

CITY OF LINCOLNTON, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

PREPARED BY
CITY OF LINCOLNTON FINANCE DEPARTMENT

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CITY OF LINCOLNTON, NORTH CAROLINA

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INTRODUCTORY SECTION

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- **Letter of Transmittal**
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 - **List of Principal Officials**
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CITY COUNCIL
Ed L. Hatley, Mayor
Martin A. Eaddy, Mayor Pro-Tem
David M. Black
Roby D. Jetton
Tim Smith



CITY MANAGER
Steve Zickefoose, MBA
szickefoose@lincolntonnc.org
CITY CLERK
Donna C. Flowers, MMC, NCCMC
donnaflowers@ci.lincolnton.nc.us
CITY ATTORNEY
Thomas J. Wilson, Jr.

Letter of Transmittal

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

The Comprehensive Annual 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, 2020, 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, 2020. 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 11,200. Lincolnton is empowered by State statute to extend its corporate limits by annexation, which it has done from time to time.

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

The City of Lincolnton provides a full range of services, including police and fire protection; the construction and maintenance of streets, curbs, gutters, sidewalks, and other infrastructure; solid waste and recycling; community development; planning and zoning; cemetery; and recreation and cultural activities. Additionally, the City owns and operates an electric and water and sewer system, which provides services to residents of the City and its environs. This report includes all of the City's activities in delivering and 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 3.5 percent (2018), only to increase to the current rate of 12.0 percent. This rate is lower than the State's rate of 14.7 percent and lower than the national rate of 15.0 percent. The COVID-19 Pandemic is the cause of the drastic changes. Lincolnton has followed the same pattern as the State during the economic cycles.

Numerous businesses opened in Lincolnton, including: Marshall's, Burke Outlet, Babcock Furniture, Starbucks, Aspen Dental, Church's Chicken, Captain D's, Markdown Liquidators, The Festive Fox, and Burton Farms.

Cataler is a manufacturer of catalysts used in automotive catalytic converters. Cataler will make an investment of \$14,806,881 in new equipment and building expansion. Upon the Commissioner's approval of the request, the County will provide \$49,774 per year in grants for a five-year period after the completion of the project. The grant total is calculated to be \$248,870.

Dellinger Precast produces precast concrete products. Dellinger Precast will make an investment of \$3,079,255 in equipment and building expansion. They will be adding a line to produce pre-stressed concrete bridge beams.

Mid-Atlantic Roofing invested \$4,300,00 in a new facility and equipment and created 10 new jobs.

KACO USA completed a \$2,300,000 expansion and created 3 new jobs.

Robert Bosch Tool invested \$20,700,000 in building renovations and new equipment, creating 28 new jobs.

Punker relocated from Catawba County to the Industrial Park and invested \$2,000,000 in new equipment.

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 8.35 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 0.38 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 37.61 percent of total general fund expenditures, which is above the required amount of 8 percent set by the State of North Carolina. As demonstration of the City's commitment to financial planning and fiscal health, the unreserved, unassigned fund balance in the general fund was \$4,296,297.

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

During the year, the City funded and managed significant projects including the following:

Construction of two flag football fields, including a lighting and irrigation system at Betty Ross Park.

Renovation of a building purchased for the purpose of a Visitor's Center and Public Restrooms.

Purchase and renovation of a building for the purpose of recruiting a restaurant to downtown.

Purchase of land to expand Rail Trail.

Construction of a Dog Park.

Improvements to Betty Ross Lift Station.

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

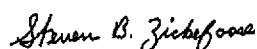
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lincolnton for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2019. This was the thirtieth consecutive year that Lincolnton 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 CAFR 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 CAFR 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 eighteen years in a row. Awards are given to water systems that demonstrate outstanding turbidity and microbial removal, two factors important in determining the drinking water quality. While all systems must meet strict guidelines from federal and State standards, those awarded met performance goals that were more rigorous.

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

Respectfully submitted,



Steven B. Zickefoose, MBA
City Manager/Finance Director

January 22, 2021

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Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Lincolnton
North Carolina**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

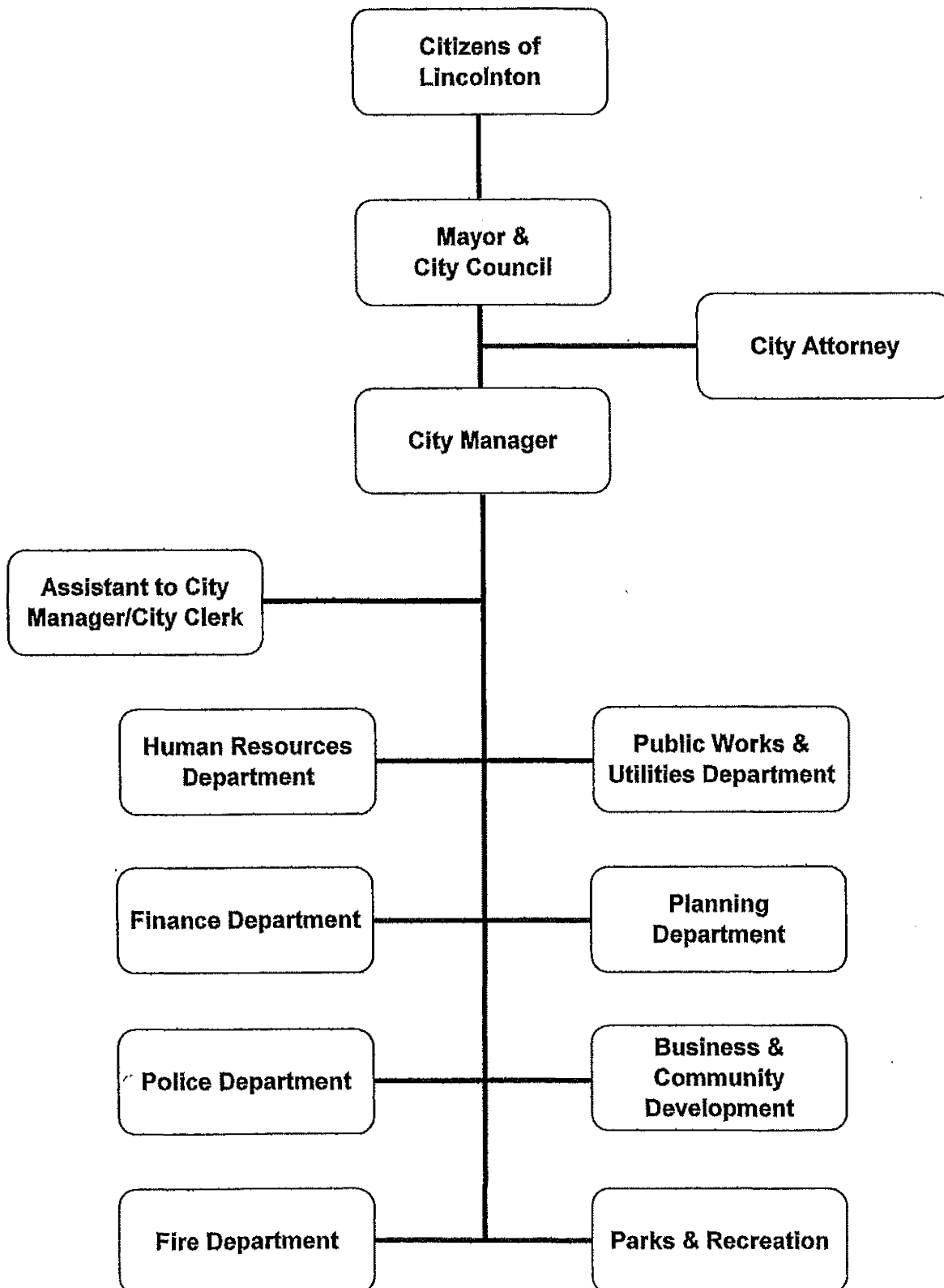
June 30, 2019

Christopher P. Morrill

Executive Director/CEO

City of Lincolnton

Department Organizational Chart



CITY OF LINCOLNTON, NORTH CAROLINA

LIST OF PRINCIPAL OFFICIALS June 30, 2020

Mayor & City Council

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

City Administration

City Manager	Steven B. Zickefoose
Assistant City Manager	Richard Haynes
Assistant to City Manager/City Clerk	Daphne Ingram
Human Resources Director	Tanya Osborne
Police Chief	Rodney Jordan
Fire Chief	Ryan Heavner
Public Works Director	Brad Gates
Water Resources Director	Robert Pearson
Planning & Development Director	Laura Elam
Parks & Recreation Director	Nathan Eurey
Community Relations Director	Laura Morris

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FINANCIAL SECTION

- **Independent Auditors' Report**
 - **Management's Discussion and Analysis**
 - **Basic Financial Statements**
 - **Notes to the Financial Statements**
 - **Required Supplemental Information**
 - **Individual Fund Statements and Schedules**
 - **Other Supplementary Financial Data**
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Lowdermilk Church & Co., L.L.P.
Certified Public Accountants

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

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lincolnton, North Carolina as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Lincolnton, North Carolina's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, 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, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Other Postemployment Benefits' Schedule of Changes in Total OPEB Liability and Related Ratios, the Local Government Employees' Retirement Systems 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, on pages 11–20 and 75–80, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lincolnton, North Carolina's basic financial statements. The introductory section, individual fund financial statements, budgetary schedules, other schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis 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*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 22, 2021, 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 to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the City of Lincolnton, North Carolina's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Lincolnton, North Carolina's internal control over financial reporting and compliance.

Louise Smith Champ & Co., L.L.P.

Morganton, North Carolina
January 22, 2021

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, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

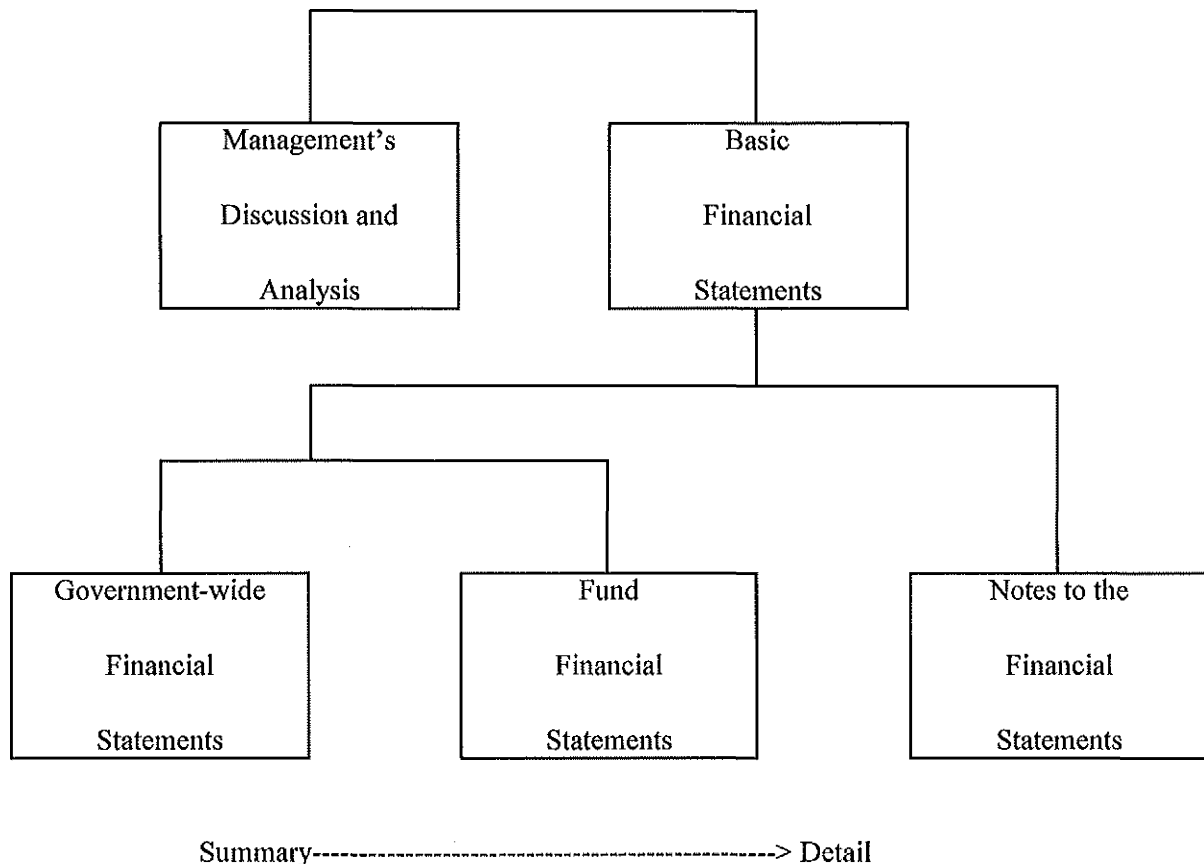
Financial Highlights

- The 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 \$48,856,068 (net position).
- The City's total net position increased by \$3,237,187, 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 \$6,848,623, with a net increase of \$1,648,282 in fund balance. Approximately 31.35 percent of this total amount, or \$2,147,326, is non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,296,297, or 37.61 percent, of total General Fund expenditures for the fiscal year.
- The City of Lincolnton's total debt decreased by \$3,422,080 (13.9%) during the current fiscal year. The key factor in this change was principal payments.
- The City's last bond rating was Aaa and AAA.
- The City's total capital assets increased by \$2,227,561 (4.62%) during the current fiscal year. The key factor in this increase is the acquisition of fixed 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 21 through 24) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (pages 25 through 33) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

Proprietary Funds - The City of Lincolnton 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 Lincolnton uses enterprise funds to account for its water and sewer activity and for its electric operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 34 of this report.

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

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

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

Government-Wide Financial Analysis

The City of Lincolnton, Net Position						
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 7,299,481	\$ 5,735,141	\$13,552,699	\$16,652,394	\$20,852,180	\$22,387,535
Capital assets	<u>19,016,581</u>	<u>18,960,568</u>	<u>31,377,450</u>	<u>29,205,902</u>	<u>50,394,031</u>	<u>48,166,470</u>
Total assets	<u>26,316,062</u>	<u>24,695,709</u>	<u>44,930,149</u>	<u>45,858,296</u>	<u>\$71,246,212</u>	<u>\$70,554,006</u>
Deferred outflows of resources	<u>1,585,357</u>	<u>1,610,302</u>	<u>516,783</u>	<u>493,918</u>	<u>2,102,140</u>	<u>2,104,220</u>
Long-term liabilities outstanding	11,484,030	12,048,644	6,402,751	9,268,602	17,886,782	21,317,246
Other liabilities	<u>688,615</u>	<u>956,661</u>	<u>3,892,145</u>	<u>4,012,855</u>	<u>4,580,760</u>	<u>4,969,516</u>
Total liabilities	<u>12,172,645</u>	<u>13,005,305</u>	<u>10,294,896</u>	<u>13,281,457</u>	<u>22,467,542</u>	<u>26,286,762</u>
Deferred inflows of resources	<u>1,547,780</u>	<u>581,548</u>	<u>476,963</u>	<u>171,034</u>	<u>2,024,743</u>	<u>752,582</u>
Net position:						
Net investment in capital assets	18,104,701	18,180,889	25,485,337	20,641,887	43,590,039	38,822,776
Restricted	2,127,871	1,446,522	-	-	2,127,871	1,446,522
Unrestricted	<u>(6,051,578)</u>	<u>(6,908,253)</u>	<u>9,189,737</u>	<u>12,257,836</u>	<u>3,138,159</u>	<u>5,349,583</u>
Total net position	<u>\$14,180,994</u>	<u>\$12,719,158</u>	<u>\$34,675,074</u>	<u>\$32,899,723</u>	<u>\$48,856,068</u>	<u>\$45,618,881</u>

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Lincolnnton exceeded liabilities and deferred inflows by \$48,856,068 as of June 30, 2020. The City's net position increased by \$3,237,187 for the fiscal year ended June 30, 2020. However, the largest portion of net position (89.22%) 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, \$2,127,871, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,138,159 is unrestricted.

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

- Increase in operating grants and contributions and an increase in general revenues in the governmental activities.
- Decrease in overall governmental expenses.
- Slight decrease in overall expenses in the business-type activities.
- Slight decrease in charges for services in both the Water and Sewer Fund and the Electric Fund.

	City of Lincolnnton, Changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 155,739	\$ 198,419	\$15,436,859	\$15,823,446	\$ 15,592,598	\$ 16,021,865
Operating grants and contributions	1,458,602	592,248	-	-	1,458,602	592,248
Capital grants and contributions	-	646,462	-	-	-	646,462
General revenues:						
Property taxes	5,421,455	4,855,114	-	-	5,421,455	4,855,114
Other taxes	4,756,706	4,662,966	-	-	4,756,706	4,662,966
Unrestricted investment earnings	90,267	95,717	215,711	255,617	305,977	351,334
Other	204,664	87,525	-	13,641	204,664	101,166
Total revenues	<u>12,087,433</u>	<u>11,138,451</u>	<u>15,652,570</u>	<u>16,092,704</u>	<u>27,740,002</u>	<u>27,231,154</u>
Expenses:						
General government	1,802,847	2,061,727	-	-	1,802,847	2,061,727
Public safety	5,895,541	5,711,498	-	-	5,895,541	5,711,498
Public works	1,094,464	1,245,261	-	-	1,094,464	1,245,261
Economic and physical development	456,021	489,183	-	-	456,021	489,183
Environmental protection	761,337	750,577	-	-	761,337	750,577
Cultural and recreational	980,229	956,697	-	-	980,229	956,697
Interest on long-term debt	40,228	36,502	175,910	158,795	216,138	195,297
Water and sewer	-	-	6,522,861	5,995,286	6,522,861	5,995,286
Electric	-	-	6,773,377	7,403,339	6,773,377	7,403,339
Total expenses	<u>11,030,668</u>	<u>11,251,446</u>	<u>13,472,148</u>	<u>13,557,420</u>	<u>24,502,815</u>	<u>24,808,865</u>

City of Lincolnton, Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Increase (decrease) in net position before transfers and extraordinary item	\$ 1,056,765	\$ (112,995)	\$ 2,180,422	\$ 2,535,284	\$ 3,237,187	\$ 2,422,289
Transfers	<u>405,071</u>	<u>405,071</u>	<u>(405,071)</u>	<u>(405,071)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	<u>\$ 1,461,836</u>	<u>\$ 292,076</u>	<u>\$ 1,775,351</u>	<u>\$ 2,130,213</u>	<u>\$ 3,237,187</u>	<u>\$ 2,422,290</u>
Net position, July 1	\$12,719,158	\$12,427,082	\$32,899,723	\$30,769,510	\$45,618,881	\$43,196,592
Increase (decrease) in net position	<u>1,461,836</u>	<u>292,076</u>	<u>1,775,351</u>	<u>2,130,213</u>	<u>3,237,187</u>	<u>2,422,289</u>
Net position, June 30	<u>\$14,180,994</u>	<u>\$12,719,158</u>	<u>\$34,675,075</u>	<u>\$32,899,724</u>	<u>\$48,856,068</u>	<u>\$45,618,881</u>

Governmental Activities. Governmental activities increased the City's net position by \$1,461,836, thereby accounting for 45.16% of the total growth in the net position for the City of Lincolnton. Key elements of this increase are as follows:

- Property tax increases of \$553,826, due to growth in the tax base from new commercial and residential construction, resulted in revenues over projections;
- Sales tax increases, predominately prior to the pandemic in the Spring of 2020, resulted in revenues over projections by \$163,166;
- Operating grants and contributions increased due to CARES funds to offset public safety costs due to the pandemic;
- Close monitoring of expenditures throughout the year, as well as the reorganization of public works and general government, resulted in significant expenditures below the prior year by \$220,778.

Business-type Activities. Business-type activities increased the City's net position by \$1,775,351, thereby accounting for 54.84% of the total growth in net position for the City of Lincolnton. Key elements of this increase are as follows:

- Revenues were significantly impacted due to the pandemic. The Water and Sewer Fund collections were \$90,942 below the prior year; the Electric Fund collections were \$324,253 below the prior year;
- Operating expenditures were higher than the prior year, primarily due to multiple capital projects. The Water and Sewer Fund smart meter capital project resulted in increases of \$391,007 in debt service and \$875,110 in capital outlay over the prior year. The Electric Fund restaurant development capital project increased capital outlay \$1,439,276 over the prior year. The Electric Fund experienced a one-time reduction in electricity cost from the electric provider of approximately \$656,000.
- All utility rates remained unchanged from the prior year in an ongoing effort to stimulate growth for both commercial and residential purposes.
- Administrative expenditures to the General Fund were \$700,000 for the Water and Sewer Fund and \$600,000 for the Electric Fund.

Financial Analysis of the City's Funds

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

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

As the City completed the year, its governmental funds (as presented in the balance sheet) reported a combined fund balance of \$6,848,623, which is higher than last year's total of \$5,200,341. Included in this change in fund balance is an increase in the General Fund balance of \$1,648,283. The primary reasons for the increase mirror the governmental activities analysis highlighted on page 16.

The General Fund is the chief operating fund of the City of Lincolnton. At the end of the current fiscal year, the City of Lincolnton's fund balance available in the General Fund was \$5,070,860, while total fund balance reached \$6,848,623. The City currently has an available fund balance of 46.68 percent of General Fund expenditures, while total fund balance represents 63.04 percent of that same amount.

General Fund Budgetary Highlights. During the year, there was a \$550,000 increase in appropriations between the original and final budget. Following are the main components of the increase:

- \$300,000 Small Business Emergency Loan Program.
- \$248,500 Street Sweeper Purchase.

Revenues increased from the prior year due to the property tax revaluation, sales tax collections, Powell Bill reimbursements, donations and interest on investments. The increase was due to anticipated revenues being received.

