

CITY OF LOWELL, NORTH CAROLINA

FINANCIAL STATEMENTS

Year Ended June 30, 2022

City Council Members

Sandy Railey, Mayor

Phil Bonham

Candy Funderburk

Joanna Fulbright

Thomas Gillespie

Travis Smith, Mayor Pro Tem

Administrative and Financial Staff

Scott Attaway, City Manager

Lisa Nolen, Finance Officer

City of Lowell, North Carolina
Table of Contents
June 30, 2022

<u>Exhibit</u>		<u>Page</u>
	Financial Section:	
	Independent Auditor's Report	1
	Management's Discussion and Analysis	2 - 11
	Basic Financial Statements:	
	Government-wide Financial Statements:	
1	Statement of Net Position	12
2	Statement of Activities	13
	Fund Financial Statements:	
3	Balance Sheet- Governmental Funds	14
3	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15
4	Statement of Revenues, Expenditures, and Changes in Fund Balance—Governmental Funds	16
4	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	17
5	Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	18
6	Statement of Fund Net Position – Proprietary Funds	19
7	Statement of Revenues, Expenses, and Changes in Fund Net Position—Proprietary Funds	20
8	Statement of Cash Flows – Proprietary Funds	21

**City of Lowell, North Carolina
Table of Contents (Continued)
June 30, 2022**

	<u>Page</u>
Notes to the Financial Statements	22 - 55
 Required Supplementary Financial Data	
Schedule of Proportionate Share of Net Pension Liability (Asset) – Local Government Employees’ Retirement System	56
Schedule of Contributions – Local Government Employees’ Retirement System	57
Schedule of Changes in Total Pension Liability – Law Enforcement Officers’ Separation Allowance	58
Schedule of Total Pension Liability as a Percentage of Covered Payroll	59
Schedule of Changes in the Total OPEB Liability and Related Ratios	60
 Individual Fund Financial Statements:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance— Budget and Actual – General Fund	61 – 63
Combining Balance Sheet – Nonmajor Governmental Funds	64
Combining Statement of Revenues, Expenditures and Changes In Fund Balance – Nonmajor Governmental Funds	65
Grant Project Special Revenue Fund – Neighborhood Revitalization Project Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance	66
Grant Project Special Revenue Fund-SCIF Grant-Schedule of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual	67
Coronavirus State Local Fiscal Recovery Funds CFR 21.027 (ARPA Funds) Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual	68

**City of Lowell, North Carolina
Table of Contents (Continued)
June 30, 2022**

	<u>Page</u>
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
Water and Sewer Fund	69 – 70
Stormwater Fund	71
Sewer Improvements Capital Projects Fund	72
Other Schedules:	
Schedule of Ad Valorem Taxes Receivable	73
Analysis of Current Tax Levy	74
Compliance Section:	
Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on An Audit Of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	75
Schedule of Findings and Responses	76

FINANCIAL SECTION

November 7, 2022

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lowell, North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Lowell'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.

Auditor's 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 *Governmental Auditing Standards*, issued by the Comptroller 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 of material misstatement.

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 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, each major fund, and the aggregate remaining fund information of the City of Lowell, North Carolina as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 2 – 11 and the Other Postemployment Benefits Schedule of Changes in the Total OPEB Liability and Related Ratios on page 60, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions on pages 56 – 57, respectively, 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 58 and 59 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lowell's basic financial statements. The introductory information, combining and individual fund statements, budgetary schedules, and other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory information has not been subjected to the auditing procedures applied in the audit of basic financial statements, and accordingly, we do not express an opinion or provide assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2022 on our consideration of the City of Lowell'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Lowell's internal control over financial reporting and compliance.

Bret A. Stone

Management's Discussion and Analysis

As management of the City of Lowell, we offer readers of the City of Lowell's financial statements this narrative overview and analysis of the financial activities of the City of Lowell for the fiscal year ended June 30, 2022. 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

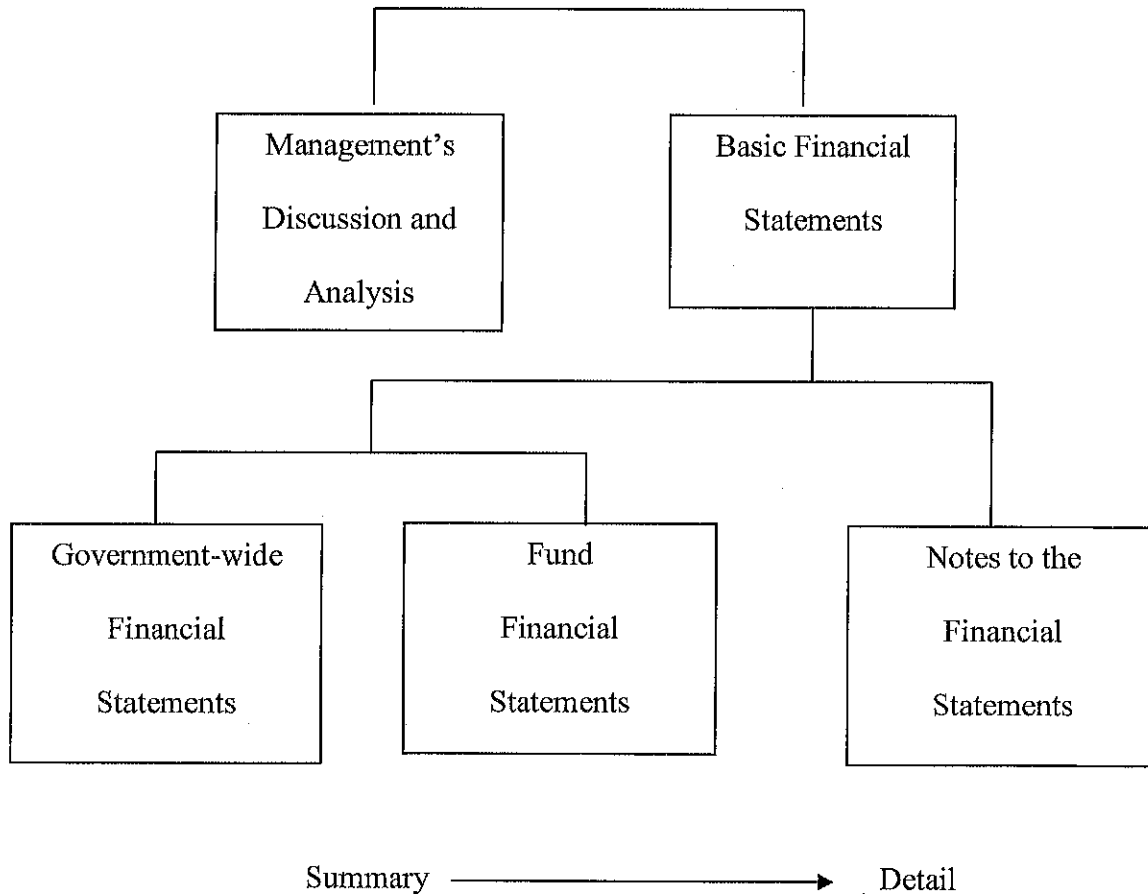
- The assets and deferred outflows of resources (net position) of the City of Lowell exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$8,524,035 (*net position*).
- The government's total net position *increased* by \$2,592,125, due to increases in governmental activities net position and business-type activities net position of \$2,351,072 and \$241,053, respectively.
- As of the close of the current fiscal year, the City of Lowell's governmental funds reported combined ending fund balances of \$4,926,554, an increase of \$2,362,902 in comparison with the prior year. Approximately 57.2 percent of this total amount, or \$2,819,324, is non-spendable or restricted.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$2,107,230 or 70.8 percent of total general fund expenditures for the fiscal year.
- The City of Lowell's total debt increased by \$105,274 during the current fiscal year, primarily due to purchase of police vehicles and improvements made to the waste water treatment plant.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Lowell's basic financial statements. The City of Lowell'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 of Lowell 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 Lowell.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) 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 (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City of Lowell 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 of Lowell's individual funds. Budgetary information required by the 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 two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the City's basic services such as public safety, sanitation, streets, recreation, and general administration. Property taxes and unrestricted intergovernmental revenues finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer service offered by the City of Lowell.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 2) 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 Lowell, 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 City of Lowell 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* that 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.

Management's Discussion and Analysis City of Lowell

The City of Lowell 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 Lowell has two kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. City of Lowell uses an enterprise fund to account for its water and sewer activity and one to account for its stormwater activity. 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 22 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes required supplementary information concerning the City of Lowell's progress in funding its obligations to provide pension benefits to its employees. Required supplementary information can be found beginning on page 56 of this report.

