal Year 2023 once the intended use of the Funds was met.

II. Stewardship, Compliance, and Accountability

A. Noncompliance with North Carolina General Statutes

None.

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

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

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

At June 30, 2023, the City's deposits had a carrying amount of \$9,529,496 and a bank balance of \$9,728,998. Of the bank balance, \$500,000 was covered by federal depository insurance, and the remainder was covered by collateral held under the Pooling Method. At June 30, 2023, the City's petty cash fund totaled \$1,350.

At June 30, 2023, the ABC Board had a carrying amount of \$341,362 and a bank balance of \$445,719. Of the bank balance, \$250,000 was covered by federal depository insurance, and the remainder was covered by federal depository insurance.

At June 30, 2023, the ABC Board had cash on hand of \$5,700.

At June 30, 2023, the LTDA had a carrying amount of \$543,054 and a bank balance of \$549,269. Of the bank balance \$250,000 was covered by federal depository insurance.

2. **Investments**

<u>Investment by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/23</u>	<u>Maturity</u>	<u>Rating</u>
N. C. Capital Management Trust - Government Portfolio	Fair Value Level 1	<u>\$16,752,895</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, 2023.

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>

4. Capital Assets

Primary Government

Capital asset activity for the primary government for the year ended June 30, 2023, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 9,167,092	\$ 160,773	\$ 75,900	\$ 9,251,965
Construction in progress	142,588	379,741	309,855	212,474
Total capital assets not being depreciated	<u>9,309,680</u>	<u>\$ 540,514</u>	<u>\$ 385,755</u>	<u>9,464,439</u>
Capital assets being depreciated:				
Building	13,262,542	\$ 210,781	\$ 312,697	\$ 13,160,626
Other improvements	3,549,191	316,118	78,053	3,787,256
Plant and distribution systems	239,075	-	-	239,075
Furniture and equipment	3,183,407	389,343	362,743	3,210,007
Vehicles and motorized equipment	8,840,243	350,582	1,884,243	7,306,582
Infrastructure	13,657,019	-	-	13,657,019
Total capital assets being depreciated	<u>42,731,477</u>	<u>\$ 1,266,824</u>	<u>\$ 2,637,736</u>	<u>41,360,565</u>
Less accumulated depreciation for:				
Building	5,838,823	\$ 424,657	\$ 228,307	\$ 6,035,173
Other improvements	2,031,339	167,149	74,294	2,124,194
Plant and distribution systems	104,967	9,164	-	114,131
Furniture and equipment	2,283,801	226,143	361,724	2,148,220
Vehicles and motorized equipment	7,739,361	422,873	1,884,243	6,277,991
Infrastructure	11,575,439	143,713	-	11,719,152
Total accumulated depreciation	<u>29,573,730</u>	<u>\$ 1,393,699</u>	<u>\$ 2,548,568</u>	<u>28,418,861</u>
Total capital assets being depreciated, net	<u>13,157,747</u>			<u>12,941,704</u>
Capital assets being amortized:				
Leased vehicles	1,424,342	\$ 263,801	\$ 60,858	1,627,285
Leased equipment	-	468,449	-	468,449
	<u>1,424,342</u>	<u>\$ 732,250</u>	<u>60,858</u>	<u>2,095,734</u>
Less accumulated amortization for:				
Leased vehicles	346,565	\$ 389,869	\$ 60,858	675,576
Leased equipment	-	163,113	-	163,113
	<u>346,565</u>	<u>\$ 552,982</u>	<u>\$ 60,858</u>	<u>838,689</u>
Total capital assets being amortized, net	<u>1,077,777</u>			<u>1,257,045</u>
Governmental activity capital assets, net	<u>\$ 23,545,204</u>			<u>\$ 23,663,188</u>

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

General government	\$ 435,624
Public safety	527,585
Public works	135,397
Economic and physical development	50,329
Environmental protection	141,670
Cultural and recreational	103,094
Total depreciation expense	<u>\$ 1,393,699</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activities:				
Water and Sewer Fund:				
Capital assets, not being depreciated:				
Land	\$ 131,107	\$ 130,619	\$ -	\$ 261,726
Construction in progress	224,312	232,111	332,988	123,435
Total capital assets not being depreciated	<u>355,419</u>	<u>\$ 362,730</u>	<u>\$ 332,988</u>	<u>385,161</u>
Capital assets being depreciated:				
Building and improvements	14,333,287	\$ 202,381	\$ -	14,535,668
Plant and distribution systems	47,673,483	669,897	20,693	48,322,687
Furniture and equipment	11,255,765	667,414	551,830	11,371,349
Vehicles	557,264	-	30,470	526,794
Total capital assets being depreciated	<u>73,819,799</u>	<u>\$ 1,539,692</u>	<u>\$ 602,993</u>	<u>74,756,498</u>
Less accumulated depreciation for:				
Building and improvements	7,917,284	\$ 332,034	\$ -	8,249,318
Plant and distribution systems	32,042,837	1,089,943	10,734	33,122,046
Furniture and equipment	8,256,030	483,025	549,543	8,189,512
Vehicles	423,127	67,380	30,470	460,037
Total accumulated depreciation	<u>48,639,278</u>	<u>\$ 1,972,382</u>	<u>\$ 590,747</u>	<u>50,020,913</u>
Total capital assets being depreciated, net	<u>25,180,521</u>			<u>24,735,585</u>
Capital assets, net	<u>25,535,940</u>			<u>25,120,747</u>
Capital assets being amortized:				
Leased vehicles	337,482	\$ -	\$ -	337,482
Less accumulated amortization for:				
Leased vehicles	86,763	\$ 86,763	\$ -	173,527
Total capital assets being amortized, net	<u>250,719</u>			<u>163,955</u>
Water and Sewer Fund capital assets, net	<u>25,786,659</u>			<u>25,284,702</u>
Electric Fund:				
Capital assets, not being depreciated:				
Land	172,796	\$ 431,012	\$ -	603,808
Construction in progress	26,606	-	-	26,606
Total capital assets not being depreciated	<u>199,402</u>	<u>\$ 431,012</u>	<u>\$ -</u>	<u>630,414</u>
Capital assets being depreciated:				
Building and improvements	1,095,744	\$ 202,988	\$ -	1,298,732
Plant and distribution systems	3,896,376	-	160,365	3,736,011
Furniture and equipment	929,603	-	17,761	911,842
Vehicles	948,556	-	-	948,556
Total capital assets being depreciated	<u>6,870,279</u>	<u>\$ 202,988</u>	<u>\$ 178,126</u>	<u>6,895,141</u>
Less accumulated depreciation for:				
Building and improvements	585,284	\$ 51,340	\$ -	636,624
Plant and distribution systems	3,235,667	45,537	147,396	3,133,808
Furniture and equipment	329,345	99,553	11,257	417,641
Vehicles	731,211	48,374	-	779,585
Total accumulated depreciation	<u>4,881,507</u>	<u>\$ 244,804</u>	<u>\$ 158,653</u>	<u>4,967,658</u>
Total capital assets being depreciated, net	<u>1,988,772</u>			<u>1,927,483</u>
Capital assets, net	<u>2,188,174</u>			<u>2,557,897</u>
Capital assets being amortized:				
Leased vehicles	27,659	\$ -	\$ -	27,659
Less accumulated amortization for:				
Leased vehicles	2,361	\$ 5,520	\$ -	7,881
Total capital assets being amortized, net	<u>25,298</u>			<u>19,778</u>
Electric Fund capital assets, net	<u>2,213,472</u>			<u>2,577,675</u>
Business-type activities capital assets, net	<u>\$ 28,000,131</u>			<u>\$ 27,862,377</u>

The City has active construction projects as of June 30, 2023. At year-end, the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Smart Meter Project	\$ 1,684,118	\$ 93,394
Total	\$ 1,684,118	\$ 93,394

Discretely Presented Component Units:

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 716,082	\$ -	\$ -	\$ 716,082
Capital assets being depreciated:				
Building and improvements	2,007,269	\$ -	\$ -	2,007,269
Equipment	311,313	45,156	-	356,469
Total capital assets being depreciated	2,318,582	\$ 45,156	\$ -	2,363,738
Less accumulated depreciation for:				
Building and improvements	453,322	\$ 51,801	\$ -	505,123
Equipment	176,773	41,800	-	218,573
Total accumulated depreciation	630,095	\$ 93,601	\$ -	723,696
Total capital assets being depreciated, net	1,688,487			1,640,042
Capital assets, net	\$ 2,404,569			\$ 2,356,124

Activity for the Lincoln Tourism Development Authority for the year ended June 30, 2023, 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	\$ -	\$ 50,000	\$ -	\$ 50,000
Capital assets being depreciated:				
Equipment	57,249	\$ -	\$ -	57,249
Less accumulated depreciation for:				
Equipment	11,449	\$ 2,863	\$ -	14,312
Total capital assets being depreciated, net	45,800			42,937
Capital assets, net	\$ 45,800			\$ 92,937

B. Liabilities

1. Accounts Payable and Accrued Liabilities

Payables at the government-wide level at June 30, 2023 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:					
General	\$ 112,794	\$ 73,114	\$ 4,748	\$ 99,115	\$ 289,772
Other governmental	-	-	-	-	-
Total governmental activities	<u>112,794</u>	<u>73,114</u>	<u>4,748</u>	<u>99,115</u>	<u>289,772</u>
Business-type activities:					
Water and Sewer	52,808	-	4,766	-	57,573
Electric	420,195	-	-	103,206	523,401
Total business-type activities	<u>473,003</u>	<u>-</u>	<u>4,766</u>	<u>103,206</u>	<u>580,975</u>
Total	<u>\$ 585,797</u>	<u>\$ 73,114</u>	<u>\$ 9,514</u>	<u>\$ 202,321</u>	<u>\$ 870,747</u>

2. Pension Plan and Post-employment Obligations

a. Local Governmental Employees' Retirement System

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The City of Lincolnton employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Lincolnton's contractually required contribution rate for the year ended June 30, 2023, was 13.04% of compensation for law enforcement officers and 12.15% 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 \$1,085,937 for the year ended June 30, 2023.

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

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

At June 30, 2023, the City reported a liability of \$6,348,299 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022, utilizing update procedures incorporating the actuarial assumptions. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2022 (measurement date), the City’s proportion was 0.11253%, which was an increase of 0.01005% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City recognized pension expense of \$1,930,090. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 273,542	\$ 26,819
Changes of assumptions	633,418	-
Net difference between projected and actual earnings on pension plan investments	2,098,179	-
Changes in proportion, and differences between, City contributions and proportionate share of contributions	242,382	-
City contributions subsequent to the measurement date	<u>1,085,937</u>	-
Total	<u>\$ 4,333,458</u>	<u>\$ 26,819</u>

\$1,085,937, 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, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:

2024	\$ 1,058,367
2025	868,052
2026	294,671
2027	999,612
2028	-
Thereafter	-

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

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

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

The actuarial assumptions used in the December 31, 2021, valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighing 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, 2022, 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	33.0%	0.9%
Global Equity	38.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Credit	7.0%	5.0%
Inflation Protection	6.0%	2.7%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2021 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
City’s proportionate share of the net pension liability (asset)	<u>\$11,457,862</u>	<u>\$6,348,299</u>	<u>\$2,137,722</u>

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

b. Law Enforcement Officers’ Special Separation Allowance

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

All full-time City law enforcement officers are covered by the Separation Allowance. At December 31, 2021, 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>34</u>
Total	<u>41</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, 2021, valuation. The total pension liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established, and may be amended by, the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$93,561 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, 2023, the City reported a total pension liability of \$1,338,743. The total pension liability was measured as of December 31, 2022, based on a December 31, 2021, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the City recognized pension expense of \$82,196.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 76,641	\$ 7,889
Changes of assumptions	198,956	197,874
City benefit payments and plan administrative expense made subsequent to the measurement date	51,716	-
Total	<u>\$ 327,313</u>	<u>\$ 205,763</u>

\$51,716, 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, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Year ending June 30:

2024	\$ 59,041
2025	56,984
2026	2,502
2027	(30,876)
2028	(17,817)
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 4.31 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 (5.31 percent) or 1-percentage-point higher (3.31 percent) than the current rate:

	<u>1% Decrease (3.31%)</u>	<u>Discount Rate (4.31%)</u>	<u>1% Increase (5.31%)</u>
Total pension liability	<u>\$ 1,437,665</u>	<u>\$ 1,338,743</u>	<u>\$ 1,248,490</u>

Law Enforcement Officers' Special Separation Allowance

Beginning Balance	\$ 1,531,315
Service Cost	79,079
Interest on the total pension liability	33,402
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of total pension liability	2,420
Changes of assumptions	(213,912)
Benefit payments	(93,561)
Other changes	-
Ending balance of the total pension liability	<u>\$ 1,338,743</u>

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

The actuarial assumptions used in the December 31, 2021, valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>FRSWPF</u>	<u>Total</u>
Pension expense	\$ 1,930,090	\$ 82,196	\$ 2,635	\$ 2,014,921
Pension liability	6,348,299	1,338,743	10,047	7,697,089
Proportionate share of the net pension liability	0.11253%	n/a	n/a	
Deferred Outflows of Resources				
Differences between expected and actual experience	273,542	76,641	-	350,183
Changes of assumptions	633,418	198,956	-	832,374
Net difference between projected and actual earnings on plan investments	2,098,179	-	-	2,098,179
Changes in proportion, and differences between, contributions and proportionate share of contributions	242,382	-	-	242,382
Benefit payments and administrative costs paid subsequent to the measurement date	1,085,937	51,716	-	1,137,653
Deferred Inflows of Resources				
Differences between expected and actual experience	26,819	7,889	-	34,708
Changes of assumptions	-	197,874	-	197,874
Net difference between projected and actual earnings on plan investments	-	-	-	-
Changes in proportion, and differences between, contributions and proportionate share of contributions	-	-	-	-

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The City contributes to the Supplemental Retirement Income Plan (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 \$101,836 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.

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, 2023, the State contributed \$19,352,000 to the plan. The City of Lincolnton's proportionate share of the State's contribution is \$2,450.

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, 2023, 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 \$10,047. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022, utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of 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, 2023 and at June 30, 2022 was 0%.

For the year ended June 30, 2023, the City recognized pension expense of \$2,635 and revenue of \$2,635 for support provided by the State. At June 30, 2023, the City reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

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

Inflation	3.0 percent
Salary increases	Not applicable
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

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

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

e. Other Post-employment Benefits

Healthcare Benefits

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

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

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

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

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

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

Total OPEB Liability

The City's total OPEB liability of \$10,871,022 was measured as of June 30, 2022, and was determined by an actuarial valuation as of that date.