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

- Total governmental expenditures were approximately \$1,300,000 less than budgeted due to an overall controlling of costs in all departments and capital projects not completed by year end.
- Public safety was less than budgeted due to vacancies and lower operating costs of \$135,000.
- Public works was less than budgeted due to lower operating costs for administration \$26,000, the delay of capital projects for Highway 321 Sidewalk \$396,000, and paving/street repairs \$110,000.
- Parks and recreation was less than budgeted due to lower operating costs of \$33,000 and the progress of a major capital project for \$57,000.
- Economic and Physical Development was less than budgeted due to unspent Brownsfield Grant Funds \$190,000 and operation costs \$33,000.
- Environmental Protection was less than budgeted due to lower operation costs \$22,000.
- General government expenditures were less than budgeted due to lower operating costs of \$202,000.
- The City will be receiving \$830,366 of CARES funding in 2020-21 for Public Safety salaries and benefits that occurred between April and December of 2020.

Proprietary Funds. The City of Lincolnton's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$5,819,195, and unrestricted net position for the Electric Fund amounted to \$3,370,542. The total change in net position for both funds was \$668,325 and \$1,107,026, respectively. The change in net position in the Water and Sewer Fund is a result of an increase in administrative expenses and waste treatment plant expenditures. The change in net position in the Electric Fund is a result of a decrease in purchase for power and a one-time credit related to power purchases.

Capital Asset and Debt Administration

Capital Assets. The City of Lincoln's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$50,394,031 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following:

- Major additions in the General Fund included vehicles and equipment of approximately \$596,400, land of \$49,200, buildings and improvements of \$464,700, and infrastructure of 150,100.
- The Electric Fund had approximately \$1,546,900 of construction in progress, \$346,600 of vehicles and equipment in current year additions and 448,700 land and buildings.
- The Water and Sewer Fund had approximately \$2,298,600 of new additions for vehicles and equipment, \$1,861,500 for construction in progress and \$142,000 of distribution system.

City of Lincoln Capital Assets						
Figure 4						
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 8,715,555	\$ 8,669,355	\$ 295,397	\$ 132,820	\$ 9,010,952	\$ 8,802,175
Buildings and improvements	6,061,523	5,968,695	7,571,058	7,662,177	13,632,581	13,630,872
Distribution systems	152,440	161,606	17,986,799	18,973,271	18,139,239	19,134,877
Infrastructure	2,391,173	2,406,542	-	-	2,391,173	2,406,542
Vehicles and equipment	1,692,634	1,646,491	3,774,615	1,454,905	5,467,249	3,101,396
Construction in progress	<u>3,255</u>	<u>107,878</u>	<u>1,749,580</u>	<u>982,729</u>	<u>1,752,835</u>	<u>1,090,607</u>
Total	<u>\$19,016,581</u>	<u>\$18,960,568</u>	<u>\$31,377,450</u>	<u>\$29,205,902</u>	<u>\$50,394,031</u>	<u>\$48,166,470</u>

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

Long-Term Debt. As of June 30, 2020, the City of Lincolnnton had total bonded debt outstanding of \$3,265,000 and \$6,078,693 of direct placement installment purchases. The direct placement installment purchases are backed by security interest in the property for which it was issued. The remainder of the City's debt represents bonds secured solely by specified revenue sources (e.g., revenue bonds).

City of Lincolnnton Outstanding Debt

Figure 5

	Governmental Activities		Business-type Activities		Total	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Direct placement installment purchases	\$ 911,880	\$ 779,678	\$4,245,113	\$ 5,299,015	\$ 5,156,993	\$ 6,078,693
Revenue bonds	-	-	1,647,000	3,265,000	1,647,000	3,265,000
Compensated absences	369,615	346,451	146,253	126,037	515,868	472,488
OPEB	7,820,616	8,798,896	2,464,718	2,747,972	10,285,334	11,546,868
Pension related debt (LGERS)	1,896,664	1,689,053	695,253	572,738	2,591,917	2,261,791
Pension related debt (LEO)	<u>1,019,789</u>	<u>1,014,141</u>	<u>-</u>	<u>-</u>	<u>1,019,789</u>	<u>1,014,141</u>
Total	<u>\$12,018,564</u>	<u>\$12,628,219</u>	<u>\$9,198,337</u>	<u>\$12,010,762</u>	<u>\$21,216,901</u>	<u>\$24,638,981</u>

The City of Lincolnnton's total debt decreased by \$3,422,080 (13.89%) during the fiscal year, primarily due to the principal payments and an increase in pension obligations.

The City of Lincolnnton has an Aaa bond rating from Moody's Investors' Service and 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 \$78,337,375. The City has no bonds authorized, but un-issued, at June 30, 2020.

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 15 aging vehicles through a lease program with Enterprise.
- The City completed a \$350,000 project for flag football fields and a softball field at Betty Ross Park.
- The City completed conversion to a new software platform for all financial and utility operations.

- The 2020-21 budget includes \$325,000 to complete the installation of smart meters for all electric users.
- Numerous small businesses opened in Lincolnton, including: Marshall's, Burke Outlet, Babcock Furniture, Starbucks, Aspen Dental, Church's Chicken, Captain D's, Markdown Liquidators, The Festive Fox, and Burton Farms.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: Property taxes are expected to increase 3 percent from amounts budgeted in the prior year due to growth. The City's general fund budgeted revenues are approximately \$11,728,091.

The City is using \$405,000 of fund balance due to revenue losses from COVID-19 impacts on sales tax revenues.

A new fund was created for the Boger City Fire District in the amount of \$972,000. The City is assuming operations for that fire district and is using the Boger City Fire District tax proceeds to do so.

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

Budgeted expenditures compared with the 2020 actual expenditures are expected to decrease 7%.

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 stevezickefoose@ci.lincolnton.nc.us for more information.

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BASIC FINANCIAL STATEMENTS

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

CITY OF LINCOLNTON, NORTH CAROLINA

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**Statement of Net Position
June 30, 2020**

	Primary Government			Component Units	
	Governmental	Business-		Lincolnton	City of
	Activities	type	Total	Tourism	Lincolnton
	Activities	Activities		Development	ABC Board
	Activities	Activities	Total	Authority	ABC Board
<u>Assets</u>					
Current assets:					
Cash and cash equivalents	\$ 5,805,328	\$ 10,759,649	\$ 16,564,977	\$ 443,716	\$ 226,419
Taxes receivable, net	102,222	-	102,222	-	-
Accounts receivable, net	1,437,598	1,271,730	2,709,328	1,432	18,457
Note receivable	199,000	-	199,000	-	-
Due from other government agencies	320,743	-	320,743	-	-
Due from component unit	-	-	-	-	-
Internal balances	(954,156)	954,156	-	-	-
Inventories	7,955	133,752	141,707	-	204,695
Prepaid items	11,500	25,000	36,500	-	14,427
Total current assets	<u>6,930,190</u>	<u>13,144,287</u>	<u>20,074,477</u>	<u>445,148</u>	<u>463,998</u>
Noncurrent assets:					
Restricted cash	<u>369,291</u>	<u>408,412</u>	<u>777,703</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>369,291</u>	<u>408,412</u>	<u>777,703</u>	<u>-</u>	<u>-</u>
Capital assets:					
Land and nondepreciable assets	8,718,810	2,044,977	10,763,787	-	425,000
Other capital assets, net of accumulated depreciation	<u>10,297,771</u>	<u>29,332,473</u>	<u>39,630,244</u>	<u>51,525</u>	<u>1,048,546</u>
Total capital assets	<u>19,016,581</u>	<u>31,377,450</u>	<u>50,394,031</u>	<u>51,525</u>	<u>1,473,546</u>
Total assets	<u>26,316,062</u>	<u>44,930,149</u>	<u>71,246,211</u>	<u>496,673</u>	<u>1,937,544</u>
<u>Deferred Outflows of Resources</u>					
Pension deferrals	1,380,857	452,333	1,833,190	-	37,247
OPEB deferrals	<u>204,500</u>	<u>64,450</u>	<u>268,950</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources	<u>1,585,357</u>	<u>516,783</u>	<u>2,102,140</u>	<u>-</u>	<u>37,247</u>

cont.

CITY OF LINCOLNTON, NORTH CAROLINA

Page 2 of 2, cont.

**Statement of Net Position
June 30, 2020**

	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	\$ 154,080	\$ 688,146	\$ 842,226	\$ 1,926	\$ 108,105
Customer deposits -restricted	-	408,412	408,412	-	-
Unearned revenues	-	-	-	-	-
Current portion of long-term liabilities	<u>534,535</u>	<u>2,795,587</u>	<u>3,330,122</u>	-	-
Total current liabilities	<u>688,615</u>	<u>3,892,145</u>	<u>4,580,760</u>	<u>1,926</u>	<u>108,105</u>
Long-term liabilities					
Net pension liability	1,896,664	695,255	2,591,919	-	50,246
Total pension liability	1,019,789	-	1,019,789	-	-
Total OPEB liability	7,820,616	2,464,718	10,285,334	-	-
Due in more than one year	<u>746,961</u>	<u>3,242,778</u>	<u>3,989,739</u>	-	-
Total noncurrent liabilities	<u>11,484,030</u>	<u>6,402,751</u>	<u>17,886,781</u>	-	<u>50,246</u>
Total liabilities	<u>12,172,645</u>	<u>10,294,896</u>	<u>22,467,541</u>	<u>1,926</u>	<u>158,351</u>
<u>Deferred Inflows of Resources</u>					
Prepaid taxes	1,176	-	1,176	-	-
Pension deferrals	44,590	3,594	48,184	-	1,931
OPEB deferrals	<u>1,502,014</u>	<u>473,369</u>	<u>1,975,383</u>	-	-
Total deferred inflows of resources	<u>1,547,780</u>	<u>476,963</u>	<u>2,024,743</u>	-	<u>1,931</u>
<u>Net Position</u>					
Net investment in capital assets	18,104,701	25,485,337	43,590,038	51,525	1,473,546
Restricted for:					
Working capital	-	-	-		97,442
Stabilization by State Statute	1,758,308	-	1,758,308	-	-
Streets	369,558	-	369,558	-	-
Public safety	5	-	5	-	-
Economic development	-	-	-	443,221	-
Unrestricted	<u>(6,051,578)</u>	<u>9,189,737</u>	<u>3,138,159</u>	-	<u>243,520</u>
Total net position	<u>\$ 14,180,994</u>	<u>\$ 34,675,074</u>	<u>\$ 48,856,068</u>	<u>\$ 494,746</u>	<u>\$ 1,814,508</u>

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

CITY OF LINCOLNTON, NORTH CAROLINA

Page 1 of 2

**Statement of Activities
For the Year Ended June 30, 2020**

Net (Expense) Revenue and Changes in Net Position									
Functions/Programs	Program Revenues				Primary Government			Component Units	
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business-type Activities	Total	Lincolnton	City of
			Grants and	Grants and				Tourism Develop-	Lincolnton
			Contributions	Contributions				ment Authority	ABC Board
Primary Government:									
Governmental activities:									
General government	\$ 1,802,847	\$ -	\$ -	\$ -	(1,802,847)	\$ -	(1,802,847)	\$ -	-
Public safety	5,895,541	17,198	1,078,943	-	(4,799,400)	-	(4,799,400)	-	-
Public works	1,094,464	-	309,631	-	(784,833)	-	(784,833)	-	-
Economic and physical development	456,021	8,560	-	-	(447,461)	-	(447,461)	-	-
Environmental protection	761,337	39,700	70,028	-	(651,609)	-	(651,609)	-	-
Cultural and recreational	980,229	90,281	-	-	(889,948)	-	(889,948)	-	-
Interest on long-term debt	40,228	-	-	-	(40,228)	-	(40,228)	-	-
Total governmental activities	11,030,667	155,739	1,458,602	-	(9,416,326)	-	(9,416,326)	-	-
Business-type activities:									
Water and sewer	6,698,771	7,598,165	-	-	-	899,394	899,394	-	-
Electric	6,773,377	7,838,694	-	-	-	1,065,317	1,065,317	-	-
Total business-type activities	13,472,148	15,436,859	-	-	-	1,964,711	1,964,711	-	-
Total primary government	\$ 24,502,815	\$ 15,592,598	\$ 1,458,602	\$ -	(9,416,326)	1,964,711	(7,451,615)	-	-
Component Unit:									
Lincolnton Tourism Development Authority	\$ 57,845	\$ -	\$ 106,648	\$ -	-	-	-	48,803	-
City of Lincolnton ABC Board	2,534,294	2,533,492	-	-	-	-	-	-	(802)
Total component unit	\$ 2,592,139	\$ 2,533,492	\$ 106,648	\$ -	-	-	-	48,803	(802)

cont.

CITY OF LINCOLNTON, NORTH CAROLINA

Page 2 of 2, cont.

Statement of Activities For the Year Ended June 30, 2020

	Net (Expense) Revenue and Changes in Net Position				
	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Lincolnton Tourism Develop- ment Authority	City of Lincolnton ABC Board
General revenues:					
Ad valorem taxes	\$ 5,421,455	\$ -	\$ 5,421,455	\$ -	\$ -
Local option sales tax	3,520,805	-	3,520,805	-	-
Franchise tax	863,965	-	863,965	-	-
Other taxes and licenses	371,935	-	371,935	-	-
Unrestricted investment earnings	90,267	215,711	305,978	5,158	550
Miscellaneous	204,572	-	204,572	-	252
Gain (loss) on sale of capital assets	92	-	92	-	-
Transfers	405,071	(405,071)	-	-	-
Total general revenues and transfers	10,878,162	(189,360)	10,688,802	5,158	802
Changes in net assets	\$ 1,461,836	\$ 1,775,351	\$ 3,237,187	\$ 53,961	\$ -
Net position- beginning	\$ 12,719,158	\$ 32,899,723	\$ 45,618,881	\$ 440,785	\$ 1,814,508
Changes in net assets	1,461,836	1,775,351	3,237,187	53,961	-
Net position- ending	\$ 14,180,994	\$ 34,675,074	\$ 48,856,068	\$ 494,746	\$ 1,814,508

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

CITY OF LINCOLNTON, NORTH CAROLINA

**Balance Sheet
Governmental Funds
June 30, 2020**

	<u>Major Fund</u> <u>General</u> <u>Fund</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 5,805,328
Taxes receivable, net	102,222
Accounts receivable, net	1,437,598
Due from government agencies	320,743
Inventories	7,955
Prepaid items	11,500
Restricted cash	369,291
Total assets	<u>\$ 8,054,637</u>
 <u>Liabilities</u>	
Accounts payable and accrued liabilities	\$ 148,460
Advance from other funds	954,156
Total liabilities	<u>1,102,616</u>
 <u>Deferred Inflows of Resources</u>	
Property taxes receivable	102,222
Prepaid taxes	1,176
Total deferred inflows of resources	<u>103,398</u>
 <u>Fund Balances</u>	
Nonspendable:	
Inventories	7,955
Prepaid expenditures	11,500
Restricted:	
Stabilization by State Statute	1,758,308
Streets - Powell Bill	369,558
Public safety - police	5
Assigned:	
Subsequent year's expenditures	405,000
Unassigned	4,296,297
Total fund balances	<u>6,848,623</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,054,637</u>

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

CITY OF LINCOLNTON, NORTH CAROLINA

**Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
June 30, 2020**

Total Fund Balance, Governmental Funds	\$ 6,848,623
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Note receivable used in govenmental activities is not a financial resource and, therefore, is not reported in the funds.	199,000
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Gross capital assets at historical cost	\$ 43,656,773
Accumulated depreciation	<u>(24,640,193)</u> 19,016,580
Deferred outflows of resources related to the following are not reported in the funds:	
Pensions	1,380,857
OPEB	204,500
Earned revenues considered deferred inflows of resources in the fund statements.	
Property taxes receivable	102,222
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	(5,620)
Long-term debt	(911,880)
Compensated absences	(369,615)
Net pension liability	(1,896,664)
Total pension liability	(1,019,789)
OPEB liability	(7,820,616)
Deferred inflows of resources related to the following are not reported in the funds:	
Pensions	(44,590)
OPEB	<u>(1,502,014)</u>
Net position of governmental activities	<u><u>\$ 14,180,994</u></u>

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

CITY OF LINCOLNTON, NORTH CAROLINA

Statement of Revenues, Expenditures and Changes in Fund Balances**Governmental Funds****For the Year Ended June 30, 2020**

	Major Fund
	General
	Fund
Revenues:	
Ad valorem taxes	\$ 5,433,254
Other taxes and licenses	208,777
Unrestricted intergovernmental revenues	4,677,896
Restricted intergovernmental revenues	1,328,634
Permits and fees	45,636
Sales and services	133,334
Investment earnings	90,267
Miscellaneous	192,057
Payment from component unit	-
Total revenues	<u>12,109,855</u>
Expenditures:	
General government	1,641,391
Public safety	5,460,482
Public works	1,185,753
Economic and physical development	618,334
Environmental protection	886,254
Cultural and recreational	1,167,270
Debt service:	
Principal retirement	426,797
Interest and other charges	36,719
Total expenditures	<u>11,423,000</u>
Revenues over (under) expenditures	<u>686,855</u>
Other Financing Sources (Uses):	
Issuance of debt	559,000
Transfers - in	405,071
Total other financing sources (uses)	<u>964,071</u>
 Net changes in fund balances	 1,650,926
 Fund balances, July 1	 5,200,341
Increase (decrease) in inventory	<u>(2,644)</u>
 Fund balances, June 30	 <u>\$ 6,848,623</u>

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

CITY OF LINCOLNTON, NORTH CAROLINA

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2020

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

Net change in fund balances - total governmental funds	\$ 1,650,926
Change in fund balance due to change in reserve for inventory	(2,644)

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	1,152,669
Depreciation expense	(1,096,657)
Gain (loss) on sale of assets	92
Proceeds from sale of fixed assets	(92)

Contributions to the pension plan in the current year fiscal year are not included on the Statement of Activities	503,167
Benefit payments paid and administrative expenses for the LEOSA are not included in the Statement of Activities	91,482
OPEB benefit payments and administrative costs made in the current fiscal year are not included in the Statement of Activities	410,566

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	(11,799)

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

New long-term debt issued	(559,000)
Principal payments on long-term debt	426,797
Accrued interest payable	(3,509)
Principal payments received	(10,625)
Loans receivable issued	199,000
Loans forgiven	(32,500)

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	(23,164)
Pension expense	(945,893)
OPEB plan expense	(286,980)
Change in net position of governmental activities	<u>\$ 1,461,836</u>

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

CITY OF LINCOLNTON, NORTH CAROLINA

Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund For the Year Ended June 30, 2020

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 5,318,000	\$ 5,318,000	\$ 5,433,254	\$ 115,254
Other taxes and licenses	176,000	176,000	208,777	32,777
Unrestricted intergovernmental revenues	4,186,470	3,986,470	4,677,896	691,426
Restricted intergovernmental revenues	1,347,700	1,022,700	1,328,634	305,934
Permits and fees	38,500	38,500	45,636	7,136
Sales and services	142,800	142,800	133,334	(9,466)
Investment earnings	30,000	30,000	90,267	60,267
Miscellaneous	61,934	61,934	192,057	130,123
Total revenues	<u>11,301,404</u>	<u>10,776,404</u>	<u>12,109,855</u>	<u>1,333,451</u>
Expenditures:				
General government	1,778,305	1,702,005	1,641,391	60,614
Public safety	5,473,820	5,587,720	5,460,482	127,238
Public works	1,749,305	1,896,605	1,185,753	710,852
Economic and physical development	708,620	980,620	618,334	362,286
Environmental protection	823,855	908,855	886,254	22,601
Cultural and recreational	1,285,163	1,247,663	1,167,270	80,393
Debt service:				
Principal retirement	386,375	427,105	426,797	308
Interest and other charges	38,257	43,127	36,719	6,408
Total expenditures	<u>12,243,700</u>	<u>12,793,700</u>	<u>11,423,000</u>	<u>1,370,700</u>
Revenues over (under) expenditures	<u>(942,296)</u>	<u>(2,017,296)</u>	<u>686,855</u>	<u>2,704,151</u>
Other Financing Sources (Uses):				
Issuance of debt	300,000	550,000	559,000	9,000
Appropriated fund balance	237,000	1,062,000	-	(1,062,000)
Transfers in	405,296	405,296	405,071	(225)
Transfer out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>942,296</u>	<u>2,017,296</u>	<u>964,071</u>	<u>(1,053,225)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,650,926	<u>\$ 1,650,926</u>
Fund balance, July 1			5,200,341	
Increase (decrease) in reserve for inventory			<u>(2,644)</u>	
Fund balance, June 30			<u>\$ 6,848,623</u>	
<i>The notes to the financial statements are an integral part of this statement.</i>				

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CITY OF LINCOLNTON, NORTH CAROLINA

Statement of Fund Net Position Proprietary Funds June 30, 2020

	Business-type Activities Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 7,905,864	\$ 2,853,785	\$ 10,759,649
Accounts receivable	696,240	575,490	1,271,730
Advance to other funds	-	60,844	60,844
Inventories	75,533	58,219	133,752
Prepaid expenses	-	25,000	25,000
Total current assets	<u>8,677,637</u>	<u>3,573,338</u>	<u>12,250,975</u>
Noncurrent assets:			
Restricted cash and cash equivalents	121,988	286,424	408,412
Advance to other funds	-	893,312	893,312
Capital assets, net of accumulated depreciation	<u>27,762,692</u>	<u>3,614,758</u>	<u>31,377,450</u>
Total noncurrent assets	<u>27,884,680</u>	<u>4,794,494</u>	<u>32,679,174</u>
Total assets	<u>36,562,317</u>	<u>8,367,832</u>	<u>44,930,149</u>
<u>Deferred Outflows of Resources</u>			
Pension deferrals	339,975	112,358	452,333
OPEB deferrals	<u>55,687</u>	<u>8,763</u>	<u>64,450</u>
Total deferred outflows of resources	<u>395,662</u>	<u>121,121</u>	<u>516,783</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	78,088	610,058	688,146
Customer deposits - restricted	121,988	286,424	408,412
Bonds payable - current	1,647,000	-	1,647,000
Loans payable - current	1,072,117	-	1,072,117
Accrued compensated absences	61,435	15,034	76,469
Total current liabilities	<u>2,980,628</u>	<u>911,516</u>	<u>3,892,144</u>
Noncurrent liabilities:			
Bonds payable	-	-	-
Loans payable	3,172,996	-	3,172,996
Total OPEB liability	2,129,617	335,101	2,464,718
Accrued compensated absences	50,696	19,086	69,782
Net pension liability	<u>522,556</u>	<u>172,699</u>	<u>695,255</u>
Total noncurrent liabilities	<u>5,875,865</u>	<u>526,886</u>	<u>6,402,751</u>
Total liabilities	<u>8,856,493</u>	<u>1,438,402</u>	<u>10,294,895</u>
<u>Deferred Inflows of Resources</u>			
Pension deferrals	2,701	893	3,594
OPEB deferrals	<u>409,010</u>	<u>64,359</u>	<u>473,369</u>
	<u>411,711</u>	<u>65,252</u>	<u>476,963</u>
<u>Net Position</u>			
Net investment in capital assets	21,870,579	3,614,758	25,485,337
Unrestricted	<u>5,819,195</u>	<u>3,370,542</u>	<u>9,189,737</u>
Total net position	<u>\$ 27,689,774</u>	<u>\$ 6,985,300</u>	<u>\$ 34,675,074</u>