Management's Discussion and Analysis
City of Lowell

Government-Wide Financial Analysis

The City of Lowell's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 5,705,527	\$ 2,658,584	\$ 1,136,314	\$ 722,797	\$ 6,841,841	\$ 3,381,381
Capital assets	1,597,965	1,596,231	3,020,649	3,086,915	4,618,614	4,683,146
Deferred outflows of resources	503,275	426,979	92,629	63,669	595,904	490,648
Total assets	7,806,767	4,681,794	4,249,592	3,873,381	12,056,359	8,555,175
Long-term liabilities	1,319,092	1,513,985	793,097	753,984	2,112,189	2,267,969
Other liabilities	878,514	184,958	168,992	134,360	1,047,506	319,318
Deferred inflows of resources	306,954	31,716	65,675	4,262	372,629	35,978
Total liabilities	2,504,560	1,730,659	1,027,764	892,606	3,532,324	2,623,265
Net position:						
Net investment in capital assets	1,597,965	1,154,140	3,020,649	2,467,457	4,618,614	3,621,597
Restricted	2,049,315	787,808	142,492	112,697	2,191,807	900,505
Unrestricted	1,654,927	1,009,187	58,687	400,621	1,713,614	1,409,808
Total net position	\$ 5,302,207	\$ 2,951,135	\$ 3,221,828	\$ 2,980,775	\$ 8,524,035	\$ 5,931,910

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 Lowell exceeded liabilities and deferred inflows by \$8,524,035 as of June 30, 2022. The City's net position *increased* by \$2,592,125 for the fiscal year ended June 30, 2022. The primary reason for this increase is the growth of revenues of the governmental activities and grant monies received. The largest portion (54.2%) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City of Lowell uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Lowell'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's net position, \$2,435,392 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,470,029 is unrestricted.

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

Management's Discussion and Analysis
City of Lowell

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.94%.
- Conservative spending

City of Lowell Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 202,126	\$ 170,080	\$ 1,685,061	\$ 1,252,273	\$ 1,887,187	\$ 1,422,353
Operating grants and contributions	2,102,170	115,148	66,558	10,028	2,168,728	125,176
Capital grants and contributions			441,681	297,865	441,681	297,865
General revenues:						
Property taxes	1,782,562	1,538,818			1,782,562	1,538,818
Other taxes						
Grants and contributions not restricted to specific programs	1,029,295	778,704			1,029,295	778,704
Other	113,450	356,669	8	1,380	113,458	358,049
Total revenues	5,229,603	2,959,419	2,193,308	1,561,546	7,422,911	4,520,965
Expenses:						
General Government	844,041	745,343			844,041	745,343
Public safety	1,189,419	1,070,603			1,189,419	1,070,603
Highway/streets	441,569	321,672			441,569	321,672
Sanitation	257,156	304,654			257,156	304,654
Recreation	139,823	93,516			139,823	93,516
Stormwater		78,319				78,319
Interest on long-term debt	6,523	4,161			6,523	4,161
Water and sewer			1,797,365	1,484,848	1,797,365	1,484,848
Stormwater			154,890		154,890	
Total expenses	2,878,531	2,618,268	1,952,255	1,484,848	4,830,786	4,103,116
Increase in net position	2,351,072	341,151	241,053	76,698	2,592,125	417,849
Net position, beginning	2,951,135	2,609,984	2,980,775	2,904,077	5,931,910	5,514,061
Net position, ending	\$ 5,302,207	\$ 2,951,135	\$ 3,221,828	\$ 2,980,775	\$ 8,524,035	\$ 5,931,910

Management's Discussion and Analysis
City of Lowell

Governmental activities: Governmental activities increased the City's net position by \$2,351,072. General revenues increased approximately \$250,000 from the prior year. Powell Bill expenditures were up in the current year.

Business-type activities: Business-type activities increased the City of Lowell's net position by \$241,053.

Financial Analysis of the City's Funds

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

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

The General Fund is the chief operating fund of the City of Lowell. At the end of the current fiscal year, the City of Lowell's fund balance available in the General Fund was \$2,107,230, while the total fund balance was \$2,877,239. The City currently has an available fund balance of 70.8 percent of General Fund expenditures.

At June 30, 2022, the governmental funds of City of Lowell reported a combined fund balance of \$4,926,554 with a net increase in fund balance of \$2,362,902.

General Fund Budgetary Highlights: During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. The majority of the budget amendments made during the City's fiscal year involved budgeting for grant awards and donations given from various sources throughout the fiscal year.

Proprietary Funds: The City of Lowell'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 \$58,687. The total increase in net position for the fund was \$241,053. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

Management's Discussion and Analysis
 City of Lowell

Capital Asset and Debt Administration

Capital assets: The City of Lowell's investment in capital assets for its governmental and business-type activities as of June 30, 2022, totals \$4,618,614 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities and vehicles.

**City of Lowell's Capital Assets
 (net of depreciation)**

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land and construction in progress	\$ 112,430	\$ 112,430	\$ 326,175	\$ 326,175	\$ 438,605	\$ 438,605
Buildings and systems	93,852	99,650	224,333	268,728	318,185	368,378
Improvements other than buildings	27,931	29,804	20,028	20,028	47,959	49,832
Machinery and equipment	181,078	210,108	170,969	107,306	352,047	317,414
Infrastructure	728,805	769,992	2,279,144	2,364,678	3,007,949	3,134,670
Vehicles and motorized equipment	453,869	374,247			453,869	374,247
	<u>\$ 1,597,965</u>	<u>\$ 1,596,231</u>	<u>\$ 3,020,649</u>	<u>\$ 3,086,915</u>	<u>\$ 4,618,614</u>	<u>\$ 4,683,146</u>

Additional information on the City of Lowell's capital assets can be found in Note 2 of the Basic Financial Statements.

Management's Discussion and Analysis
City of Lowell

Long-term Debt: The City of Lowell's total debt increased from \$1,061,549 to \$1,166,823, an increase of \$105,274 during the past fiscal year.

Additional information regarding the City of Lowell's long-term debt can be found in Note 2 beginning on page 53 of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators and circumstances reflect the City's current situation:

- The Gateway-85 Development has constructed the first warehouse building totaling approximately 1.6 million square feet within Lowell's corporate limits. This will result in a positive tax base increase and increases to the Stormwater Enterprise Fund's revenue.
- Commercial and high-density residential growth opportunities remain at Exit 22 that may be impacted by the I-5719 Project. City Council is currently working with NCDOT to resolve concerns with the design of S. Main Street to ensure viable commercial development opportunities remain. Additionally, the City has begun a Downtown Master Plan process that seeks to bolster the development of vacant parcels and maximize the occupancy levels of existing buildings. Coordination with property owners will be key to making this a success.
- Residential growth is expected to continue as developers submit for plan approvals of new subdivisions and developments. Utility allocation will be key in these developments and the City has submitted for a wastewater flow reduction request to NCDEQ to assist with existing capacity and future sewer allocations. Additional regionalization efforts are being studied for wastewater operations to keep costs at a minimum for citizens.
- The City's General Fund unobligated fund balance has trended upward since 2016. The City Council has previously agreed upon 50% or six months of the annual general fund budget to maintain as reserve. During the 2022 budget planning sessions, the Council agreed to create a Capital Improvement Fund (CIF) to hold any fund balance that is more than 50% of the General Fund. Concluding this audit, staff will create the CIF fund. This will allow the City to make future property acquisitions and other important capital infrastructure-related expenditures in order to keep pace with a large increase in population growth that is expected from approved residential subdivisions.

Budget Highlights for the Fiscal Year Ending June 30, 2023

Governmental Activities: This year, the City Council is expected to evaluate the current tax rate of \$0.49/\$100 during this property reappraisal year. The revenue neutral calculation will be provided to the Council as required by statute and evaluated with a multi-year financial outlook and a CIP for the General Fund. Service delivery and expansion will be studied with these forecasts.

Management's Discussion and Analysis
City of Lowell

Business – type Activities: The City will be closing out a \$1.9 million dollar CDBG sewer line replacement project. A \$150,000 Asset Inventory and Assessment Grant for the water system has been awarded from NCDEQ. After the Water/Sewer CIP update in FY 22, Council approved the recommended 18% increase in Water and Sewer rates for FY 23 in order to provide necessary funding for repairs and maintenance. There is also a recommended 18% water and sewer rate increase for FY 24. A System Development Fee Study was conducted and resulted in an increase of 44% that will have a positive impact on the Water/Sewer Fund. We expect an increase to the City of Lowell's net position in relation to these revenue increases. Stormwater Enterprise revenue and expenditures are on track to meet the MS4 Permit requirements, while a new focus on infrastructure items will take second priority to compliance with State obligations.

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 information found in this report or requests for additional information should be directed to the City Manager, Scott Attaway, 101 West First Street, Lowell, NC 28098, (704) 824-3518 (TEL), or email sattaway@lowellinc.com.