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

Inflation	2.5 percent
Salary increases	3.50 to 8.41 percent, average, including inflation
Discount Rate	2.16 percent
Healthcare cost trend rates	Pre-Medicare - 7.00% for 2021 decreasing to an ultimate rate of 4.50% by 2031

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

Changes in the Total OPEB Liability

	<u>Total OPEB</u>
Balance July 1, 2022	<u>\$ 12,225,430</u>
Changes for the year	
Service cost	426,016
Interest	266,119
Changes of benefit terms	-
Difference between expected and actual experience	24,518
Changes in assumptions or other inputs	(1,405,231)
Benefit payments	<u>(665,830)</u>
Net Changes	<u>(1,354,408)</u>
Balance June 30, 2023	<u>\$ 10,871,022</u>

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

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

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

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

	1% Decrease (2.54%)	Discount Rate (3.54%)	1% Increase (4.54%)
Total OPEB liability	<u>\$ 11,866,466</u>	<u>\$ 10,871,022</u>	<u>\$ 9,985,783</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>\$ 9,806,130</u>	<u>\$ 10,871,022</u>	<u>\$ 12,117,069</u>

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

For the year ended June 30, 2023, the City recognized OPEB expense of \$386,185. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 45,004	\$ 1,505,222
Changes of assumptions	<u>1,807,253</u>	<u>1,334,323</u>
Total	<u>\$ 1,852,257</u>	<u>\$ 2,839,545</u>

\$-0-, reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date, will be recognized as a decrease of the total pension liability in the year ended June 30, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2024	\$ (283,794)
2025	(216,652)
2026	(190,522)
2027	(39,403)
2028	(141,010)
Thereafter	(115,937)

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

f. Other Employment Benefits

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

3. Deferred Outflows and Inflows of Resources

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

Source

Contributions to pension plan in current fiscal year	\$ 1,085,937
Benefit payments and administrative expenses for LEOSSA made subsequent to the measurement date	51,716
Benefit payments and administrative expenses for OPEB made subsequent to the measurement date	-
Differences between expected and actual experience	350,183
Changes of assumptions	2,639,627
Net Differences between projected and actual	2,143,182
Changes in proportion, and differences between, employer contribution and proportionate share of contributions	242,382
Charge on refunding	-
Total	<u><u>\$ 6,513,027</u></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)	\$ 45,686	\$ 45,686
Taxes receivable, less penalties (General Fund)	-	45,917
Changes in assumptions	1,532,197	-
Differences between expected and actual experience	1,539,930	-
Changes in proportion, and differences between, employer contributions and proportionate share of contributions	-	-
	<u><u>\$ 3,117,813</u></u>	<u><u>\$ 91,603</u></u>

4. Risk Management

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

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

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

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

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

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

5. Long-Term Obligations

a. Installment Purchases

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

Serviced by the General Fund:

\$120,000, 2015, 4.5% installment purchase payable to an individual bank in monthly installments of \$1,244, due in 2025, secured by land	\$ 26,115
\$250,000, 2020, 2.99% installment purchase payable to bank in annual installments of \$39,087, due in 2026, secured by equipment	110,644
\$309,000, 2020, 2.99% installment purchase payable to bank in annual installments of \$48,312, due in 2026, secured by equipment	137,700
\$662,149, 2021, 2.49% loan payable to a bank in annual installments of \$102,676, due in 2027, secured by equipment	385,963
\$157,390, 2021, 3.06% loan payable to a bank in annual installments of \$25,361, due in 2028, secured by equipment	115,775
\$350,582, 2023, 3.7% loan payable to a bank in monthly installments of \$4,752, due in 2029, secured by equipment	317,237
	<u>1,093,434</u>

Serviced by the Water and Sewer Fund:

\$2,470,515, 2019, 3.00% installment purchase payable in annual installments of \$397,121, due in 2026, secured by equipment	1,121,318
Total	<u>\$ 2,214,752</u>

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

	Direct Placement		Revolving Loans		Total Debt Due	
	Installment purchase					
Governmental Activities:	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 254,522	\$ 32,168	\$ -	\$ -	\$ 254,522	\$ 32,168
2025	259,787	25,002	-	-	259,787	25,002
2026	256,396	17,365	-	-	256,396	17,365
2027	175,274	9,747	-	-	175,274	9,747
2028	77,819	4,550	-	-	77,819	4,550
2029	69,636	1,916	-	-	69,636	1,916
Total governmental	1,093,434	90,748	-	-	1,093,434	90,748
Business-type Activities:						
2024	363,540	33,581	-	-	363,540	33,581
2025	374,446	22,675	-	-	374,446	22,675
2026	383,332	11,442	-	-	383,332	11,442
2027	-	-	-	-	-	-
Total business-type	1,121,318	67,698	-	-	1,121,318	67,698
Total	\$ 2,214,752	\$ 158,446	\$ -	\$ -	\$ 2,214,752	\$ 158,446

At June 30, 2023, the City of Lincolnton had no bonds authorized but un-issued and a legal debt margin of \$84,123,783.

b. Leases

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

The agreements with execution dates ranging from July 1, 2022, to May 23, 2023, are to lease vehicles with 20 to 60 monthly payments ranging from \$305 to \$1,262 and equipment with 3-year annual payments ranging from \$13,500 to \$146,000. As a result of the leases, the City has recorded right to use assets with a net book value of \$1,440,778 at June 30, 2023. The right to use assets is discussed in more detail in section III.A.4 of the notes.

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2023, were as follows:

Governmental Activities:	Principal	Interest	Interest
2024	\$ 444,867	\$ 16,347	\$ 461,214
2025	398,812	10,457	409,269
2026	274,496	4,447	278,943
2027	178,026	1,767	179,793
2028	68,454	618	69,072
Total governmental	\$ 1,364,655	\$ 33,636	\$ 1,398,291
Business-type Activities:			
Water and Sewer			
2024	\$ 77,092	\$ 1,314	\$ 78,406
2025	54,869	797	55,666
2026	68,249	142	68,391
2027	-	-	-
2028	-	-	-
	<u>200,210</u>	<u>2,253</u>	<u>202,463</u>
Electric			
2024	4,776	293	5,069
2025	4,776	222	4,998
2026	4,776	149	4,925
2027	6,575	47	6,622
2028	-	-	-
	<u>20,903</u>	<u>711</u>	<u>21,614</u>
Total business activities	\$ 221,113	\$ 2,964	\$ 224,077

Changes in Long-Term Liabilities

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023	Current Portion of Balance
Governmental activities:					
Compensated absences	\$ 419,559	\$ 298,819	\$ 253,347	\$ 465,031	\$ 243,961
Lease liabilities	1,140,461	723,896	499,702	1,364,655	444,867
Total pension liability (LEO)	1,531,315	-	192,572	1,338,743	-
Total OPEB liability	9,075,397	-	1,004,922	8,070,475	-
Net pension liability (LGERS)	1,210,162	3,508,942	-	4,719,104	-
Direct placement installment purchase	979,963	350,582	237,111	1,093,434	254,522
Governmental activities long-term liabilities	\$ 14,356,858	\$ 4,882,239	\$ 2,187,654	\$ 17,051,442	\$ 943,349
Business-type activities:					
Water and Sewer Fund:					
Compensated absences	\$ 106,825	\$ 90,786	\$ 73,684	\$ 123,927	\$ 70,364
Lease liabilities	268,995	-	68,785	200,210	77,092
Total OPEB liability	2,591,066	-	301,925	2,289,141	-
Net pension liability (LGERS)	269,423	950,229	-	1,219,652	-
Revenue bonds	-	-	-	-	-
Revolving loans	686,000	-	686,000	-	-
Direct placement installment purchase	1,473,755	-	352,437	1,121,318	363,540
Water and Sewer Fund long-term liabilities	\$ 5,396,064	\$ 1,041,015	\$ 1,482,831	\$ 4,954,248	\$ 510,996
Electric Fund:					
Compensated absences	34,401	33,029	24,028	43,402	20,468
Lease liabilities	25,315	-	4,412	20,903	4,776
Total OPEB liability	558,967	-	47,561	511,406	-
Net pension liability (LGERS)	92,044	317,499	-	409,543	-
Electric Fund long-term liabilities	\$ 710,726	\$ 350,528	\$ 76,001	\$ 985,253	\$ 25,244
Business-type activities long-term liabilities	\$ 6,106,791	\$ 1,391,543	\$ 1,558,832	\$ 5,939,502	\$ 536,240

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

C. Interfund Balances and Activity

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

Interfund loans consist of the following at June 30, 2023:

\$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.	\$ 691,151
\$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.	927,067
\$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>393,887</u>
Total advances to other funds	2,012,105
Due within one year	<u>157,361</u>
Due in more than one year	<u><u>\$ 1,854,744</u></u>

Transfers To/From Other Funds

The composition of transfers as of June 30, 2023, 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	30,465	-	30,465
Special Revenue Fund/Federal (ARPA)	<u>2,784,706</u>	-	<u>2,784,706</u>
Total	<u><u>\$ 3,204,393</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,204,393</u></u>

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

For the year ended June 30, 2023, 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.

Transfers from the Special Revenue Fund/Federal (ARPA) – for revenue replacement.

D. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2023, the City of Lincolnton has recognized on-behalf payments for pension contributions made by the State as a revenue and an expenditure of \$2,635 for the 22 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, 2023. 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	\$ 22,406,143	\$ 27,678,643
Right to use assets	\$ 1,257,045	\$ 183,733
Less: long-term debt	<u>(2,458,089)</u>	<u>(1,342,430)</u>
	<u>\$ 21,205,099</u>	<u>\$ 26,519,946</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	\$ 11,490,337
Less:	
Inventories	6,300
Prepaid	8,500
Stabilization by State Statute	1,337,389
Streets - Powell Bill	361,415
Police	7,554
Appropriated Fund Balance in 2023 Budget	-
Remaining Fund Balance	9,769,179

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

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

III. Jointly Governed Organizations

The City, in conjunction with eighteen other local governments, is a member of the North Carolina Municipal Power Agency Number 1 (NCMPA#1). The Electric Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Electric Agency's governing board. The nineteen members, which receive power from the Electric Agency, have signed power sales agreements to purchase a specified share of the power generated by the Electric Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The City's purchases of power for the fiscal year ended June 30, 2023, were \$4,413,439.

The City, in conjunction with nine counties and seventy-four other municipalities, established the Centralina Council of Governments (the "Council"). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The City paid membership fees of \$2,672 to the Council during the fiscal year ended June 30, 2023.

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, 2023. 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, 2023. 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, 2023, 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, 2023. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina, 27603.

V. Related Organization

The five-member board of the City of Lincolnnton Housing Authority is appointed by the City Council of the City of Lincolnnton. 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 Lincolnnton is also disclosed as a related organization in the notes to the financial statements for the City of Lincolnnton Housing Authority. Complete financial statements for the Housing Authority can be obtained from the Authority's office at 806 McBee Street, Lincolnnton, N.C. 28092.

VI. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

VII. Significant Effects of Subsequent Events

Management has evaluated subsequent events through November 13, 2023, the date on which the financial statements were available to be issued. During the period from the end of the year, and through this date, the following subsequent events occurred that require recognition or disclosure in these financial statements.

The City of Lincolnnton began the Fiber Ring Project after City Council approved it in January 2023. This project allows the City of Lincolnnton to own the aerial fiber currently hosted by AT&T and gives the City the flexibility to control site connectivity speeds and availability. The project is anticipated to cost approximately \$423,160 with an anticipated completion date of December 31, 2023.

The City of Lincolnnton financed the purchase of a new CAT 420EX Backhoe Loader in the amount of \$153,328 with the Lincolnnton branch of Peoples Bank in August.

The City of Lincolnnton entered into a contract with McGill Associates back in August of 2022 to provide professional services for the redevelopment of City Park. This was presented to City Council and approved. The proposed plan was presented to the City Council at the 2023 Budget Retreat and the City Council approved the plan presented and the additional services of McGill Associates to prepare the PARTF Grant Application for the park. Application was due by May 1, 2023. Application was submitted and the City of Lincolnnton was awarded the maximum amount available through the NC Parks and Recreation Trust Fund of \$500,000 in August 2023. This project will be over several years with an anticipated cost of \$5,042,274. In addition to the PARTF Grant, the City plans to utilize ARPA money reimbursed, apply for other grants, and fund balance if needed.

The City of Lincolnnton entered into a contract with Burch Environmental LLC to assist with the NCDEQ-Water Infrastructure funding through SWIA. The City applied for two AIA projects; Water and Wastewater Projects. This funding is to assist with the "Asset Inventory and Assessment" of the City's infrastructure. The City was awarded \$300,000 for Wastewater and \$100,000 for Water. Burch Environmental LLC will be handling the projects per the Resolutions approved by the City Council on August 3, 2023.

The City of Lincolnton contracted out roofing services with Johnson's Roofing Service, Inc. to put a new PVC roof on City Hall and the Fire Department in July 2023. The cost of this project was \$228,042 and will be completed in October 2023. Additional roofing services with Johnson's Roofing Service, Inc. in the amount of \$125,039 for the Police Department is scheduled during FY 2324.

The City of Lincolnton is working with Burch Environmental, LLC to assist with securing a State Emergency Loan for the Wastewater Treatment Clarifiers. This project is estimated to cost \$1,181,000 and will be over a minimum of 18 months to complete. The SEL is for a period of 20 years with a 0% interest rate.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

CITY OF LINCOLNTON, NORTH CAROLINA

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City of Lincolnnton's proportion of the net pension liability (asset) (%)	0.11253%	0.10248%	0.10361%	0.09491%	0.09534%	0.09746%	0.09605%	0.10989%	0.11119%	0.10930%
City of Lincolnnton's proportion of the net pension liability (asset) (\$)	\$ 6,348,299	\$ 1,571,629	\$ 3,702,428	\$ 2,591,918	\$ 2,261,791	\$ 1,488,919	\$ 2,038,503	\$ 493,180	\$ (655,739)	\$ 1,317,485
City of Lincolnnton's covered payroll	\$ 8,646,634	\$ 7,903,048	\$ 7,484,813	\$ 6,976,386	\$ 6,673,226	\$ 6,563,566	\$ 6,145,468	\$ 6,170,108	\$ 6,230,371	\$ 6,051,103
City of Lincolnnton's proportionate share of the net pension liability (asset) as a percentage of itscovered payroll	73.42%	19.89%	49.47%	37.15%	33.89%	22.68%	33.17%	7.99%	(10.52%)	21.77%
Plan fiduciary net pension as a percentage of the total pension liability**	84.14%	95.51%	88.61%	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%

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

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

CITY OF LINCOLNTON, NORTH CAROLINA

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 1,085,937	\$ 999,408	\$ 818,409	\$ 687,610	\$ 557,523	\$ 516,612	\$ 491,998	\$ 437,201	\$ 440,567	\$ 443,242
Contributions in relation to the contractually required contributions	1,085,937	999,408	818,409	687,610	557,523	516,612	491,998	437,201	440,567	443,242
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City of Lincolnton's covered payroll	\$ 8,788,589	\$ 8,646,634	\$ 7,903,048	\$ 7,484,813	\$ 6,976,386	\$ 6,673,226	\$ 6,563,566	\$ 6,145,468	\$ 6,170,108	\$ 6,230,371
Contributions as a percentage of covered payroll	12.36%	11.56%	10.36%	9.19%	7.99%	7.74%	7.50%	7.11%	7.14%	7.11%