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

CITY OF LINCOLNTON, NORTH CAROLINA

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2020**

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer	Electric	
	Fund	Fund	Total
Operating Revenues:			
Electricity sales	\$ -	\$ 6,489,145	\$ 6,489,145
Water sales	3,260,917	-	3,260,917
Sewer charges	4,138,154	-	4,138,154
Water and sewer taps	44,327	-	44,327
Electricity - municipal operations	-	515,000	515,000
Other operating revenues	154,766	834,549	989,315
Total operating revenues	<u>7,598,164</u>	<u>7,838,694</u>	<u>15,436,858</u>
Operating Expenses:			
Electrical operations	-	1,505,336	1,505,336
Electrical power purchases	-	4,505,513	4,505,513
Water treatment plant	1,338,354	-	1,338,354
Water and sewer distribution maintenance	1,178,965	-	1,178,965
Waste treatment plant	1,610,376	-	1,610,376
Administrative	700,000	600,000	1,300,000
Depreciation	1,695,166	162,528	1,857,694
Other operating expenses	-	-	-
Total operating expenses	<u>6,522,861</u>	<u>6,773,377</u>	<u>13,296,238</u>
Operating income (loss)	<u>1,075,303</u>	<u>1,065,317</u>	<u>2,140,620</u>
Nonoperating Revenues (Expenses):			
Investment earnings	148,028	67,684	215,712
Gain (loss) on sale disposition of assets	-	-	-
Interest on long term debt	(175,910)	-	(175,910)
Total nonoperating revenues (expenses)	<u>(27,882)</u>	<u>67,684</u>	<u>39,802</u>
Income (loss) before transfers and capital contributions	1,047,421	1,133,001	2,180,422
Transfers (to) from other funds			
General Fund-payment in lieu of taxes	<u>(379,096)</u>	<u>(25,975)</u>	<u>(405,071)</u>
Changes in net position	<u>\$ 668,325</u>	<u>\$ 1,107,026</u>	<u>\$ 1,775,351</u>
Total net position - beginning	\$ 27,021,449	\$ 5,878,274	\$ 32,899,723
Changes in net position	668,325	1,107,026	1,775,351
Total net position - ending	<u>\$ 27,689,774</u>	<u>\$ 6,985,300</u>	<u>\$ 34,675,074</u>

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

CITY OF LINCOLNTON, NORTH CAROLINA

Page 1 of 2

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020**

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
Cash Flows From Operating Activities:			
Cash received from customers and users	\$ 7,638,749	\$ 7,942,250	\$ 15,580,999
Customer deposits received	6,149	12,769	18,918
Cash paid for goods and services	(2,666,130)	(6,017,013)	(8,683,143)
Cash paid to or on behalf of employees for services	(2,153,819)	(642,461)	(2,796,280)
Net cash provided (used) by operating activities	<u>2,824,949</u>	<u>1,295,545</u>	<u>4,120,494</u>
Cash Flows From Non-Capital Financing Activities:			
Advance to General Fund	-	-	-
Repayment from General Fund	-	45,844	45,844
Transfers - in (out)	(379,096)	(25,975)	(405,071)
Net cash provided (used) by non-capital financing activities	<u>(379,096)</u>	<u>19,869</u>	<u>(359,227)</u>
Cash Flows From Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(2,042,620)	(1,986,621)	(4,029,241)
Proceeds from sale of capital assets	-	-	-
Proceeds from borrowing	-	-	-
Principal paid on long-term debt	(2,671,902)	-	(2,671,902)
Interest paid on long-term debt	(184,171)	-	(184,171)
Net cash provided (used) by capital and related financing activities	<u>(4,898,693)</u>	<u>(1,986,621)</u>	<u>(6,885,314)</u>
Cash Flows From Investing Activities:			
Investment earnings	148,028	67,684	215,712
Net cash provided (used) by investing activities	<u>148,028</u>	<u>67,684</u>	<u>215,712</u>
 Net increase (decrease) in cash and cash equivalents	 (2,304,812)	 (603,523)	 (2,908,335)
Cash and cash equivalents at beginning of year	10,332,663	3,743,733	14,076,396
Cash and cash equivalents at end of year	<u>\$ 8,027,851</u>	<u>\$ 3,140,210</u>	<u>\$ 11,168,061</u>

cont.

CITY OF LINCOLNTON, NORTH CAROLINA

Page 2 of 2, cont.

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020**

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash			
Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 1,075,303	\$ 1,065,317	\$ 2,140,620
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	1,695,166	162,528	1,857,694
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	40,585	103,556	144,141
(Increase) decrease in inventory	(3,154)	(31,300)	(34,454)
(Increase) decrease in prepaid expense	20,455	15,375	35,830
Increase (decrease) in accounts payable and other accrued liabilities	(63,997)	(120,798)	(184,795)
Increase (decrease) in accrued vacation pay	15,364	4,850	20,214
Increase (decrease) in OPEB liability	(296,192)	12,938	(283,254)
Increase (decrease) in deferred outflows of resources - OPEB	(36,646)	(6,234)	(42,880)
Increase (decrease) in deferred inflows of resources - OPEB	267,887	45,617	313,504
Increase (decrease) in deferred outflows of resources - pensions	4,050	15,965	20,015
Increase (decrease) in net pension liability	105,414	17,103	122,517
Increase (decrease) in deferred inflows of resources - pensions	(5,434)	(2,141)	(7,575)
Increase (decrease) in customer deposits	<u>6,148</u>	<u>12,769</u>	<u>18,917</u>
Net cash provided (used) by operating activities	<u>\$ 2,824,949</u>	<u>\$ 1,295,545</u>	<u>\$ 4,120,494</u>
Supplemental Schedule of Non Cash Financing Activities:			
Acquisition of capital assets through issuance of debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Payment of debt with the issuance of debt	<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.

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CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2020

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. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole, or in part, by fees charged to external parties.

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2020

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

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

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

The City reports the following major governmental fund:

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

The City reports the following major enterprise funds:

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

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

C. Measurement Focus and Basis of Accounting

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

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2020

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

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

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

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

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

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2020

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

D. Budgetary Data

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

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the City, the ABC Board and LTDA to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The investments of the City, the ABC Board and LTDA are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT-Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2020, the Term Portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2020

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 and 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	\$369,286
Public safety	<u>5</u>
	<u>369,291</u>
Business-type activities	
Water and Sewer Fund	
Customer deposits	121,988
Electric Fund	
Customer deposits	<u>286,424</u>
Total business-type activities	<u>408,412</u>
Total restricted cash	<u>\$777,703</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, 2019. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2020

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 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 asset, or materially extend assets' lives, are not capitalized.

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

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

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2020

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

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has two items that meet this criterion, pension and other post-employment deferrals for the 2020 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has only four items that meet the criterion for this category - prepaid taxes, property taxes receivable, pension and other post-employment deferrals.

9. Long-Term Obligations

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

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

10. Compensated Absences

The vacation policy of the City provides for a maximum of 240 hours to be carried from one year to the next. Any employee with more than 240 hours of accumulated leave during the last pay period of each calendar year shall have the excess accumulation removed so that only 240 hours are carried forward to the first pay period of the next calendar year. All excess vacation hours

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2020

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

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

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2020

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

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

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

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

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

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

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

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

Unassigned Fund Balance - the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2020

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, city funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and, lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the City.

12. Defined Benefit Cost-Sharing Plans

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

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

F. Other

Management Estimates

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

II. Stewardship, Compliance, and Accountability

A. Noncompliance with North Carolina General Statutes

The City spent Powell Bill Funds that were not in compliance with N. C. G.S. 136-41.3 and 136-41.4. Non-allowable expenses in the amount of \$8,328 were spent from the Powell Bill Funds. The City will review all Powell Bill expenditures to ensure that they are in compliance with North Carolina General Statutes.

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2020

B. Excess of Expenditures Over Appropriations

G.S. 159-28(a) states that all moneys received and expended by a local government or a public authority should be included in the budget ordinance. Funds were spent that exceeded the authorized appropriations in the governing body of the General Fund. \$53,178 was overspent due to the acquisition of capital outlay. Budget amendments will be adopted when expenditures exceed the budget. This item was not included in the budget.

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

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

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

At June 30, 2020, the City's deposits had a carrying amount of \$10,601,335 and a bank balance of \$10,697,942. Of the bank balance, \$250,000 was covered by federal depository insurance, and the remainder was covered by collateral held under the Pooling Method. At June 30, 2020, the City's petty cash fund totaled \$1,350.

At June 30, 2020, the ABC Board had a carrying amount of \$221,719 and a bank balance of \$323,886. Of the bank balance, \$250,000 was covered by federal depository insurance. At June 30, 2020, the ABC Board had cash on hand of \$4,700.

At June 30, 2020, the LTDA had a carrying amount of \$443,716 and a bank balance of \$443,716. Of the bank balance \$250,000 was covered by federal depository insurance.

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2020

2. Investments

<u>Investment by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/20</u>	<u>Maturity</u>	<u>Rating</u>
N. C. Capital Management Trust - Government Portfolio	Fair Value Level 1	\$ 251,766	N/A	AAAm
N. C. Capital Management Trust - Term Portfolio	Fair Value Level 1	<u>6,488,229</u>	.15 years (a)	Unrated
Total		<u>\$6,739,995</u>		

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.

(a) This is the duration for the Term Portfolio.

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 as of June 30, 2020. The City's investment in the N. C. Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U. S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2020

3. Receivables - Allowance for Doubtful Accounts

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

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

4. Capital Assets

Primary Government

Capital asset activity for the primary government for the year ended June 30, 2020 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 8,669,355	\$ 46,200	\$ -	\$ 8,715,555
Construction in progress	<u>107,879</u>	<u>257,908</u>	<u>362,532</u>	<u>3,255</u>
Total capital assets not being depreciated	<u>8,777,233</u>	<u>\$ 304,108</u>	<u>\$ 362,532</u>	<u>8,718,810</u>
Capital assets being depreciated:				
Building	8,534,134	\$ 93,800	\$ -	8,627,934
Other improvements	3,023,198	370,859	-	3,394,057
Plant and distribution systems	239,075	-	-	239,075
Furniture and equipment	2,642,934	37,451	25,824	2,654,561
Vehicles and motorized equipment	5,806,384	558,933	-	6,365,317
Infrastructure	<u>13,506,969</u>	<u>150,050</u>	<u>-</u>	<u>13,657,019</u>
Total capital assets being depreciated	<u>33,752,694</u>	<u>\$1,211,093</u>	<u>\$ 25,824</u>	<u>34,937,964</u>
Less accumulated depreciation for:				
Building	3,988,758	\$ 246,429	\$ -	4,235,187
Other improvements	1,599,879	125,402	-	1,725,281
Plant and distribution systems	77,469	9,166	-	86,635
Furniture and equipment	1,724,717	157,507	25,824	1,856,400
Vehicles and motorized equipment	5,078,110	392,734	-	5,470,844
Infrastructure	<u>11,100,427</u>	<u>165,419</u>	<u>-</u>	<u>11,265,846</u>
Total accumulated depreciation	<u>23,569,360</u>	<u>\$1,096,657</u>	<u>\$ 25,824</u>	<u>24,640,193</u>
Total capital assets being depreciated, net	<u>10,183,334</u>			<u>10,297,771</u>
Governmental activity capital assets, net	<u><u>\$18,960,568</u></u>			<u><u>\$19,016,581</u></u>

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2020

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

General government	\$ 424,131
Public safety	299,822
Public works	123,986
Economic and physical development	-
Environmental protection	174,353
Cultural and recreational	74,364
Total depreciation expense	<u>\$1,096,657</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type Activities:				
Water and Sewer Fund:				
Capital assets, not being depreciated:				
Land	\$ 122,600	\$ -	\$ -	\$ 122,600
Construction in progress	<u>589,786</u>	<u>1,861,546</u>	<u>2,259,561</u>	<u>191,771</u>
Total capital assets not being depreciated	<u>712,386</u>	<u>\$1,861,546</u>	<u>\$2,259,561</u>	<u>314,371</u>
Capital assets being depreciated:				
Building and improvements	14,215,117	\$ -	\$ -	14,215,117
Plant and distribution systems	46,934,926	142,005	-	47,076,931
Furniture and equipment	8,120,810	2,298,630	-	10,419,440
Vehicles	<u>719,516</u>	<u>-</u>	<u>-</u>	<u>719,516</u>
Total capital assets being depreciated	<u>69,990,369</u>	<u>\$2,440,635</u>	<u>\$ -</u>	<u>72,431,004</u>
Less accumulated depreciation for:				
Building and improvements	6,918,412	\$ 338,788	\$ -	7,257,200
Plant and distribution systems	28,775,802	1,091,134	-	29,866,936
Furniture and equipment	7,248,098	168,489	-	7,416,587
Vehicles	<u>345,206</u>	<u>96,755</u>	<u>-</u>	<u>441,961</u>
Total accumulated depreciation	<u>43,287,518</u>	<u>\$1,695,166</u>	<u>\$ -</u>	<u>44,982,684</u>
Total capital assets being depreciated, net	<u>26,702,851</u>			<u>27,448,320</u>
Water and Sewer Fund capital assets, net	<u>27,415,237</u>			<u>27,762,691</u>
Electric Fund:				
Capital assets not being depreciated:				
Land	10,220	\$ 162,576	\$ -	172,796
Construction in progress	<u>392,943</u>	<u>1,545,839</u>	<u>380,973</u>	<u>1,557,809</u>
Total capital assets not being depreciated	<u>403,163</u>	<u>\$1,708,415</u>	<u>\$ 380,973</u>	<u>1,730,605</u>
Capital assets being depreciated:				
Building and improvements	809,578	\$ 286,166	\$ -	1,095,744
Plant and distribution systems	3,869,942	26,434	-	3,896,376
Furniture and equipment	254,668	346,579	-	601,247
Vehicles	<u>660,347</u>	<u>-</u>	<u>-</u>	<u>660,347</u>
Total capital assets being depreciated	<u>5,594,535</u>	<u>\$ 659,179</u>	<u>\$ -</u>	<u>6,253,714</u>

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2020

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type Activities:				
Less accumulated depreciation for:				
Building and improvements	\$ 444,106	\$ 38,497	\$ -	\$ 482,603
Plant and distribution systems	3,055,795	63,777	-	3,119,572
Furniture and equipment	99,206	29,433	-	128,639
Vehicles	607,926	30,822	-	638,748
Total accumulated depreciation	<u>4,207,033</u>	<u>\$ 162,528</u>	<u>\$ -</u>	<u>4,369,561</u>
Total capital assets being depreciated, net	<u>1,387,502</u>			<u>1,884,153</u>
Electric Fund capital assets, net	<u>1,790,665</u>			<u>3,614,758</u>
Business-type activities capital assets, net	<u>\$29,205,902</u>			<u>\$31,377,450</u>

The City has active construction projects as of June 30, 2020. At year-end, the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Flag Football/Softball Fields	\$ 355,365	\$ -
321 Sidewalk Project	54,616	-
Police Building Renovation	1,643,252	686,156
Public Restrooms/Visitor Center	81,032	388,968
Dog Park	27,000	100,000
Smart Meter Project	<u>1,644,525</u>	<u>62,475</u>
Total	<u>\$3,805,790</u>	<u>\$1,237,599</u>

Discretely Presented Component Units:

Activity for the City of Lincolnton ABC Board for the year ended June 30, 2020 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 425,000	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 425,000</u>
Capital assets being depreciated:				
Building and improvements	1,346,853	\$ -	\$ -	1,346,853
Equipment	<u>219,733</u>	<u>14,394</u>	<u>33,160</u>	<u>200,967</u>
Total capital assets being depreciated	<u>1,566,586</u>	<u>\$14,394</u>	<u>\$33,160</u>	<u>1,547,820</u>
Less accumulated depreciation for:				
Building and improvements	330,933	\$35,861	\$ -	366,794
Equipment	<u>147,586</u>	<u>18,053</u>	<u>33,160</u>	<u>132,479</u>
Total accumulated depreciation	<u>478,519</u>	<u>\$53,914</u>	<u>\$33,160</u>	<u>499,274</u>
Total capital assets being depreciated, net	<u>1,088,067</u>			<u>1,048,546</u>
Capital assets, net	<u>\$1,513,067</u>			<u>\$1,473,546</u>

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements
June 30, 2020

Activity for the Lincolnton Tourism Development Authority for the year ended June 30, 2020 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Construction in progress	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>
Capital assets being depreciated:				
Equipment	<u>57,249</u>	\$ <u> -</u>	\$ <u> -</u>	<u>57,249</u>
Less accumulated depreciation for:				
Equipment	<u>2,862</u>	<u>\$2,862</u>	\$ <u> -</u>	<u>5,724</u>
Total capital assets being depreciated, net	<u>54,387</u>			<u>51,525</u>
Capital assets, net	<u>\$ 54,387</u>			<u>\$ 51,525</u>

B. Liabilities

1. Accounts Payable and Accrued Liabilities

Payables at the government-wide level at June 30, 2020 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Other</u>	<u>Total</u>
Governmental activities:					
General	\$105,020	\$43,440	\$ 5,620	\$ -	\$154,080
Other governmental	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>
Total governmental activities	<u>105,020</u>	<u>43,440</u>	<u>5,620</u>	<u> -</u>	<u>154,080</u>
Business-type activities:					
Water and Sewer	57,443	-	20,645	-	78,088
Electric	<u>531,882</u>	<u> -</u>	<u> -</u>	<u>78,176</u>	<u>610,058</u>
Total business-type activities	<u>589,325</u>	<u> -</u>	<u>20,645</u>	<u>78,176</u>	<u>688,146</u>
Total	<u>\$694,345</u>	<u>\$43,440</u>	<u>\$26,265</u>	<u>\$ 78,176</u>	<u>\$842,226</u>

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2020

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, and the State Treasurer and the State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR 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.

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2020

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, 2020 was 9.70% of compensation for law enforcement officers and 9.03% 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 \$687,610 for the year ended June 30, 2020.

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, 2020, the City reported a liability of \$2,591,919 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2019 (measurement date), the City's proportion was 0.09491%, which was a decrease of 0.00043% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized pension expense of \$1,166,067. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 443,802	\$ -
Changes of assumptions	422,440	-
Net difference between projected and actual earnings on pension plan investments	63,221	-
Changes in proportion, and differences between, City contributions and proportionate share of contributions	69,230	13,397
City contributions subsequent to the measurement date	<u>687,610</u>	<u>-</u>
Total	<u>\$1,686,303</u>	<u>\$13,397</u>

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements

June 30, 2020

\$687,610, reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date, will be recognized as a decrease of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2021	\$473,130
2022	166,568
2023	264,909
2024	80,689
2025	-
Thereafter	-

Actuarial Assumptions - The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2020

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2020

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	<u>\$5,928,191</u>	<u>\$2,591,919</u>	<u>\$(181,200)</u>

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) 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, 2018 the Separation Allowance's membership consisted of:

Retirees receiving benefits	6
Terminated plan members entitled to, but not receiving, benefits	-
Active plan members	<u>32</u>
Total	<u>38</u>

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2020

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, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2018.

Mortality rates are based on the RP-2014 Mortality Tables with adjustments for mortality improvements based on Scale AA.

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 \$82,013 as benefits came due for the reporting period.

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2020**

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

At June 30, 2020, the City reported a total pension liability of \$1,019,789. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the City recognized pension expense of \$50,540.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 57,375	\$10,710
Changes of assumptions	39,159	24,077
City benefit payments and plan administrative expense made subsequent to the measurement date	<u>50,353</u>	<u>-</u>
Total	<u>\$146,887</u>	<u>\$34,787</u>

\$50,353 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 ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Year ending June 30:

2021	\$23,326
2022	23,678
2023	12,072
2024	2,364
2025	307
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 3.26 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 (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	<u>1% Decrease (2.26%)</u>	<u>Discount Rate (3.26%)</u>	<u>1% Increase (4.26%)</u>
Total pension liability	<u>\$1,090,761</u>	<u>\$1,019,789</u>	<u>\$954,610</u>

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements
June 30, 2020

Law Enforcement Officers' Special Separation Allowance

Beginning balance	\$1,014,141
Service cost	40,112
Interest on the total pension liability	35,422
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of total pension liability	(13,303)
Changes of assumptions or other inputs	25,430
Benefit payments	(82,013)
Other changes	-
Ending balance of the total pension liability	<u>\$1,019,789</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, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$1,166,067	\$ 50,540	\$1,216,607
Pension liability	2,591,919	1,019,789	3,611,708
Proportionate share of the net pension liability	0.09491%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	443,802	57,375	501,177
Changes of assumptions	422,440	39,159	461,599
Net difference between projected and actual earnings on plan investments	63,221	-	63,221
Changes in proportion, and differences between, contributions and proportionate share of contributions	69,230	-	69,230
Benefit payments and administrative costs paid subsequent to the measurement date	687,610	50,353	737,963
Deferred Inflows of Resources			
Differences between expected and actual experience	-	10,710	10,710
Changes of assumptions	-	24,077	24,077
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion, and differences between, contributions and proportionate share of contributions	13,397	-	13,397

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2020

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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR 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 \$87,160 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, and 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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Firefighters' and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2020

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, 2020, the State contributed \$18,302,000 to the plan. The City of Lincoln's proportionate share of the State's contribution is \$7,928.