BASIC FINANCIAL STATEMENTS

City of Lowell, North Carolina
Statement of Net Position
June 30, 2022

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,371,779	\$ 632,893	\$ 3,004,672
Restricted cash and cash equivalents	3,022,879	142,492	3,165,371
Taxes receivable (net)	33,188	85,409	118,597
Accounts receivable (net)	66,827	76,875	143,702
Due from other funds	34,029	141,995	176,024
Due from other governments	176,825		176,825
Inventories		56,650	56,650
Total current assets	<u>5,705,527</u>	<u>1,136,314</u>	<u>6,841,841</u>
Non-current assets:			
Capital assets:			
Land, non-depreciable improvements and construction in progress	112,430	326,175	438,605
Other capital assets, net of depreciation	1,485,535	2,694,474	4,180,009
Total capital assets	<u>1,597,965</u>	<u>3,020,649</u>	<u>4,618,614</u>
Total assets	<u>7,303,492</u>	<u>4,156,963</u>	<u>11,460,455</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	380,700	65,302	446,002
OPEB deferrals	122,575	27,327	149,902
Total deferred outflows of resources	<u>503,275</u>	<u>92,629</u>	<u>595,904</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	122,554	34,854	157,408
Payable from restricted assets-customer deposits	447,140	83,977	531,117
Due from other funds	176,024		176,024
Current portion of long-term liabilities	132,796	50,161	182,957
Total current liabilities	<u>878,514</u>	<u>168,992</u>	<u>1,047,506</u>
Long-term liabilities:			
Net pension liability	175,563	39,140	214,703
LEO pension liability	330,700		330,700
OPEB liability	420,968	93,852	514,820
Compensated absences	46,518	21,582	68,100
Installment obligations due in more than one year	345,343	638,523	983,866
Total long-term liabilities	<u>1,319,092</u>	<u>793,097</u>	<u>2,112,189</u>
Total liabilities	<u>2,197,606</u>	<u>962,089</u>	<u>3,159,695</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	275,064	58,565	333,629
OPEB deferrals	31,890	7,110	39,000
Total deferred inflows of resources	<u>306,954</u>	<u>65,675</u>	<u>372,629</u>
NET POSITION			
Net investment in capital assets	1,597,965	3,020,649	4,618,614
Restricted for:			
Cemetery Perpetual Care	49,957	-	49,957
Stabilization by State Statute	243,585	-	243,585
Other functions	1,999,358	142,492	2,141,850
Unrestricted	1,411,342	58,687	1,470,029
Total net position	<u>\$ 5,302,207</u>	<u>\$ 3,221,828</u>	<u>\$ 8,524,035</u>

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

City of Lowell, North Carolina
Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 844,041	\$ 29,671	\$ 2,000,000	\$ -	\$ 1,185,630	\$ -	\$ 1,185,630
Public safety	1,189,419	878	-	-	(1,188,541)	-	(1,188,541)
Streets	263,865	-	-	-	(263,865)	-	(263,865)
Powell Bill	177,704	160,711	102,170	-	(75,534)	-	(75,534)
Sanitation	257,158	10,866	-	-	(96,447)	-	(96,447)
Recreation	139,823	-	-	-	(128,957)	-	(128,957)
Interest on long-term debt	6,523	-	-	-	(6,523)	-	(6,523)
Total governmental activities	2,878,533	202,126	2,102,170	-	(574,237)	-	(574,237)
Business-type activities:							
Water and sewer	1,797,365	1,372,944	66,558	441,681	-	83,818	83,818
Stormwater	154,890	312,117	-	-	-	157,227	157,227
Total business-type activities	1,952,255	1,685,061	66,558	441,681	-	241,045	241,045
Total primary government	\$ 4,830,788	\$ 1,887,187	\$ 2,168,728	\$ 441,681	(574,237)	241,045	(333,192)

General revenues:

Taxes:

Property taxes, levied for general purpose	1,782,562	-	1,782,562
Grants and contributions not restricted to specific programs	1,029,295	8	1,029,295
Unrestricted investment earnings	3,446	-	3,454
Miscellaneous	110,006	-	110,006
Transfers	-	-	-
Total general revenues and transfers	2,925,309	8	2,925,317
Change in net position	2,351,072	241,053	2,592,125
Net position, beginning	2,951,135	2,980,775	5,931,910
Net position, ending	\$ 5,302,207	\$ 3,221,828	\$ 8,524,035

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

City of Lowell, North Carolina
Balance Sheet
Governmental Funds
June 30, 2022

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General	American Rescue Plan Fund		
ASSETS				
Cash and cash equivalents	\$ 2,371,779	\$ -	\$ -	\$ 2,371,779
Restricted cash and cash equivalents	526,424	447,140	2,049,315	3,022,879
Receivables, net:				
Taxes	33,188	-	-	33,188
Accounts	66,760	-	-	66,760
Due from other funds	-	-	1,400	1,400
Due from other governments	176,825	-	-	176,825
Total assets	<u>3,174,976</u>	<u>447,140</u>	<u>2,050,715</u>	<u>5,672,831</u>
LIABILITIES				
Accounts payable and accrued liabilities	122,554	-	-	122,554
Unearned revenues	-	447,140	-	447,140
Due to other funds	141,995	-	1,400	143,395
	<u>264,549</u>	<u>447,140</u>	<u>1,400</u>	<u>713,089</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	33,188	-	-	33,188
				-
Total deferred inflows of resources	<u>33,188</u>	<u>-</u>	<u>-</u>	<u>33,188</u>
FUND BALANCES				
Non Spendable				
Perpetual maintenance	-	-	38,377	38,377
Restricted				
Stabilization by State Statute	243,585	-	-	243,585
Streets	526,424	-	-	526,424
Public safety	-	-	-	-
SCIF	-	-	1,995,763	1,995,763
Other	-	-	15,175	15,175
Assigned				
Subsequent year's expenditures	-	-	-	-
Unassigned	2,107,230	-	-	2,107,230
Total fund balances	<u>2,877,239</u>	<u>-</u>	<u>2,049,315</u>	<u>4,926,554</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,174,976</u>	<u>\$ 447,140</u>	<u>\$ 2,050,715</u>	

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

Exhibit 3
(cont)

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	\$ 1,375,802
Deferred outflows of resources related to pensions are not reported in the funds	374,221
Deferred outflows of resources related to OPEB are not reported in the funds	52,758
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current period expenditures and, therefore, are inflows of resources in the funds	
Earned revenues considered deferred inflows of resources in fund statements.	27,863
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in funds:	
Gross long-term debt	(313,437)
Net pension liability	(436,712)
Total pension liability	(320,061)
OPEB liability	(353,067)
Deferred inflows of resources related to pensions are not reported in the funds	(16,445)
Deferred inflows of resources related to OPEB are not reported in the funds	(15,269)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.	
Net position of governmental activities	<u>\$ 5,302,207</u>

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

City of Lowell, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2022

	Major Fund		Total Non-Major Funds	Total Governmental Funds
	General Fund	American Rescue Plan Fund		
REVENUES				
Ad valorem taxes	\$ 1,756,002	\$ -	\$ -	\$ 1,756,002
Unrestricted intergovernmental	884,586	-	-	884,586
Restricted intergovernmental	105,008	145,000	2,155,521	2,405,529
Permits and fees	27,849	-	-	27,849
Sales and services	170,530	-	-	170,530
Investment earnings	3,444	-	5	3,449
Miscellaneous	91,854	-	-	91,854
Total revenues	3,039,273	145,000	2,155,526	5,339,799
EXPENDITURES				
Current:				
General government	769,716	-	159,177	928,893
Public safety	1,221,972	-	-	1,221,972
Streets	221,208	-	-	221,208
Powell Bill	181,965	-	-	181,965
Sanitation	280,659	-	-	280,659
Recreation	142,200	-	-	142,200
Total expenditures	2,817,720	-	159,177	2,976,897
Excess of revenues over (under) expenditures	221,553	145,000	1,996,349	2,362,902
OTHER FINANCING SOURCES				
Transfers from other funds	145,000	(145,000)	-	-
Total other financing sources	145,000	(145,000)	-	-
Net change in fund balance	366,553	-	1,996,349	2,362,902
	366,553	-	1,996,349	2,362,902
Fund balances, beginning	2,510,686	-	52,966	2,563,652
Fund balances, ending	\$ 2,877,239	\$ -	\$ 2,049,315	\$ 4,926,554

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

City of Lowell, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2022

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

Net changes in fund balances - total governmental funds	\$ 2,362,902
---	--------------

Governmental funds report capital outlays as expenditures. However, in 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 depreciation exceeded capital outlays in the current period

Capital outlay expenditures which were capitalized	\$ 201,773	
Depreciation expense for governmental assets	<u>(199,975)</u>	1,798

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	10,641
--	--------

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues	33,188
--	--------

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 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 debt and related items.