CITY OF LINCOLNTON, NORTH CAROLINA

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City of Lincolnton's proportionate share of the net pension liability (asset) (%)	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
City of Lincolnton's proportionate share of the net pension liability (asset) (\$)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the City of Lincolnton	10,047	(15,623)	29,360	15,717	30,683	22,859	16,133	20,230	11,033
Total	\$ 10,047	\$ (15,623)	\$ 29,360	\$ 15,717	\$ 30,683	\$ 22,859	\$ 16,133	\$ 20,230	\$ 11,033
City of Lincolnton's covered payroll	\$2,229,939	\$1,874,956	\$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 covered payroll	0.45%	(0.83%)	2.12%	1.13%	2.83%	2.15%	1.72%	2.72%	1.34%
Plan fiduciary net position as a percentage of the total pension liability	89.69%	89.69%	89.69%	89.69%	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 Seven Fiscal Years**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning Balance	\$ 1,531,315	\$ 1,430,885	\$ 1,019,789	\$ 1,014,141	\$ 980,468	\$ 943,092	\$ 976,259
Service cost	79,079	74,718	46,812	40,112	39,841	32,657	37,675
Interest on the total pension liability	33,402	26,827	31,642	35,422	29,583	34,553	33,318
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	2,420	116,846	(11,339)	(13,303)	85,376	17,713	-
Changes of assumptions or other inputs	(213,912)	(36,212)	442,306	25,430	(32,508)	48,344	(18,181)
Benefit payments	(93,561)	(81,749)	(98,325)	(82,013)	(8,619)	(95,891)	(85,979)
Other changes	-	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 1,338,743</u>	<u>\$ 1,531,315</u>	<u>\$ 1,430,885</u>	<u>\$ 1,019,789</u>	<u>\$ 1,094,141</u>	<u>\$ 980,468</u>	<u>\$ 943,092</u>

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

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

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

CITY OF LINCOLN, NORTH CAROLINA

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total Pension liability	\$ 1,338,743	\$ 1,531,315	\$ 1,430,885	\$ 1,019,789	\$ 1,014,141	\$ 980,468	\$ 943,092
Covered-employee payroll	1,896,960	1,677,372	1,775,754	1,621,737	1,502,102	1,493,025	1,545,187
Total pension liability as a percentage of covered employee payroll	70.57%	91.29%	80.58%	62.88%	67.51%	65.67%	61.03%

Notes to the schedule:

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

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

CITY OF LINCOLNTON, NORTH CAROLINA

**Schedule of Changes in the Total OPEB Liability and Related Ratios
Last Six Fiscal Years
June 30, 2023**

Total OPEB Liability	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service Cost	\$ 426,016	\$ 510,663	\$ 370,272	\$ 418,078	\$ 433,171	\$ 469,911
Interest	266,119	263,026	363,341	436,147	401,537	348,745
Changes of benefit terms	-	(40,713)	-	-	-	-
Differences between expected and actual experience	24,518	(1,070,127)	(28,075)	(1,665,740)	82,464	29,100
Changes of assumptions	(1,405,231)	1,433,508	1,212,786	226,155	(326,388)	(560,847)
Benefit payments	(665,830)	(520,918)	(553,667)	(676,174)	(640,476)	(549,082)
Net change in total OPEB liability	(1,354,408)	575,439	1,364,657	(1,261,534)	(49,692)	(262,173)
Total OPEB liability - beginning	12,225,430	11,649,991	10,285,334	11,546,868	11,596,560	11,858,733
Total OPEB liability - ending	<u>\$ 10,871,022</u>	<u>\$ 12,225,430</u>	<u>\$ 11,649,991</u>	<u>\$ 10,285,334</u>	<u>\$ 11,546,868</u>	<u>\$ 11,596,560</u>
Covered-employee payroll	\$ 6,456,672	\$ 6,456,672	\$ 7,026,971	\$ 7,026,971	\$ 5,935,441	\$ 5,935,441
Total OPEB liability as a percentage of covered-employee payroll	168.37%	189.35%	165.79%	146.37%	194.54%	195.38%

Notes to Schedule

The OPEB plan has no assets accumulated in a trust that meet the criteria which are outlined in GASB Statement 75 to pay the related benefits for the plan. Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal year</u>	<u>Rate</u>
2023	3.54%
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

GOVERNMENTAL ACTIVITIES

GENERAL FUND

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

SPECIAL REVENUE FUND/FEDERAL

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

SPECIAL REVENUE FUND/STATE

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

CITY OF LINCOLN, NORTH CAROLINA

**General Fund
Balance Sheets
June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 12,267,973	\$ 8,060,745
Taxes receivable, net	45,917	32,000
Accounts receivable, net	915,644	899,131
Due from governmental agencies	421,745	342,908
Inventories	6,300	8,210
Prepaid items	8,500	7,000
Restricted cash	368,969	318,599
Total assets	<u>\$ 14,035,048</u>	<u>\$ 9,668,593</u>
<u>Liabilities</u>		
Accounts payable and other accrued liabilities	\$ 285,024	\$ 330,693
Advance from other funds	2,012,105	2,167,141
Unearned revenues	155,979	151,001
Total liabilities	<u>2,453,108</u>	<u>2,648,835</u>
<u>Deferred Inflows of Resources</u>		
Property taxes receivable	45,917	32,000
Prepaid taxes	45,686	1,863
Total deferred inflows of resources	<u>91,603</u>	<u>33,863</u>
<u>Fund Balances</u>		
Non Spendable:		
Inventories	6,300	8,210
Prepaid expenditures	8,500	7,000
Restricted:		
Stabilization by State statute	1,337,389	1,242,039
Streets	361,415	314,798
Public safety - police	7,554	3,801
Assigned:		
Unassigned	9,769,179	5,410,047
Total fund balances	<u>11,490,337</u>	<u>6,985,895</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 14,035,048</u>	<u>\$ 9,668,593</u>

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

For the Fiscal Year Ended June 30, 2023

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2022)

	<u>2023</u>		<u>Variance</u>	<u>2022</u> <u>Actual</u>
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>	
Revenues:				
Ad valorem taxes:				
Current year	\$ 5,713,938	\$ 5,724,236	\$ 10,298	\$ 5,568,053
Prior years	75,000	55,979	(19,021)	52,397
Interest and penalties	25,000	21,674	(3,326)	18,268
Total	<u>5,813,938</u>	<u>5,801,889</u>	<u>(12,049)</u>	<u>5,638,718</u>
Other taxes and licenses:				
Other taxes	<u>1,228,695</u>	<u>1,255,966</u>	<u>27,271</u>	<u>1,227,033</u>
Unrestricted intergovernmental revenues:				
Local option sales tax	4,308,252	5,185,778	877,526	4,845,657
Payment in lieu of taxes	35,000	37,839	2,839	42,316
Utility franchise tax	848,501	848,501	-	809,362
Beer and wine tax	50,794	50,794	-	44,189
ABC profit distribution	90,000	90,000	-	90,000
Other	158,095	158,095	-	147,257
Total	<u>5,490,642</u>	<u>6,371,007</u>	<u>880,365</u>	<u>5,978,781</u>
Restricted intergovernmental revenues:				
Powell Bill street aid allocation	345,030	345,030	-	347,276
Powell Bill investment earnings	9,665	10,894	1,229	861
Controlled substance tax	4,569	4,638	69	1,986
Federal Equitable deposits	27,413	27,413	-	-
ABC revenue for law enforcement	20,000	20,000	-	20,000
CARES funds	5,250	10,168	4,918	5,639
On-behalf of payments-Fire and Rescue	5,200	2,635	(2,565)	(1,721)
Federal, state and local grants	6,378	6,378	-	140,515
Total	<u>423,505</u>	<u>427,156</u>	<u>3,651</u>	<u>514,556</u>

cont.

General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2023
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2022)

	<u>2023</u>		Variance Positive (Negative)	2022 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues (continued):				
Permits and fees:				
Zoning fees	\$ 14,415	\$ 16,045	\$ 1,630	\$ 19,230
Other fees	<u>28,446</u>	<u>32,392</u>	<u>3,946</u>	<u>27,707</u>
Total	<u>42,861</u>	<u>48,437</u>	<u>5,576</u>	<u>46,937</u>
Sales and services:				
Cemetery lot sales	44,350	45,550	1,200	42,450
Recreation fees and concessions	206,194	208,197	2,003	142,285
Other	<u>29,911</u>	<u>30,944</u>	<u>1,033</u>	<u>31,067</u>
Total	<u>280,455</u>	<u>284,691</u>	<u>4,236</u>	<u>215,802</u>
Investment earnings	<u>292,754</u>	<u>338,920</u>	<u>46,166</u>	<u>35,267</u>
Miscellaneous:				
Sale of property	532,409	520,009	(12,400)	41,377
Small business emergency loan receipts	-	42,915	42,915	66,354
Other	<u>139,432</u>	<u>137,973</u>	<u>(1,459)</u>	<u>71,719</u>
Total	<u>671,841</u>	<u>700,897</u>	<u>29,056</u>	<u>179,450</u>
Total revenues	<u>14,244,691</u>	<u>15,228,961</u>	<u>984,272</u>	<u>13,836,542</u>

cont.

General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2023
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2022)

	2023		Variance Positive (Negative)	2022 Actual
	<u>Budget</u>	<u>Actual</u>		
Expenditures:				
General government:				
Governing body				
Salaries and employee benefits	\$ 57,192	\$ 57,083	\$ 109	\$ 536,929
Other operating expenditures	1,692,581	1,394,763	297,818	1,376,934
Tax collection fees	184,579	184,579	-	179,043
Capital outlay	991,979	1,240,607	(248,628)	232,294
Interdepartmental charges	(237,700)	(237,700)	-	(168,431)
	<u>2,688,631</u>	<u>2,639,332</u>	<u>49,299</u>	<u>2,156,769</u>
Administrative				
Salaries and employee benefits	633,543	619,537	14,006	601,232
Other operating expenditures	60,607	33,383	27,224	52,020
Interdepartmental charges	(199,720)	(199,720)	-	(150,077)
	<u>494,430</u>	<u>453,200</u>	<u>41,230</u>	<u>503,175</u>
Finance				
Salaries and employee benefits	441,339	427,905	13,434	460,757
Other operating expenditures	62,431	26,804	35,627	56,337
Interdepartmental charges	(475,340)	(475,340)	-	(365,646)
	<u>28,430</u>	<u>(20,631)</u>	<u>49,061</u>	<u>151,448</u>
IT				
Salaries and employee benefits	44,044	43,274	770	54,900
Other operating expenditures	134,081	116,773	17,308	45,567
Capital outlay	712,745	421,095	291,650	-
	<u>890,870</u>	<u>581,142</u>	<u>309,728</u>	<u>100,467</u>
Total general government	<u>4,102,361</u>	<u>3,653,043</u>	<u>449,318</u>	<u>2,911,859</u>
Public safety:				
Police				
Salaries and employee benefits	3,452,919	3,407,526	45,393	3,143,093
Other operating expenditures	378,371	332,247	46,124	309,285
Capital outlay	41,000	36,383	4,617	36,494
	<u>3,872,290</u>	<u>3,776,156</u>	<u>96,134</u>	<u>3,488,872</u>

cont.

General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2023
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2022)

	2023		Variance Positive (Negative)	2022 Actual
	Budget	Actual		
Expenditures (continued):				
Fire				
Salaries and employee benefits	\$ 2,451,175	\$ 2,409,063	\$ 42,112	\$ 2,316,174
Other operating expenditures	287,882	265,545	22,337	215,851
Capital outlay	9,507	9,507	-	-
	<u>2,748,564</u>	<u>2,684,115</u>	<u>64,449</u>	<u>2,532,025</u>
Boger City Fire				
Salaries and employee benefits	883,668	880,522	3,146	888,290
Other operating expenditures	469,569	231,878	237,691	250,583
Capital outlay	-	-	-	61,814
	<u>1,353,237</u>	<u>1,112,400</u>	<u>240,837</u>	<u>1,200,687</u>
Total public safety	<u>7,974,091</u>	<u>7,572,671</u>	<u>401,420</u>	<u>7,221,584</u>
Public works:				
General and administrative				
Salaries and employee benefits	176,968	154,650	22,318	168,897
Operating expenditures	41,533	27,524	14,009	29,439
Interdepartmental charges	(173,910)	(173,910)	-	(132,062)
	<u>44,591</u>	<u>8,264</u>	<u>36,327</u>	<u>66,274</u>
Street maintenance				
Salaries and employee benefits	611,791	640,282	(28,491)	629,754
Operating expenditures	302,809	176,190	126,619	188,076
Capital outlay	50,000	48,700	1,300	-
Interdepartmental charges	(190,850)	(190,850)	-	(135,892)
	<u>773,750</u>	<u>674,322</u>	<u>99,428</u>	<u>681,938</u>
Powell Bill assistance				
Operating expenditures	314,495	269,724	44,771	271,986
	<u>314,495</u>	<u>269,724</u>	<u>44,771</u>	<u>271,986</u>
Fleet maintenance				
Salaries and employee benefits	167,436	163,356	4,080	149,669
Operating expenditures	171,583	98,225	73,358	132,120
Interdepartmental charges	(54,980)	(54,980)	-	(38,138)
	<u>284,039</u>	<u>206,601</u>	<u>77,438</u>	<u>243,651</u>

cont.

General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2023
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2022)

	2023		Variance Positive (Negative)	2022 Actual
	Budget	Actual		
Expenditures (continued):				
Airport operation	\$ 15,600	\$ 15,600	\$ -	\$ 15,600
Total public works	<u>1,432,475</u>	<u>1,174,511</u>	<u>257,964</u>	<u>1,279,449</u>
Economic and physical development:				
Business and community development				
Salaries and employee benefits	97,347	96,704	643	91,820
Operating expenditures	110,286	67,960	42,326	54,142
Capital outlay	-	-	-	8,503
	<u>207,633</u>	<u>164,664</u>	<u>42,969</u>	<u>154,465</u>
Planning and zoning				
Salaries and employee benefits	247,666	183,603	64,063	224,833
Operating expenditures	96,599	48,938	47,661	72,031
Interdepartmental charges	(12,860)	(12,860)	-	(9,754)
	<u>331,405</u>	<u>219,681</u>	<u>111,724</u>	<u>287,110</u>
Total economic and physical development	<u>539,038</u>	<u>384,345</u>	<u>154,693</u>	<u>441,575</u>
Environmental protection:				
Solid waste				
Salaries and employee benefits	420,690	400,959	19,731	374,285
Operating expenditures	138,165	132,177	5,988	102,643
Capital outlay	350,582	350,582	-	-
	<u>909,437</u>	<u>883,718</u>	<u>25,719</u>	<u>476,928</u>
Total environmental protection	<u>909,437</u>	<u>883,718</u>	<u>25,719</u>	<u>476,928</u>
Cultural and recreational:				
Salaries and employee benefits	667,190	656,412	10,778	652,087
Operating expenditures	392,247	303,399	88,848	288,406
Capital outlay	67,185	66,635	550	13,274
Total cultural and recreational	<u>1,126,622</u>	<u>1,026,446</u>	<u>100,176</u>	<u>953,767</u>

cont.