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, 2020, the City reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the City through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the City, and supported by the State, was \$15,717. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2020 and at June 30, 2019 was 0%.

For the year ended June 30, 2020, the City recognized pension expense of \$8,275 and revenue of \$8,275 for support provided by the State. At June 30, 2020, the City reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2020

Actuarial Assumptions - The total pension liability in the December 31, 2018 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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2020

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, 2019, 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	116
Active employees-Law Enforcement Officers	<u>44</u>
Total	<u>199</u>

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

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2020

Total OPEB Liability

The City's total OPEB liability of \$10,285,334 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.50 to 7.75 percent, average, including inflation
Discount Rate	3.89 percent
Healthcare cost trend rates	Pre-Medicare - 7.00% for 2019, decreasing to an ultimate rate of 4.50% by 2026

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2019	<u>\$11,546,868</u>
Changes for the year	
Service cost	418,078
Interest	436,147
Changes of benefit terms	-
Differences between expected and actual experience	(1,665,740)
Changes in assumptions or other inputs	226,155
Benefit payments	<u>(676,174)</u>
Net changes	<u>(1,261,534)</u>
Balance at June 30, 2020	<u>\$10,285,334</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.89% to 3.50%.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2020

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 (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current rate:

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	<u>\$11,197,267</u>	<u>\$10,285,334</u>	<u>\$9,463,784</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 - 7.00%)	(Medical - 8.0% Prescription - 8.0%)
Total OPEB liability	<u>\$9,311,705</u>	<u>\$10,285,334</u>	<u>\$11,418,135</u>

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

For the year ended June 30, 2020, the City recognized OPEB expense of \$539,959. At June 30, 2020, 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	\$ 74,032	\$1,435,665
Changes of assumptions	<u>194,918</u>	<u>539,718</u>
Total	<u>\$ 268,950</u>	<u>\$1,975,383</u>

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2020

\$-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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2021	\$(314,266)
2022	(314,266)
2023	(314,266)
2024	(292,110)
2025	(224,968)
Thereafter	(246,557)

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

f. Other Employment Benefits

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

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2020

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	\$ 687,610
Benefit payments and administrative expenses for LEOSA made subsequent to the measurement date	50,353
Benefit payments and administrative expenses for OPEB made subsequent to the measurement date	-
Differences between expected and actual experience	575,209
Changes of assumptions	656,517
Net difference between projected and actual	63,221
Changes in proportion, and differences between, employer contributions and proportionate share of contributions	69,230
Charge on refunding	-
Total	<u>\$2,102,140</u>

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Prepaid taxes (General Fund)	\$ 1,176	\$ 1,176
Taxes Receivable, less penalties (General Fund)	-	102,222
Changes in assumptions	563,795	-
Differences between expected and actual experience	1,446,375	-
Changes in proportion, and differences between, employer contributions and proportionate share of contributions	<u>13,397</u>	<u>-</u>
Total	<u>\$2,024,743</u>	<u>\$103,398</u>

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2020

4. Risk Management

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

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

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

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

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

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

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2020

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.	\$ 64,580
\$1,025,000, 2017, 1.65% installment purchase payable to bank in annual installments of \$154,395 to \$153,492, due in 2022, secured by vehicles.	300,000
\$275,589, 2019, 2.68% installment purchase payable to bank in annual installments of \$71,868, due in 2021, secured by equipment.	69,992
\$250,000, 2020, 2.99% installment purchase payable to bank in annual installments of \$39,087, due in 2026, secured by equipment.	213,075
\$309,000, 2020, 2.99% installment purchase payable to bank in annual installments of \$48,312, due in 2026, secured by equipment.	<u>264,233</u>
	911,880
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.	<u>2,144,113</u>
Total	<u>\$3,055,993</u>

b. Revolving Loans

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

Current refunding - On June 13, 2017, the City of Lincolnton entered into a Series 2017 Water & Sewer Refunding Bonds of \$4,240,000, with an interest rate of 2.0% for six years to refinance two revolving loans, a December 2001, 2.87% revolving loan with a remaining balance of \$322,146, maturity date 2021, and a July 2003, 2.87% revolving loan with a remaining balance of \$3,883,994, maturity date 2023. As a result of the current refunding, the City reduced its annual debt service cost from \$800,286 to \$784,580, which resulted in an economic gain (the difference between the present value of the old debt and the new debt service payments) of \$84,523. There were no premiums or discounts related to the refunded debt and, therefore, there was not a deferred inflow of resources, nor a deferred outflow of resources.

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2020

Revolving loans payable consist of the following individual issue at June 30, 2020:

\$4,240,000 Water and Sewer revenue loan, with principal installments due annually in May with semiannual interest payments due in May and November, at an annual interest rate of 2.00% through 2023	<u>\$2,101,000</u>
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c. Revenue Bond

Revenue bonds of \$23,130,000 that were originally issued in December 1996, refunded in October 2005 for \$19,790,000 and refunded in April 2015 for \$9,479,000, were used to finance the construction of facilities utilized in the operations of the water and sewer system. The bonds, which will be retired by its resources, are reported as long-term debt in the Water and Sewer Fund. The City has pledged future water and sewer revenues, net of specified operating expenses, to repay \$9,479,000 in water and sewer system revenue bonds issued in April 2015. The bonds are payable solely from water and sewer customer net revenues and are payable through 2021. Principal and interest requirements are appropriated when due.

Bonds payable consists of the following individual issue at June 30, 2020:

\$9,479,000, 2015, revenue bonds with principal installments due annually in May, of \$1,511,000 to \$1,647,000 through 2021; with semiannual interest payments due in May and November at rates of 1.65%	<u>\$1,647,000</u>
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Annual debt service requirements to maturity for long-term obligations are as follows:

	Direct Placement		Revolving Loans		Revenue Bonds		Total Debt Due	
	Installment Purchase							
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental activities:								
2021	\$ 304,322	\$ 23,818	\$ -	\$ -	\$ -	\$ -	\$ 304,322	\$ 23,818
2022	239,109	16,706	-	-	-	-	239,109	16,706
2023	90,981	113,432	-	-	-	-	90,981	113,432
2024	93,928	8,395	-	-	-	-	93,928	8,395
2025	94,351	5,314	-	-	-	-	94,351	5,314
2026	<u>89,189</u>	<u>2,572</u>	-	-	-	-	<u>89,189</u>	<u>2,572</u>
Total governmental	<u>911,880</u>	<u>170,237</u>	-	-	-	-	<u>911,880</u>	<u>170,237</u>
Business-type activities:								
2021	329,117	68,004	743,000	42,020	1,647,000	27,176	2,719,117	137,200
2022	342,671	54,450	672,000	27,160	-	-	1,014,671	81,610
2023	352,951	44,170	686,000	13,720	-	-	1,038,951	57,890
2024	363,540	33,581	-	-	-	-	363,540	33,581
2025	374,446	22,675	-	-	-	-	374,446	22,675
2026-2030	<u>381,388</u>	<u>11,442</u>	-	-	-	-	<u>381,388</u>	<u>11,442</u>
Total business-type	<u>2,144,113</u>	<u>234,322</u>	<u>2,101,000</u>	<u>82,900</u>	<u>1,647,000</u>	<u>27,176</u>	<u>5,892,114</u>	<u>344,398</u>
Total	<u>\$3,055,993</u>	<u>\$404,559</u>	<u>\$2,101,000</u>	<u>\$ 82,900</u>	<u>\$1,647,000</u>	<u>\$ 27,176</u>	<u>\$6,803,994</u>	<u>\$514,635</u>

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2020

The City is in compliance with the covenants as to rates, fees, rentals, and charges in Section 704 of the Bond Order, authorizing the issuance of the Water and Sewer Revenue Bonds, Series 2005. Section 704(a) of the Bond Order requires the debt service coverage ratio for Parity Indebtedness to be no less than 120%, including 15% of water and sewer unrestricted net assets as of the last day of the proceeding fiscal year, and no less than 100% for Parity Indebtedness and Subordinated Indebtedness. The debt service coverage ratio calculation for the year ended June 30, 2020, is as follows:

	Revenue Bond Only	All Debt
Operating revenues	\$7,598,164	\$7,598,164
Operating expenses*	<u>4,827,695</u>	<u>4,827,695</u>
Operating income	2,770,469	2,770,469
Nonoperating revenues (expenses)**	148,028	148,028
15% of prior year unrestricted net assets	<u>1,225,534</u>	<u>-</u>
Income available for debt	<u>\$4,144,031</u>	<u>\$2,918,497</u>
Debt service, principal and interest paid	\$1,671,873	\$2,853,573
Debt service coverage	248%	102%

*Per rate covenants, this does not include the depreciation expense of \$1,695,166.

**Per rate covenants, this does not include interest payments of \$175,910.

Per rate covenants, this does not include PILOT (payment in lieu of taxes) paid of \$379,096.

At June 30, 2020, the City of Lincolnton had no bonds authorized but un-issued and a legal debt margin of \$78,337,375.

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$9,479,000 in water and sewer system revenue bonds issued in April 2015. Proceeds from the bonds provided financing for the construction of facilities utilized in the operations of water and sewer. The bonds are payable solely from water and sewer customer net revenues and are payable through 2021. Annual principal and interest payments on the bonds are appropriated when due. The total principal and interest remaining to be paid on the bonds is \$1,674,176. Principal and interest paid for the current year was \$1,671,873.

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements

June 30, 2020

Changes in Long-Term Liabilities

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020	Current Portion of Balance
Governmental activities:					
Compensated absences	\$ 346,451	\$ 253,376	\$ 230,212	\$ 369,615	\$ 230,212
Total pension liability (LEO)	1,014,141	87,661	82,013	1,019,789	-
Total OPEB liability	8,798,896	-	978,280	7,820,616	-
Net pension liability (LGERS)	1,689,053	207,611	-	1,896,664	-
Direct placement installment purchase	<u>779,678</u>	<u>559,000</u>	<u>426,798</u>	<u>911,880</u>	<u>304,322</u>
Governmental activities long-term liabilities	<u>\$12,628,219</u>	<u>\$1,107,648</u>	<u>\$1,717,303</u>	<u>\$12,018,564</u>	<u>\$ 534,534</u>
Business-type activities:					
Water and Sewer Fund:					
Compensated absences	\$ 96,767	\$ 76,800	\$ 61,435	\$ 112,132	\$ 61,435
Total OPEB liability	2,425,809	-	296,192	2,129,617	-
Net pension liability (LGERS)	417,142	105,413	-	522,555	-
Revenue bonds	3,265,000	-	1,618,000	1,647,000	1,647,000
Revolving loans	2,829,000	-	728,000	2,101,000	743,000
Direct placement installment purchase	<u>2,470,015</u>	<u>-</u>	<u>325,902</u>	<u>2,144,113</u>	<u>329,117</u>
Water and Sewer Fund Long-term liabilities	<u>11,503,733</u>	<u>182,213</u>	<u>3,029,529</u>	<u>8,656,417</u>	<u>2,780,552</u>
Electric Fund:					
Compensated absences	29,270	19,885	15,034	34,121	15,034
Total OPEB liability	322,163	12,938	-	335,101	-
Net pension liability (LGERS)	<u>155,595</u>	<u>17,103</u>	<u>-</u>	<u>172,698</u>	<u>-</u>
Electric Fund long-term liabilities	<u>507,028</u>	<u>49,926</u>	<u>15,034</u>	<u>541,920</u>	<u>15,034</u>
Business-type activities long-term liabilities	<u>\$12,010,760</u>	<u>\$ 232,139</u>	<u>\$3,044,563</u>	<u>\$ 9,198,337</u>	<u>\$ 2,795,586</u>

C. Interfund Balances and Activity

Interfund Loan - On June 30, 2019, the General Fund borrowed \$1,000,000 from the Electric Fund to fund a new police building. The terms of the arrangement require the General Fund to repay the Electric Fund over fifteen years with an interest rate of 1.5%. In the Electric Fund, \$74,944 (principal \$60,843 and \$14,101 accrued interest) that will be due within the next year is presented as an advance to the other funds; the remaining \$879,212 is presented as an advance to other funds.

Transfers To/From Other Funds

The composition of transfers as of June 30, 2020 is as follows:

	General Fund	Transfers In Electric Rate Stabilization Fund	Total
Transfer Out			
Water and Sewer Fund	\$379,096	\$ -	\$379,096
Electric Fund	<u>25,975</u>	<u>-</u>	<u>25,975</u>
Total	<u>\$405,071</u>	<u>\$ -</u>	<u>\$405,071</u>

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2020

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, 2020, the government made the following transfers:

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

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

D. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2020, the City of Lincolnton has recognized on-behalf payments for pension contributions made by the State as a revenue and an expenditure of \$8,275 for the 17 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, 2020. 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	\$19,016,581	\$31,377,450
Less: long-term debt	<u>(911,880)</u>	<u>(5,892,113)</u>
	<u><u>\$18,104,701</u></u>	<u><u>\$25,485,337</u></u>

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2020

F. Fund Balance

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

Total fund balance-General Fund	\$6,848,623
Less:	
Inventories	7,955
Prepaid	11,500
Stabilization by State Statute	1,758,308
Streets-Powell Bill	369,558
Police	5
Appropriated Fund Balance in 2020 budget	405,000
Remaining Fund Balance	4,296,297

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

Encumbrances

General Fund
\$-0-

Non-Major Funds
\$-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, 2020 were \$4,505,513.

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 \$2,538 to the Council during the fiscal year ended June 30, 2020.

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2020

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, 2020. 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, 2020. 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 lightening 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, 2020, 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, 2020. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina, 27603.

V. Related Organization

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

VI. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2020

VII. Significant Effects of Subsequent Events

Management has evaluated subsequent events through January 22, 2021, the date on which the financial statements were available to be issued. During the period from the end of the year, and through this date, the following subsequent event occurred that requires recognition or disclosure in these financial statements.

The City will be completing the smart meter project at a cost of \$350,000.

The City will be completing the renovation of a building to relocate the police department at a cost of \$575,000.

The City will be completing the renovation of a building to use for a Visitor's Center and Public restrooms at a cost of \$450,000.

The City will be receiving \$830,366 of CARES funding for Public Safety salaries and benefits that occurred between April and June of 2020.

The City is assuming operations for the Boger City Fire District and will be using the Boger City Fire District tax proceeds to do so.

COVID-19 Pandemic

The spread of the Coronavirus Disease (COVID-19) has been deemed a worldwide pandemic. The COVID-19 pandemic has had significant effects on global economic markets, supply chains, businesses and communities. As a result, domestic and international equity markets have experienced significant fluctuations. The impact on the City of Lincolnton, North Carolina is not reflected in the financial statements for the year ended June 30, 2020, since the full impact of COVID-19 is unknown and cannot be reasonably estimated as of January 22, 2021.

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REQUIRED SUPPLEMENTARY INFORMATION

This section contains additional information required by generally accepted accounting principles

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City of Lincolnton's proportion of the net pension liability (asset)(%)	0.09491%	0.09534%	0.09746%	0.09605%	0.10989%	0.11119%	0.10930%
City of Lincolnton's proportion of the net pension liability (asset)(\$)	\$2,591,918	\$2,261,791	\$1,488,919	\$2,038,503	\$ 493,180	\$ (655,739)	\$1,317,485
City of Lincolnton's covered payroll	\$6,976,386	\$6,673,226	\$6,563,566	\$6,145,468	\$6,170,108	\$6,230,371	\$6,051,103
City of Lincolnton's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	37.15%	33.89%	22.68%	33.17%	7.99%	(10.52%)	21.75%
Plan fiduciary net pension as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%

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

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

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

CITY OF LINCOLNTON, NORTH CAROLINA

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 687,610	\$ 557,523	\$ 516,612	\$ 491,998	\$ 437,201	\$ 440,567	\$ 443,242
Contributions in relation to the contractually required contributions	<u>687,610</u>	<u>557,523</u>	<u>516,612</u>	<u>491,998</u>	<u>437,201</u>	<u>440,567</u>	<u>443,242</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Lincolnton's covered payroll	7,484,813	6,976,386	\$6,673,226	\$6,563,566	\$6,145,468	\$6,170,108	\$6,230,371
Contributions as a percentage of covered payroll	9.19%	7.99%	7.74%	7.50%	7.11%	7.15%	7.11%

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

CITY OF LINCOLNTON, NORTH CAROLINA

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City of Lincolnton's proportionate share of the net pension liability (%)	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
City of Lincolnton's proportionate share of the net pension liability (\$)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with City of Lincolnton	<u>15,717</u>	<u>30,683</u>	<u>22,859</u>	<u>16,133</u>	<u>20,230</u>	<u>11,033</u>
Total	<u>\$ 15,717</u>	<u>\$ 30,683</u>	<u>\$ 22,859</u>	<u>\$ 16,133</u>	<u>\$ 20,230</u>	<u>\$ 11,033</u>
City of Lincolnton's covered payroll	\$1,387,168	\$1,082,484	\$1,061,834	\$936,500	\$744,636	\$824,108
City of Lincolnton's proportionate share of the net pension liability as a percentage of its covered payroll	1.13%	2.83%	2.15%	1.72%	2.72%	1.33%
Plan fiduciary net position as a percentage of the total pension liability	89.69%	89.35%	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 Four Fiscal Years**

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

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

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

CITY OF LINCOLNTON, NORTH CAROLINA

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total Pension liability	\$1,019,789	\$1,014,141	\$ 980,468	\$ 943,092
Covered payroll	1,621,737	1,502,102	1,493,025	1,545,187
Total pension liability as a percentage of covered payroll	62.88%	67.51%	65.67%	61.03%

Notes to the schedule:

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

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

CITY OF LINCOLNTON, NORTH CAROLINA

Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2020

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

Notes to Schedule

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

<u>Fiscal year</u>	<u>Rate</u>
2020	3.50%
2019	3.89%
2018	3.56%

GOVERNMENTAL ACTIVITIES

GENERAL FUND

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

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CITY OF LINCOLNTON, NORTH CAROLINA

**General Fund
Balance Sheets
June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 5,805,328	\$ 5,085,737
Taxes receivable, net	102,222	114,021
Accounts receivable, net	1,437,598	732,627
Due from governmental agencies	320,743	273,775
Inventories	7,955	10,598
Prepaid items	11,500	50,587
Restricted cash	369,291	439,672
Total assets	<u>\$ 8,054,637</u>	<u>\$ 6,707,017</u>
<u>Liabilities</u>		
Accounts payable and other accrued liabilities	\$ 148,460	\$ 374,965
Advance from other funds	954,156	1,015,000
Unearned revenues	-	10
Total liabilities	<u>1,102,616</u>	<u>1,389,975</u>
<u>Deferred Inflows of Resources</u>		
Property taxes receivable	102,222	114,021
Prepaid taxes	1,176	2,680
Total deferred inflows of resources	<u>103,398</u>	<u>116,701</u>
<u>Fund Balances</u>		
Non Spendable:		
Inventories	7,955	10,598
Prepaid expenditures	11,500	50,587
Restricted:		
Stabilization by State statute	1,758,308	1,006,402
Streets	369,558	440,115
Public safety - police	5	5
Assigned:		
Subsequent year's expenditures	405,000	237,000
Unassigned	4,296,297	3,455,634
Total fund balances	<u>6,848,623</u>	<u>5,200,341</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,054,637</u>	<u>\$ 6,707,017</u>

CITY OF LINCOLNTON, NORTH CAROLINA

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General Fund

Schedule of Revenues, Expenditures and Changes

In Fund Balances - Budget and Actual

For the Fiscal Year Ended June 30, 2020

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)

	2020		Variance Positive (Negative)	2019 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues:				
Ad valorem taxes:				
Current year	\$ 5,213,000	\$ 5,340,040	\$ 127,040	\$ 4,784,213
Prior years	80,000	69,654	(10,346)	67,479
Interest and penalties	25,000	23,560	(1,440)	27,736
Total	<u>5,318,000</u>	<u>5,433,254</u>	<u>115,254</u>	<u>4,879,428</u>
 Other taxes and licenses:				
Other taxes	<u>176,000</u>	<u>208,777</u>	<u>32,777</u>	<u>207,745</u>
 Unrestricted intergovernmental revenues:				
Local option sales tax	2,860,000	3,520,805	660,805	3,357,639
Payment in lieu of taxes	22,470	35,233	12,763	28,669
Utility franchise tax	855,000	863,965	8,965	897,284
Beer and wine tax	44,000	45,441	1,441	45,706
ABC profit distribution	80,000	80,593	593	124,228
Other	125,000	131,860	6,860	130,758
Total	<u>3,986,470</u>	<u>4,677,897</u>	<u>691,427</u>	<u>4,584,284</u>
 Restricted intergovernmental revenues:				
Powell Bill street aid allocation	304,000	301,283	(2,717)	304,284
Powell Bill investment earnings	4,000	6,987	2,987	13,323
Other Powell Bill receipts	-	1,361	1,361	461
Controlled substance tax	4,500	12,866	8,366	5,382
ABC revenue for law enforcement	30,000	40,000	10,000	40,000
CARES funds	-	830,367	830,367	-
On-behalf of payments-Fire and Rescue	5,200	8,275	3,075	8,726
Federal, state and local grants	675,000	127,496	(547,504)	737,473
Total	<u>1,022,700</u>	<u>1,328,635</u>	<u>305,935</u>	<u>1,109,649</u>
				cont.