New long-term debt issued	(199,710)	
Principal payments on long-term debt	163,662	
Decrease in accrued interest payable	<u>-</u>	(36,048)

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		22,141
Pension expense		(28,845)
OPEB plan expense		<u>(14,705)</u>

Total changes in net position of governmental activities	<u>\$ 2,351,072</u>
--	---------------------

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

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

	General Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 1,682,825	\$ 1,682,825	\$ 1,756,002	\$ 73,177
Unrestricted intergovernmental	747,500	747,500	884,586	137,086
Restricted intergovernmental	136,506	136,506	105,008	(31,498)
Permits and fees	15,000	15,000	27,849	12,849
Sales and services	171,175	171,175	170,530	(645)
Investment earnings	16,000	16,000	3,444	(12,556)
Miscellaneous	25,652	25,652	91,854	66,202
Total revenues	<u>2,794,658</u>	<u>2,794,658</u>	<u>3,039,273</u>	<u>244,615</u>
Expenditures:				
Current:				
General government	747,970	780,570	769,716	10,854
Public safety	1,358,838	1,326,238	1,221,972	104,266
Streets	276,078	256,078	221,208	34,870
Powell Bill	231,275	231,275	181,965	49,310
Sanitation	264,547	284,547	280,659	3,888
Recreation	203,225	203,225	142,200	61,025
Total expenditures	<u>3,081,933</u>	<u>3,081,933</u>	<u>2,817,720</u>	<u>264,213</u>
Revenues over (under) expenditures	<u>(287,275)</u>	<u>(287,275)</u>	<u>221,553</u>	<u>508,828</u>
Other financing sources (uses):				
Fund balance appropriated	142,275	142,275		(142,275)
Transfer from ARPA Fund	145,000	145,000	145,000	-
	<u>287,275</u>	<u>287,275</u>		
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>366,553</u>	<u>\$ 366,553</u>
Fund balance, beginning			<u>2,510,686</u>	
Fund balance, ending			<u>\$ 2,877,239</u>	

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

City of Lowell, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2022

	Enterprise Fund		Total
	Water and Sewer Fund	Stormwater Fund	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 466,699	\$ 166,194	\$ 632,893
Restricted cash and cash equivalents	142,492		142,492
Accounts receivable (net) - billed	85,409		85,409
Accounts receivable (net) - unbilled	76,875		76,875
Due from other funds	141,995		141,995
Inventories	56,650		56,650
Total current assets	<u>970,120</u>	<u>166,194</u>	<u>1,136,314</u>
Noncurrent assets:			
Capital assets:			
Land and other non-depreciable assets	311,175		311,175
Other capital assets, net of depreciation	2,709,474		2,709,474
Capital assets (net)	<u>3,020,649</u>	-	<u>3,020,649</u>
Total noncurrent assets	<u>3,020,649</u>	-	<u>3,020,649</u>
Total assets	<u>\$ 3,990,769</u>	<u>\$ 166,194</u>	<u>\$ 4,156,963</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	\$ 65,302		\$ 65,302
OPEB deferrals	27,327		27,327
Total deferred outflows of resources	<u>92,629</u>	-	<u>92,629</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	25,887	8,967	34,854
Payable from restricted assets - customer deposits	83,977		83,977
Installment obligations - current	50,161		50,161
Total current liabilities	<u>160,025</u>	<u>8,967</u>	<u>168,992</u>
Noncurrent liabilities:			
Compensated absences	21,582		21,582
Net pension liability	39,140		39,140
Total OPEB liability	93,852		93,852
Installment obligations - noncurrent	638,523		638,523
Total noncurrent liabilities	<u>793,097</u>	-	<u>793,097</u>
Total liabilities	<u>953,122</u>	<u>8,967</u>	<u>962,089</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	58,565		58,565
OPEB deferrals	7,110		7,110
Total deferred inflows of resources	<u>65,675</u>	-	<u>65,675</u>
NET POSITION			
Net investment in capital assets	3,020,649		3,020,649
Restricted	142,492		142,492
Unrestricted	(98,540)	157,227	58,687
Total net position	<u>\$ 3,064,601</u>	<u>\$ 157,227</u>	<u>\$ 3,221,828</u>

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

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

	Enterprise Fund		Total
	Water and Sewer Fund	Stormwater Fund	
OPERATING REVENUES			
Charges for services	\$ 1,338,044	\$ 312,117	\$ 1,650,161
Water and sewer system development and tap fees	34,900		34,900
Other operating revenues	66,558		66,558
Total operating revenues	<u>1,439,502</u>	<u>312,117</u>	<u>1,751,619</u>
OPERATING EXPENSES			
Cost of water purchased	411,564		411,564
Other operating expenses	804,175	154,890	959,065
Depreciation	171,085		171,085
Total operating expenses	<u>1,386,824</u>	<u>154,890</u>	<u>1,541,714</u>
Operating (loss)	<u>52,678</u>	<u>157,227</u>	<u>209,905</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	8		8
Project expenditures	(384,568)		(384,568)
Interest and other charges	(25,973)		(25,973)
Total nonoperating revenue (expenses)	<u>(410,533)</u>	<u>-</u>	<u>(410,533)</u>
Income (loss) before contributions and transfers	<u>(357,855)</u>	<u>157,227</u>	<u>(200,628)</u>
Capital contributions	441,681		441,681
Change in net position	<u>83,826</u>	<u>157,227</u>	<u>241,053</u>
Total net position, beginning	<u>2,980,775</u>		<u>2,980,775</u>
Total net position, ending	<u>\$ 3,064,601</u>	<u>\$ 157,227</u>	<u>\$ 3,221,828</u>

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

City of Lowell, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2022

	Water and Sewer Fund	Stormwater Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,389,446	\$ 312,117	\$ 1,701,563
Cash paid for goods and services	(935,451)	(49,942)	(985,393)
Cash paid to or on behalf of employees for services	(306,411)	(104,948)	(411,359)
Customer deposits received (net)	6,165		6,165
Other operating revenues	66,618	8,967	75,585
Net cash used in operating activities	<u>220,367</u>	<u>166,194</u>	<u>386,561</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on equipment loans	(35,593)		(35,593)
Interest paid on equipment loans	(25,973)		(25,973)
Acquisition of capital assets	(411,451)		(411,451)
Proceeds from installment obligations	104,819		104,819
Grant funds	221,750		221,750
Net cash used by capital and related financing activities	<u>(146,448)</u>	<u>-</u>	<u>(146,448)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	<u>8</u>		<u>8</u>
Net decrease in cash and cash equivalents	73,927	166,194	240,121
Balances, beginning	535,264		535,264
Balances, ending	<u>\$ 609,191</u>	<u>\$ 166,194</u>	<u>\$ 775,385</u>
Reconciliation of operating loss to net cash used in operating activities			
Operating loss	<u>\$ 52,678</u>	<u>\$ 157,227</u>	<u>\$ 209,905</u>
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	171,085		171,085
Changes in assets, deferred outflows of resources, and liabilities:			
(Increase) decrease in accounts receivable	(15,476)		(15,476)
Increase (decrease) in allowance for doubtful accounts			
(Increase) decrease in inventory	(15,925)		(15,925)
(Increase) decrease in deferred outflows of resources - pensions	(12,248)		(12,248)
Increase (decrease) in deferred outflows of resources - OPEB	(16,712)		(16,712)
Increase (decrease) in net pension liability	(48,727)		(48,727)
Increase (decrease) in accounts payable	10,079	8,967	19,046
Increase (decrease) in accrued OPEB liability	22,815		22,815
Increase (decrease) in compensated absences payable	5,220		5,220
Increase (decrease) in customer deposits	6,165		6,165
Increase (decrease) in deferred inflows of resources for pensions	57,375		57,375
Increase (decrease) in deferred inflows of resources for OPEB	4,038		4,038
Total adjustments	<u>167,689</u>	<u>8,967</u>	<u>176,656</u>
Net cash used in operating activities	<u>\$ 220,367</u>	<u>\$ 166,194</u>	<u>\$ 386,561</u>

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

City of Lowell, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Lowell 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 Lowell is a municipal corporation that is governed by an elected mayor and a five-member council.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. 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.

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 non-major funds.

City of Lowell, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The City reports the following major governmental funds:

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

The City reports the following non-major governmental funds:

American Rescue Plan Fund. This fund accounts for the transactions related to the American Rescue Plan Funds.

Cemetery Permanent Fund. This fund is used to account for perpetual care of the municipal cemetery.

Grant Project Special Revenue Fund. This fund is used to account for grant funds that are restricted for a particular purpose.

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.

Stormwater Fund. This fund is used to account for the City's stormwater operations.

Lowell Sewer Capital Project Fund. This fund is used to account for improvements to the City's sewer system.

City of Lowell, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City 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

City of Lowell, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

acquisitions are reported as expenditures in governmental funds. Issuance of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances were adopted for the Sidewalk Construction Capital Projects Fund, the Neighborhood Revitalization Project Fund, the Water and Sewer Capital Projects Fund, and the Lowell Capital Projects Fund. The enterprise fund projects are consolidated with their respective operating fund

City of Lowell, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for the multi-year funds. The Budget Officer is authorized to transfer appropriations within a department; however, any revisions that alter total expenditures of any department or fund must be approved by the governing council. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted. The Cemetery Permanent Fund is not required to be budgeted.

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

1. Deposits and Investments

All deposits of the City are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The City may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City 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 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). Investments are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

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.

City of Lowell, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Restricted Assets

The unexpended proceeds of Grant monies are classified as a restricted asset because its use is completely restricted to the purpose of which the grant was intended. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. 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

City of Lowell Restricted Cash

Governmental Activities:

General Fund

Streets \$ 526,424

ARPA Fund-Unassigned proceeds 447,140

SCIF Fund-Unexpended grant proceeds 1,997,163

Community Development Block Grant

Neighborhood Revitalization 2,195

Cemetery Fund

Cemetery care 49,957

Total governmental activities \$ 3,022,879

Business-type Activities

Water and Sewer Fund

Customer deposits \$ 83,977

Capital project 58,515

Total business-type activities 142,492

Total Restricted Cash \$ 3,165,371

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 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2021.