General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2023
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2022)

	2023		Variance Positive (Negative)	2022 Actual
	<u>Budget</u>	<u>Actual</u>		
Expenditures (continued):				
Debt service:				
Principal retirement	\$ 284,612	\$ 237,112	\$ 47,500	\$ 349,056
Interest and other charges	70,329	69,636	693	78,679
Total debt service	<u>354,941</u>	<u>306,748</u>	<u>48,193</u>	<u>427,735</u>
Total expenditures	<u>16,438,965</u>	<u>15,001,482</u>	<u>1,437,483</u>	<u>13,712,897</u>
Revenues over (under) expenditures	<u>(2,194,274)</u>	<u>227,479</u>	<u>2,421,755</u>	<u>123,645</u>
Other Financing Sources (Uses):				
Issuance of debt/leases	350,582	1,074,478	723,896	-
Contribution from Boger City	-	-	-	-
Transfers (to) from other funds				
Special Revenue Fund/Federal	1,424,002	2,784,706	1,360,704	737,340
Water and Sewer Fund	389,222	389,222	-	389,222
Electric Fund	30,465	30,465	-	30,465
Total other financing sources (uses)	<u>2,194,274</u>	<u>4,278,871</u>	<u>2,084,600</u>	<u>1,157,027</u>
Revenues and other financing sources over (under) expenditures and other financing uses and extraordinary item	<u>\$ -</u>	<u>\$ 4,506,350</u>	<u>\$ 4,506,350</u>	<u>\$ 1,280,675</u>
Fund balances, July 1		\$ 6,985,896		\$ 5,708,205
Revenues over (under) expenditures		4,506,350		1,280,675
Increase (decrease) in reserve for inventory		<u>(1,910)</u>		<u>(2,985)</u>
Fund balances, June 30		<u>\$ 11,490,337</u>		<u>\$ 6,985,896</u>

CITY OF LINCOLN, NORTH CAROLINA

**Special Revenue Fund/Federal
 Coronavirus State Local Fiscal Recovery Funds CFR 21.027 (ARPA Funds)
 Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2023**

	<u>Project</u>	<u>Prior</u>	<u>Actual</u>	<u>Total to</u>	<u>Variance</u>
	<u>Authorization</u>	<u>Years</u>	<u>Current</u>	<u>Date</u>	<u>Positive</u>
			<u>Year</u>		<u>(Negative)</u>
Revenues:					
ARPA Funds	\$ 3,569,411	\$ 784,706	\$ 2,784,706	\$ 3,569,411	\$ -
Expenditures:					
Incentive pay	<u>47,366</u>	<u>47,366</u>	<u>-</u>	<u>47,366</u>	<u>-</u>
Total expenditures	<u>47,366</u>	<u>47,366</u>	<u>-</u>	<u>47,366</u>	<u>-</u>
Revenues over (under) expenditures	<u>3,522,045</u>	<u>737,340</u>	<u>2,784,706</u>	<u>3,522,045</u>	<u>-</u>
Other Financing Sources (Uses):					
Transfer in (out) - General Fund	<u>(3,522,045)</u>	<u>(737,340)</u>	<u>(2,784,706)</u>	<u>(3,522,045)</u>	<u>-</u>
Total other financing sources (uses)	<u>(3,522,045)</u>	<u>(737,340)</u>	<u>(2,784,706)</u>	<u>(3,522,045)</u>	<u>-</u>
Revenues and other financing sources (uses) over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, July 1				<u>-</u>	
Fund balance, June 30				<u>\$ -</u>	

CITY OF LINCOLN, NORTH CAROLINA

**Special Revenue Fund/State
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2023**

	<u>Project</u>	<u>Prior</u>	<u>Actual</u>	<u>Total to</u>	<u>Variance</u>
	<u>Authorization</u>	<u>Years</u>	<u>Current</u>	<u>Date</u>	<u>Positive</u>
			<u>Year</u>		<u>(Negative)</u>
Revenues:					
SCIF grant funds	\$ 433,950	\$ 77,935	\$ 47,824	\$ 125,759	\$(308,191)
Investment earnings	46	-	46	46	-
Total revenues	<u>433,996</u>	<u>77,935</u>	<u>47,870</u>	<u>125,805</u>	<u>(308,191)</u>
Expenditures:					
Capital expense	100,046	71,935	28,111	100,046	-
Capital expense - playground	242,650	1,225	9,414	10,639	232,011
Capital expense - Rail Trail	91,300	4,775	10,345	15,120	76,180
Total expenditures	<u>433,996</u>	<u>77,935</u>	<u>47,870</u>	<u>125,805</u>	<u>308,191</u>
Revenues over (under) expenditures	-	-	-	-	-
Other Financing Sources (Uses):					
Transfer in (out) - General Fund	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Revenues and other financing sources (uses) over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, July 1				-	
Fund balance, June 30				<u>\$ -</u>	

GOVERNMENTAL ACTIVITIES
COMPONENT UNIT

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

CITY OF LINCOLNTON, NORTH CAROLINA

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

For the Year Ended June 30, 2023

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2022)

	<u>2023</u>		<u>Variance</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u>	<u>2022</u>
			<u>(Negative)</u>	<u>Actual</u>
Revenues:				
Unrestricted intergovernmental:				
Local occupancy tax	\$ 110,000	\$ 150,998	\$ 40,998	\$ 132,270
Investment earnings	2,000	6,156	4,156	2,126
Total revenues	<u>112,000</u>	<u>157,154</u>	<u>45,154</u>	<u>134,396</u>
Expenditures:				
Advertising & promotions	59,200	32,639	26,561	44,286
Insurance	450	450	-	450
Other operating expenditures	102,350	40,832	61,518	102,585
Capital outlay	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>212,000</u>	<u>123,921</u>	<u>88,079</u>	<u>147,321</u>
Revenues over (under) expenditures	(100,000)	33,233	133,233	(12,925)
Other Financing Sources (Uses):				
Appropriated fund balance	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	33,233	<u>\$ 33,233</u>	(12,925)
Reconciliation From Budgetary Basis (Modified Accrual)				
To Full Accrual:				
Depreciation expense		(2,862)		(2,864)
Cost of expenditures that were capitalized		<u>50,000</u>		<u>-</u>
Revenues over (under) expenditures		80,371		(15,789)
Fund balance, July 1		<u>556,588</u>		<u>572,377</u>
Fund balance, June 30		<u>\$ 636,959</u>		<u>\$ 556,588</u>

BUSINESS - TYPE ACTIVITIES

ENTERPRISE FUNDS

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

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

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

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

CITY OF LINCOLNTON, NORTH CAROLINA

**Statements of Net Position
Water and Sewer Fund
June 30, 2023 and 2022**

<u>Assets</u>	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents	\$ 7,435,024	\$ 7,805,955
Accounts receivable	699,049	670,213
Inventories	127,912	102,039
Prepaid expenses	-	-
Total current assets	<u>8,261,985</u>	<u>8,578,207</u>
Noncurrent assets:		
Restricted cash and cash equivalents	133,197	127,906
Capital assets, right to use leased assets, net of amortization	163,955	250,719
Capital assets, net of accumulated depreciation	<u>25,120,747</u>	<u>25,535,940</u>
Total assets	<u>33,679,884</u>	<u>34,492,772</u>
 <u>Deferred Outflows of Resources</u>		
Pension deferrals	832,555	449,059
OPEB deferrals	<u>390,035</u>	<u>480,191</u>
Total deferred outflows of resources	<u>1,222,590</u>	<u>929,250</u>
 <u>Liabilities</u>		
Current liabilities:		
Accounts payable and accrued liabilities	57,573	143,963
Customer deposits - restricted	133,197	127,906
Loans payable - current	363,540	1,038,951
Lease payable - current	77,092	68,422
Accrued compensated absences	<u>70,364</u>	<u>67,076</u>
Total current liabilities	<u>701,766</u>	<u>1,446,318</u>
Noncurrent liabilities:		
Loans payable	757,778	1,120,803
Lease payable	123,118	200,573
Total OPEB liability	2,289,141	2,591,066
Accrued compensated absences	53,563	39,749
Net pension liability	<u>1,219,652</u>	<u>269,423</u>
Total noncurrent liabilities	<u>4,443,252</u>	<u>4,221,614</u>
Total liabilities	<u>5,145,018</u>	<u>5,667,932</u>
 <u>Deferred Inflows of Resources</u>		
Pension deferrals	5,153	384,924
OPEB deferrals	<u>597,937</u>	<u>461,658</u>
Total deferred inflows of resources	<u>603,090</u>	<u>846,582</u>
 <u>Net Position</u>		
Net investment in capital assets	23,963,174	23,376,186
Unrestricted	<u>5,191,192</u>	<u>5,531,322</u>
Total net position	<u>\$ 29,154,366</u>	<u>\$ 28,907,508</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Revenues:		
Water charges	\$ 3,463,192	\$ 3,383,021
Sewer charges	4,247,794	4,297,521
Water and sewer taps	171,390	265,951
Other operating revenues	<u>254,466</u>	<u>338,055</u>
Total operating revenues	<u>8,136,842</u>	<u>8,284,548</u>
Operating Expenses:		
Water treatment plant	1,490,429	1,280,055
Water and sewer distribution maintenance	1,711,935	1,461,464
Waste treatment plant	1,736,625	1,801,581
Administrattion	723,360	400,000
Depreciation/amortization	<u>2,059,145</u>	<u>2,016,779</u>
Total operating expenses	<u>7,721,494</u>	<u>6,959,879</u>
Operating income (loss)	<u>415,348</u>	<u>1,324,669</u>
Nonoperating Revenues (Expenses):		
Investment earnings	248,825	23,154
Gain (loss) on disposition of capital assets	30,079	40,884
Interest on long-term debt	<u>(58,172)</u>	<u>(85,747)</u>
Total nonoperating revenues (expenses)	<u>220,732</u>	<u>(21,709)</u>
Income (loss) before transfers	636,080	1,302,960
Transfer to General Fund-payment in lieu of taxes	<u>(389,222)</u>	<u>(389,222)</u>
Change in net position	<u>\$ 246,858</u>	<u>\$ 913,738</u>
Total net position -beginning	\$28,907,507	\$27,993,770
Change in net position	<u>246,858</u>	<u>913,738</u>
Total net position - ending	<u>\$29,154,365</u>	<u>\$28,907,508</u>

CITY OF LINCOLNTON, NORTH CAROLINA

**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Water and Sewer Fund
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)**

	2023		Variance Positive (Negative)	2022 Actual
	Budget	Actual		
Revenues:				
Operating revenues:				
Water charges	\$ 3,510,000	\$ 3,463,192	\$ (46,808)	\$ 3,383,021
Sewer charges	4,200,000	4,247,794	47,794	4,297,521
Water and sewer taps	163,296	171,390	8,094	265,951
Other	277,929	254,466	(23,463)	338,055
Total operating revenues	<u>8,151,225</u>	<u>8,136,842</u>	<u>(14,383)</u>	<u>8,284,548</u>
Nonoperating revenues:				
Investment earnings	220,661	248,825	28,164	23,154
Total nonoperating revenues	<u>220,661</u>	<u>248,825</u>	<u>28,164</u>	<u>23,154</u>
Total revenues	<u>8,371,886</u>	<u>8,385,667</u>	<u>13,781</u>	<u>8,307,702</u>
Expenditures:				
Operating expenditures:				
Water treatment plant				
Salaries and employee benefits	853,364	761,313	92,051	632,430
Chemicals	198,053	184,989	13,064	127,964
Electricity	251,353	247,656	3,697	204,638
Water service contract	176,244	167,739	8,505	168,413
Repairs and maintenance	28,753	26,381	2,372	49,421
Other operating expenditures	104,730	81,729	23,001	69,676
	<u>1,612,497</u>	<u>1,469,807</u>	<u>142,690</u>	<u>1,252,542</u>
Water and sewer distribution maintenance				
Salaries and employee benefits	1,086,994	1,036,907	50,087	829,076
Supplies	271,732	271,732	-	268,941
Repairs and maintenance	148,454	146,355	2,099	176,918
Other operating expenditures	221,431	193,719	27,712	152,860
	<u>1,728,611</u>	<u>1,648,713</u>	<u>79,898</u>	<u>1,427,795</u>
Waste treatment plant				
Salaries and employee benefits	790,170	753,190	36,980	795,036
Sludge removal	203,782	189,215	14,567	183,858
Electricity	278,000	278,000	-	195,000
Repairs and maintenance	152,866	119,750	33,116	224,399
Other operating expenditures	520,912	377,612	143,300	397,211
	<u>1,945,730</u>	<u>1,717,767</u>	<u>227,963</u>	<u>1,795,504</u>
Administration	<u>724,000</u>	<u>723,360</u>	<u>640</u>	<u>400,000</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, 2023

(With Comparative Actual Amounts for the Year Ended June 30, 2022)

	<u>2023</u>		<u>Variance</u>	<u>2022</u>
	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>	<u>Actual</u>
Total operating expenditures	\$ 6,010,838	\$ 5,559,647	\$ 451,191	\$ 4,875,841
Debt service:				
Principal retirement	1,146,260	1,109,075	37,185	1,228,977
Interest and fees	65,633	61,957	3,676	90,399
Total debt service	<u>1,211,893</u>	<u>1,171,032</u>	<u>40,861</u>	<u>1,319,376</u>
Capital outlay:				
Water treatment plant	498,671	250,435	248,236	383,456
Water and sewer distribution maintenance	1,436,760	1,200,629	236,131	506,192
Waste water treatment plant	250,000	118,371	131,629	306,050
Total capital outlay	<u>2,185,431</u>	<u>1,569,435</u>	<u>615,996</u>	<u>1,195,698</u>
Total expenditures	<u>9,408,162</u>	<u>8,300,114</u>	<u>1,108,048</u>	<u>7,390,915</u>
Revenues over (under) expenditures	<u>(1,036,276)</u>	<u>85,553</u>	<u>1,121,829</u>	<u>916,787</u>
Other Financing Sources (Uses):				
Appropriated fund balance	1,260,000	-	(1,260,000)	-
Transfer-General Fund-payment in lieu of taxes	(389,222)	(389,222)	-	(389,222)
Gain (loss) on disposition of capital assets	25,500	30,079	4,579	40,884
Lease liabilities issued	-	-	-	337,482
Proceeds from borrowing	140,000	-	(140,000)	-
Total other financing sources	<u>1,036,278</u>	<u>(359,143)</u>	<u>(1,395,421)</u>	<u>(10,856)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>(273,590)</u>	<u>\$ (273,590)</u>	<u>905,931</u>
Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual:				
Increase (decrease) in inventory		25,872		13,509
(Increase) decrease in accrued vacation pay		(17,102)		(4,871)
Increase (decrease) in deferred outflows of resources - pensions		383,496		14,859
(Increase) decrease in net pension liability		(950,229)		439,686
(Increase) decrease in deferred inflows of resources - pensions		379,771		(384,924)
Increase (decrease) in deferred outflows of resources - OPEB		(90,156)		224,512
(Increase) decrease in OPEB liability		301,925		(238,973)
(Increase) decrease in deferred inflows of resources - OPEB		(136,279)		(131,057)
Cost of expenditures that were capitalized		1,569,435		1,195,698
Payment of debt principal		1,109,075		1,228,977
Proceeds from borrowing		-		-
Lease liabilities issued		-		(337,482)
(Increase) decrease in accrued interest		3,785		4,652
Depreciation/amortization		<u>(2,059,145)</u>		<u>(2,016,779)</u>
Change in net position		<u>\$ 246,858</u>		<u>\$ 913,738</u>