CITY OF LINCOLNTON, NORTH CAROLINA

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**General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)**

	2020		Variance Positive (Negative)	2019 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues (continued):				
Permits and fees:				
Zoning fees	\$ 10,000	\$ 8,560	\$ (1,440)	\$ 8,000
Online convenience fees	25,000	27,434	2,434	33,341
Other fees	<u>3,500</u>	<u>9,642</u>	<u>6,142</u>	<u>4,445</u>
Total	<u>38,500</u>	<u>45,636</u>	<u>7,136</u>	<u>45,786</u>
 Sales and services:				
Cemetery lot sales	20,000	39,700	19,700	49,377
Recreation fees and concessions	119,800	90,281	(29,519)	127,134
Other	<u>3,000</u>	<u>3,353</u>	<u>353</u>	<u>3,247</u>
Total	<u>142,800</u>	<u>133,334</u>	<u>(9,466)</u>	<u>179,758</u>
 Investment earnings	<u>30,000</u>	<u>90,267</u>	<u>60,267</u>	<u>95,717</u>
 Miscellaneous:				
Sale of property	12,500	3,287	(9,213)	13,434
Small business emergency loan receipts	-	10,625	10,625	15,000
Other	<u>49,434</u>	<u>178,145</u>	<u>128,711</u>	<u>46,966</u>
Total	<u>61,934</u>	<u>192,057</u>	<u>130,123</u>	<u>75,400</u>
 Total revenues	<u>10,776,404</u>	<u>12,109,855</u>	<u>1,333,453</u>	<u>11,177,767</u>

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CITY OF LINCOLNTON, NORTH CAROLINA

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**General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)**

	2020		Variance Positive (Negative)	2019 Actual
	<u>Budget</u>	<u>Actual</u>		
Expenditures:				
General government:				
Governing body				
Salaries and employee benefits	\$ 75,700	\$ 70,022	\$ 5,678	\$ 106,606
Other operating expenditures	1,056,920	974,316	82,604	755,937
Tax collection fees	173,500	174,960	(1,460)	157,867
Capital outlay	-	140,000	(140,000)	-
Interdepartmental charges	(218,960)	(218,960)	-	(185,080)
	<u>1,087,160</u>	<u>1,140,338</u>	<u>(53,178)</u>	<u>835,330</u>
Administrative				
Salaries and employee benefits	599,250	566,815	32,435	600,831
Other operating expenditures	71,175	52,398	18,777	71,554
Capital outlay	3,000	-	3,000	-
Interdepartmental charges	(188,210)	(195,100)	6,890	(159,980)
	<u>485,215</u>	<u>424,113</u>	<u>61,102</u>	<u>512,405</u>
Finance				
Salaries and employee benefits	516,400	496,325	20,075	515,795
Other operating expenditures	86,270	55,955	30,315	141,033
Capital outlay	2,300	-	2,300	9,055
Interdepartmental charges	(475,340)	(475,340)	-	(406,060)
	<u>129,630</u>	<u>76,940</u>	<u>52,690</u>	<u>259,823</u>
Total general government	<u>1,702,005</u>	<u>1,641,391</u>	<u>60,614</u>	<u>1,607,558</u>
Public safety:				
Police				
Salaries and employee benefits	2,910,700	2,882,934	27,766	2,827,743
Other operating expenditures	285,420	256,611	28,809	293,972
Capital outlay	26,900	14,785	12,115	84,047
	<u>3,223,020</u>	<u>3,154,330</u>	<u>68,690</u>	<u>3,205,762</u>
				cont.

CITY OF LINCOLNTON, NORTH CAROLINA

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General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)

	2020		Variance Positive (Negative)	2019 Actual
	Budget	Actual		
Expenditures (continued):				
Fire				
Salaries and employee benefits	\$ 2,077,700	\$ 2,046,744	\$ 30,956	\$ 1,859,452
Other operating expenditures	245,450	236,742	8,708	226,676
Capital outlay	41,550	22,666	18,884	242,214
	<u>2,364,700</u>	<u>2,306,152</u>	<u>58,548</u>	<u>2,328,342</u>
Total public safety	<u>5,587,720</u>	<u>5,460,482</u>	<u>127,238</u>	<u>5,534,104</u>
Public works:				
General and administrative				
Salaries and employee benefits	172,500	164,013	8,487	71,262
Operating expenditures	42,190	25,616	16,574	50,728
Interdepartmental charges	(171,680)	(171,680)	-	(146,800)
	<u>43,010</u>	<u>17,949</u>	<u>25,061</u>	<u>(24,810)</u>
Street maintenance				
Salaries and employee benefits	518,150	524,933	(6,783)	575,625
Operating expenditures	619,235	97,991	521,244	171,844
Capital outlay	248,500	248,256	244	56,251
Interdepartmental charges	(176,660)	(176,660)	-	(151,060)
	<u>1,209,225</u>	<u>694,520</u>	<u>514,705</u>	<u>652,660</u>
Powell Bill assistance				
Operating expenditures	323,500	190,556	132,944	430,152
Capital outlay	181,900	150,050	31,850	124,000
	<u>505,400</u>	<u>340,606</u>	<u>164,794</u>	<u>554,152</u>
Fleet maintenance				
Salaries and employee benefits	153,025	151,393	1,632	134,515
Operating expenditures	19,525	15,266	4,259	24,340
Interdepartmental charges	(49,580)	(49,580)	-	(40,180)
	<u>122,970</u>	<u>117,079</u>	<u>5,891</u>	<u>118,675</u>
Airport operation	<u>16,000</u>	<u>15,600</u>	<u>400</u>	<u>1,200</u>
Total public works	<u>1,896,605</u>	<u>1,185,754</u>	<u>710,851</u>	<u>1,301,877</u>

cont.

General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)

	2020		Variance	2019
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u>	<u>Actual</u>
			<u>(Negative)</u>	
Expenditures (continued):				
Economic and physical development:				
Business and community development				
Salaries and employee benefits	\$ 2,650	\$ 2,556	\$ 94	\$ -
Small business emergency loans	300,000	199,000	101,000	-
Operating expenditures	<u>120,550</u>	<u>82,499</u>	<u>38,051</u>	<u>120,470</u>
	<u>423,200</u>	<u>284,055</u>	<u>139,145</u>	<u>120,470</u>
Planning and zoning				
Salaries and employee benefits	222,900	209,599	13,301	229,327
Operating expenditures	347,200	137,360	209,840	145,701
Interdepartmental charges	<u>(12,680)</u>	<u>(12,680)</u>	<u>-</u>	<u>(10,840)</u>
	<u>557,420</u>	<u>334,279</u>	<u>223,141</u>	<u>364,188</u>
Total economic and physical development	<u>980,620</u>	<u>618,334</u>	<u>362,286</u>	<u>484,658</u>
Environmental protection:				
Solid waste				
Salaries and employee benefits	733,600	727,485	6,115	392,196
Operating expenditures	<u>175,255</u>	<u>158,769</u>	<u>16,486</u>	<u>201,007</u>
	<u>908,855</u>	<u>886,254</u>	<u>22,601</u>	<u>593,203</u>
Total environmental protection	<u>908,855</u>	<u>886,254</u>	<u>22,601</u>	<u>593,203</u>
Cultural and recreational:				
Salaries and employee benefits	700,700	687,401	13,299	665,519
Operating expenditures	215,963	213,633	2,330	230,012
Capital outlay	<u>331,000</u>	<u>266,236</u>	<u>64,764</u>	<u>363,264</u>
Total cultural and recreational	<u>1,247,663</u>	<u>1,167,270</u>	<u>80,393</u>	<u>1,258,795</u>

cont.

General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)

	2020		Variance	2019
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u>	<u>Actual</u>
			<u>(Negative)</u>	
Expenditures (continued):				
Debt service:				
Principal retirement	\$ 427,105	\$ 426,797	\$ 308	\$ 357,078
Interest and other charges	43,127	36,719	6,408	37,410
Total debt service	<u>470,232</u>	<u>463,516</u>	<u>6,716</u>	<u>394,488</u>
 Total expenditures	 <u>12,793,700</u>	 <u>11,423,000</u>	 <u>1,370,699</u>	 <u>11,174,683</u>
 Revenues over (under) expenditures	 <u>(2,017,296)</u>	 <u>686,855</u>	 <u>2,704,152</u>	 <u>3,084</u>
 Other Financing Sources (Uses):				
Issuance of debt	550,000	559,000	9,000	-
Appropriated fund balance	1,062,000	-	(1,062,000)	-
Transfers (to) from other funds				
Water and Sewer Fund	379,096	379,096	-	379,096
Electric Fund	<u>26,200</u>	<u>25,975</u>	<u>(225)</u>	<u>25,975</u>
Total other financing sources (uses)	<u>2,017,296</u>	<u>964,071</u>	<u>(1,053,225)</u>	<u>405,071</u>
 Revenues and other financing sources over (under) expenditures and other financing uses and extraordinary item	 <u>\$ -</u>	 <u>1,650,926</u>	 <u>\$ 1,650,926</u>	 <u>408,155</u>
 Fund balances, July 1		5,200,341		4,795,984
Increase (decrease) in reserve for inventory		<u>(2,644)</u>		<u>(3,798)</u>
 Fund balances, June 30		<u>\$ 6,848,623</u>		<u>\$ 5,200,341</u>

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GOVERNMENTAL ACTIVITIES COMPONENT UNIT

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

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CITY OF LINCOLNTON, NORTH CAROLINA

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

Budget and Actual

For the Year Ended June 30, 2020

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)

	2020		Variance	2019
	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>	<u>Actual</u>
Revenues:				
Unrestricted intergovernmental:				
Local occupancy tax	\$ 118,000	\$ 106,648	\$ (11,352)	\$ 136,798
Investment earnings	2,000	5,158	3,158	5,192
Total revenues	<u>120,000</u>	<u>111,806</u>	<u>(8,194)</u>	<u>141,990</u>
Expenditures:				
Supplies	500	-	500	-
Advertising	68,854	48,455	20,399	17,690
Training	4,000	377	3,623	325
Other operating expenditures	46,646	6,150	40,496	70,166
Capital outlay	-	-	-	15,811
Total expenditures	<u>120,000</u>	<u>54,982</u>	<u>65,018</u>	<u>103,992</u>
Revenues over (under) expenditures	-	56,824	56,824	37,998
Other Financing Sources (Uses):				
Appropriated fund balance	-	-	-	-
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>56,824</u>	<u>\$ 56,824</u>	<u>37,998</u>
Reconciliation From Budgetary Basis (Modified Accrual)				
To Full Accrual:				
Depreciation expense		(2,862)		(2,862)
Cost of expenditures that were capitalized		-		15,811
Revenues over (under) expenditures		53,962		50,947
Fund balance, July 1		<u>440,785</u>		<u>389,838</u>
Fund balance, June 30		<u>\$ 494,747</u>		<u>\$ 440,785</u>

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BUSINESS - TYPE ACTIVITIES

ENTERPRISE FUNDS

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

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

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

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

CITY OF LINCOLNTON, NORTH CAROLINA

Statements of Net Position Water and Sewer Fund June 30, 2020 and 2019

<u>Assets</u>	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents	\$ 7,905,864	\$ 10,216,824
Accounts receivable	696,240	736,825
Inventories	75,533	72,379
Prepaid expenses	-	20,454
Total current assets	<u>8,677,637</u>	<u>11,046,482</u>
Noncurrent assets:		
Restricted cash and cash equivalents	121,988	115,839
Capital assets, net of accumulated depreciation	<u>27,762,692</u>	<u>27,415,237</u>
Total assets	<u>36,562,317</u>	<u>38,577,558</u>
<u>Deferred Outflows of Resources</u>		
Pension deferrals	339,975	344,025
OPEB deferrals	<u>55,687</u>	<u>19,041</u>
Total deferred outflows of resources	<u>395,662</u>	<u>363,066</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable and accrued liabilities	78,088	150,346
Customer deposits - restricted	121,988	115,839
Bonds payable - current	1,647,000	1,618,000
Loans payable - current	1,072,117	1,049,785
Accrued compensated absences	<u>61,435</u>	<u>61,111</u>
Total current liabilities	<u>2,980,628</u>	<u>2,995,081</u>
Noncurrent liabilities:		
Bonds payable	-	1,647,000
Loans payable	3,172,996	4,249,230
Total OPEB liability	2,129,617	2,425,809
Accrued compensated absences	50,696	35,656
Net pension liability	<u>522,556</u>	<u>417,142</u>
Total noncurrent liabilities	<u>5,875,865</u>	<u>8,774,837</u>
Total liabilities	<u>8,856,493</u>	<u>11,769,918</u>
<u>Deferred Inflows of Resources</u>		
Pension deferrals	2,701	8,135
OPEB deferrals	<u>409,010</u>	<u>141,123</u>
Total deferred inflows of resources	<u>411,711</u>	<u>149,258</u>
<u>Net Position</u>		
Net investment in capital assets	21,870,579	18,851,222
Unrestricted	<u>5,819,195</u>	<u>8,170,227</u>
Total net position	<u>\$ 27,689,774</u>	<u>\$ 27,021,449</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues:		
Water charges	\$ 3,260,917	\$ 3,260,078
Sewer charges	4,138,154	4,202,589
Water and sewer taps	44,327	69,201
Other operating revenues	<u>154,766</u>	<u>128,630</u>
Total operating revenues	<u>7,598,164</u>	<u>7,660,498</u>
Operating Expenses:		
Water treatment plant	1,338,354	1,248,376
Water and sewer distribution maintenance	1,178,965	1,207,320
Waste treatment plant	1,610,376	1,382,333
Administrattion	700,000	500,000
Depreciation	<u>1,695,166</u>	<u>1,657,257</u>
Total operating expenses	<u>6,522,861</u>	<u>5,995,286</u>
Operating income (loss)	<u>1,075,303</u>	<u>1,665,212</u>
Nonoperating Revenues (Expenses):		
Investment earnings	148,028	176,636
Gain (loss) on disposition of capital assets	-	13,641
Interest on long-term debt	<u>(175,910)</u>	<u>(158,795)</u>
Total nonoperating revenues (expenses)	<u>(27,882)</u>	<u>31,482</u>
Income (loss) before transfers and capital contributions	1,047,421	1,696,694
Transfer to General Fund-payment in lieu of taxes	(379,096)	(379,096)
Capital contributions	<u>-</u>	<u>-</u>
Change in net position	<u>\$ 668,325</u>	<u>\$ 1,317,598</u>
Total net position -beginning	\$27,021,449	\$25,703,851
Change in net position	<u>668,325</u>	<u>1,317,598</u>
Total net position - ending	<u>\$27,689,774</u>	<u>\$27,021,449</u>

CITY OF LINCOLNTON, NORTH CAROLINA

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

Water and Sewer Fund

For the Year Ended June 30, 2020

(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020		Variance	2019
	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>	<u>Actual</u>
Revenues:				
Operating revenues:				
Water charges	\$ 3,060,000	\$ 3,260,917	\$ 200,917	\$ 3,260,078
Sewer charges	3,800,000	4,138,154	338,154	4,202,589
Water and sewer taps	27,000	44,327	17,327	69,201
Other	201,949	154,766	(47,183)	128,630
Total operating revenues	<u>7,088,949</u>	<u>7,598,164</u>	<u>509,215</u>	<u>7,660,498</u>
Nonoperating revenues:				
Investment earnings	55,000	148,028	93,028	176,636
Proceeds on disposal	-	-	-	-
Total nonoperating revenues	<u>55,000</u>	<u>148,028</u>	<u>93,028</u>	<u>176,636</u>
Total revenues	<u>7,143,949</u>	<u>7,746,192</u>	<u>602,243</u>	<u>7,837,134</u>
Expenditures:				
Operating expenditures:				
Water treatment plant				
Salaries and employee benefits	778,700	741,203	37,497	661,682
Chemicals	115,100	110,956	4,144	108,990
Electricity	224,200	214,697	9,503	265,374
Water service contract	128,100	118,905	9,195	113,271
Repairs and maintenance	87,300	65,730	21,570	40,997
Other operating expenditures	122,450	78,124	44,326	70,794
	<u>1,455,850</u>	<u>1,329,615</u>	<u>126,235</u>	<u>1,261,108</u>
Water and sewer distribution maintenance				
Salaries and employee benefits	792,200	742,854	49,346	656,917
Supplies	182,000	154,270	27,730	203,237
Repairs and maintenance	150,500	120,252	30,248	172,038
Other operating expenditures	162,450	140,868	21,582	177,009
	<u>1,287,150</u>	<u>1,158,244</u>	<u>128,906</u>	<u>1,209,201</u>
Waste treatment plant				
Salaries and employee benefits	703,600	669,762	33,838	591,614
Sludge removal	230,000	224,631	5,369	167,071
Electricity	230,500	220,000	10,500	278,000
Repairs and maintenance	101,000	93,497	7,503	86,014
Other operating expenditures	446,200	380,656	65,544	260,050
	<u>1,711,300</u>	<u>1,588,546</u>	<u>122,754</u>	<u>1,382,749</u>
Administration	<u>700,000</u>	<u>700,000</u>	<u>-</u>	<u>500,000</u>

cont.

CITY OF LINCOLNTON, NORTH CAROLINA

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

Water and Sewer Fund

For the Year Ended June 30, 2020

(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020		Variance Positive (Negative)	2019 Actual
	<u>Budget</u>	<u>Actual</u>		
Total operating expenditures	\$ 5,154,300	\$ 4,776,405	\$ 377,895	\$ 4,353,058
Debt service:				
Principal retirement	2,668,000	2,671,902	(3,902)	2,310,000
Interest and fees	190,953	184,172	6,781	155,067
Total debt service	<u>2,858,953</u>	<u>2,856,074</u>	<u>2,879</u>	<u>2,465,067</u>
Capital outlay:				
Water treatment plant	41,000	15,369	25,631	96,014
Water and sewer distribution maintenance	2,365,010	2,003,551	361,459	1,036,878
Waste water treatment plant	73,600	23,700	49,900	34,718
Total capital outlay	<u>2,479,610</u>	<u>2,042,620</u>	<u>436,990</u>	<u>1,167,610</u>
Total expenditures	<u>10,492,863</u>	<u>9,675,099</u>	<u>817,764</u>	<u>7,985,735</u>
Revenues over (under) expenditures	<u>(3,348,914)</u>	<u>(1,928,907)</u>	<u>1,420,007</u>	<u>(148,601)</u>
Other Financing Sources (Uses):				
Appropriated fund balance	3,725,010	-	(3,725,010)	-
Transfer-General Fund-payment in lieu of taxes	(379,096)	(379,096)	-	(379,096)
Gain (loss) on disposition of capital assets	3,000	-	(3,000)	13,641
Proceeds from debt refunding	-	-	-	-
Proceeds from borrowing	-	-	-	2,470,015
Total other financing sources	<u>3,348,914</u>	<u>(379,096)</u>	<u>(3,728,010)</u>	<u>2,104,560</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>(2,308,003)</u>	<u>\$ (2,308,003)</u>	<u>1,955,959</u>
Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual:				
Increase (decrease) in inventory		3,154		9,199
(Increase) decrease in accrued vacation pay		(15,364)		1,978
Increase (decrease) in deferred outflows of resources - pensions		(4,050)		108,474
(Increase) decrease in net pension liability		(105,414)		(129,853)
(Increase) decrease in deferred infows of resources - pensions		5,434		10,061
Increase (decrease) in deferred outflows of resources - OPEB		36,646		13,772
(Increase) decrease in OPEB liability		296,192		40,972
(Increase) decrease in deferred infows of resources - OPEB		(267,887)		(39,575)
Cost of expenditures that were capitalized		2,042,620		1,167,610
Payment of debt principal		2,671,902		2,310,000
Proceeds from borrowing		-		(2,470,015)
(Increase) decrease in accrued interest		8,261		(3,727)
Transfers		-		-
Depreciation		<u>(1,695,166)</u>		<u>(1,657,257)</u>
Change in net position		<u>\$ 668,325</u>		<u>\$ 1,317,598</u>

CITY OF LINCOLNTON, NORTH CAROLINA

Statements of Cash Flows

Water and Sewer Fund

For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities:		
Cash received from customers and users	\$ 7,638,749	\$ 7,474,359
Customer deposits received	6,149	9,630
Cash paid for goods and services	(2,666,130)	(2,453,573)
Cash paid to or on behalf of employees for services	(2,153,819)	(1,916,041)
Net cash provided (used) by operating activities	<u>2,824,949</u>	<u>3,114,375</u>
Cash Flows From Non-Capital Financing Activities:		
Transfers - in (out)	<u>(379,096)</u>	<u>(379,096)</u>
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(2,042,620)	(577,823)
Proceeds from sale of capital assets	-	14,411
Proceeds from borrowing	-	1,880,229
Principal paid on long-term debt	(2,671,902)	(2,310,000)
Interest paid on long-term debt	(184,171)	(155,067)
Net cash provided (used) by capital and related financing activities	<u>(4,898,693)</u>	<u>(1,148,250)</u>
Cash Flows From Investing Activities:		
Investment earnings	<u>148,028</u>	<u>176,636</u>
Net cash provided (used) by investing activities	<u>148,028</u>	<u>176,636</u>
Net increase (decrease) in cash and cash equivalents	(2,304,812)	1,763,665
Cash and cash equivalents at beginning of year	10,332,663	8,568,998
Cash and cash equivalents at end of year	<u>\$ 8,027,851</u>	<u>\$ 10,332,663</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided		
(Used) by Operating Activities:		
Operating income (loss)	\$ 1,075,303	\$ 1,665,213
Adjustments to reconcile operating income (loss) to net cash provided		
(used) by operating activities:		
Depreciation	1,695,166	1,657,257
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	40,585	(186,140)
(Increase) decrease in inventory	(3,154)	(9,199)
(Increase) decrease in prepaid expense	20,455	(8,496)
Increase (decrease) in accounts payable and other accrued liabilities	(63,997)	(8,062)
Increase (decrease) in accrued vacation pay	15,364	(1,977)
Increase (decrease) in OPEB liability	(296,192)	(40,972)
(Increase) decrease in deferred outflows of resources-OPEB	(36,646)	(13,772)
Increase (decrease) in deferred inflows of resources-OPEB	267,887	39,575
(Increase) decrease in deferred outflows of resources-pensions	4,050	(108,474)
Increase (decrease) in net pension liability	105,414	129,853
Increase (decrease) in deferred inflows of resources-pensions	(5,434)	(10,061)
Increase (decrease) in customer deposits	6,148	9,630
Net cash provided (used) by operating activities	<u>\$ 2,824,949</u>	<u>\$ 3,114,375</u>
Supplemental Schedule of Non Cash Financing Activities:		
Purchase of fixed assets with the issuance of debt	<u>\$ -</u>	<u>\$ 589,786</u>