City of Lowell, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Inventory

The inventories of the City are valued at cost (first-in, first-out), which approximates market. The inventories of the City's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed 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 costs are as follows: land, \$5,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$10,000; infrastructure, \$5,000; equipment and furniture, \$5,000; vehicles \$5,000; computer equipment, \$5,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition cost. All other purchased or constructed capital assets are reported at cost or estimated historical 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	25 - 50
Buildings and systems	40
Improvements	10 - 50
Vehicles	5
Furniture and equipment	10
Computer equipment	3

City of Lowell, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 one item that meets this criterion, pension deferrals for the 2022 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has several items that meet the criterion for this category - prepaid taxes, property taxes receivable, and pension 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.

10. Compensated Absences

The vacation policy of the City provides for the accumulation of up to two hundred forty hours 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 is considered to be immaterial; thus no current liability is reflected in the government-wide and proprietary financial statements.

Sick leave is accumulated at the rate of one day for each calendar month of service. 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 the City does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

City of Lowell, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

11. Reimbursements for Pandemic-related Expenditures

In FY 2020/21, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for the eligible state, local, territorial, and tribal governments. The City was allocated \$1,184,280 of fiscal recovery funds to be paid in two equal installments. The first installment of \$592,140 was received in July 2021. The second installment will be received in July 2022. City staff and the City Council have elected to use \$145,000 of the ARPA funds for premium pay. The City plans on using the rest of the funds for revenue replacement in Fiscal Year 2023. The \$145,000 used for premium pay was transferred to the General Fund from the ARPA Fund. Revenue replacement funds will be transferred to the appropriate funds once the intended use of the funds is determined.

12. Net Position

Net position in government-wide and proprietary fund financial statements is classified as net investment 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:

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

Perpetual maintenance – Cemetery resources that are required to be retained in perpetuity for maintenance of the City of Lowell Cemetery.

City of Lowell, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 - 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 unexpended Powell Bill funds.

Restricted for Public Safety – portion of fund balance that is restricted by revenue source for the purchase of police vehicles.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of City of Lowell'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 – portion of fund balance that City of Lowell intends to use for specific purposes.

City of Lowell, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent year's expenditures – 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.

The City of Lowell has a revenue spending policy that provides guidance for programs with multiple revenue sources. 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.

13. Defined Benefit Cost-Sharing Plans

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

NOTE 2: DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All the deposits of the City 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 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

City of Lowell, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agents in the entities 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 or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2022, the City's deposits had a carrying amount of \$5,839,822 and a bank balance of \$5,925,048. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2022 the City's petty cash fund totaled \$500.

2. Investments

At June 30, 2022, the City of Lowell had \$334,256 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The City has no policy regarding credit risk.

3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2022 are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	<u>\$ 1,026</u>
Enterprise Fund:	
Accounts receivable	<u>2,137</u>
Total	<u>\$ 3,163</u>

City of Lowell, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

4. Capital Assets

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

	Beginning			Ending
	Balances	Increases	Decreases	Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 112,430	\$ -	\$ -	\$ 112,430
Total capital assets not being depreciated	<u>112,430</u>	<u>-</u>	<u>-</u>	<u>112,430</u>
Capital assets being depreciated:				
City Hall building	125,196		-	125,196
Other buildings	355,134			355,134
Other land improvements	163,324		-	163,324
Equipment	1,040,201	12,450		1,052,651
Vehicles and motorized equipment	1,204,996	187,260		1,392,256
Streets and sidewalks	2,483,765	2,000	-	2,485,765
Total capital assets being depreciated	<u>5,372,616</u>	<u>201,710</u>	<u>-</u>	<u>5,574,326</u>
Less accumulated depreciation for:				
City Hall building	112,889	548		113,437
Other buildings	267,791	5,250		273,041
Other land improvements	133,520	1,873		135,393
Equipment	830,093	41,480		871,573
Vehicles and motorized equipment	830,749	107,638		938,387
Streets and sidewalks	1,713,773	43,187	-	1,756,960
Total accumulated depreciation	<u>3,888,815</u>	<u>\$ 199,976</u>	<u>\$ -</u>	<u>4,088,791</u>
Total capital assets being depreciated, net	<u>1,483,801</u>			<u>1,485,535</u>
Governmental activity capital assets, net	<u><u>\$ 1,596,231</u></u>			<u><u>\$ 1,597,965</u></u>

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

General government	\$ 5,999
Public safety	65,992
Sanitation	55,993
Streets	69,992
Recreation	2,000
	<u>\$ 199,976</u>

City of Lowell, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Water and Sewer Fund</i>				
Capital assets not being depreciated:				
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
Construction in progress	311,175	-	-	311,175
Total capital assets not being depreciated	326,175	-	-	326,175
Capital assets being depreciated:				
Buildings	16,683		-	16,683
Sewage treatment plant	790,666			790,666
Rights of way and easements	22,105		-	22,105
Equipment, including vehicles	616,487	88,799		705,286
Water and sewer system	6,476,781	16,020	-	6,492,801
Total capital assets being depreciated	7,922,722	104,819	-	8,027,541
Less accumulated depreciation for:				
Buildings	16,683		-	16,683
Sewage treatment plant	521,938	44,395		566,333
Rights of way and easements	2,077		-	2,077
Equipment, including vehicles	509,181	25,136		534,317
Water and sewer system	4,112,103	101,554	-	4,213,657
Total accumulated depreciation	5,161,982	\$ 171,085	\$ -	5,333,067
Total capital assets being depreciated, net	2,760,740			2,694,474
Water and Sewer fund capital assets, net	\$ 3,086,915			\$ 3,020,649

City of Lowell, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The City of Lowell 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, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four 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

City of Lowell, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Lowell 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 Lowell's contractually required contribution rate for the year ended June 30, 2022, was 9.70% of compensation for law enforcement officers and 8.95% for general employees and firefighters, 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 Lowell were \$136,039 for the year ended June 30, 2022.

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

City of Lowell, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

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

At June 30, 2022, the City reported a liability of \$214,703 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2021 (measurement date), the City's proportion was 0.01400%, which was a decrease of 0.00068% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City recognized pension expense of \$98,843. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$ 68,305	\$
Changes in assumptions	134,889	
Net difference between projected and actual earnings on pension plan investments		306,747
Changes in proportion and differences between City contributions and proportionate share of contributions	18,979	14,508
City contributions subsequent to the measurement date	136,039	
Total	\$ 358,212	\$ 321,255

\$136,039 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease

City of Lowell, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2023	\$ 24,441
2024	(3,135)
2025	(26,523)
2026	(93,866)
2027	-
Thereafter	-
	<u>\$ (99,083)</u>

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

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

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

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

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

City of Lowell, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

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

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2020 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.50%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was

City of Lowell, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
City's proportionate share of the net pension liability (asset)	\$ 833,461	\$ 214,703	\$ (294,498)

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

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description.

The City of Lowell 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 0.85 percent 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.

City of Lowell, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

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

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	9
Total	<u>11</u>

2. 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 meets the criteria which are outlined in GASB Statement 73.

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2020 valuation. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	2.25 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, 2020.

Mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

City of Lowell, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

4. 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 \$24,070 as benefits came due for the reporting period.

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

At June 30, 2022, the City reported a total pension liability of \$330,700. The total pension liability was measured as of December 31, 2021 based on a December 31, 2020 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the City recognized pension expense of \$54,354.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 26,824	\$ 3,699
Changes of assumptions	60,966	8,675
Total	<u>\$ 87,790</u>	<u>\$ 12,374</u>

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

City of Lowell, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

2023	\$	20,621
2024		22,795
2025		22,137
2026		9,230
2027		633

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

	<u>1% Decrease (1.25%)</u>	<u>Discount Rate (2.25%)</u>	<u>1% Increase (3.25%)</u>
Total pension liability	\$ 357,447	\$ 330,700	\$ 305,776

**Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance**

	<u>2021</u>
Beginning balance	\$ 320,061
Service Cost	16,545
Interest on the total pension liability	5,993
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	15,588
Changes of assumptions or other inputs	(8,360)
Benefit payments	(19,127)
Other changes	-
Ending balance of the total pension liability	<u>\$ 330,700</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

City of Lowell, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

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

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 98,843	\$ 54,354	\$ 153,197
Pension Liability	214,703	330,700	545,403
Proportionate share of the net pension liability	0.01400%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	68,305	26,824	95,129
Changes of assumptions	134,889	60,966	195,855
Net difference between projected and actual earnings on plan investments		-	-
Changes in proportion and differences between contributions and proportionate share of contributions	18,979	-	18,979
Benefit payments and administrative costs paid subsequent to the measurement date	136,039	-	136,039
Deferred Inflows of Resources			
Differences between expected and actual experience	-	3,699	3,699
Changes of assumptions	-	8,675	8,675
Net difference between projected and actual earnings on plan investments	306,747	-	306,747
Changes in proportion and differences between contributions and proportionate share of contributions	14,508	-	14,508

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State

City of Lowell, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR 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 \$24,070 for the reporting year. No amounts were forfeited.

d. Supplemental Retirement Income Plan for Employees Other Than Law Enforcement

Plan Description. All full-time employees of the City other than law enforcement officers participate in the Supplemental Retirement Income Plan, which is a Section 401(k) plan. Participation begins after 90 days of employment.

Funding Policy. The City contributes each month an amount equal to five percent of each employee's salary, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan. The City made contributions of \$30,739 for the reporting year. No amounts were forfeited.