CITY OF LINCOLN, NORTH CAROLINA

**Statements of Cash Flows
Water and Sewer Fund
For the Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities:		
Cash received from customers and users	\$ 8,108,006	\$ 8,332,370
Customer deposits received	5,291	2,788
Cash paid for goods and services	(3,090,846)	(2,550,541)
Cash paid to or on behalf of employees for services	<u>(2,551,408)</u>	<u>(2,256,542)</u>
Net cash provided (used) by operating activities	<u>2,471,043</u>	<u>3,528,075</u>
Cash Flows From Non-Capital Financing Activities:		
Transfers - in (out)	<u>(389,222)</u>	<u>(389,222)</u>
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(1,569,435)	(858,216)
Proceeds from sale of capital assets	42,325	55,278
Proceeds from borrowing	-	-
Principal paid on long-term debt	(1,107,221)	(1,228,978)
Interest paid on long-term debt	<u>(61,956)</u>	<u>(90,399)</u>
Net cash provided (used) by capital and related financing activities	<u>(2,696,287)</u>	<u>(2,122,315)</u>
Cash Flows From Investing Activities:		
Investment earnings	<u>248,825</u>	<u>23,154</u>
Net cash provided (used) by investing activities	<u>248,825</u>	<u>23,154</u>
Net increase (decrease) in cash and cash equivalents	(365,641)	1,039,692
Cash and cash equivalents at beginning of year	<u>7,933,862</u>	<u>6,894,170</u>
Cash and cash equivalents at end of year	<u>\$ 7,568,221</u>	<u>\$ 7,933,862</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 415,348	\$ 1,324,669
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation/amortization	2,059,145	2,016,779
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(28,836)	47,822
(Increase) decrease in inventory	(25,873)	(13,508)
Increase (decrease) in accounts payable and other accrued liabilities	(82,606)	68,757
Increase (decrease) in accrued vacation pay	17,102	4,871
Increase (decrease) in OPEB liability	(301,925)	238,973
(Increase) decrease in deferred outflows of resources-OPEB	90,156	(224,512)
Increase (decrease) in deferred inflows of resources-OPEB	136,279	131,057
(Increase) decrease in deferred outflows of resources-pensions	(383,496)	(14,859)
Increase (decrease) in net pension liability	950,229	(439,686)
Increase (decrease) in deferred inflows of resources-pensions	(379,771)	384,924
Increase (decrease) in customer deposits	5,291	2,788
Net cash provided (used) by operating activities	<u>\$ 2,471,043</u>	<u>\$ 3,528,075</u>
Supplemental Schedule of Non Cash Financing Activities:		
Purchase of capital assets with the issuance of debt	\$ -	\$ -
Acquisition of right to use asset through lease liability	<u>\$ -</u>	<u>\$ 337,482</u>

CITY OF LINCOLNTON, NORTH CAROLINA

**Statements of Net Position
Electric Fund
June 30, 2023 and 2022**

<u>Assets</u>	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents	\$ 5,456,672	\$ 4,830,785
Accounts receivable	524,842	559,574
Advance to other funds	157,361	155,036
Inventories	110,441	70,456
Prepaid expenses	<u>25,000</u>	<u>25,000</u>
Total current assets	6,274,316	5,640,851
Noncurrent assets:		
Restricted cash and cash equivalents	309,210	293,080
Advance to other funds	1,854,744	2,012,105
Capital asset, right to use leased assets, net of amrtization	19,778	25,298
Capital assets, net of accumulated depreciation	<u>2,557,897</u>	<u>2,188,175</u>
Total assets	<u>11,015,945</u>	<u>10,159,509</u>
<u>Deferred Outflows of Resources</u>		
Pension deferrals	279,560	153,414
OPEB deferrals	<u>87,136</u>	<u>103,591</u>
Total deferred outflows of resources	<u>366,696</u>	<u>257,005</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable and accrued liabilities	523,401	633,749
Customer deposits - restricted	309,210	293,080
Accrued compensated absences	20,468	17,081
Leases payable - current	<u>4,776</u>	<u>4,776</u>
Total current liabilities	<u>857,855</u>	<u>948,686</u>
Noncurrent liabilities:		
Leases payable	16,127	20,539
Total OPEB liability	511,406	558,967
Accrued compensated absences	22,934	17,320
Net pension liability	<u>409,543</u>	<u>92,044</u>
Total noncurrent liabilities	<u>960,010</u>	<u>688,870</u>
Total liabilities	<u>1,817,865</u>	<u>1,637,556</u>
<u>Deferred Inflows of Resources</u>		
Pension deferrals	1,730	131,504
OPEB deferrals	<u>133,552</u>	<u>99,563</u>
Total deferred inflows of resources	<u>135,282</u>	<u>231,067</u>
<u>Net Position</u>		
Net investment in capital assets	2,556,772	2,188,175
Unrestricted	<u>6,872,721</u>	<u>6,359,717</u>
Total net position	<u>\$ 9,429,493</u>	<u>\$ 8,547,892</u>

CITY OF LINCOLNTON, NORTH CAROLINA

Statements of Revenues, Expenses and Changes in Net Position

Electric Fund

For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Revenues:		
Electric sales	\$ 6,629,936	\$ 6,582,812
Electricity - municipal operations	635,345	500,508
Other operating revenues	<u>436,418</u>	<u>414,326</u>
Total operating revenues	<u>7,701,699</u>	<u>7,497,646</u>
Operating Expenses:		
Electrical operations	1,640,811	1,674,223
Electrical power purchases	4,413,439	4,979,686
Administrative	622,000	600,000
Depreciation/amortization	<u>250,324</u>	<u>260,189</u>
Total operating expenses	<u>6,926,574</u>	<u>7,514,098</u>
Operating income (loss)	<u>775,125</u>	<u>(16,452)</u>
Nonoperating Revenues (Expenses);		
Interest expense	(364)	(172)
Investment earnings	156,780	49,983
Gain (loss) on disposition of capital assets	<u>(19,473)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>136,943</u>	<u>49,811</u>
Income (loss) before transfers	912,068	33,359
Transfer to the General Fund-payment in lieu of taxes	<u>(30,465)</u>	<u>(30,465)</u>
Change in net position	<u>\$ 881,602</u>	<u>\$ 2,894</u>
Total net position - beginning	\$ 8,547,892	\$ 8,544,998
Change in net position	<u>881,602</u>	<u>2,894</u>
Total net position - ending	<u>\$ 9,429,493</u>	<u>\$ 8,547,892</u>

CITY OF LINCOLNTON, NORTH CAROLINA

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

Electric Fund

For the Year Ended June 30, 2023

(With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023		Variance Positive (Negative)	2022 Actual
	Budget	Actual		
Revenues:				
Operating revenues:				
Electricity sales	\$ 6,822,000	\$ 6,629,936	\$ (192,064)	\$ 6,582,812
Electricity - municipal operations	635,345	635,345	-	500,508
Other operating revenues	424,725	436,418	11,693	414,326
Total operating revenues	<u>7,882,070</u>	<u>7,701,699</u>	<u>(180,371)</u>	<u>7,497,646</u>
Nonoperating revenues:				
Investment earnings	<u>162,069</u>	<u>156,780</u>	<u>(5,289)</u>	<u>49,983</u>
Total revenues	<u>8,044,139</u>	<u>7,858,479</u>	<u>(185,660)</u>	<u>7,547,629</u>
Expenditures:				
Salaries and employee benefits	855,177	818,768	36,409	734,333
Electrical power purchases	4,800,000	4,413,439	386,561	4,979,686
Administrative	622,000	622,000	-	600,000
Repairs and maintenance	573,255	180,153	393,102	203,145
Other operating expenditures	924,467	608,411	316,056	638,373
Capital outlay	634,000	634,000	-	54,264
Debt service				
Principal retirement	4,412	4,412	-	2,344
Interest	364	364	-	172
Total operating expenditures	<u>8,413,675</u>	<u>7,281,547</u>	<u>1,132,128</u>	<u>7,212,317</u>
Revenues over (under) expenditures	<u>(369,536)</u>	<u>576,932</u>	<u>946,468</u>	<u>335,312</u>
Other Financing Sources (Uses):				
Appropriated fund balance	400,000	-	(400,000)	-
Gain(loss) on disposition of capital assets	-	(19,473)	(19,473)	-
Proceeds from borrowing	-	-	-	-
Lease liabilities issued	-	-	-	27,659
Transfers from (to):				
General Fund-payment in lieu of taxes	(30,465)	(30,465)	-	(30,465)
Rate Stabilization Fund	-	-	-	-
Total other financing sources (uses)	<u>369,535</u>	<u>(49,938)</u>	<u>(419,473)</u>	<u>(2,806)</u>

cont.

CITY OF LINCOLN, 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, 2023

(With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023		Variance	
	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>	<u>2022 Actual</u>
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ 526,994	\$ 526,994	\$ 332,506
Reconciliation From Budgetary Basis				
(Modified Accrual) to Full Accrual:				
Transfer to Rate Stabilization Fund		-		-
Lease liabilities issued		-		(27,659)
Principal retirement		4,412		2,344
Increase (decrease) in inventory		39,985		11,353
(Increase) decrease in accrued vacation pay		(9,002)		(3,424)
Increase (decrease) in deferred outflows of resources - pensions		126,146		13,665
(Increase) decrease in net pension liability		(317,499)		136,186
(Increase) decrease in deferred inflows of resources - pensions		129,774		(131,504)
(Increase) decrease in OPEB liability		47,561		(141,959)
(Increase) decrease in deferred outflows of resources - OPEB		(16,455)		58,261
Increase (decrease) in deferred inflows of resources - OPEB		(33,989)		(40,950)
Cost of expenditures that were capitalized		634,000		54,264
Depreciation/amortization		<u>(250,324)</u>		<u>(260,189)</u>
Changes in net position		\$ <u>881,602</u>		\$ <u>2,894</u>

CITY OF LINCOLNTON, NORTH CAROLINA

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Statements of Cash Flows

Electric Fund

For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities:		
Cash received from customers and users	\$ 7,736,432	\$ 7,626,820
Customer deposits received	16,130	(1,725)
Cash paid for goods and services	(5,934,351)	(6,386,524)
Cash paid to or on behalf of employees for services	(818,769)	(734,333)
Net cash provided (used) by operating activities	<u>999,442</u>	<u>504,238</u>
Cash Flows From Non-Capital Financing Activities:		
Repayment from other fund	155,036	227,689
Transfers - in (out)	(30,465)	(30,465)
Net cash provided (used) by non-capital financing activities	<u>124,571</u>	<u>197,224</u>
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(634,000)	(26,606)
Proceeds from sale of capital assets	-	-
Principal paid	(4,412)	(2,344)
Interest paid	(364)	(172)
Net cash provided (used) by capital and related financing activities	<u>(638,776)</u>	<u>(29,122)</u>
Cash Flows From Investing Activities:		
Investment earnings	156,780	49,983
Net cash provided (used) by investing activities	<u>156,780</u>	<u>49,983</u>
Net increase (decrease) in cash and cash equivalents	642,017	722,323
Cash and cash equivalents at beginning of year	5,123,865	4,401,542
Cash and cash equivalents at end of year	<u>\$ 5,765,882</u>	<u>\$ 5,123,865</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 775,125	\$ (16,452)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation/amortization	250,324	260,189
Changes in assets, deferred outflows of resources and liabilities:		
(Increase) decrease in accounts receivable	34,733	129,174
(Increase) decrease in inventory	(39,985)	(11,353)
(Increase) decrease in prepaid expense	-	-
Increase (decrease) in accounts payable and other accrued liabilities	(110,348)	34,680
Increase (decrease) in accrued vacation pay	9,001	3,424
Increase (decrease) in OPEB liability	(47,561)	141,959
(Increase) decrease in deferred outflows of resources-OPEB	16,455	(58,261)
(Increase) decrease in deferred outflows of resources-pensions	(126,146)	(13,665)
Increase (decrease) net pension liability	317,499	(136,186)
Increase (decrease) in deferred inflows of resources-pensions	(129,774)	131,504
Increase (decrease) in deferred inflows of resources-OPEB	33,989	40,950
Increase (decrease) in customer deposits	16,130	(1,725)
Net cash provided (used) by operating activities	<u>\$ 999,442</u>	<u>\$ 504,238</u>

CITY OF LINCOLNTON, NORTH CAROLINA

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Statements of Cash Flows
Electric Fund
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Supplemental Schedule of Non Cash Financing Activities:		
Acquisition of right to use asset through lease liability	\$ -	\$ 27,659
Additional advance with the transfer of assets	\$ -	\$ -

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, 2023

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

OTHER SCHEDULES

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

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

CITY OF LINCOLN, NORTH CAROLINA

Schedule of Ad Valorem Taxes Receivable

June 30, 2023

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2022</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2023</u>
2022 - 2023	\$ -	\$ 5,888,665	\$ 5,795,216	\$ 93,449
2021 - 2022	49,053	-	34,679	14,374
2020 - 2021	16,858	-	6,888	9,970
2019 - 2020	21,795	-	12,924	8,871
2018 - 2019	12,432	-	5,664	6,768
2017 - 2018	7,489	-	3,910	3,579
2016 - 2017	4,266	-	830	3,436
2015 - 2016	5,645	-	156	5,489
2014 - 2015	5,978	-	41	5,937
2013 - 2014	18,368	-	322	18,046
2012 - 2013	<u>13,116</u>	<u>-</u>	<u>13,116</u>	<u>-</u>
Total	<u>\$ 155,000</u>	<u>\$ 5,888,665</u>	<u>\$ 5,873,746</u>	169,917
Less allowance for uncollectibles				<u>(124,000)</u>
Balance				<u>\$ 45,917</u>
Reconciliation With Revenue:				
Taxes - Ad valorem - General Fund				\$ 5,801,889
Adjustments, releases and discounts				80,415
Taxes written off				13,116
Interest collected				<u>(21,674)</u>
Total collections and credits				<u>\$ 5,873,746</u>