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CITY OF LINCOLNTON, NORTH CAROLINA

**Statements of Net Position
Electric Fund
June 30, 2020 and 2019**

<u>Assets</u>	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents	\$ 2,853,785	\$ 3,470,078
Accounts receivable	575,490	664,046
Advance to other funds	60,844	74,944
Inventories	58,219	26,919
Prepaid expenses	25,000	40,375
Total current assets	3,573,338	4,276,362
Noncurrent assets:		
Restricted cash and cash equivalents	286,424	273,655
Advance to other funds	893,312	940,056
Capital assets, net of accumulated depreciation	3,614,758	1,790,665
Total assets	8,367,832	7,280,738
<u>Deferred Outflows of Resources</u>		
Pension deferrals	112,358	128,323
OPEB deferrals	8,763	2,529
Total deferred outflows of resources	121,121	130,852
<u>Liabilities</u>		
Current liabilities:		
Accounts payable and accrued liabilities	610,058	730,856
Customer deposits - restricted	286,424	273,655
Accrued compensated absences	15,034	13,263
Total current liabilities	911,516	1,017,774
Noncurrent liabilities:		
Total OPEB liability	335,101	322,163
Accrued compensated absences	19,086	16,007
Net pension liability	172,699	155,596
Total noncurrent liabilities	526,886	493,766
Total liabilities	1,438,402	1,511,540
<u>Deferred Inflows of Resources</u>		
Pension deferrals	893	3,034
OPEB deferrals	64,359	18,742
Total deferred inflows of resources	65,252	21,776
<u>Net Position</u>		
Net investment in capital assets	3,614,758	1,790,665
Unrestricted	3,370,542	4,087,609
Total net position	\$ 6,985,300	\$ 5,878,274

CITY OF LINCOLNTON, NORTH CAROLINA**Statements of Revenues, Expenses and Changes in Net Position**
Electric Fund
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues:		
Electric sales	\$ 6,489,145	\$ 7,008,624
Electricity - municipal operations	515,000	681,544
Other operating revenues	<u>834,549</u>	<u>472,779</u>
Total operating revenues	<u>7,838,694</u>	<u>8,162,947</u>
Operating Expenses:		
Electrical operations	1,505,336	1,360,872
Electrical power purchases	4,505,513	5,288,257
Administrative	600,000	600,000
Depreciation	<u>162,528</u>	<u>154,209</u>
Total operating expenses	<u>6,773,377</u>	<u>7,403,338</u>
Operating income (loss)	<u>1,065,317</u>	<u>759,609</u>
Nonoperating Revenues (Expenses);		
Investment earnings	<u>67,684</u>	<u>78,981</u>
Total nonoperating revenues (expenses)	<u>67,684</u>	<u>78,981</u>
Income (loss) before transfers	1,133,001	838,590
Transfer to the General Fund-payment in lieu of taxes	<u>(25,975)</u>	<u>(25,975)</u>
Change in net position	<u>\$ 1,107,026</u>	<u>\$ 812,615</u>
Total net position - beginning	\$ 5,878,274	\$ 5,065,659
Change in net position	<u>1,107,026</u>	<u>812,615</u>
Total net position - ending	<u>\$ 6,985,300</u>	<u>\$ 5,878,274</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, 2020

(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020		Variance Positive (Negative)	2019 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues:				
Operating revenues:				
Electricity sales	\$ 6,497,000	\$ 6,489,145	\$ (7,855)	\$ 7,008,624
Electricity - municipal operations	700,000	515,000	(185,000)	681,544
Other operating revenues	<u>725,102</u>	<u>834,549</u>	<u>109,447</u>	<u>472,779</u>
Total operating revenues	7,922,102	7,838,694	(83,408)	8,162,947
Nonoperating revenues:				
Investment earnings	<u>15,000</u>	<u>67,684</u>	<u>52,684</u>	<u>78,981</u>
Total revenues	<u>7,937,102</u>	<u>7,906,378</u>	<u>(30,724)</u>	<u>8,241,928</u>
Expenditures:				
Salaries and employee benefits	763,400	730,559	32,841	671,174
Electrical power purchases	4,718,021	4,505,513	212,508	5,288,257
Administrative	600,000	600,000	-	600,000
Repairs and maintenance	257,300	232,314	24,986	134,924
Other operating expenditures	548,406	485,665	62,741	516,249
Capital outlay	<u>3,354,000</u>	<u>1,986,621</u>	<u>1,367,379</u>	<u>547,345</u>
Total operating expenditures	<u>10,241,127</u>	<u>8,540,672</u>	<u>1,700,455</u>	<u>7,757,949</u>
Revenues over (under) expenditures	<u>(2,304,025)</u>	<u>(634,294)</u>	<u>1,669,731</u>	<u>483,979</u>
Other Financing Sources (Uses):				
Appropriated fund balance	2,330,000	-	(2,330,000)	-
Proceeds from borrowing	-	-	-	-
Loan to General Fund	-	-	-	-
Transfers from (to):				
General Fund-payment in lieu of taxes	(25,975)	(25,975)	-	(25,975)
Rate Stabilization Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>2,304,025</u>	<u>(25,975)</u>	<u>(2,330,000)</u>	<u>(25,975)</u>
				cont.

CITY OF LINCOLNTON, NORTH CAROLINA

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

Electric Fund

For the Year Ended June 30, 2020

(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020		Variance Positive (Negative)	2019 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues and other sources over (under) expenditures and other uses	\$ <u>-</u>	\$ (660,269)	\$ <u>(660,269)</u>	\$ 458,004
Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual:				
Transfer to Rate Stabilization Fund		-		-
Proceeds from General Fund		-		-
Increase (decrease) in inventory		31,300		(9,549)
(Increase) decrease in accrued vacation pay		(4,850)		3,946
Increase (decrease) in deferred outflows of resources - pensions		(15,965)		65,603
(Increase) decrease in net pension liability		(17,103)		(79,100)
(Increase) decrease in deferred inflows of resources - pensions		2,141		1,811
(Increase) decrease in OPEB liability		(12,938)		(16,936)
(Increase) decrease in deferred outflows of resources - OPEB		6,234		1,877
Increase (decrease) in deferred inflows of resources - OPEB		(45,617)		(6,177)
Cost of expenditures that were capitalized		1,986,621		547,345
Depreciation		<u>(162,528)</u>		<u>(154,209)</u>
Changes in net position		\$ <u>1,107,026</u>		\$ <u>812,615</u>

CITY OF LINCOLNTON, NORTH CAROLINA

Statements of Cash Flows

Electric Fund

For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities:		
Cash received from customers and users	\$ 7,942,250	\$ 8,200,245
Customer deposits received	12,769	6,930
Cash paid for goods and services	(6,017,013)	(6,539,451)
Cash paid to or on behalf of employees for services	(642,461)	(642,198)
Net cash provided (used) by operating activities	<u>1,295,545</u>	<u>1,025,526</u>
 Cash Flows From Non-Capital Financing Activities:		
Repayment from other fund	45,844	-
Advance to other funds	-	-
Transfers - in (out)	(25,975)	(25,975)
Net cash provided (used) by non-capital financing activities	<u>19,869</u>	<u>(25,975)</u>
 Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(1,986,621)	(547,345)
Proceeds from sale of capital assets	-	-
Net cash provided (used) by capital and related financing activities	<u>(1,986,621)</u>	<u>(547,345)</u>
 Cash Flows From Investing Activities:		
Investment earnings	67,684	78,981
Net cash provided (used) by investing activities	<u>67,684</u>	<u>78,981</u>
 Net increase (decrease) in cash and cash equivalents	(603,523)	531,187
Cash and cash equivalents at beginning of year	3,743,733	3,212,546
Cash and cash equivalents at end of year	<u>\$ 3,140,210</u>	<u>\$ 3,743,733</u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided		
(Used) by Operating Activities:		
Operating income (loss)	\$ 1,065,317	\$ 759,608
Adjustments to reconcile operating income (loss) to net cash provided		
(used) by operating activities:		
Depreciation	162,528	154,209
Changes in assets, deferred outflows of resources and liabilities:		
(Increase) decrease in accounts receivable	103,556	37,298
(Increase) decrease in inventory	(31,300)	9,549
(Increase) decrease in prepaid expense	15,375	(2,488)
Increase (decrease) in accounts payable and other accrued liabilities	(120,798)	31,444
Increase (decrease) in accrued vacation pay	4,850	(3,946)
Increase (decrease) in OPEB liability	12,938	16,936
(Increase) decrease in deferred outflows of resources-OPEB	(6,234)	(1,877)
(Increase) decrease in deferred outflows of resources-pensions	15,965	(65,603)
Increase (decrease) net pension liability	17,103	79,100
Increase (decrease) in deferred inflows of resources-pensions	(2,141)	(1,811)
Increase (decrease) in deferred inflows of resources-OPEB	45,617	6,177
Increase (decrease) in customer deposits	12,769	6,930
Net cash provided (used) by operating activities	<u>\$ 1,295,545</u>	<u>\$ 1,025,526</u>

CITY OF LINCOLNTON, NORTH CAROLINA

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

Electric Rate Stabilization Fund

From Inception and for the Year Ended June 30, 2020

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

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OTHER SCHEDULES

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

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

CITY OF LINCOLNTON, NORTH CAROLINA

Schedule of Ad Valorem Taxes Receivable

June 30, 2020

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2019 - 2020	\$ -	\$ 5,483,656	\$ 5,395,076	\$ 88,580
2018 - 2019	80,015	-	46,278	33,737
2017 - 2018	40,552	-	25,089	15,463
2016 - 2017	13,076	-	1,872	11,204
2015 - 2016	9,380	-	1,881	7,499
2014 - 2015	8,684	-	975	7,709
2013 - 2014	22,386	-	1,520	20,866
2012 - 2013	16,519	-	1,689	14,830
2011 - 2012	15,385	-	1,606	13,779
2010 - 2011	12,461	-	906	11,555
2009 - 2010	11,563	-	11,564	-
Total	<u>\$ 230,021</u>	<u>\$ 5,483,656</u>	<u>\$ 5,488,456</u>	225,222
Less allowance for uncollectibles				<u>(123,000)</u>
Balance				<u>\$ 102,222</u>
Reconcilement With Revenue:				
Taxes - Ad valorem - General Fund				\$ 5,433,254
Adjustments, releases and discounts				67,898
Taxes written off				10,864
Interest collected				<u>(23,560)</u>
Total collections and credits				<u>\$ 5,488,456</u>

CITY OF LINCOLNTON, NORTH CAROLINA

Analysis of Current Tax Levy June 30, 2020

				Total Levy	
				Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	City Wide Rate	Total Levy		
Original levy:					
Property taxes at current year's rate	\$ 895,329,286	0.56	\$ 5,013,844	\$ 5,013,844	\$ -
Motor vehicles taxed at current year rate	<u>82,512,857</u>	0.56	<u>462,072</u>	<u>-</u>	<u>462,072</u>
Total	<u>977,842,143</u>		<u>5,475,916</u>	<u>5,013,844</u>	<u>462,072</u>
Discoveries:					
Current year taxes	1,536,536		8,756	6,400	2,356
Adjustments	<u>(161,487)</u>		<u>(1,016)</u>	<u>(785)</u>	<u>(231)</u>
Total	<u>1,375,049</u>		<u>7,740</u>	<u>5,615</u>	<u>2,125</u>
Total property valuation	<u><u>\$ 979,217,192</u></u>				
Net levy			5,483,656	5,019,459	464,197
Less uncollected taxes at June 30, 2020			<u>(88,580)</u>	<u>(88,580)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 5,395,076</u>	<u>\$ 4,930,879</u>	<u>\$ 464,197</u>
Current levy collection percentage			<u>98.38</u>	<u>98.24</u>	<u>100.00</u>

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STATISTICAL SECTION

(Unaudited)

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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CITY OF LINCOLNTON, NORTH CAROLINA

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Governmental Activities:										
Net investment in capital assets	\$ 20,210,351	\$ 19,493,069	\$ 19,313,526	\$ 18,914,071	\$ 18,225,559	\$ 17,845,361	\$ 17,836,400	\$ 18,078,633	\$ 18,180,889	\$ 18,104,701
Restricted	1,864,473	1,912,469	1,876,915	1,903,248	1,490,531	1,592,074	1,522,318	1,721,261	1,446,522	2,127,871
Unrestricted	<u>2,897,027</u>	<u>2,329,895</u>	<u>1,656,570</u>	<u>1,213,155</u>	<u>748,673</u>	<u>857,731</u>	<u>133,971</u>	<u>(7,372,812)</u>	<u>(6,908,253)</u>	<u>(6,051,578)</u>
Total governmental activities										
net position	<u>\$ 24,971,852</u>	<u>\$ 23,735,434</u>	<u>\$ 22,847,010</u>	<u>\$ 22,030,474</u>	<u>\$ 20,464,763</u>	<u>\$ 20,295,166</u>	<u>\$ 19,492,689</u>	<u>\$ 12,427,082</u>	<u>\$ 12,719,158</u>	<u>\$ 14,180,994</u>
Business-type Activities:										
Net investment in capital assets	\$ 15,584,724	\$ 15,270,921	\$ 15,251,603	\$ 17,188,580	\$ 17,189,653	\$ 18,312,253	\$ 19,838,664	\$ 20,899,184	\$ 20,641,887	\$ 25,485,337
Unrestricted	<u>9,310,193</u>	<u>9,272,685</u>	<u>9,886,493</u>	<u>10,465,958</u>	<u>10,597,432</u>	<u>11,227,830</u>	<u>11,183,342</u>	<u>9,870,326</u>	<u>12,257,836</u>	<u>9,189,737</u>
Total business-type activities										
net position	<u>\$ 24,894,916</u>	<u>\$ 24,543,606</u>	<u>\$ 25,138,096</u>	<u>\$ 27,654,538</u>	<u>\$ 27,787,085</u>	<u>\$ 29,540,083</u>	<u>\$ 31,022,006</u>	<u>\$ 30,769,510</u>	<u>\$ 32,899,723</u>	<u>\$ 34,675,074</u>
Primary Government:										
Net investment in capital assets	\$ 35,795,075	\$ 34,763,990	\$ 34,565,129	\$ 36,102,651	\$ 35,415,212	\$ 36,157,614	\$ 37,675,064	\$ 38,977,817	\$ 38,822,776	\$ 43,590,038
Restricted	1,864,473	1,912,469	1,876,915	1,903,248	1,490,531	1,592,074	1,522,318	1,721,261	1,446,522	2,127,871
Unrestricted	<u>12,207,220</u>	<u>11,602,580</u>	<u>11,543,063</u>	<u>11,679,114</u>	<u>11,346,106</u>	<u>12,085,562</u>	<u>11,317,314</u>	<u>2,497,515</u>	<u>5,349,583</u>	<u>3,138,159</u>
Total primary government										
net position	<u>\$ 49,866,769</u>	<u>\$ 48,279,040</u>	<u>\$ 47,985,106</u>	<u>\$ 49,685,013</u>	<u>\$ 48,251,849</u>	<u>\$ 49,835,250</u>	<u>\$ 50,514,696</u>	<u>\$ 43,196,592</u>	<u>\$ 45,618,881</u>	<u>\$ 48,856,068</u>

CITY OF LINCOLNTON, NORTH CAROLINA

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

Expenses:	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Governmental activities:										
General government	\$ 1,810,131	\$ 1,880,470	\$ 1,898,069	\$ 2,025,069	\$ 1,864,278	\$ 1,896,606	\$ 1,864,038	\$ 2,121,703	\$ 2,061,727	\$ 1,802,847
Public safety	4,510,132	4,773,082	4,586,096	4,663,422	4,562,298	4,487,641	4,808,973	5,397,252	5,711,498	5,895,541
Public works	1,460,931	1,312,549	1,530,196	1,488,646	1,315,049	1,342,101	1,352,039	1,420,115	1,245,261	1,094,464
Economic and physical development	430,681	532,931	531,028	497,450	348,274	404,448	333,749	378,549	489,183	456,021
Environmental protection	1,198,004	1,194,004	1,133,471	1,067,913	1,173,121	1,120,857	1,010,361	759,807	750,577	761,337
Cultural and recreational	662,228	667,510	673,215	718,794	654,985	683,973	688,966	991,094	956,697	980,229
Interest on long-term debt	<u>23,762</u>	<u>16,973</u>	<u>11,190</u>	<u>5,428</u>	<u>5,662</u>	<u>16,458</u>	<u>37,365</u>	<u>37,729</u>	<u>36,502</u>	<u>40,228</u>
Total governmental activities	<u>10,095,868</u>	<u>10,377,520</u>	<u>10,363,265</u>	<u>10,466,722</u>	<u>9,923,668</u>	<u>9,952,085</u>	<u>10,095,491</u>	<u>11,106,249</u>	<u>11,251,446</u>	<u>11,030,667</u>
Business-type activities:										
Interest on long-term debt	983,268	911,725	827,061	760,216	663,840	312,468	296,382	200,965	158,795	175,910
Water and sewer	6,095,894	6,420,997	6,438,818	6,470,498	6,516,275	6,220,283	6,370,070	6,158,426	5,995,286	6,522,861
Electric	<u>7,248,183</u>	<u>7,341,177</u>	<u>7,351,083</u>	<u>7,601,547</u>	<u>8,066,191</u>	<u>7,525,821</u>	<u>7,445,989</u>	<u>7,561,454</u>	<u>7,403,339</u>	<u>6,773,377</u>
Total business-type activities	<u>14,327,344</u>	<u>14,673,899</u>	<u>14,616,961</u>	<u>14,832,261</u>	<u>15,246,306</u>	<u>14,058,572</u>	<u>14,112,442</u>	<u>13,920,845</u>	<u>13,557,420</u>	<u>13,472,148</u>
Total expenses	<u>\$ 24,423,213</u>	<u>\$ 25,051,419</u>	<u>\$ 24,980,226</u>	<u>\$ 25,298,983</u>	<u>\$ 25,169,974</u>	<u>\$ 24,010,658</u>	<u>\$ 24,207,933</u>	<u>\$ 25,027,094</u>	<u>\$ 24,808,865</u>	<u>\$ 24,502,815</u>
Program Revenues:										
Governmental activities:										
Charges for services:										
Environmental protection	\$ 14,487	\$ 40,608	\$ 19,001	\$ 71,766	\$ 8,875	\$ 29,259	\$ 27,201	\$ 12,221	\$ 49,377	\$ 39,700
Cultural and recreational	93,470	98,702	96,676	91,302	120,945	116,764	169,179	177,133	127,134	90,281
Other	15,355	15,638	13,014	13,860	24,052	17,187	17,427	43,303	21,908	25,758
Operating grants and contributions	434,879	644,722	617,234	557,434	447,765	428,431	490,071	545,794	592,248	1,458,602
Capital grants and contributions	-	-	305,882	-	14,237	364,737	-	156,106	646,462	-
Total governmental activities	<u>558,191</u>	<u>799,670</u>	<u>1,051,807</u>	<u>734,362</u>	<u>615,874</u>	<u>956,378</u>	<u>703,878</u>	<u>934,557</u>	<u>1,437,129</u>	<u>1,614,341</u>
Business-type activities:										
Charges for services-Water and Sewer	7,972,746	8,186,402	8,384,249	8,380,928	8,434,290	8,393,729	8,011,313	8,056,185	7,660,499	7,598,165
Charges for services-Electric	6,457,194	6,681,363	7,204,066	7,677,848	7,943,099	7,793,578	7,918,630	7,913,749	8,162,947	7,838,694
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	<u>1,674,563</u>	-	-	-	-	-	-
Total business-type activities	<u>14,429,940</u>	<u>14,867,765</u>	<u>15,588,315</u>	<u>17,733,339</u>	<u>16,377,389</u>	<u>16,187,307</u>	<u>15,929,943</u>	<u>15,969,934</u>	<u>15,823,446</u>	<u>15,436,859</u>
Total program revenues	<u>\$ 14,988,131</u>	<u>\$ 15,667,435</u>	<u>\$ 16,640,122</u>	<u>\$ 18,467,701</u>	<u>\$ 16,993,263</u>	<u>\$ 17,143,685</u>	<u>\$ 16,633,821</u>	<u>\$ 16,904,491</u>	<u>\$ 17,260,575</u>	<u>\$ 17,051,200</u>