City of Lowell, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

e. Other Postemployment Benefit

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). The City Council has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided. At retirement, all employees have the option to purchase basic medical insurance at the City's group rate. The entire cost of this insurance is borne by the employee, except for employees with 20 years of service with the City who qualify under the Local Government Employees' Retirement System's criteria for full retirement. If there is no other medical insurance coverage available at no cost to the employee, insurance coverage will be furnished on the City's group medical insurance plan at no cost until the employee is eligible for Social Security Medicare benefits. Currently, one employee is eligible for postretirement benefits. A separate report was not issued for the plan.

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

	General Employees	Law Enforcement Officers
Retirees receiving benefits	0	2
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	12	19
Total	12	21

City of Lowell, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

Total OPEB Liability

The City's total OPEB liability of \$514,820 was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date.

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

Inflation	2.5 percent
Salary increases	3.25 – 8.41 percent, average, including inflation
Discount rate	2.16 percent
Healthcare cost trend rates	Medical – 7.0% for 2021 decreasing to an ultimate rate of 4.5% by 2031 Dental – 3.5%

The discount rate is based on the June average of the Bond Buyer General Obligation 20 Year Municipal Bond Index.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2021	\$ 424,104
Changes for the year	
Service cost	18,386
Interest	9,572
Changes of benefit terms	-
Differences between expected and actual experience	(27,094)
Changes in assumptions or other inputs	108,680
Benefit payments	(18,828)
Net changes	90,716
Balance at June 30, 2022	\$ 514,820

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

Medical trend rates remained at 7.0% for 2021 and will decrease to an ultimate rate of 4.5% by 2031.

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

City of Lowell, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

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

	<u>1% Decrease</u>	<u>Discount Rate (2.16%)</u>	<u>1% Increase</u>
Total OPEB liability	\$ 565,275	\$ 514,820	\$ 469,141

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:

	<u>Medical - 6.0%, Prescription - 6.0%</u>	<u>Discount Rate (Medical - 7.0%, Prescription - 7.0%)</u>	<u>Medical - 8.0%, Prescription - 8.0%</u>
Total OPEB liability	\$ 457,612	\$ 514,820	\$ 581,952

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

For the year ended June 30, 2022, the City recognized OPEB expense of \$43,672. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 14,960	\$ 24,332
Changes of assumptions	134,942	14,668
Total	<u>\$ 149,902</u>	<u>\$ 39,000</u>

City of Lowell, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2023	\$ 15,714
2024	15,714
2025	15,714
2026	15,714
2027	17,140
Thereafter	30,906

2. Other Employment Benefits

The City has elected to provide death benefits to law enforcement officers through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those officers 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 officer'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.

City of Lowell, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

Deferred Outflows and Inflows of Resources

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

Contributions to pension plan in current fiscal year	\$	136,039
Differences between expected and actual experience		110,089
Changes in assumptions		330,797
Net difference between projected and actual earnings on pension plan investments		
Changes in proportion and differences between employer contributions and proportionate share of contributions		18,979
Total	\$	595,904

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ -	\$ -
Taxes receivable (General Fund)	-	33,188
Changes in assumptions	23,343	-
Differences between expected and actual experience	28,031	
Net difference between projected and actual earnings on plan investments	306,747	
Changes in proportion and differences between employer contributions and proportionate share of contributions	14,508	
Total	\$ 372,629	\$ 33,188

City of Lowell, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

3. 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 three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the City upon request.

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 does not carry flood coverage insurance because none of its buildings are located in areas designated by the Federal Emergency Management Agency as flood zones B, C, or X (which are the critical 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 \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$15,000.

City of Lowell, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

4. Long-Term Obligations

a. Installment Purchases

The City has entered into various installment purchase contracts with a bank to finance asset purchases. The purchase contracts range in length from 5 to 20 years and interest rates from 2.88% to 5.24%. The purchase contract for water meters contains an adjustable rate based on a 10 year Treasury Bill rate. The following table summarizes the financing obligations at June 30, 2022:

General Fund:	<u>June 2021</u>	<u>Purchases</u>	<u>Payments</u>	<u>June 2022</u>
Police vehicles	\$ 89,117	\$ 120,000	\$ 81,734	\$127,383
Police radios	38,484		12,542	25,942
Vehicles	231,872	67,260	68,185	230,947
Equipment	82,618	12,450	1,201	93,867
	<u>\$442,091</u>	<u>\$199,710</u>	<u>\$163,662</u>	<u>\$478,139</u>
 Water and Sewer Fund:				
Equipment	\$ 73,332	\$ 88,799	\$ 26,935	\$135,196
WWTP	35,826		8,658	27,168
Water meters	510,300	16,020		526,320
	<u>\$619,458</u>	<u>\$104,819</u>	<u>\$ 35,593</u>	<u>\$688,684</u>

Annual debt service payments of the installment purchases as of June 30, 2022 are as follows:

Year Ending June 30	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	Principal	Interest	Principal	Interest
2023	\$ 132,796	\$ 16,986	\$ 50,161	\$ 36,419
2024	126,882	15,721	51,489	34,256
2025	93,688	10,129	52,446	32,090
2026	86,481	7,647	43,119	30,976
2027 and later	38,292	4,317	491,469	84,275
Total	<u>\$ 478,139</u>	<u>\$ 54,800</u>	<u>\$688,684</u>	<u>\$ 218,016</u>

City of Lowell, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

b. Changes in Long-Term Liabilities

	Beginning			Ending	Current
	Balance	Increases	Decreases	Balance	Portion of Balance
Governmental activities:					
Installment purchases	\$ 442,091	\$ 199,710	\$ 163,662	\$ 478,139	\$ 132,796
Compensated absences	68,659		22,141	46,518	
Total OPEB liability	353,067	67,901		420,968	
Net pension liability (LGERS)	436,712		261,149	175,563	
Total pension obligation (LEO)	320,061	10,639		330,700	
Governmental activity long-term liabilities	<u>\$ 1,620,590</u>	<u>\$ 278,250</u>	<u>\$ 446,952</u>	<u>\$ 1,451,888</u>	<u>\$ 132,796</u>
Business-type activities:					
Water and Sewer Fund					
Notes payable/installment purchases	\$ 619,458	\$ 104,819	\$ 35,593	\$ 688,684	\$ 50,161
Net pension liability (LGERS)	87,867		48,727	39,140	
Total OPEB liability	71,037	22,815		93,852	
Compensated absences	16,362	5,220		21,582	
Business-type activity long-term liabilities	<u>\$ 794,724</u>	<u>\$ 132,854</u>	<u>\$ 84,320</u>	<u>\$ 843,258</u>	<u>\$ 50,161</u>

Compensated absences for governmental activities have typically been liquidated in the General Fund.

C. Fund Balance

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

<i>Total Fund Balance-General Fund</i>	<i>\$2,877,239</i>
Less:	
Stabilization by State Statute	243,585
Streets-Powell Bill	526,424
Public safety	0
Appropriated Fund Balance in 2019-2021 Budget	0
Remaining Fund Balance	<u>\$2,107,230</u>

City of Lowell, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 3: JOINTLY GOVERNED ORGANIZATIONS

The City, in conjunction with eight counties and fifty other municipalities, established the Centralina Council of Governments (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 \$927 to the Council during the fiscal year ended June 30, 2022.

NOTE 4: COMMITMENTS

The City had a written agreement with the Lowell Volunteer Fire Department, Inc. to provide fire service for the citizens of the City of Lowell. The contract called for payment of \$100,000 each year for ten years, starting with the year beginning July 1, 2000. At the end of the ten years, the contract provided that the contract would continue in force until terminated by either party with proper notice. This agreement ended as of June 30, 2022. Effective July 1, 2022, Gaston County will assess a fire tax and pay the Lowell Volunteer Fire Department from those funds.

NOTE 5: 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 moneys 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 moneys.

REQUIRED SUPPLEMENTARY FINANCIAL DATA

City of Lowell, North Carolina
 City of Lowell's Proportionate Share of Net Pension Liability (Asset)
 Required Supplementary Information
 Last Eight Fiscal Years *

	2022	2021	2020	2019	2018	2017	2016	2015
Local Government Employees' Retirement System								
Lowell's proportion of the net pension liability (asset) (%)	0.014000%	0.014680%	0.012850%	0.01445%	0.01341%	0.01342%	0.01275%	0.01352%
Lowell's proportion of the net pension liability (asset) (\$)	\$ 214,703	\$ 524,579	\$ 350,923	\$ 342,801	\$ 204,868	\$ 284,817	\$ 57,220	\$ (79,734)
Lowell's covered payroll	\$ 1,243,965	\$ 1,112,840	\$ 1,037,948	\$ 914,859	\$ 896,986	\$ 892,648	\$ 892,648	\$ 867,256
Lowell's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	17.26%	47.14%	33.81%	37.47%	22.84%	31.91%	6.41%	(9.19%)
Plan fiduciary net position as a percentage of the total pension liability***	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%

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

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

City of Lowell, North Carolina
 City of Lowell's Contributions
 Required Supplementary Information
 Last Eight Fiscal Years