CITY OF LINCOLN, NORTH CAROLINA

**Analysis of Current Tax Levy
June 30, 2023**

	<u>City Wide</u>		<u>Total Levy</u>		
			<u>Property</u> <u>Excluding</u> <u>Registered</u> <u>Motor</u> <u>Vehicles</u>	<u>Registered</u> <u>Motor</u> <u>Vehicles</u>	
	<u>Property</u> <u>Valuation</u>	<u>Rate</u>			
Original levy:					
Property taxes at current year's rate	\$ 934,806,061	0.56	\$ 5,234,914	\$ 5,234,914	\$ -
Motor vehicles taxed at current year rate	<u>108,299,516</u>	0.56	<u>606,477</u>	<u>-</u>	<u>606,477</u>
Total	<u>1,043,105,577</u>		<u>5,841,391</u>	<u>5,234,914</u>	<u>606,477</u>
Discoveries:					
Current year taxes	9,993,224		55,963	55,963	-
Adjustments	<u>(1,551,519)</u>		<u>(8,689)</u>	<u>(8,689)</u>	<u>-</u>
Total	<u>8,441,705</u>		<u>47,274</u>	<u>47,274</u>	<u>-</u>
Total property valuation	<u>\$1,051,547,282</u>				
Net levy			5,888,665	5,282,188	606,477
Less uncollected taxes at June 30, 2023			<u>(93,449)</u>	<u>(93,449)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 5,795,216</u>	<u>\$ 5,188,739</u>	<u>\$ 606,477</u>
Current levy collection percentage			<u>98.41</u>	<u>98.23</u>	<u>100.00</u>

STATISTICAL SECTION

(Unaudited)

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

Contents:

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

CITY OF LINCOLNTON, NORTH CAROLINA

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Governmental Activities:										
Net investment in capital assets	\$ 18,914,071	\$ 18,225,559	\$ 17,845,361	\$ 17,836,400	\$ 18,078,633	\$ 18,180,889	\$ 18,104,701	\$ 20,703,171	\$ 21,487,462	\$ 21,205,099
Restricted	1,903,248	1,490,531	1,592,074	1,522,318	1,721,261	1,446,522	2,127,871	1,435,400	1,487,501	1,706,358
Unrestricted	<u>1,213,155</u>	<u>748,673</u>	<u>857,731</u>	<u>133,971</u>	<u>(7,372,812)</u>	<u>(6,908,253)</u>	<u>(6,051,578)</u>	<u>(7,092,864)</u>	<u>(5,864,033)</u>	<u>(2,056,739)</u>
Total governmental activities										
net position	<u>\$ 22,030,474</u>	<u>\$ 20,464,763</u>	<u>\$ 20,295,166</u>	<u>\$ 19,492,689</u>	<u>\$ 12,427,082</u>	<u>\$ 12,719,158</u>	<u>\$ 14,180,994</u>	<u>\$ 15,045,707</u>	<u>\$ 17,110,930</u>	<u>\$ 20,854,718</u>
Business-type Activities:										
Net investment in capital assets	\$ 17,188,580	\$ 17,189,653	\$ 18,312,253	\$ 19,838,664	\$ 20,899,184	\$ 20,641,887	\$ 25,485,337	\$ 25,721,285	\$ 25,564,361	\$ 26,519,946
Unrestricted	<u>10,465,958</u>	<u>10,597,432</u>	<u>11,227,830</u>	<u>11,183,342</u>	<u>9,870,326</u>	<u>12,257,836</u>	<u>9,189,737</u>	<u>10,817,482</u>	<u>11,891,039</u>	<u>12,063,913</u>
Total business-type activities										
net position	<u>\$ 27,654,538</u>	<u>\$ 27,787,085</u>	<u>\$ 29,540,083</u>	<u>\$ 31,022,006</u>	<u>\$ 30,769,510</u>	<u>\$ 32,899,723</u>	<u>\$ 34,675,074</u>	<u>\$ 36,538,767</u>	<u>\$ 37,455,400</u>	<u>\$ 38,583,859</u>
Primary Government:										
Net investment in capital assets	\$ 36,102,651	\$ 35,415,212	\$ 36,157,614	\$ 37,675,064	\$ 38,977,817	\$ 38,822,776	\$ 43,590,038	\$ 46,424,456	\$ 47,051,823	\$ 47,725,045
Restricted	1,903,248	1,490,531	1,592,074	1,522,318	1,721,261	1,446,522	2,127,871	1,435,400	1,487,501	1,706,358
Unrestricted	<u>11,679,114</u>	<u>11,346,106</u>	<u>12,085,562</u>	<u>11,317,314</u>	<u>2,497,515</u>	<u>5,349,583</u>	<u>3,138,159</u>	<u>3,724,618</u>	<u>6,027,006</u>	<u>10,007,174</u>
Total primary government										
net position	<u>\$ 49,685,013</u>	<u>\$ 48,251,849</u>	<u>\$ 49,835,250</u>	<u>\$ 50,514,696</u>	<u>\$ 43,196,592</u>	<u>\$ 45,618,881</u>	<u>\$ 48,856,068</u>	<u>\$ 51,584,474</u>	<u>\$ 54,566,330</u>	<u>\$ 59,438,577</u>

CITY OF LINCOLN, NORTH CAROLINA

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

Expenses:	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental activities:										
General government	\$ 2,025,069	\$ 1,864,278	\$ 1,896,606	\$ 1,864,038	\$ 2,121,703	\$ 2,061,727	\$ 1,802,847	\$ 2,336,593	\$ 3,174,700	\$ 2,541,629
Public safety	4,663,422	4,562,298	4,487,641	4,808,973	5,397,252	5,711,498	5,895,541	6,893,445	7,637,598	8,456,741
Public works	1,488,646	1,315,049	1,342,101	1,352,039	1,420,115	1,245,261	1,094,464	1,592,569	1,386,645	1,294,415
Economic and physical development	497,450	348,274	404,448	333,749	378,549	489,183	456,021	472,536	374,984	686,249
Environmental protection	1,067,913	1,173,121	1,120,857	1,010,361	759,807	750,577	761,337	586,561	546,385	444,674
Cultural and recreational	718,794	654,985	683,973	688,966	991,094	956,697	980,229	938,555	1,098,701	1,062,649
Interest on long-term debt	5,428	5,662	16,458	37,365	37,729	36,502	40,228	45,071	76,743	68,332
Total governmental activities	10,466,722	9,923,668	9,952,085	10,095,491	11,106,249	11,251,446	11,030,667	12,865,330	14,295,756	14,554,689
Business-type activities:										
Interest on long-term debt	760,216	663,840	312,468	296,382	200,965	158,795	175,910	132,043	85,919	58,536
Water and sewer	6,470,498	6,516,275	6,220,283	6,370,070	6,158,426	5,995,286	6,522,861	6,861,420	6,959,880	7,721,494
Electric	7,601,547	8,066,191	7,525,821	7,445,989	7,561,454	7,403,339	6,773,377	7,336,762	7,514,097	6,926,575
Total business-type activities	14,832,261	15,246,306	14,058,572	14,112,442	13,920,845	13,557,420	13,472,148	14,330,225	14,559,896	14,706,605
Total expenses	\$ 25,298,983	\$ 25,169,974	\$ 24,010,658	\$ 24,207,933	\$ 25,027,094	\$ 24,808,865	\$ 24,502,815	\$ 27,195,555	\$ 28,855,652	\$ 29,261,294
Program Revenues:										
Governmental activities:										
Charges for services:										
Environmental protection	\$ 71,766	\$ 8,875	\$ 29,259	\$ 27,201	\$ 12,221	\$ 49,377	\$ 39,700	\$ 31,751	\$ 42,450	\$ 16,045
Cultural and recreational	91,302	120,945	116,764	169,179	177,133	127,134	90,281	40,957	142,285	208,197
Other	13,860	24,052	17,187	17,427	43,303	21,908	25,758	31,988	56,570	84,093
Operating grants and contributions	557,434	447,765	428,431	490,071	545,794	592,248	1,458,602	1,673,229	1,446,519	3,369,957
Capital grants and contributions	-	14,237	364,737	-	156,106	646,462	-	401,152	1,385,764	47,870
Total governmental activities	734,362	615,874	956,378	703,878	934,557	1,437,129	1,614,341	2,179,077	3,073,588	3,726,162
Business-type activities:										
Charges for services-Water and Sewer	8,380,928	8,434,290	8,393,729	8,011,313	8,056,185	7,660,499	7,598,165	7,624,106	8,284,548	8,136,843
Charges for services-Electric	7,677,848	7,943,099	7,793,578	7,918,630	7,913,749	8,162,947	7,838,694	8,897,302	7,497,646	7,701,699
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	1,674,563	-	-	-	-	-	-	-	-	-
Total business-type activities	17,733,339	16,377,389	16,187,307	15,929,943	15,969,934	15,823,446	15,436,859	16,521,408	15,782,194	15,838,542
Total program revenues	\$ 18,467,701	\$ 16,993,263	\$ 17,143,685	\$ 16,633,821	\$ 16,904,491	\$ 17,260,575	\$ 17,051,200	\$ 18,700,485	\$ 18,855,782	\$ 19,564,704

CITY OF LINCOLNTON, NORTH CAROLINA

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Net revenue (expense)										
Governmental activities	\$ (9,732,360)	\$ (9,307,794)	\$ (8,995,707)	\$ (9,391,613)	\$ (10,171,692)	\$ (9,814,317)	\$ (9,416,326)	\$ (10,686,253)	\$ (11,222,168)	\$ (10,828,527)
Business-type activities	<u>2,901,077</u>	<u>1,131,083</u>	<u>2,128,735</u>	<u>1,817,501</u>	<u>2,049,090</u>	<u>2,266,026</u>	<u>1,964,711</u>	<u>2,191,183</u>	<u>1,222,298</u>	<u>1,131,937</u>
Total net expense	<u>\$ (6,831,283)</u>	<u>\$ (8,176,710)</u>	<u>\$ (6,866,972)</u>	<u>\$ (7,574,112)</u>	<u>\$ (8,122,603)</u>	<u>\$ (7,548,291)</u>	<u>\$ (7,451,614)</u>	<u>\$ (8,495,070)</u>	<u>\$ (9,999,870)</u>	<u>\$ (9,696,590)</u>
General Revenues										
Governmental activities:										
Ad valorem taxes	\$ 4,849,278	\$ 4,761,205	\$ 4,641,125	\$ 4,718,281	\$ 4,737,848	\$ 4,855,114	\$ 5,421,455	\$ 5,556,374	\$ 5,618,118	\$ 5,815,807
Other taxes and licenses	3,349,868	3,573,901	3,682,640	4,148,713	4,466,391	4,662,968	4,756,705	5,411,921	7,058,557	7,468,878
Unrestricted investment earnings	1,916	3,477	10,321	18,979	49,932	95,717	90,267	59,940	41,877	341,958
Other	320,657	56,808	86,953	(3,245)	8,048	87,525	204,664	103,044	149,152	525,985
Transfers	394,105	394,135	405,071	405,071	405,071	405,071	405,071	419,687	419,687	419,687
Extraordinary item	-	-	-	-	-	-	-	-	-	-
Total governmental activities	<u>8,915,824</u>	<u>8,789,526</u>	<u>8,826,110</u>	<u>9,287,798</u>	<u>9,667,289</u>	<u>10,106,394</u>	<u>10,878,162</u>	<u>11,550,966</u>	<u>13,287,391</u>	<u>14,572,315</u>
Business-type activities:										
Unrestricted investment earnings	9,233	10,869	26,421	51,748	136,764	255,617	215,711	69,429	73,137	405,605
Other	236	(405,084)	2,914	17,744	(12,133)	13,641	-	22,767	40,884	10,606
Transfers	<u>(394,105)</u>	<u>(394,135)</u>	<u>(405,071)</u>	<u>(405,071)</u>	<u>(405,071)</u>	<u>(405,071)</u>	<u>(405,071)</u>	<u>(419,687)</u>	<u>(419,687)</u>	<u>(419,687)</u>
Total business-type activities	<u>(384,637)</u>	<u>(788,350)</u>	<u>(375,736)</u>	<u>(335,579)</u>	<u>(280,440)</u>	<u>(135,813)</u>	<u>(189,360)</u>	<u>(327,491)</u>	<u>(305,666)</u>	<u>(3,476)</u>
Total primary government	<u>\$ 8,531,188</u>	<u>\$ 8,001,176</u>	<u>\$ 8,450,374</u>	<u>\$ 8,952,219</u>	<u>\$ 9,386,849</u>	<u>\$ 9,970,581</u>	<u>\$ 10,688,802</u>	<u>\$ 11,223,475</u>	<u>\$ 12,981,725</u>	<u>\$ 14,568,839</u>
Change in Net Position:										
Governmental activities	\$ (816,535)	\$ (518,268)	\$ (169,597)	\$ (103,815)	\$ (504,403)	\$ 292,076	\$ 1,461,836	\$ 864,713	\$ 2,065,223	\$ 3,743,788
Business-type activities	<u>2,516,441</u>	<u>342,733</u>	<u>1,752,998</u>	<u>1,481,922</u>	<u>1,768,649</u>	<u>2,130,213</u>	<u>1,775,351</u>	<u>1,863,692</u>	<u>916,632</u>	<u>1,128,461</u>
Total primary government	<u>\$ 1,699,905</u>	<u>\$ (175,535)</u>	<u>\$ 1,583,401</u>	<u>\$ 1,378,107</u>	<u>\$ 1,264,247</u>	<u>\$ 2,422,291</u>	<u>\$ 3,237,187</u>	<u>\$ 2,728,405</u>	<u>\$ 2,981,855</u>	<u>\$ 4,872,249</u>

CITY OF LINCOLNTON, 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
2014	4,849,278	19,622	2,264,938	808,761	22,651	394,105	45,873	5,899	8,411,127
2015	4,761,205	21,270	2,499,885	920,256	22,471	394,135	50,317	6,717	8,676,256
2016	4,641,125	16,000	2,644,526	873,432	21,216	405,071	46,286	5,900	8,653,556
2017	4,718,281	27,376	2,983,564	911,698	23,400	405,071	47,787	7,086	9,124,263
2018	4,737,848	26,362	3,155,789	895,540	28,545	405,071	46,076	7,250	9,302,481
2019	4,855,114	29,012	3,357,639	897,284	28,669	405,071	45,706	7,413	9,625,908
2020	5,421,455	26,833	3,520,805	863,965	35,233	405,071	45,441	8,044	10,326,847
2021	5,556,374	31,861	4,184,806	821,540	42,175	419,687	45,742	8,074	11,110,259
2022	5,618,118	32,596	4,845,657	809,362	42,316	419,687	44,189	8,485	11,820,410
2023	5,815,807	35,513	5,185,778	848,501	37,839	419,687	50,794	8,730	12,402,649