CITY OF LINCOLNTON, NORTH CAROLINA

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Net revenue (expense)										
Governmental activities	\$ (9,537,677)	\$ (9,577,850)	\$ (9,311,458)	\$ (9,732,360)	\$ (9,307,794)	\$ (8,995,707)	\$ (9,391,613)	\$ (10,171,692)	\$ (9,814,317)	\$ (9,416,326)
Business-type activities	102,596	193,865	971,353	2,901,078	1,131,083	2,128,735	1,817,502	2,049,089	2,266,026	1,964,711
Total net expense	<u>\$ (9,435,081)</u>	<u>\$ (9,383,985)</u>	<u>\$ (8,340,105)</u>	<u>\$ (6,831,281)</u>	<u>\$ (8,176,711)</u>	<u>\$ (6,866,972)</u>	<u>\$ (7,574,112)</u>	<u>\$ (8,122,603)</u>	<u>\$ (7,548,290)</u>	<u>\$ (7,451,615)</u>
General Revenues										
Governmental activities:										
Ad valorem taxes	\$ 4,697,996	\$ 4,563,151	\$ 4,724,967	\$ 4,849,278	\$ 4,761,205	\$ 4,641,125	\$ 4,718,281	\$ 4,737,848	\$ 4,855,114	\$ 5,421,455
Other taxes and licenses	3,331,733	3,311,700	3,292,144	3,349,868	3,573,901	3,682,640	4,148,713	4,466,391	4,662,968	4,756,705
Unrestricted investment earnings	20,384	6,830	3,990	1,916	3,477	10,321	18,979	49,932	95,717	90,267
Other	126,607	71,951	11,235	320,657	56,808	86,953	(3,245)	8,048	87,525	204,664
Transfers	-	387,800	390,700	394,105	394,135	405,071	405,071	405,071	405,071	405,071
Extraordinary item	-	-	-	-	-	-	-	-	-	-
Total governmental activities	<u>8,176,720</u>	<u>8,341,432</u>	<u>8,423,036</u>	<u>8,915,824</u>	<u>8,789,526</u>	<u>8,826,110</u>	<u>9,287,798</u>	<u>9,667,289</u>	<u>10,106,394</u>	<u>10,878,162</u>
Business-type activities:										
Unrestricted investment earnings	38,791	21,211	14,743	9,233	10,869	26,421	51,748	136,764	255,617	215,711
Other	(852)	-	(906)	236	(405,084)	2,914	17,744	(12,133)	13,641	-
Transfers	-	(387,800)	(390,700)	(394,105)	(394,135)	(405,071)	(405,071)	(405,071)	(405,071)	(405,071)
Total business-type activities	<u>37,939</u>	<u>(366,589)</u>	<u>(376,863)</u>	<u>(384,637)</u>	<u>(788,350)</u>	<u>(375,736)</u>	<u>(335,579)</u>	<u>(280,440)</u>	<u>(135,813)</u>	<u>(189,360)</u>
Total primary government	<u>\$ 8,214,659</u>	<u>\$ 7,974,843</u>	<u>\$ 8,046,172</u>	<u>\$ 8,531,188</u>	<u>\$ 8,001,176</u>	<u>\$ 8,450,374</u>	<u>\$ 8,952,219</u>	<u>\$ 9,386,849</u>	<u>\$ 9,970,581</u>	<u>\$ 10,688,802</u>
Change in Net Position:										
Governmental activities	\$ (1,360,957)	\$ (1,236,418)	\$ (888,422)	\$ (816,535)	\$ (518,268)	\$ (169,597)	\$ (103,815)	\$ (504,403)	\$ 292,076	\$ 1,461,836
Business-type activities	140,534	(172,724)	594,491	2,516,442	342,733	1,752,998	1,481,923	1,768,648	2,130,213	1,775,351
Total primary government	<u>\$ (1,220,423)</u>	<u>\$ (1,409,142)</u>	<u>\$ (293,933)</u>	<u>\$ 1,699,906</u>	<u>\$ (175,535)</u>	<u>\$ 1,583,401</u>	<u>\$ 1,378,108</u>	<u>\$ 1,264,246</u>	<u>\$ 2,422,291</u>	<u>\$ 3,237,187</u>

CITY OF LINCOLNTON, NORTH CAROLINA

Governmental Activities Tax Revenues By Source

Last Ten Fiscal Years

(Accrual Basis of Accounting)

(Unaudited)

<u>Fiscal</u> <u>Year</u>	<u>Property</u> <u>Tax</u>	<u>Rental</u> <u>Vehicle</u> <u>Tax</u>	<u>Sales</u> <u>Tax</u>	<u>Franchise</u> <u>Tax</u>	<u>Payment</u> <u>in lieu of</u> <u>Tax (1)</u>	<u>Payment</u> <u>in lieu of</u> <u>Tax (2)</u>	<u>Alcoholic</u> <u>Beverage</u> <u>Tax</u>	<u>Solid Waste</u> <u>Disposal</u> <u>Tax</u>	<u>Total</u>
2011	\$ 4,697,996	\$ 13,743	\$ 2,166,206	\$ 860,398	\$ 22,950	\$ -	\$ 50,919	\$ 7,717	\$ 7,819,929
2012	4,563,151	16,399	2,138,139	849,492	25,552	387,800	45,667	7,375	8,033,575
2013	4,724,967	20,592	2,173,528	868,442	24,732	390,700	42,462	6,618	8,252,041
2014	4,849,278	19,622	2,264,938	808,761	22,651	394,105	45,873	5,899	8,411,127
2015	4,761,205	21,270	2,499,885	920,256	22,471	394,135	50,317	6,717	8,676,256
2016	4,641,125	16,000	2,644,526	873,432	21,216	405,071	46,286	5,900	8,653,556
2017	4,718,281	27,376	2,983,564	911,698	23,400	405,071	47,787	7,086	9,124,263
2018	4,737,848	26,362	3,155,789	895,540	28,545	405,071	46,076	7,250	9,302,481
2019	4,855,114	29,012	3,357,639	897,284	28,669	405,071	45,706	7,413	9,625,908
2020	5,421,455	26,833	3,520,805	863,965	35,233	405,071	45,441	8,044	10,326,847

(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-GASB 54

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

(Unaudited)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
General Fund:										
Nonspendable:										
Inventories	\$ 184,545	\$ 149,779	\$ 144,390	\$ 134,268	\$ 22,880	\$ 14,316	\$ 5,828	\$ 14,396	\$ 10,598	\$ 7,955
Prepaid expenditures	53,192	57,049	53,022	55,321	58,524	57,490	44,437	33,207	50,587	11,500
Restricted:										
Stabilization by State Statute	580,149	644,443	635,842	686,430	633,776	695,340	827,256	1,045,057	1,006,402	1,758,308
Streets - Powell Bill	894,846	917,139	905,325	833,430	849,755	896,728	695,057	676,199	440,115	369,558
Public safety - Police	-	-	-	-	7,000	5	5	5	5	5
Assigned:										
Subsequent year's expenditures	1,617,555	1,784,060	1,443,059	1,547,057	1,405,541	1,050,000	785,301	765,470	237,000	405,000
Unassigned	2,184,903	1,737,430	1,618,193	1,364,736	1,714,961	2,508,579	2,794,186	2,261,650	3,455,634	4,296,297
Total general fund	<u>\$ 5,515,190</u>	<u>\$ 5,289,900</u>	<u>\$ 4,799,831</u>	<u>\$ 4,621,242</u>	<u>\$ 4,692,437</u>	<u>\$ 5,222,459</u>	<u>\$ 5,152,070</u>	<u>\$ 4,795,984</u>	<u>\$ 5,200,341</u>	<u>\$ 6,848,623</u>
All Other Governmental Funds:										
Restricted:										
Economic development	\$ 389,478	\$ 350,887	\$ 362,848	\$ 383,128	- \$	- \$	- \$	- \$	- \$	-
Assigned:										
Subsequent year's expenditures	47,800	43,950	16,850	260	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 437,278</u>	<u>\$ 394,837</u>	<u>\$ 379,698</u>	<u>\$ 383,388</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

GASB 54 implemented in 2011.

CITY OF LINCOLNTON, NORTH CAROLINA

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Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

(Modified Basis of Accounting)

(Unaudited)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Revenues:										
Ad valorem taxes	\$ 4,714,523	\$ 4,573,099	\$ 4,680,104	\$ 4,905,832	\$ 4,734,705	\$ 4,712,610	\$ 4,704,877	\$ 4,800,673	\$ 4,879,429	\$ 5,433,254
Other taxes and licenses	21,614	23,774	27,210	25,521	27,986	32,034	167,263	203,572	207,745	208,777
Unrestricted intergovernmental	3,351,667	3,397,305	3,398,765	3,379,348	3,601,858	3,709,323	4,109,375	4,387,039	4,584,284	4,677,896
Restricted intergovernmental	393,331	534,113	768,655	418,009	391,822	505,951	362,145	577,679	1,109,648	1,328,634
Permits and fees	15,355	15,638	13,014	25,768	27,756	32,559	35,394	44,632	45,786	45,636
Sales and services	107,957	139,310	115,676	166,235	142,760	149,132	199,336	210,912	179,758	133,334
Investment earnings	20,384	8,060	4,618	1,916	3,477	10,321	18,979	49,932	95,717	90,267
Miscellaneous	126,607	71,951	92,549	304,501	54,519	296,487	120,621	59,802	60,400	192,057
Total revenues	<u>8,751,438</u>	<u>8,763,250</u>	<u>9,100,592</u>	<u>9,227,129</u>	<u>8,984,882</u>	<u>9,448,416</u>	<u>9,717,989</u>	<u>10,334,241</u>	<u>11,162,766</u>	<u>12,109,855</u>
Expenditures:										
General government	1,188,057	1,165,808	1,248,570	1,392,411	1,355,882	1,327,589	1,293,767	1,572,754	1,607,558	1,641,391
Public safety	4,332,145	4,485,885	4,487,544	4,599,355	4,902,029	5,060,727	5,022,088	6,029,667	5,534,104	5,460,482
Public works	1,800,117	1,359,972	1,566,676	1,553,660	1,234,560	1,241,230	1,651,114	1,266,038	1,301,877	1,185,753
Economic and physical development	473,906	565,131	902,831	409,460	346,769	374,412	315,893	422,053	484,657	618,334
Environmental protection	1,098,170	1,102,472	1,065,771	980,682	1,099,891	1,519,010	873,584	580,802	593,203	886,254
Cultural and recreational	638,588	593,648	610,871	781,570	632,441	708,628	977,385	1,036,387	1,258,794	1,167,270
Debt service:										
Principal	151,540	94,126	97,658	67,134	89,200	271,078	404,726	435,016	357,078	426,797
Interest	23,762	16,973	11,190	5,428	5,662	12,229	37,591	38,714	37,410	36,719
Total expenditures	<u>9,706,284</u>	<u>9,384,015</u>	<u>9,991,112</u>	<u>9,789,700</u>	<u>9,666,434</u>	<u>10,514,903</u>	<u>10,576,148</u>	<u>11,381,430</u>	<u>11,174,683</u>	<u>11,423,000</u>
Revenues over (under) expenditures	<u>(954,846)</u>	<u>(620,765)</u>	<u>(890,520)</u>	<u>(562,571)</u>	<u>(681,552)</u>	<u>(1,066,487)</u>	<u>(858,158)</u>	<u>(1,047,189)</u>	<u>(11,916)</u>	<u>686,855</u>

CITY OF LINCOLNTON, NORTH CAROLINA

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Other Financing Sources (Uses):										
Transfers in	\$ -	\$ 387,800	\$ 390,700	\$ 394,105	\$ 394,135	\$ 405,071	\$ 405,071	\$ 405,071	\$ 405,071	\$ 405,071
Transfers out	-	-	-	-	-	-	-	-	-	-
Capital contributions	-	-	-	-	-	-	-	-	-	-
Issuance of debt	-	-	-	-	470,000	1,200,000	391,186	275,589	-	559,000
Miscellaneous	-	-	-	-	-	-	-	1,875	15,000	-
Extraordinary item	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	387,800	390,700	394,105	864,135	1,605,071	796,257	682,535	420,071	964,071
 Net change in fund balances	<u>\$ (954,846)</u>	<u>\$ (232,965)</u>	<u>\$ (499,820)</u>	<u>\$ (168,466)</u>	<u>\$ 182,583</u>	<u>\$ 538,585</u>	<u>\$ (61,901)</u>	<u>\$ (364,654)</u>	<u>\$ 408,155</u>	<u>\$ 1,650,926</u>
 Debt service as a percentage of non-capital project expenditures	2.0%	1.2%	1.2%	0.8%	1.0%	3.1%	4.7%	4.7%	3.8%	4.5%

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				
2011	\$ 704,250,623	\$ 120,213,019	\$ 20,881,247	\$ 845,344,889	0.56	(0.2)%	\$ 789,968,124	107.01 %
2012 (2)	686,864,483	114,288,978	21,123,419	822,276,880	0.56	(2.7)%	833,360,576	98.67 %
2013	702,066,213	125,389,496	21,180,272	848,635,981	0.56	3.2 %	812,869,714	104.40 %
2014	705,934,770	157,621,750	18,774,043	882,330,563	0.56	4.0 %	845,954,519	104.30 %
2015	706,398,383	134,664,090	19,126,151	860,188,624	0.56	(2.5)%	859,243,456	100.11 %
2016 (2)	685,583,561	125,026,097	21,026,134	831,635,792	0.56	(3.3)%	831,552,837	100.01 %
2017	702,208,297	125,357,003	23,533,271	851,098,571	0.56	2.3 %	846,166,992	100.58 %
2018	701,648,672	132,992,216	24,285,332	858,926,220	0.56	0.9 %	870,315,305	98.69 %
2019	715,613,213	137,747,098	25,290,939	878,651,250	0.56	2.3 %	857,870,168	102.42 %
2020	807,305,151	145,584,898	26,327,143	979,217,192	0.56	11.4 %	966,200,603	96.17 %

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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
City of Lincolnton	<u>0.56</u>	<u>0.56</u>	<u>0.56</u>	<u>0.56</u>	<u>0.56</u>	<u>0.56</u>	<u>0.56</u>	<u>0.56</u>	<u>0.56</u>	<u>0.56</u>
Lincoln County	<u>0.57</u>	<u>0.598</u>	<u>0.598</u>	<u>0.598</u>	<u>0.598</u>	<u>0.611</u>	<u>0.611</u>	<u>0.611</u>	<u>0.611</u>	<u>0.599</u>
Special District:										
East Lincoln Water and Sewer District	<u>0.0175</u>	<u>0.0199</u>	<u>0.0355</u>	<u>0.0342</u>	<u>0.0342</u>	<u>0.0345</u>	<u>0.0000</u>	<u>0.0000</u>	<u>0.0000</u>	<u>0.0000</u>
Fire Districts:										
Alexis	0.1100	0.1100	0.1100	0.1100	0.1100	0.1165	0.1165	0.1165	0.1165	0.1165
Boger City	0.0750	0.0925	0.0925	0.0925	0.0925	0.0999	0.0999	0.0999	0.0999	0.1050
Crouse	0.0600	0.0609	0.0609	0.0609	0.0609	0.0640	0.0640	0.0640	0.0640	0.0860
Denver	0.0968	0.1099	0.1099	0.1099	0.1099	0.1125	0.1125	0.1150	0.1150	0.1150
East Lincoln	0.0606	0.0680	0.0785	0.0850	0.0850	0.0850	0.1125	0.0890	0.0890	0.0980
Howards Creek	0.1000	0.1050	0.1050	0.1150	0.1150	0.1203	0.1223	0.1223	0.1223	0.1355
North Brook	0.0600	0.0600	0.0600	0.0800	0.0800	0.1000	0.1000	0.1000	0.1000	0.1000
North 321	0.0350	0.0350	0.0350	0.0400	0.0400	0.0400	0.0400	0.0400	0.0400	0.0700
Pumpkin Center	0.0951	0.0951	0.0951	0.1242	0.1242	0.1295	0.9700	0.9700	0.9700	0.9700
South Fork	0.0910	0.0910	0.0910	0.1236	0.1236	0.1250	0.1250	0.1250	0.1250	0.1250
Union	0.0750	0.0750	0.0900	0.0900	0.0900	0.0900	0.0900	0.1250	0.1250	0.1250
	<u>0.86</u>	<u>0.90</u>	<u>0.93</u>	<u>1.03</u>	<u>1.03</u>	<u>1.08</u>	<u>1.95</u>	<u>1.97</u>	<u>1.97</u>	<u>2.05</u>

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>2020</u>		<u>2011</u>		<u>Rank</u>	<u>Percentage of Total Assessed Valuation</u>
		<u>Total Assessed Valuation</u>	<u>Rank</u>	<u>Total Assessed Valuation</u>	<u>Rank</u>		
Triangle Real Estate	Apts/ Real Estate	\$ 19,497,212	1	2.00 \$ -	-	-	-
Wal-Mart Real Estate Business	Real Estate	15,348,184	2	1.57 -	-	-	-
Griffin-American Healthcare REIT	Healthcare	13,679,758	3	1.40 -	-	-	-
Colonial Village of Linc, LLC	Apts/ Real Estate	11,148,193	4	1.14 8,042,946	4	0.95	0.95
Lowes Home Centers, Inc.	Retail	11,134,592	5	1.14 11,909,644	2	1.44	1.44
Ingles Markets	Retail	9,111,960	6	0.93 -	-	-	-
Duke Energy	Utility	7,960,208	7	0.82 4,991,963	8	0.58	0.58
Provest Lincolnton Center, LLC	Retail	6,779,506	8	0.69 -	-	-	-
T & T Investments	Real Estate	6,574,723	9	0.67 13,018,889	1	1.51	1.51
The Oaks Apartments	Apts/ Real Estate	6,504,543	10	0.67 -	-	-	-
Archer Central Building, LLC	Real Estate	-	-	- 5,782,634	7	0.68	0.68
Bell South Telephone Company	Utility	-	-	- 9,382,216	3	0.82	0.82
Mohican Mills, Inc.	Textile	-	-	- 4,269,663	10	0.52	0.52
Robert Bosch Tool	Manufacturing	-	-	- 6,074,990	5	0.72	0.72
McMurray Fabrics	Textile	-	-	- 5,976,475	6	0.91	0.91
Leucadia	Real Estate	-	-	- 4,564,581	9	0.54	0.54
		-	-	- -	-	-	-
Totals		<u>\$ 107,738,879</u>		<u>11.03 \$ 74,014,001</u>		<u>8.67</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)
2011	\$ 4,751,351	\$ 4,636,451	97.6	\$ 103,345	\$ 4,739,796	99.8	\$ 11,555
2012	4,609,731	4,483,921	97.3	112,031	4,595,952	99.7	13,779
2013	4,756,670	4,619,621	97.1	122,219	4,741,840	99.7	14,830
2014	4,941,052	4,819,616	97.5	100,570	4,920,186	99.6	20,866
2015	4,817,056	4,688,416	97.3	120,931	4,809,347	99.8	7,709
2016	4,657,160	4,577,654	98.3	72,007	4,649,661	99.8	7,499
2017	4,766,152	4,653,457	97.6	101,491	4,754,948	99.8	11,204
2018	4,813,332	4,723,012	98.1	74,857	4,797,869	99.7	15,463
2019	4,920,447	4,840,432	98.4	46,278	4,886,710	99.3	33,737
2020	5,483,656	5,395,076	98.4	-	5,395,076	98.4	88,580

Notes:

(1) Includes current portion only of taxes receivable.

CITY OF LINCOLNTON, NORTH CAROLINA

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

Fiscal Year	Governmental	Business Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Activities	State						
	Installment Financing	Revenue Bonds	Revolving Loan	Installment Financing				
2011	\$ 258,918	\$ 14,475,000	\$ 7,903,414	\$ -	\$ 22,637,332	6.44	\$ 2,148.0	
2012	164,792	13,280,000	7,329,956	-	20,774,748	5.98	1,975	
2013	67,134	12,040,000	6,740,040	-	18,847,174	5.24	1,797	
2014	-	10,750,000	6,133,193	-	16,883,193	4.40	1,608	
2015	380,800	9,479,000	5,508,929	-	15,368,729	3.78	1,461	
2016	1,309,722	7,968,000	4,866,749	-	14,144,471	3.34	1,333	
2017	1,296,182	642,800	4,240,000	-	6,178,982	2.51	1,112	
2017	1,296,182	6,428,000	4,240,000	-	11,964,182	2.51	1,112	
2018	1,136,755	4,861,000	3,543,000	-	9,540,755	2.10	902	
2019	779,678	3,265,000	2,829,000	2,470,015	9,343,693	2.10	854	
2020	911,880	1,647,000	2,101,000	2,144,113	6,803,993	*	607	

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
2011	10,540	\$ 845,344,889	\$ 14,475,000	\$ 14,475,000	\$ -	-	-
2012	10,517	822,276,880	13,280,000	13,280,000	-	-	-
2013	10,487	848,635,981	12,040,000	12,040,000	-	-	-
2014	10,498	882,330,563	10,750,000	10,750,000	-	-	-
2015	10,552	860,188,624	9,479,000	9,479,000	-	-	-
2016	10,612	831,635,792	7,968,000	7,968,000	-	-	-
2017	10,754	851,098,571	6,428,000	6,428,000	-	-	-
2018	10,578	858,926,220	4,861,000	4,861,000	-	-	-
2019	10,945	878,651,250	3,265,000	3,265,000	-	-	-
2020	11,200	979,217,192	1,647,000	1,647,000	-	-	-

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

CITY OF LINCOLNTON, NORTH CAROLINA**Direct and Overlapping Government Activities Debt**
June 30, 2020
(Unaudited)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
County of Lincoln	\$ 128,160,977	9.00 %	\$ <u>11,534,488</u>
Subtotal, overlapping debt			11,534,488
City of Lincolnton direct debt			<u>911,880</u>
Total direct and overlapping debt			<u>\$ 12,446,368</u>

Note: The percentage of overlapping debt is based on the June 30, 2020 assessed valuation of the County of Lincoln of \$11,389,298,055 as compared to the June 30, 2020 assessed valuation for the City of Lincolnton of \$979,217,192.