Local Government Employees' Retirement System

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 136,039	\$ 107,726	\$ 95,855	\$ 73,646	\$ 68,116	\$ 65,997	\$ 61,626	\$ 62,688
Contributions in relation to the contractually required contribution	136,039	107,726	95,855	73,646	68,116	65,997	61,626	62,688
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lowell's covered payroll	\$ 1,243,965	\$ 1,112,840	\$ 1,037,948	\$ 914,859	\$ 896,986	\$ 892,648	\$ 892,648	\$ 867,256
Contributions as a percentage of covered payroll	10.94%	9.68%	9.24%	8.05%	7.59%	7.39%	6.90%	7.23%

City of Lowell, North Carolina
 Schedule of Changes in Total Pension Liability
 Law Enforcement Officers' Special Separation Allowance
 June 30, 2022

	2022	2021	2020	2019	2018	2017
Beginning balance	\$ 320,061	\$ 215,186	\$ 209,305	\$ 234,281	\$ 164,777	\$ 155,464
Service Cost	16,545	8,872	7,630	10,137	7,172	7,951
Interest on the total pension liability	5,993	6,646	7,207	7,104	6,066	5,534
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	15,588	18,010	8,089	(15,727)	59,000	-
Changes in assumptions or other inputs	(8,360)	93,991	5,599	(7,560)	12,508	(3,293)
Benefit payments	(19,127)	(22,644)	(22,644)	(18,930)	(15,242)	(879)
Other changes	-	-	-	-	-	-
Ending balance of the total pension liability	\$ 330,700	\$ 320,061	\$ 215,186	\$ 209,305	\$ 234,281	\$ 164,777

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

City of Lowell, North Carolina
 Schedule of Total Pension Liability as a Percentage of Covered Payroll
 Law Enforcement Officers' Special Separation Allowance
 June 30, 2022

	2022	2021	2020	2019	2018	2017
Total pension liability	\$ 330,700	\$ 320,061	\$ 215,186	\$ 209,305	\$ 234,281	\$ 164,777
Covered payroll	443,593	411,664	328,429	386,375	352,674	371,247
Total pension liability as a percentage of covered payroll	74.55%	77.75%	65.52%	54.17%	66.43%	44.38%

Notes to the schedule:

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

City of Lowell, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total OPEB Liability				
Service cost	\$ 18,386	\$ 13,492	\$ 17,029	\$ 17,595
Interest	9,572	13,111	12,359	11,114
Changes of benefit terms			-	-
Differences between expected and actual experience	(27,094)	367	22,633	541
Changes of assumptions	108,680	44,749	8,262	(10,949)
Benefit payments	(18,828)	(17,304)	(16,443)	(9,219)
Net change in total OPEB liability	90,716	54,415	43,840	9,082
Total OPEB liability - beginning	424,104	369,689	325,849	316,767
Total OPEB liability - ending	<u>\$ 514,820</u>	<u>\$ 424,104</u>	<u>\$ 369,689</u>	<u>\$ 325,849</u>
Covered payroll	\$ 954,727	\$ 769,564	\$ 769,564	\$ 840,093
Total OPEB liability as a percentage of covered payroll	53.92%	55.11%	48.04%	38.79%

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>
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.18%

INDIVIDUAL FUND FINANCIAL STATEMENTS

**City of Lowell, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2022**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 1,755,765	\$
Interest		237	
Total	<u>1,682,825</u>	<u>1,756,002</u>	<u>73,177</u>
Unrestricted intergovernmental:			
Local option sales taxes		672,917	
Utility franchise tax		196,246	
Beer and wine tax		14,546	
Court costs and fees		877	
Total	<u>747,500</u>	<u>884,586</u>	<u>137,086</u>
Restricted intergovernmental:			
Powell Bill allocation		102,170	
Township grant			
Solid waste disposal tax		2,838	
Total	<u>136,506</u>	<u>105,008</u>	<u>(31,498)</u>
Permits and fees:			
Zoning permits		27,849	
Code enforcement			
Total	<u>15,000</u>	<u>27,849</u>	<u>12,849</u>
Sales and services:			
Sanitation fees		159,664	
Recreation revenue		9,706	
Community Center revenue		1,160	
Sale of fixed assets			
Total	<u>171,175</u>	<u>170,530</u>	<u>(645)</u>
Investment earnings	<u>16,000</u>	<u>3,444</u>	<u>(12,556)</u>
Miscellaneous:			
Miscellaneous	<u>25,652</u>	<u>91,854</u>	<u>66,202</u>
Total revenues	<u>2,794,658</u>	<u>3,039,273</u>	<u>244,615</u>

**City of Lowell, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2022**

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General Government:			
Salaries and employee benefits		319,722	
Professional services		244,509	
Membership dues		11,660	
Recreation			
Other operating expenditures		193,825	
Capital outlay - equipment			
Total	<u>780,570</u>	<u>769,716</u>	<u>10,854</u>
Public safety:			
Salaries and employee benefits		724,888	
Fire protection		292,059	
Vehicle maintenance		16,867	
Other operating expenditures		122,971	
Debt service		49,354	
Capital outlay - equipment		15,833	
Total	<u>1,326,238</u>	<u>1,221,972</u>	<u>104,266</u>
Streets:			
Salaries and employee benefits		91,501	
Vehicle maintenance		4,588	
Contracted services		14,954	
Other operating expenditures		93,419	
Debt service		16,746	
Capital outlay - equipment			
Total	<u>256,078</u>	<u>221,208</u>	<u>34,870</u>
Powell Bill:			
Powell Bill expenditures		177,704	
Other operating expenditures		2,261	
Capital outlay - equipment		2,000	
Total	<u>231,275</u>	<u>181,965</u>	<u>49,310</u>
Sanitation:			
Salaries and employee benefits		130,565	
Vehicle maintenance		15,692	
Other operating expenditures		54,246	
Garbage disposal		46,173	
Debt service		33,683	
Capital outlay - equipment		300	
Total	<u>284,547</u>	<u>280,659</u>	<u>3,888</u>
Recreation:			
Salaries and employee benefits		60,912	
Other operating expenditures		81,288	
Total	<u>203,225</u>	<u>142,200</u>	<u>61,025</u>

City of Lowell, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Total expenditures	<u>3,081,933</u>	<u>2,817,720</u>	<u>264,213</u>
Revenues over (under) expenditures	<u>(287,275)</u>	<u>221,553</u>	<u>508,828</u>
Other financing sources:			
Fund balance appropriated	142,275		(142,275)
Transfer from ARPA Fund	<u>145,000</u>	<u>145,000</u>	
Total other financing sources	<u>287,275</u>	<u>145,000</u>	<u>(142,275)</u>
Net change in fund balance	<u>\$ -</u>	<u>366,553</u>	<u>\$ 366,553</u>
Fund balances, beginning		<u>2,510,686</u>	
Fund balances, ending		<u>\$ 2,877,239</u>	

**City of Lowell
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022**

	Cemetery Fund	Grant Project Special Revenue (SCIF)	Capital Project Fund (Neighborhood Revitalization)	Total
Assets				
Cash and cash equivalents	\$ 49,957	\$ 1,997,163	\$ 2,195	\$ 2,049,315
Due from other funds			1,400	1,400
	<u>\$ 49,957</u>	<u>\$ 1,997,163</u>	<u>\$ 3,595</u>	<u>\$ 2,050,715</u>
Liabilities and Fund Balances				
Liabilities:				
Due to other funds	\$ -	\$ 1,400	\$ -	\$ 1,400
Fund balances:				
Restricted for SCIF		1,995,763		1,995,763
Restricted for CDBG			3,595	3,595
Reserved for perpetual maintenance	49,957			49,957
Total liabilities and fund balances	<u>\$ 49,957</u>	<u>\$ 1,997,163</u>	<u>\$ 3,595</u>	<u>\$ 2,050,715</u>

City of Lowell
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	Cemetery Fund	Grant Project Special Revenue (SCIF)	Capital Project Fund (<i>Neighborhood Revitalization</i>)	Total Nonmajor Governmental Funds
Revenues:				
Investment earnings	\$ 5	\$	\$	\$ 5
State grants		2,000,000	155,521	2,155,521
	5	2,000,000	155,521	2,155,526
Expenditures:				
Administration		4,237		4,237
Neighborhood revitalization			154,940	154,940
	-	4,237	154,940	159,177
Revenues over (under) expenditures	5	1,995,763	581	1,996,349
Fund balance, beginning	49,952	-	3,014	52,966
Fund balance, ending	\$ 49,957	\$ 1,995,763	\$ 3,595	\$ 2,049,315

City of Lowell, North Carolina
Grant Project Special Revenue Fund - Neighborhood Revitalization Project
Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2022

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues - CDBG					
Grant:					
State grant	\$ 750,000	\$ 44,891	\$ 155,521	\$ 200,412	\$(549,588)
Total revenues	<u>750,000</u>	<u>44,891</u>	<u>155,521</u>	<u>200,412</u>	<u>(549,588)</u>
Expenditures					
Capital Outlay:					
Administration	75,000	41,877		41,877	33,123
Housing Rehabilitation	551,000		154,940	154,940	396,060
Neighborhood Facility	204,000				204,000
	<u>830,000</u>	<u>41,877</u>	<u>154,940</u>	<u>196,817</u>	<u>633,183</u>
Other financing sources:					
Transfers from other funds:					
General Fund	80,000	-	-	-	(80,000)
	<u>80,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(80,000)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 3,014</u>	<u>\$ 581</u>	<u>\$ 3,595</u>	<u>\$ (3,595)</u>
Fund balance, beginning			<u>3,014</u>		
Fund balance, ending			<u>\$ 3,595</u>		