(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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
General Fund:										
Nonspendable:										
Inventories	\$ 134,268	\$ 22,880	\$ 14,316	\$ 5,828	\$ 14,396	\$ 10,598	\$ 7,955	\$ 11,195	\$ 8,210	\$ 6,300
Prepaid expenditures	55,321	58,524	57,490	44,437	33,207	50,587	11,500	11,500	7,000	8,500
Restricted:										
Stabilization by State Statute	686,430	633,776	695,340	827,256	1,045,057	1,006,402	1,758,308	1,156,191	1,242,039	1,337,389
Streets - Powell Bill	833,430	849,755	896,728	695,057	676,199	440,115	369,558	278,229	314,798	361,415
Public safety - Police	-	7,000	5	5	5	5	5	980	3,801	7,554
Assigned:										
Subsequent year's expenditures	1,547,057	1,405,541	1,050,000	785,301	765,470	237,000	405,000	-	-	-
Unassigned	<u>1,364,736</u>	<u>1,714,961</u>	<u>2,508,579</u>	<u>2,794,186</u>	<u>2,261,650</u>	<u>3,455,634</u>	<u>4,296,297</u>	<u>4,250,111</u>	<u>5,410,047</u>	<u>9,769,179</u>
Total general fund	<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>	<u>\$ 6,985,895</u>	<u>\$ 11,490,337</u>
All Other Governmental Funds:										
Restricted:										
Economic development	\$ 383,128	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned:										
Subsequent year's expenditures	260	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Revenues:										
Ad valorem taxes	\$ 4,905,832	\$ 4,734,705	\$ 4,712,610	\$ 4,704,877	\$ 4,800,673	\$ 4,879,429	\$ 5,433,254	\$ 5,605,996	\$ 5,638,718	\$ 5,801,889
Other taxes and licenses	25,521	27,986	32,034	167,263	203,572	207,745	208,777	1,216,803	1,227,033	1,255,966
Unrestricted intergovernmental	3,379,348	3,601,858	3,709,323	4,109,375	4,387,039	4,584,284	4,677,896	5,323,877	5,978,781	6,371,007
Restricted intergovernmental	418,009	391,822	505,951	362,145	577,679	1,109,648	1,328,634	544,468	1,377,198	3,259,686
Permits and fees	25,768	27,756	32,559	35,394	44,632	45,786	45,636	30,501	46,937	48,437
Sales and services	166,235	142,760	149,132	199,336	210,912	179,758	133,334	75,982	215,802	284,691
Investment earnings	1,916	3,477	10,321	18,979	49,932	95,717	90,267	57,750	35,267	338,966
Miscellaneous	304,501	54,519	296,487	120,621	59,802	60,400	192,057	116,393	179,450	700,898
Total revenues	<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>	<u>14,699,186</u>	<u>18,061,540</u>
Expenditures:										
General government	1,392,411	1,355,882	1,327,589	1,293,767	1,572,754	1,607,558	1,641,391	2,047,976	2,959,225	3,653,043
Public safety	4,599,355	4,902,029	5,060,727	5,022,088	6,029,667	5,534,104	5,460,482	7,708,278	7,221,585	7,572,671
Public works	1,553,660	1,234,560	1,241,230	1,651,114	1,266,038	1,301,877	1,185,753	1,402,534	1,279,448	1,174,511
Economic and physical development	409,460	346,769	374,412	315,893	422,053	484,657	618,334	977,246	441,575	384,345
Environmental protection	980,682	1,099,891	1,519,010	873,584	580,802	593,203	886,254	641,937	476,928	883,718
Cultural and recreational	781,570	632,441	708,628	977,385	1,036,387	1,258,794	1,167,270	974,988	1,031,702	1,074,316
Debt service:										
Principal	67,134	89,200	271,078	404,726	435,016	357,078	426,797	402,337	349,056	237,112
Interest	5,428	5,662	12,229	37,591	38,714	37,410	36,719	42,702	78,679	69,636
Total expenditures	<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>	<u>13,838,198</u>	<u>15,049,353</u>
Revenues over (under) expenditures	<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>	<u>860,988</u>	<u>3,012,187</u>

CITY OF LINCOLNTON, NORTH CAROLINA

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Other Financing Sources (Uses):										
Transfers in	\$ 394,105	\$ 394,135	\$ 405,071	\$ 405,071	\$ 405,071	\$ 405,071	\$ 405,071	\$ 419,687	\$ 1,157,027	\$ 3,204,393
Transfers out	-	-	-	-	-	-	-	-	(737,340)	(2,784,706)
Capital contributions	-	-	-	-	-	-	-	401,152	-	-
Issuance of debt/leases	-	470,000	1,200,000	391,186	275,589	-	559,000	819,539	-	1,074,478
Miscellaneous	-	-	-	-	1,875	15,000	-	-	-	-
Extraordinary item	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<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>	<u>419,687</u>	<u>1,494,165</u>
Net change in fund balances	<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>	<u>\$ 1,280,675</u>	<u>\$ 4,506,350</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%	3.2%

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				
2014	705,934,770	157,621,750	18,774,043	882,330,563	0.56	4.0 %	845,954,519	104.30 %
2015	706,398,383	134,664,090	19,126,151	860,188,624	0.56	(2.5)%	859,243,456	100.11 %
2016 (2)	685,583,561	125,026,097	21,026,134	831,635,792	0.56	(3.3)%	831,552,637	100.01 %
2017	702,208,297	125,357,003	23,533,271	851,098,571	0.56	2.3 %	846,166,992	100.58 %
2018	701,648,672	132,992,216	24,285,332	858,926,220	0.56	0.9 %	870,315,305	98.69 %
2019	715,613,213	137,747,098	25,290,939	878,651,250	0.56	2.3 %	857,870,168	102.42 %
2020	807,305,151	145,584,898	26,327,143	979,217,192	0.56	11.4 %	966,200,603	101.35 %
2021	823,334,077	155,334,000	25,400,076	1,004,068,153	0.56	2.5 %	1,005,800,000	99.83 %
2022	884,662,089	105,924,557	25,889,808	1,016,476,454	0.56	1.2 %	1,046,000,000	97.18 %
2023	913,537,334	109,988,968	28,020,980	1,051,547,282	0.56	3.5 %	1,062,168,972	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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
City of Lincolnton	0.56	0.56	0.56	0.56	0.56	0.56	0.56	0.56	0.56	0.56
Lincoln County	0.598	0.598	0.611	0.611	0.611	0.611	0.599	0.599	0.619	0.619
Special District:										
East Lincoln Water and Sewer District	0.0342	0.0342	0.0345	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Fire Districts:										
Alexis	0.1100	0.1100	0.1165	0.1165	0.1165	0.1165	0.1165	0.1165	0.1165	0.1165
Boger City	0.0925	0.0925	0.0999	0.0999	0.0999	0.0999	0.1050	0.1250	0.1250	0.1250
Crouse	0.0609	0.0609	0.0640	0.0640	0.0640	0.0640	0.0860	0.0860	0.0860	0.0860
Denver	0.1099	0.1099	0.1125	0.1125	0.1150	0.1150	0.1150	0.1150	0.1150	0.1220
East Lincoln	0.0850	0.0850	0.0850	0.1125	0.0890	0.0890	0.0980	0.0980	0.1250	0.1200
Howards Creek	0.1150	0.1150	0.1203	0.1223	0.1223	0.1223	0.1355	0.1355	0.1355	0.1355
North Brook	0.0800	0.0800	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
North 321	0.0400	0.0400	0.0400	0.0400	0.0400	0.0400	0.0700	0.0700	0.0700	0.0900
Pumpkin Center	0.1242	0.1242	0.1295	0.9700	0.9700	0.9700	0.9700	0.1200	0.1200	0.1200
South Fork	0.1236	0.1236	0.1250	0.1250	0.1250	0.1250	0.1250	0.1250	0.1250	0.1250
Union	0.0900	0.0900	0.0900	0.0900	0.1250	0.1250	0.1250	0.1250	0.1250	0.1250
	1.03	1.03	1.08	1.95	1.97	1.97	2.05	1.22	1.24	1.27

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>2023</u>			<u>2014</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	\$ 19,285,304	1	1.83	\$ -	-	-
Wal-Mart Real Estate Business	Real Estate	15,348,184	2	1.46	14,434,595	1	1.70
Griffin-American Healthcare REIT	Healthcare	13,679,758	3	1.30	-	-	-
Colonial Village of Linc, LLC	Apts/ Real Estate	11,356,173	4	1.08	6,964,393	5	0.82
Duke Energy	Utility	11,285,209	5	1.07	5,517,740	9	0.65
Ingles Markets	Retail	9,642,687	6	0.92	-	-	-
Lowes Home Centers, Inc.	Retail	9,462,394	7	0.90	11,238,486	3	1.33
Provest Lincolnton Center, LLC	Retail	7,179,081	8	0.68	-	-	-
T & T Investments	Real Estate	6,554,687	9	0.62	11,580,318	2	1.37
The Oaks Apartments	Apts/ Real Estate	6,503,519	10	0.62	5,866,124	8	0.69
Bell South Telephone Company	Utility	-	-	-	8,464,593	4	1.00
Lincoln General, LLC	Real Estate	-	-	-	6,259,765	6	0.74
SMV Lincolnton, LLC	Real Estate	-	-	-	5,901,194	7	0.70
Carillon Asisted Living	Assisted Living	-	-	-	5,462,682	10	0.64
		-	-	-	-	-	-
Totals		<u>\$ 110,296,996</u>		<u>10.48</u>	<u>\$ 81,689,890</u>		<u>9.64</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)
2014	4,941,052	4,819,616	97.5	103,390	4,923,006	99.6	18,046
2015	4,817,056	4,688,416	97.3	122,703	4,811,119	99.9	5,937
2016	4,657,160	4,577,654	98.3	74,017	4,651,671	99.9	5,489
2017	4,766,152	4,653,457	97.6	109,259	4,762,716	99.9	3,436
2018	4,813,332	4,723,012	98.1	86,741	4,809,753	99.9	3,579
2019	4,920,447	4,840,432	98.4	73,247	4,913,679	99.9	6,768
2020	5,483,656	5,395,076	98.4	79,709	5,474,785	99.8	8,871
2021	5,622,783	5,572,445	99.1	40,368	5,612,813	99.8	9,970
2022	5,692,268	5,643,215	99.1	34,679	5,677,894	99.7	14,374
2023	5,888,665	5,795,216	98.4	-	5,795,216	98.4	93,449

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 Activities		Business Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Installment Financing	Lease Liability	Revenue Bonds	State Revolving Loan	Installment Financing	Lease Liability			
2014	-	-	10,750,000	6,133,193	-	-	16,883,193	4.40	1,608
2015	380,800	-	9,479,000	5,508,929	-	-	15,368,729	3.78	1,461
2016	1,309,722	-	7,968,000	4,866,749	-	-	14,144,471	3.34	1,333
2017	1,296,182	-	6,428,000	4,240,000	-	-	11,964,182	2.74	1,112
2018	1,136,755	-	4,861,000	3,543,000	-	-	9,540,755	2.01	902
2019	779,678	-	3,265,000	2,829,000	2,470,015	-	9,343,693	1.82	854
2020	911,880	-	1,647,000	2,101,000	2,144,113	-	6,803,993	1.29	607
2021	1,329,019	-	-	1,358,000	1,962,245	-	4,649,264	*	398
2022	979,964	1,140,461	-	686,000	1,473,755	294,310	4,574,490	*	269
2023	1,093,434	1,364,655	-	-	1,121,318	221,113	3,800,520	* ¹	190

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

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

* - information not available

CITY OF LINCOLNTON, NORTH CAROLINA

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

Fiscal Year	Population	Total Assessed Value	Gross Bonded Debt	Less: Debt Payable From Enterprise Revenues	Total General Bonded Debt	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2014	10,498	882,330,563	10,750,000	10,750,000	-	-	-
2015	10,552	860,188,624	9,479,000	9,479,000	-	-	-
2016	10,612	831,635,792	7,968,000	7,968,000	-	-	-
2017	10,754	851,098,571	6,428,000	6,428,000	-	-	-
2018	10,578	858,926,220	4,861,000	4,861,000	-	-	-
2019	10,945	878,651,250	3,265,000	3,265,000	-	-	-
2020	11,200	979,217,192	1,647,000	1,647,000	-	-	-
2021	11,675	1,004,068,153	-	-	-	-	-
2022	11,678	1,016,476,454	-	-	-	-	-
2023	11,678	1,051,547,282	-	-	-	-	-

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

CITY OF LINCOLN, NORTH CAROLINA

Direct and Overlapping Government Activities Debt
June 30, 2023
(Unaudited)

<u>Governmental Unit</u>	<u>Debt</u> <u>Outstanding</u>	<u>Estimated</u> <u>Percentage</u> <u>Applicable</u>	<u>Estimated</u> <u>Share of</u> <u>Overlapping</u> <u>Debt</u>
Debt repaid with property taxes:			
County of Lincoln	\$ 91,157,869	8.41 %	\$ <u>7,666,377</u>
Subtotal, overlapping debt			7,666,377
City of Lincoln direct debt			<u>2,458,089</u>
Total direct and overlapping debt			<u>\$ 10,124,466</u>

Note: The percentage of overlapping debt is based on the June 30, 2023 assessed valuation of the County of Lincoln of \$16,552,713,158 as compared to the June 30, 2023 assessed valuation for the City of Lincoln of \$1,051,547,282.

CITY OF LINCOLNTON, NORTH CAROLINA

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Assessed value of taxable property	\$ 882,330,563	\$ 860,188,624	\$ 831,635,792	\$ 851,098,571	\$ 858,926,220	\$ 878,651,250	\$ 979,217,192	\$ 1,004,068,153	\$ 1,016,476,454	\$ 1,051,547,282
Debt limit, 8% of assessed value (statutory limitation)	\$ 70,586,445	\$ 68,815,090	\$ 66,530,863	\$ 68,087,886	\$ 68,714,098	\$ 70,292,100	\$ 78,337,375	\$ 80,325,452	\$ 81,318,116	\$ 84,123,783
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	\$ 70,586,445	\$ 68,815,090	\$ 66,530,863	\$ 68,087,886	\$ 68,714,098	\$ 70,292,100	\$ 78,337,375	\$ 80,325,452	\$ 81,318,116	\$ 84,123,783
Total net debt applicable to the limit as a percentage of debt limit	-	-	-	-	-	-	-	-	-	-

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

CITY OF LINCOLNTON, NORTH CAROLINA

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

Fiscal Year	Revenues Available for Debt Service	Less Expenses	Income Available for Debt Service	Total Debt Service	Principal	Interest	Coverage
2014	10,059,186	4,702,685	5,356,501	2,597,732	1,896,847	700,885	2.06
2015	8,445,905	4,769,117	3,676,788	2,575,103	1,985,263	589,840	1.43
2016	8,416,097	4,485,512	3,930,585	2,465,652	2,153,184	312,468	1.59
2017	8,061,581	4,617,328	3,444,253	6,703,132	6,406,750	296,382	0.51
2018	8,161,071	4,537,616	3,623,455	2,464,965	2,264,000	200,965	1.47
2019	7,850,776	4,338,029	3,512,747	2,468,796	2,310,000	158,796	1.42
2020	7,746,192	4,827,695	2,918,497	2,847,812	2,671,902	175,910	1.02
2021	7,686,680	4,959,830	2,726,850	2,850,374	2,718,331	132,043	0.96
2022	8,348,586	4,943,100	3,405,486	1,314,724	1,228,977	85,747	2.59
2023	8,415,746	5,662,349	2,753,397	1,167,247	1,109,075	58,172	2.36