CITY OF LINCOLNTON, NORTH CAROLINA

Legal Debt Margin Information Last Ten Fiscal Years (Unaudited)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Assessed value of taxable property	<u>\$ 845,344,889</u>	<u>\$ 822,276,880</u>	<u>\$ 848,635,981</u>	<u>\$ 882,330,563</u>	<u>\$ 860,188,624</u>	<u>\$ 831,635,792</u>	<u>\$ 851,098,571</u>	<u>\$ 858,926,220</u>	<u>\$ 878,651,250</u>	<u>\$ 979,217,192</u>
Debt limit, 8% of assessed value (statutory limitation)	<u>\$ 67,627,591</u>	<u>\$ 65,782,150</u>	<u>\$ 67,890,878</u>	<u>\$ 70,586,445</u>	<u>\$ 68,815,090</u>	<u>\$ 66,530,863</u>	<u>\$ 68,087,886</u>	<u>\$ 68,714,098</u>	<u>\$ 70,292,100</u>	<u>\$ 78,337,375</u>
Debt applicable to limit:										
General obligation bonds	-	-	-	-	-	-	-	-	-	-
Less: Amount set aside for repayment of general obligation debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net debt applicable to limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 67,627,591</u>	<u>\$ 65,782,150</u>	<u>\$ 67,890,878</u>	<u>\$ 70,586,445</u>	<u>\$ 68,815,090</u>	<u>\$ 66,530,863</u>	<u>\$ 68,087,886</u>	<u>\$ 68,714,098</u>	<u>\$ 70,292,100</u>	<u>\$ 78,337,375</u>
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	Revenues		Income				
<u>Year</u>	<u>Available for</u>	<u>Less</u>	<u>Available for</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Coverage</u>
	<u>Debt Service</u>	<u>Expenses</u>	<u>Debt Service</u>	<u>Debt Service</u>			
2011	\$ 7,990,029	\$ 4,135,944	\$ 3,854,085	\$ 2,601,370	\$ 1,697,459	\$ 903,911	1.48
2012	8,194,878	4,486,488	3,708,390	2,600,825	1,768,458	832,367	1.43
2013	8,390,074	4,583,075	3,806,999	2,597,647	1,829,916	767,731	1.47
2014	10,059,186	4,702,685	5,356,501	2,597,732	1,896,847	700,885	2.06
2015	8,445,905	4,769,117	3,676,788	2,575,103	1,985,263	589,840	1.43
2016	8,416,097	4,485,512	3,930,585	2,465,652	2,153,184	312,468	1.59
2017	8,061,581	4,617,328	3,444,253	6,703,132	6,406,750	296,382	0.51
2018	8,161,071	4,537,616	3,623,455	2,464,965	2,264,000	200,965	1.47
2019	7,850,776	4,338,029	3,512,747	2,468,796	2,310,000	158,796	1.42
2020	7,746,192	4,827,695	2,918,497	2,847,812	2,671,902	175,910	1.02

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)
2011	10,540	\$ 351,773	\$ 33,375	38.9	11,571	11.5
2012	10,517	347,366	33,029	41.1	11,655	10.4
2013	10,487	359,442	34,275	41.5	11,447	9.8
2014	10,498	384,016	36,580	42.0	11,589	8.3
2015	10,522	406,301	38,614	42.0	11,646	5.9
2016	10,612	423,938	39,949	38.5	11,503	4.7
2017	10,754	436,515	40,591	42.0	11,503	3.8
2018	10,578	475,593	44,961	43.0	11,441	3.5
2019	10,945	512,859	46,858	43.0	11,443	4.1
2020	11,200	-	-	43.0	11,406	12.0

Data Sources

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

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

(3) School District

(4) North Carolina Employment Security Commission

Information not available for 2020 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>	2020			2011		
	<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	1,500	1	3.52 %	1,600	1	4.49 %
Atrium Health	840	2	1.97 %	720	5	2.02 %
Wal-Mart Stores, Inc.	800	3	1.88 %	730	4	2.05 %
RSI Home Products	780	4	1.83 %	570	6	1.60 %
Lincoln County Government	735	5	1.73 %	750	2	2.11 %
The Timken Company	650	6	1.53 %	750	3	2.11 %
Julius Blum, Inc.	435	7	1.02 %	370	7	1.04 %
Robert Bosch Tool Corporation	410	8	0.96 %	180	15	0.51 %
Cataler North America	400	9	0.94 %	200	12	0.56 %
VT LeeBoy, Inc.	310	10	0.73 %	175	13	0.49 %
Medline	285	11	0.67 %	174	16	0.49 %
Lowes	280	12	0.66 %	270	9	0.76 %
United Technologies (Activas)	240	13	0.56 %	330	8	0.93 %
G & W	240	14	0.56 %			
State of North Carolina	130	15	0.31 %	189	14	0.53 %
Total	<u>8,035</u>		<u>18.87 %</u>	<u>7,008</u>		<u>19.69 %</u>
Total Civilian Labor Force	<u>42,607</u>			<u>35,607</u>		

Sources: Lincoln Economic Development Association

North Carolina Department of Commerce Division of Employment Security

Telephone survey by Lincoln County Finance Department

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

CITY OF LINCOLNTON, NORTH CAROLINA

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Function										
General Government										
City Manager	3	3	3	3	3	3	4	3	3	3
Human resources	4	4	4	4	4	4	4	4	2	5
Finance	9	9	9	9	9	9	8	8	8	7
Public Safety										
Police										
Officers	30	27	30	31	31	31	33	33	33	33
Civilians	5	5	5	5	5	5	5	5	5	4
Fire										
Firefighters and officers	21	24	21	22	21	21	22	23	26	27
Civilians	1	1	1	1	1	1	1	1	1	1
Public Works										
Public works	3	3	3	3	3	3	3	3	3	2
Street	13	12	12	12	12	12	12	11	11	11
Equipment services	3	3	3	3	3	2	2	-	-	2
Environmental Protection										
Solid waste	13	13	12	12	12	13	13	11	11	7
General services-cemetery	3	3	2	2	2	2	2	-	-	-
Economic and Physical Development										
Planning and zoning	3	3	3	2	2	2	2	3	3	3
Business and community development	2	2	2	2	2	2	1	1	1	1
Cultural and Recreational										
Parks and recreation	5	5	5	5	5	5	5	7	7	7
Water and Sewer										
Water treatment plant	9	10	9	9	9	10	10	10	10	10
Distribution and collection	12	12	11	13	13	11	11	11	11	12
Waste water treatment plant	9	9	8	8	8	9	9	9	9	9
Electric	<u>6</u>	<u>5</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>
Total	<u>154</u>	<u>153</u>	<u>150</u>	<u>153</u>	<u>152</u>	<u>153</u>	<u>155</u>	<u>151</u>	<u>152</u>	<u>152</u>

Source: Finance Department's payroll records.

CITY OF LINCOLNTON, NORTH CAROLINA

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

Function	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Public Safety										
Police										
Physical arrests	1,448	1,580	1,588	1,500	1,505	1,330	1,243	1,308	652	1,017
Parking violations	82	63	74	68	79	61	150	843	477	816
Traffic violations	798	707	1,183	1,366	1,727	2,359	1,830	1,667	1,357	1,068
Fire										
Number of calls answered	1,975	1,983	2,013	2,016	2,164	2,185	2,212	2,294	2,259	2,074
Inspections	698	615	598	526	597	344	301	297	243	317
Public Works - Highways and streets										
Street resurfacing (miles)	0.82	0.22	0.95	0.98	0.98	1.03	2.24	1.57	1.80	-
Potholes repaired	29	37	41	39	42	39	83	83	196	193
Environmental Protection										
Refuse collected (tons/day)	33.08	29.98	31.13	31.01	30.33	27.88	26.56	22.82	18.91	14.74
Recyclables collected (tons/day)	0.99	2.62	0.82	0.89	1.07	1.04	1.10	1.03	0.69	0.30
Cultural and Recreational (1)										
Youth sports participants	584	698	932	1,075	1,228	1,209	1,157	1,281	1,396	829
Youth camps/clinics participants	301	286	235	170	235	179	199	2,121	1,634	1,298
Open gym participants	12,511	12,703	13,118	4,072	10,099	7,827	9,846	15,219	15,229	14,122
Swimming pool participants	12,404	12,467	11,672	6,826	10,825	11,045	7,767	9,686	8,101	5,697
Other programs participants	3,440	5,015	5,196	4,125	5,305	3,992	3,435	3,885	5,531	2,879
Special events	22	26	26	13	19	23	23	27	25	14
Special events participants	5,992	7,399	7,935	4,456	6,427	6,971	3,435	6,750	6,101	4,003
Recreation program participants	35,232	38,568	39,088	20,724	34,109	34,223	28,791	38,942	37,992	28,828
Facility and ball field rentals	2,682	2,848	2,587	727	2,570	2,911	2,952	2,843	1,862	1,041

CITY OF LINCOLNTON, NORTH CAROLINA

Page 2 of 2, cont.

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

Function	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Water										
New connections	12	20	12	9	18	12	14	12	34	24
Water main breaks	31	42	21	20	20	31	18	23	22	25
Average daily consumption (thousands of gallons)	3,000	2,810	3,000	3,000	3,000	3,000	2,689	2,424	2,295	2,606
Wastewater										
New connections	5	19	9	7	10	5	14	9	25	9
Average daily sewage treatment (thousands of gallons)	2,390	2,390	2,357	2,650	2,075	2,390	1,760	1,700	1,760	2,415
Electric										
New connections	4	6	9	5	15	4	23	9	6	8

Sources: Various City departments.

Note: Indicators are not available for general government function.

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

CITY OF LINCOLNTON, NORTH CAROLINA

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Function										
Public Safety										
Police										
Stations	2	2	2	2	2	2	2	2	2	2
Patrol units	25	25	25	25	34	37	38	38	38	38
Fire stations	2	2	2	2	2	2	2	2	2	2
Public Works - Highways and streets										
Streets (miles)	60.03	60.03	59.90	59.90	59.90	59.90	60.15	60.15	60.15	60.15
Streetlights	979	979	981	981	981	981	981	981	981	981
Traffic signals	11	11	11	11	11	11	11	11	11	11
Environmental Protection										
Refuse collection trucks	5	5	5	5	5	5	5	5	5	5
Cultural and Recreational										
Number of parks	3	3	3	3	3	3	3	4	4	4
Park acreage	79.37	79.37	79.37	79.37	79.37	79.37	79.37	89.37	89.37	89.37
Parks with trail systems	2	2	2	2	2	2	2	3	3	3
Park trail mileage	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
Number of greenways	1	1	1	1	1	1	1	1	1	1
Greenway mileage	1	1	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70
Number of ball fields	5	5	5	5	5	5	5	5	5	5
Number of soccer fields	2	2	2	2	2	2	2	2	2	2

CITY OF LINCOLNTON, NORTH CAROLINA

Page 2 of 2, cont.

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Function										
Water										
Water mains (miles)	260	260	260	260	260	260	260	260	260	260
Fire hydrants	717	717	717	717	717	717	717	717	717	717
Maximum daily capacity (thousands of gallons)	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000
Sewer										
Sanitary sewers (miles)	225.75	225.75	225.75	225.75	225.75	225.75	225.75	225.75	225.75	225.75
Storm sewers (miles)(1)	-	-	-	-	-	-	-	-	-	-
Maximum daily treatment capacity (thousands of gallons)	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Electric										
Number of distribution stations	1	1	1	1	1	1	1	1	1	1
Miles of services lines	75.0	76.0	76.0	76.0	76.0	76.0	76.0	76.0	76.0	76.0

Sources: Various city departments.

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

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

CITY OF LINCOLNTON, NORTH CAROLINA

Water Sold By Type Of Customer

Last Ten Fiscal Years

(in millions of gallons)

(Unaudited)

Type of Customer	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Residential	222.8	217.1	216.9	210.8	198.1	214.7	215.9	213.5	228.8	237.5
Industrial	2.6	3.7	3.9	4.9	4.0	18.2	20.2	18.3	20.1	13.4
Industrial/Textile	422.3	418.6	438.6	363.6	308.8	227.1	167.7	132.0	130.0	69.1
Commerical	155.1	148.1	148.0	111.1	108.5	107.7	106.4	107.6	124.9	117.7
Institutional (1)	-	-	-	33.2	37.9	38.7	38.0	39.1	37.4	40.3
Other Local Governments	13.2	77.4	63.6	65.7	19.8	116.3	187.7	194.3	193.3	239.3
Military	-	-	-	-	0.1	0.1	0.1	0.1	0.1	0.1
Government	<u>20.7</u>	<u>8.4</u>	<u>10.4</u>	<u>9.5</u>	<u>7.3</u>	<u>7.6</u>	<u>8.7</u>	<u>8.5</u>	<u>7.5</u>	<u>7.5</u>
Total	<u>836.7</u>	<u>873.3</u>	<u>881.4</u>	<u>798.8</u>	<u>684.5</u>	<u>730.4</u>	<u>744.7</u>	<u>713.4</u>	<u>742.1</u>	<u>724.9</u>
Total direct rate per 1,000 gallons	<u>\$ 3.92</u>	<u>\$ 3.88</u>	<u>\$ 3.99</u>	<u>\$ 4.31</u>	<u>\$ 4.99</u>	<u>\$ 5.00</u>	<u>\$ 4.81</u>	<u>\$ 4.90</u>	<u>\$ 4.90</u>	<u>\$ 4.90</u>

Source: City of Lincolnton, Utility Billing Office

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

CITY OF LINCOLNTON, NORTH CAROLINA

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

Type of Customer	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Residential	163.2	161.3	161.6	158.9	161.6	157.6	158.9	158.7	175.2	178.3
Industrial	52.9	56.4	55.5	54.7	55.2	63.8	58.8	52.9	125.1	54.8
Industrial/Textile	405.5	380.5	415.5	350.0	267.9	195.2	137.7	116.4	67.5	69.1
Commerical	132.6	125.1	128.5	99.3	94.4	91.8	93.1	97.2	116.2	104.7
Institutional (1)	-	-	-	30.0	33.3	28.9	30.5	32.8	31.7	34.1
Military	-	-	-	-	0.1	0.1	0.1	0.1	0.1	0.1
Government	<u>19.6</u>	<u>7.8</u>	<u>9.3</u>	<u>8.7</u>	<u>7.0</u>	<u>7.3</u>	<u>8.3</u>	<u>8.5</u>	<u>7.6</u>	<u>7.2</u>
Total	<u>773.8</u>	<u>731.1</u>	<u>770.4</u>	<u>701.6</u>	<u>619.5</u>	<u>544.7</u>	<u>487.4</u>	<u>466.6</u>	<u>523.4</u>	<u>448.3</u>
Total direct rate per 1,000 gallons	<u>\$ 5.96</u>	<u>\$ 6.25</u>	<u>\$ 6.33</u>	<u>\$ 6.87</u>	<u>\$ 7.57</u>	<u>\$ 8.60</u>	<u>\$ 9.00</u>	<u>\$ 9.00</u>	<u>\$ 9.00</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
2011	13.09	3.52	19.60	5.83
2012	13.62	3.67	20.39	6.07
2013	14.16	3.82	21.21	6.31
2014	14.73	3.97	22.06	6.56
2015	15.32	4.57	22.94	6.82
2016	16.71	4.52	22.94	7.47
2017	16.55	4.48	24.77	7.40
2018	16.55	4.48	24.77	7.40
2019	16.55	4.48	24.77	7.40
2020	16.55	4.48	24.77	7.40

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

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COMPLIANCE SECTION

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

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

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

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

To the Honorable Mayor and
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 the City of Lincolnton, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Lincolnton, North Carolina's basic financial statements and have issued our report thereon dated January 22, 2020. The financial statements of the Lincolnton Tourism Development Authority and the City of Lincolnton ABC Board were not audited in accordance with Government Auditing Standards.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, that we consider to be significant deficiencies. Items 2020-001 and 2020-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lincolnton, North Carolina's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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.

City of Lincolnton, North Carolina's Response to Findings

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

Purpose of this Report

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

Low Smith Church & Co., L.L.P.

Morganton, North Carolina
January 22, 2021

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

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**Independent Auditors' Report On Compliance For Each Federal Major 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

We have audited the City of Lincolnton, North Carolina's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Lincolnton, North Carolina's major federal programs for the year ended June 30, 2020. City of Lincolnton, North Carolina's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and responses.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Lincolnton, North Carolina's major federal programs based on our audit of the types of compliance requirements referred to above. 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. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Lincolnton, North Carolina's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Lincolnton, North Carolina's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2020.

Report on Internal Control over Compliance

Management of the City of Lincolnton, North Carolina, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Lincolnton, North Carolina's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Lincolnton, North Carolina's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Lowsmith Church & Co., L.L.P.

Morganton, North Carolina
January 22, 2021

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

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

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

Report on Compliance for Each Major State Program

We have audited the City of Lincolnton, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Lincolnton's major State programs for the year ended June 30, 2020. The City of Lincolnton's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses.

Management's Responsibility

Management is responsible for compliance with State statutes, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Lincolnton's major State programs based on our audit of the types of compliance requirements referred to above. 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 applicable sections of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as described in the *Audit Manual for Governmental Auditors in North Carolina* and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the City of Lincolnton's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State program. However, our audit does not provide a legal determination of the City of Lincolnton's compliance.

Opinion on Each Major State Program

In our opinion, the City of Lincolnton complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with applicable sections of the Uniform Guidance as described in the *Audit Manual for Governmental Auditors in North Carolina*, and which is described in the accompanying schedule of findings and responses as item 2020-002. Our opinion on each major State program is not modified with respect to these matters.

The City of Lincolnton's response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. The City of Lincolnton's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City of Lincolnton is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Lincolnton's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program, 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Lincolnton's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. However, we did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and responses as item 2020-002 that we consider to be a significant deficiency.

The City of Lincolnton's response to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. The City of Lincolnton's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Lawrence C. Culp + Co., L.L.P.

Morganton, North Carolina
January 22, 2021

**Schedule of Findings and Responses
For the Year Ended June 30, 2020**

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 no

Significant deficiency(ies) identified?

 X yes

_____ none reported

Noncompliance material to financial statements noted

_____ yes

 X no**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified?

_____ yes

 X no

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 no

Identification of major federal programs:

<u>CFDA No.</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund

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

\$750,000

Auditee qualified as low-risk auditee?

_____ yes

 X no

cont.

**Schedule of Findings and Responses
For the Year Ended June 30, 2020**

State Awards

Internal control over State programs:

Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> X </u> yes	<u> </u> none reported

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act?	<u> X </u> yes	<u> </u> no
---	------------------	------------------

Identification of major State programs:

Program Name

N. C. Department of Transportation - Non-State System Street Aid
Allocation "Powell Bill"

Section II. Financial Statement Findings**Finding: 2020-001**

Significant Deficiency

Excess Expenditures Over Appropriations

Criteria:	G.S. 159-28(a) states that no obligation may be incurred in a function accounted for in a fund included in the budget ordinance, unless the budget ordinance includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction for the current fiscal year.
Condition:	The City expended \$53,178 more than appropriated in the annual budget ordinance.
Effect:	Moneys were spent that had not been obligated and appropriated.
Cause:	The City acquired fixed assets that had not been budgeted for in the budget ordinance, and a budget amendment was not adopted.
Recommendation:	Before an obligation is to incur that will exceed the amount that was previously approved in the budget ordinance, an amendment to the budget should be adopted.
Views of responsible officials and planned corrective action:	The City agrees with this finding and will adhere to the corrective action plan on page 138 of this report.

Section III. Federal Award Findings and Responses

None reported.

cont.

Schedule of Findings and Responses
For the Year Ended June 30, 2020

Section IV. State Award Findings and Responses

N. C. Department of Transportation

Program Names: Non-State System Street-Aid Allocation Powell Bill

Finding: 2020-002

Significant Deficiency

Activities Allowed or Unallowed

Criteria: N. C. G. S. 136-41.3 and 136-41.4 provide the purposes for which the Powell Bill funds may be expended.

Condition: Powell Bill funds were expended for two non-allowable expenses.

Effect: The City was not in compliance with N. C. G. S. 136-41.3 and 136-41.4. However, the City had additional allowable expenses paid with non Powell Bill funds. The City used these additional allowable expenses to offset the non-allowable expenses. Therefore, there was no effect on the total amount of Powell Bill expenses. The Powell Bill report was amended after year end to reflect these changes.

Cause: Non-allowable expenses were spent in error.

Recommendation: We recommend that the City review the activities allowed or unallowed under N. C. G. S. 136-41.3 and 136-41.4 before expending Powell Bill funds.

View of responsible officials
and planned corrective action: The City agrees with this finding. Please refer to corrective action plan on page 138.

CITY COUNCIL
Ed L. Hatley, Mayor
Martin A. Eaddy, Mayor Pro-Tem
David M. Black
Roby D. Jetton
Tim Smith



CITY MANAGER
Steve Zickefoose, MBA
szickefoose@lincolntonnc.org
CITY CLERK
Donna C. Flowers, MMC, NCCMC
donnaflowers@ci.lincolnton.nc.us
CITY ATTORNEY
Thomas J. Wilson, Jr.,

**Corrective Action Plan
For the Year Ended June 30, 2020**

Section II. Financial Statement Findings

Finding 2020-001:

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

Section III. Federal Award Findings

None reported.

Section IV. State Award Findings

Finding 2020-002:

Name of contact person:	Steve Zickefoose, City Manager
Corrective action:	The City will review future activities allowed and unallowed under N. C. G. S. 136-41.3 and 136-41.4 before expending Powell Bill funds.
Proposed completion date:	December 2020.

CITY OF LINCOLNTON, NORTH CAROLINA

**Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2020**

Finding: 2019-001

Status: Corrected

Finding: 2019-002

Status: Still applicable

**Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2020**

Grantor/Passthrough Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Federal Grants:					
Cash Programs:					
<u>U. S. Environmental Protection Agency</u>					
Brownfield Assessment and Cleanup					
Cooperative Agreements	66.818		\$ 70,028	\$ -	\$ -
<u>U. S. Department of Treasury</u>					
Passed-through the Office of State Budget and Management:					
NC Pandemic Recovery Office					
Passed-through Lincoln County:					
Coronavirus Relief Fund	21.019	XXXX	830,367	-	-
<u>U. S. Department of Homeland Security</u>					
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		<u>39,889</u>	<u>-</u>	<u>13,296</u>
Total assistance - federal programs			<u>940,284</u>	<u>-</u>	<u>13,296</u>
State Grants:					
Cash Assistance:					
<u>N. C. Department of Agriculture and Consumer Affairs</u>					
Volunteer Fire Department Assistance Program			-	4,994	-
<u>N. C. Department of Transportation</u>					
Powell Bill			-	380,189	-
Total assistance - state programs			-	385,183	-
Total assistance			<u>\$940,284</u>	<u>\$385,183</u>	<u>\$13,296</u>

cont.

**Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2020**

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 under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Lincolnton, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of the City of Lincolnton.

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

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

Note 4. Coronavirus Relief Funds

The City of Lincolnton received \$830,367 of funding from the Coronavirus Relief Fund (21.019) from Lincoln County. The City of Lincolnton has a plan to spend these funds approved by OSBM. According to the Office of State Budget and Management, the State's pass-through agency, municipalities are considered sub-recipients of the Counties. However, under the State statute, municipalities are not liable to the County for any misused or misspent funds. CFR must be spent during the period March 1, 2020 to December 30, 2020.