City of Lowell, North Carolina
Grant Project Special Revenue Fund-SCIF Grant
Schedule of Revenues, Expenditures, and Changes
in Fund Balance-Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2022

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
SCIF Funds	\$ 2,000,000	\$ -	\$ 2,000,000	\$ 2,000,000	\$ -
Total revenues	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>-</u>
Expenditures					
Administration	20,000	-	4,237	4,237	15,763
Demolition	1,980,000	-	-	-	1,980,000
Total expenditures	<u>2,000,000</u>	<u>-</u>	<u>4,237</u>	<u>4,237</u>	<u>1,995,763</u>
Other financing sources :					
Transfers from other funds:					
General Fund	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	1,995,763	<u>\$ 1,995,763</u>	<u>\$ 1,995,763</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ 1,995,763</u>		

City of Lowell, North Carolina
Coronavirus State Local Fiscal Recovery Funds CFR 21.027 (ARPA Funds)
Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2022

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
ARPA Funds	\$ 592,140	\$ -	\$ 145,000	\$ 145,000	\$ 447,140
Total	<u>592,140</u>	<u>-</u>	<u>145,000</u>	<u>145,000</u>	<u>447,140</u>
Expenditures					
General Government					
Unassigned ARP Expenditures	\$ 447,140	\$ -	\$ -	\$ -	\$ 447,140
Total	<u>447,140</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>447,140</u>
Other financing sources (uses)					
Transfers to other funds:					
General Fund	<u>145,000</u>	<u>-</u>	<u>145,000</u>	<u>145,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ -</u>		

City of Lowell, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Charges for services:			
Water and sewer fees	\$	\$ 1,197,923	\$
Water and sewer taps		11,200	
Development fees		23,700	
Activation fees		11,732	
Reconnection fees and late charges		46,695	
	<u>\$ 1,382,096</u>	<u>1,291,250</u>	<u>\$ (90,846)</u>
Nonoperating revenues:			
Miscellaneous		12,945	
Interest earnings		8	
	<u>2,505</u>	<u>12,953</u>	<u>10,448</u>
Total revenues	<u>1,384,601</u>	<u>1,304,203</u>	<u>(80,398)</u>
Expenditures:			
Water and sewer operations:			
Salaries and employee benefits		306,411	
Professional services		47,646	
Telephone and postage		10,901	
Utilities		13,432	
Maintenance and repairs		29,322	
Vehicle maintenance		11,281	
Departmental supplies		56,455	
Contracted services		52,194	
Water purchases		411,564	
Other operating expenditures		2,950	
Insurance		8,961	
Debt service		38,229	
Capital outlay		19,006	
	<u>1,113,520</u>	<u>1,008,352</u>	<u>105,168</u>
Wastewater treatment:			
Professional services		11,989	
Telephone and postage		277	
Utilities		29,229	
Maintenance and repairs		15,997	
Departmental supplies		41,878	
Contracted services		95,436	
Sewer treatment		71,781	
Other operating expenditures		20,221	
Capital outlay - equipment			
Debt service		9,416	
	<u>271,081</u>	<u>296,224</u>	<u>(25,143)</u>
Total expenditures	<u>1,384,601</u>	<u>1,304,576</u>	<u>80,025</u>

City of Lowell, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2022

	Budget	Actual	Variance Positive (Negative)
Revenues over (under) expenditures	-	(373)	(373)
Other financing sources:			
Loan proceeds			-
Fund balance appropriated			-
	-	-	-
Revenues and other sources over expenditures and other uses	\$ -	\$ (373)	\$ (373)
 Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		\$ (373)	
Reconciling items:			
Principal retirement		35,593	
Loan proceeds		(104,819)	
Increase (decrease) in accrued revenues		7,985	
(Increase) decrease in accrued vacation pay		(5,220)	
Increase in net pension liability		48,727	
Decrease in deferred outflows of resources-pensions		12,248	
Increase in deferred outflows of resources-OPEB		16,712	
Decrease in deferred inflows of resources-OPEB		(4,037)	
Increase in deferred inflows of resources-pensions		(57,375)	
Increase in OPEB liability		(22,814)	
Depreciation		(171,085)	
Capital contributions		120,744	
Capital outlay		207,540	
Total reconciling items		84,199	
Change in net position		\$ 83,826	

**City of Lowell, North Carolina
Stormwater Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Charges for services:			
Stormwater fees	\$ 337,919	\$ 312,117	\$ (25,802)
Total revenues	<u>337,919</u>	<u>312,117</u>	<u>(25,802)</u>
Expenditures:			
Stormwater operations:			
Salaries and employee benefits		104,948	
Other operating expenditures		49,942	
Total expenditures	<u>337,919</u>	<u>154,890</u>	<u>183,029</u>
			<u>Variance Positive (Negative)</u>
Revenues over (under) expenditures	-	157,227	157,227
Other financing sources:			
Loan proceeds			-
Fund balance appropriated			-
	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ 157,227</u>	<u>\$ 157,227</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		\$ 157,227	
Reconciling items:			
Capital contributions			
Capital outlay			
Total reconciling items		<u>-</u>	
Change in net position		<u>\$ 157,227</u>	

City of Lowell, North Carolina
Sewer Improvements Capital Projects Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)
From Inception and For the Fiscal Year Ended June 30, 2022

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues					
Community Development Block Grant					
State grant	<u>\$ 1,981,691</u>	<u>\$ 344,660</u>	<u>\$ 441,681</u>	<u>\$ 786,341</u>	<u>\$ (1,195,350)</u>
Expenditures					
Administration	184,307	35,014	149,293	184,307	
Construction	<u>1,797,384</u>	<u>276,161</u>	<u>268,758</u>	<u>544,919</u>	
Total expenditures	<u>1,981,691</u>	<u>311,175</u>	<u>418,051</u>	<u>729,226</u>	<u>1,252,465</u>
Revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ 33,485</u>	<u>23,630</u>	<u>\$ 57,115</u>	<u>\$ 57,115</u>
Fund balance, beginning			<u>33,485</u>		
Fund balance, ending			<u>\$ 57,115</u>		

OTHER SCHEDULES

City of Lowell, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2022

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2021</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2022</u>
2021-2022	\$	\$ 1,769,933	\$ 1,751,102	\$ 18,831
2020-2021	12,025		8,631	3,394
2019-2020	4,182		1,732	2,450
2018-2019	1,723		623	1,100
2017-2018	2,357		291	2,066
2016-2017	1,759		312	1,447
2015-2016	1,881		335	1,546
2014-2015	1,292		55	1,237
2013-2014	1,111		77	1,034
2012-2013	1,175		65	1,110
2011-2012	1,220		1,220	-
	<u>\$ 28,725</u>	<u>\$ 1,769,933</u>	<u>\$ 1,764,443</u>	<u>34,215</u>
				Less: allowance for uncollectible accounts: General Fund
				<u>1,026</u>
				Ad valorem taxes receivable - net
				<u>\$ 33,189</u>
				<u>Reconciliation to revenues:</u>
				Ad valorem taxes - General Fund
				\$ 1,756,002
				Reconciling items:
				Interest collected
				(237)
				Abatements and adjustments
				8,678
				Taxes written off
				Subtotal
				<u>8,441</u>
				Total collections and credits
				<u>\$ 1,764,443</u>

City of Lowell, North Carolina
Analysis of Current Tax Levy
City - Wide Levy
June 30, 2022

	City - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Original levy:				
Property taxed at current rate	\$ 361,210,816	0.49	\$ 1,769,933	\$ 1,591,014	\$ 178,919
 Total property valuation	 \$ <u>361,210,816</u>				
 Net levy			 1,769,933	 1,591,014	 178,919
Uncollected taxes at June 30, 2022			(18,831)	(18,831)	-
Current year's taxes collected			<u>\$1,751,102</u>	<u>\$1,572,183</u>	<u>\$178,919</u>
Current levy collection percentage			<u>98.94%</u>	<u>98.82%</u>	<u>100.00%</u>

COMPLIANCE SECTION

**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 Auditor's Report

November 7, 2022

To the Honorable Mayor and
Members of the City Council
City of Lowell, 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, each major fund, and the aggregate remaining fund information of the City of Lowell, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprises the City of Lowell's basic financial statements, and have issued our report thereon dated November 7, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Lowell'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Lowell's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2022-1 that we considered to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Lowell's financial statements are free of 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 don't 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 Lowell's Response to Findings

City of Lowell's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City'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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CITY OF LOWELL
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2022

Finding: 2022-1

MATERIAL WEAKNESS

Segregation of duties

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: There is a lack of segregation of duties among Town personnel.

Effect: Transactions could be mishandled.

Cause: There are a limited number of personnel for certain functions.

Recommendation: The duties should be separated as much as possible and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

Views of responsible officials and planned corrective actions: The Town agrees with this finding.

Response: The duties will be separated as much as possible and alternate controls will be used to compensate for lack of separation. The governing board will become more involved in providing some of these controls.