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)
2014	10,498	384,016	36,580	42.0	11,589	8.3
2015	10,522	406,301	38,614	42.0	11,646	5.9
2016	10,612	423,938	39,949	38.5	11,503	4.7
2017	10,754	436,515	40,591	42.0	11,503	3.8
2018	10,578	475,593	44,961	43.0	11,441	3.5
2019	10,945	512,859	46,858	43.0	11,443	4.1
2020	11,091	528,394	47,642	43.0	11,443	12.0
2021	11,675	562,771	48,203	43.0	11,406	4.2
2022	11,678	614,926	52,657	43.0	11,288	3.0
2023	11,678	-	-	43.0	11,310	3.1

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) Department of Public Instruction

(4) North Carolina Employment Security Commission

Information not available for 2023 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>2023</u>			<u>2014</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	1,605	1	3.35 %	1,700	1	4.27 %
Lincoln County Government	1,056	2	2.20 %	750	2	1.88 %
Atrium Health (Lincoln Medical Center)	750	3	1.56 %	720	5	1.81 %
Wal-Mart Stores, Inc.	725	4	1.51 %	730	4	1.83 %
The Timken Company	650	5	1.35 %	750	3	1.88 %
RSI Home Products	570	6	1.19 %	570	6	1.43 %
Robert Bosch Tool Corporation	500	7	1.04 %			
Medline	435	8	0.91 %			
Julius Blum, Inc.	430	9	0.90 %	370	7	0.93 %
Lowes	400	10	0.83 %	270	9	0.68 %
Actavis Corp				330	8	0.83 %
Mohican Mills				240	10	0.60 %
Total	<u>7,121</u>		<u>14.84 %</u>	<u>6,430</u>		<u>16.14 %</u>
Total Civilian Labor Force	<u>47,976</u>			<u>39,810</u>		

Sources: Lincoln Economic Development Association

North Carolina Department of Commerce Division of Employment Security

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

CITY OF LINCOLNTON, NORTH CAROLINA

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

Function	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Government										
City Manager	3	3	3	4	3	3	3	2	2	2
Human resources	4	4	4	4	4	4	5	5	5	5
Finance	9	9	9	8	8	8	7	7	6	6
Information technology	-	-	-	-	-	-	-	-	1	1
Public Safety										
Police										
Officers	31	31	31	33	33	33	33	33	33	34
Civilians	5	5	5	5	5	5	4	2	3	3
Fire										
Firefighters and officers	22	21	21	22	23	26	27	38	39	38
Civilians	1	1	1	1	1	1	1	1	1	1
Public Works										
Public works	3	3	3	3	3	3	2	3	3	3
Street	12	12	12	12	11	11	11	11	11	10
Equipment services	3	3	2	2	2	2	2	2	2	2
Environmental Protection										
Solid waste	12	12	13	13	11	7	7	6	6	7
General services-cemetery	2	2	2	2	-	-	-	-	-	-
Economic and Physical Development										
Planning and zoning	2	2	2	2	3	3	3	2	2	2
Business and community development	2	2	2	1	1	1	1	1	1	1
Cultural and Recreational										
Parks and recreation	5	5	5	5	7	7	7	5	5	4
Water and Sewer										
Water treatment plant	9	9	10	10	10	10	10	9	10	8
Distribution and collection	13	13	11	11	11	11	12	13	11	12
Waste water treatment plant	8	8	9	9	9	9	9	9	9	9
Electric	<u>7</u>	<u>7</u>	<u>8</u>							
Total	<u>153</u>	<u>152</u>	<u>153</u>	<u>155</u>	<u>153</u>	<u>152</u>	<u>152</u>	<u>157</u>	<u>158</u>	<u>156</u>

Source: Finance Department's payroll records.

FY 2021 Firefighters and officers include Boger City Fire Department.

CITY OF LINCOLNTON, NORTH CAROLINA

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

Function	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Public Safety										
Police										
Physical arrests	1,500	1,505	1,330	1,243	1,308	652	1,017	904	688	810
Parking violations	68	79	61	150	843	477	816	563	942	314
Traffic violations	1,366	1,727	2,359	1,830	1,667	1,357	1,068	896	1,613	2,083
Fire										
Number of calls answered	2,016	2,164	2,185	2,212	2,294	2,259	2,074	2,629	3,462	3,439
Inspections (3)	526	597	344	301	297	243	317	363	775	765
Public Works - Highways and streets										
Street resurfacing (miles) (2)	0.98	0.98	1.03	2.24	1.57	1.80	-	1.94	1.36	0.62
Potholes repaired	39	42	39	83	83	196	193	102	267	182
Environmental Protection										
Refuse collected (tons/day)	31.01	30.33	27.88	26.56	22.82	18.91	14.74	9.00	21.40	26.36
Recyclables collected (tons/day)	0.89	1.07	1.04	1.10	1.03	0.69	0.30	0.32	0.32	0.31
Cultural and Recreational (1)										
Youth sports participants	1,075	1,228	1,209	1,157	1,281	1,396	829	432	1,766	2,151
Youth camps/clinics participants	170	235	179	199	2,121	1,634	1,298	39	1,101	1,517
Open gym participants	4,072	10,099	7,827	9,846	15,219	15,229	14,122	4,500	14,506	16,046
Swimming pool participants	6,826	10,825	11,045	7,767	9,686	8,101	5,697	1,595	6,896	6,605
Other programs participants	4,125	5,305	3,992	3,435	3,885	5,531	2,879	2,279	3,196	2,248
Special events	13	19	23	23	27	25	14	12	21	23
Special events participants	4,456	6,427	6,971	3,435	6,750	6,101	4,003	12	10,440	6,668
Recreation program participants	20,724	34,109	34,223	28,791	38,942	37,992	28,828	23,110	37,905	35,235
Facility and ball field rentals	727	2,570	2,911	2,952	2,843	1,862	1,041	349	474	423

CITY OF LINCOLNTON, NORTH CAROLINA

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

Function	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Water										
New connections	9	18	12	14	12	34	24	58	120	85
Water main breaks	20	20	31	18	23	22	25	30	33	31
Average daily consumption (thousands of gallons)	3,000	3,000	3,000	2,689	2,424	2,295	2,606	2,605	2,763	2,721
Wastewater										
New connections	7	10	5	14	9	25	9	38	63	72
Average daily sewage treatment (thousands of gallons)	2,650	2,075	2,390	1,760	1,700	1,760	2,415	2,442	1,641	1,755
Electric										
New connections	5	15	4	23	9	6	8	16	21	20

Sources: Various City departments.

Note: Indicators are not available for general government function.

- (1) Covid pandemic resulted in a lower number of participants in 2020 and 2021
- (2) Resurfacing streets is contracted out.
- (3) Fire inspections include reinspections required for compliance measures.

CITY OF LINCOLNTON, NORTH CAROLINA

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Function										
Public Safety										
Police										
Stations	2	2	2	2	2	2	2	2	2	1
Patrol units	25	34	37	38	38	38	38	38	38	35
Fire stations	2	2	2	2	2	2	2	2	2	2
Public Works - Highways and streets										
Streets (miles)	59.90	59.90	59.90	60.15	60.15	60.15	60.15	60.15	60.15	60.64
Streetlights	981	981	981	981	981	981	981	981	981	981
Traffic signals	11	11	11	11	11	11	11	11	11	11
Environmental Protection										
Refuse collection trucks	5	5	5	5	5	5	5	5	5	5
Cultural and Recreational										
Number of parks	3	3	3	3	4	4	4	4	4	4
Park acreage	79.37	79.37	79.37	79.37	89.37	89.37	89.37	89.37	89.37	89.37
Parks with trail systems	2	2	2	2	3	3	3	3	3	3
Park trail mileage	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
Number of greenways	1	1	1	1	1	1	1	1	1	1
Greenway mileage	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70
Number of ball fields	5	5	5	5	5	5	5	5	5	5
Number of soccer fields	2	2	2	2	2	2	2	2	2	2

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

Function	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Water										
Water mains (miles) (2)	260	260	260	260	260	260	260	260	260	140
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) (2)	225.75	225.75	225.75	225.75	225.75	225.75	225.75	225.75	225.75	112.00
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 (2)	76.0	76.0	76.0	76.0	76.0	76.0	76.0	76.0	76.0	60.7

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.

(2) Currently reviewing and updating miles related to water, sewer and electric.

Documenting in iamGISs software. Prior years mileage was estimated.

CITY OF LINCOLNTON, NORTH CAROLINA

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Type of Customer										
Residential	210.8	198.1	214.7	215.9	213.5	228.8	237.5	237.7	400.5	397.3
Industrial	4.9	4.0	18.2	20.2	18.3	20.1	13.4	16.1	13.9	15.9
Industrial/Textile	363.6	308.8	227.1	167.7	132.0	130.0	69.1	39.7	45.6	71.8
Commerical	111.1	108.5	107.7	106.4	107.6	124.9	117.7	113.9	119.5	121.1
Institutional (1)	33.2	37.9	38.7	38.0	39.1	37.4	40.3	32.4	52.7	46.9
Other Local Governments	65.7	19.8	116.3	187.7	194.3	193.3	239.3	393.5	227.1	296.8
Military	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Government	<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>	<u>7.9</u>	<u>5.5</u>
Total	<u><u>798.8</u></u>	<u><u>684.5</u></u>	<u><u>730.4</u></u>	<u><u>744.7</u></u>	<u><u>713.4</u></u>	<u><u>742.1</u></u>	<u><u>724.9</u></u>	<u><u>840.4</u></u>	<u><u>867.3</u></u>	<u><u>955.4</u></u>
Total direct rate per 1,000 gallons	<u><u>\$ 4.31</u></u>	<u><u>\$ 4.99</u></u>	<u><u>\$ 5.00</u></u>	<u><u>\$ 4.81</u></u>	<u><u>\$ 4.90</u></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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Type of Customer										
Residential	158.9	161.6	157.6	158.9	158.7	175.2	178.3	237.9	411.3	402.0
Industrial	54.7	55.2	63.8	58.8	52.9	125.1	54.8	55.0	51.9	57.4
Industrial/Textile	350.0	267.9	195.2	137.7	116.4	67.5	69.1	39.7	45.6	71.8
Commerical	99.3	94.4	91.8	93.1	97.2	116.2	104.7	114.7	120.3	121.9
Institutional (1)	30.0	33.3	28.9	30.5	32.8	31.7	34.1	34.6	55.9	49.9
Military	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Government	<u>8.7</u>	<u>7.0</u>	<u>7.3</u>	<u>8.3</u>	<u>8.5</u>	<u>7.6</u>	<u>7.2</u>	<u>7.0</u>	<u>7.9</u>	<u>5.5</u>
Total	<u>701.6</u>	<u>619.5</u>	<u>544.7</u>	<u>487.4</u>	<u>466.6</u>	<u>523.4</u>	<u>448.3</u>	<u>489.0</u>	<u>693.0</u>	<u>708.6</u>
Total direct rate per 1,000 gallons	<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
2014	14.73	3.97	22.06	6.56
2015	15.32	4.57	22.94	6.82
2016	16.71	4.52	22.94	7.47
2017	16.55	4.48	24.77	7.40
2018	16.55	4.48	24.77	7.40
2019	16.55	4.48	24.77	7.40
2020	16.55	4.48	24.77	7.40
2021	16.55	4.48	24.77	7.40
2022	16.55	4.48	24.77	7.40
2023	16.55	4.48	24.77	7.40

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

Source: City of Lincolnnton Schedule of Fees (inside City limits)

COMPLIANCE SECTION

Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

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

**Independent Auditors' Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Lincolnton, North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Lincolnton, North Carolina's basic financial statements, and have issued our report thereon dated November 13, 2023. The financial statements of the Lincolnton Tourism Development Authority and the City of Lincolnton ABC Board were not audited in accordance with *Government Auditing Standards* and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Lincolnton Tourism Development Authority and the City of Lincolnton ABC Board.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Lowdermilk Church & Co., L.L.P.

Morganton, North Carolina
November 13, 2023

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Lincolnton, North Carolina and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Lincolnton, North Carolina's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Lincolnton, North Carolina's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Lincolnton, North Carolina's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Lincolnton, North Carolina's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

Lowdermilk Church & Co., L.L.P.

Morganton, North Carolina
November 13, 2023

CITY OF LINCOLNTON, NORTH CAROLINA

Schedule of Findings and Responses
For the Year Ended June 30, 2023

Section I. Summary of Auditors' Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X none reported

Significant deficiency(ies) identified?

_____ yes X none reported

Noncompliance material to financial statements noted?

_____ yes X none reported

Federal Awards

Internal control over major federal programs:

* Material weakness(es) identified?

_____ yes X none reported

* Significant deficiency(ies) identified?

_____ yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ yes X none reported

Identification of major federal programs:

Federal Assistance Listing No. Names of Federal Program or Cluster

21.027 Coronavirus State and Local Fiscal Recovery Funds

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

\$750,000

Auditee qualified as low-risk auditee?

_____ yes X no

State Awards

Identification of major State programs:

None.

cont.

CITY OF LINCOLN, NORTH CAROLINA

**Schedule of Findings and Responses (Continued)
For the Year Ended June 30, 2023**

Section II. Financial Statement Findings

Noncompliance:

None reported.

Section III. Federal Award Findings and Responses

None reported.

Section IV. State Award Findings and Responses

None reported.

CITY COUNCIL
Ed L. Halley, Mayor
Christine Poinsette, Mayor Pro-Tem
Roby D. Jetton
Kevin Demeny
Jill Tipton



CITY MANAGER
Ritchie Haynes
rhaynes@lincolntonnc.org
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CITY ATTORNEY
John M. Friguglietti, Jr., P.A.
john@davidsonlawyers.net

**Corrective Action Plan
For the Year Ended June 30, 2023**

Section II. Financial Statement Findings

None reported.

Section III. Federal Award Findings and Responses

None reported.

Section IV. State Award Findings and Responses

None reported.

CITY OF LINCOLNTON, NORTH CAROLINA

**Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2023**

Finding 2022-001: Corrected during year ended June 30, 2023.

CITY OF LINCOLNTON, NORTH CAROLINA

**Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2023**

Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	State/Pass-through Grantor's Number	Fed (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients
Federal Awards:					
Cash Programs:					
<u>U.S. Department of Treasury</u>					
Coronavirus State and Local Fiscal Recovery Fund	21.027	XXXX	\$ 2,784,706	\$ -	\$ -
Total assistance - federal programs			<u>2,784,706</u>	<u>-</u>	<u>-</u>
State Grants:					
Cash Assistance:					
<u>N.C. Department of Transportation</u>					
Powell Bill		38570	-	309,307	-
<u>N.C. Office of State Budget and Management</u>					
State Capital and Infrastructure Fund (SCIF)			-	47,870	-
Total assistance - state programs			<u>-</u>	<u>357,177</u>	<u>-</u>
Total assistance			<u>\$ 2,784,706</u>	<u>\$ 357,177</u>	<u>\$ -</u>

cont.

CITY OF LINCOLNTON, NORTH CAROLINA

Schedule of Expenditures of Federal and State Awards (Continued)
For the Year Ended June 30, 2023

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

Note 1: Basis of Presentation

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

Note 2: Summary of Significant Accounting Policies

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

Note 3: Indirect Cost Rate

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