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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Lincolnton, North Carolina for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated January 2, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Lincolnton, North Carolina are described in Note I to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during year ended June 30, 2023. We noted no transactions entered into by City of Lincolnton, North Carolina during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City of Lincolnton, North Carolina's financial statements were:

> Management's estimate of the allowance for doubtful accounts is based on the percentage of ad valorem taxes receivable. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate of the depreciation is based on estimated useful lives. We evaluated the key factors and assumptions used to develop the depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements was (were):

The disclosure of related to debt in Note III B.5.c. to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 13, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to City of Lincolnton, North Carolina's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as City of Lincolnton, North Carolina's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, and the Firefighters' and Rescue Squad Worker's Pension Fund's Schedule of the Proportionate Share of Net Pension Liability (Asset), the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability As a Percentage of Covered Payroll, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on individual fund statements, budgetary schedules, other schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by *Title 2 U.S. Code of Federal Regulations (CFR), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory information and statistical section which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the information and use of the Mayor, City Council and management of the City of Lincolnton, North Carolina and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

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

Morganton, North Carolina
November 13, 2023

CITY OF LINCOLNTON

Financial Highlights
Years Ended June 30, 2023 and 2022

	2023 Summarized Budget	2023	2022
General Fund (Includes Powell Bill Funds)			
Total assets		$ 14,035,048	$ 9,668,593
Fund balance		$ 11,490,337	$ 6,985,895
Fund balance - Reserved for Streets - Powell Bill (included in total fund balance)		$ 361,415	$ 314,798
Total revenue	$ 14,244,691	$ 15,228,964	$ 13,836,542
Total expenditures	$ 16,438,963	$ 15,001,482	$ 13,712,897
Revenues over (under) expenditures before other financing sources (uses)		$ 227,482	$ 123,645
Other income (expense)	$ 2,194,272	$ 4,278,871	$ 1,157,027
Increase (decrease) in fund balance		$ 4,506,350	$ 1,280,675
Increase (decrease) in inventory		$ (1,910)	$ (2,985)
Ad valorem taxes collected		$ 5,801,889	$ 5,638,718
Percent of taxes collected - current year levy		98.41%	99.14%
Investment income		$ 338,920	$ 35,267
Fund Balance Available - without Powell Bill			
Available Fund Balance		$ 9,776,733	$ 5,413,848
Expenditures and other financing sources and uses		13,657,280	13,440,911
Available Fund Balance % - without Powell Bill		71.59%	40.28%
Fund Balance Available			
Available Fund Balance		$ 10,138,148	$ 5,728,646
Expenditures and other financing sources and uses		13,927,004	13,712,897
Available Fund Balance %		72.79%	41.78%
State average for a municipality with an electric system and with a population grouping of 10,000 to 49,999		44.06%	44.06%

* Local Government Commission minimum recommended general fund balance should be at least 25% of general fund expenditures at the end of the fiscal year.

Financial Highlights
Years Ended June 30, 2023 and 2022

Water and Sewer Fund	**2023**	**2022**
Total assets	$ 33,679,884	$ 34,492,772
Net position	$ 29,154,366	$ 28,907,508
Operating revenue	$ 8,136,842	$ 8,284,548
Operating expenses	$ 7,721,494	$ 6,959,879
Operating income (loss)	$ 415,348	$ 1,324,669
Nonoperating revenue (expenses)	$ 220,732	$ (21,709)
Transfers (to) from	$ (389,222)	$ (389,222)
Change in net position	$ 246,858	$ 913,738
Accounts receivable - customers	$ 699,049	$ 670,213
Investment income	$ 248,825	$ 23,154
Days sales in accounts receivable	33.09%	31.85%
Funds Balance Available		
Available fund balance	$ 6,866,455	$ 6,487,543
Expenditures and other financiing sources and uses	8,168,888	7,434,848
Available fund balance %	84.06%	87.26%
Electric Fund		
Total assets	$ 11,015,945	$ 10,159,509
Net position	$ 9,429,493	$ 8,547,892
Operating revenue	$ 7,701,699	$ 7,497,646
Operating expenses	$ 6,926,574	$ 7,514,098
Operating income (loss)	$ 775,125	$ (16,452)
Nonoperating revenue	$ 136,943	$ 49,811
Transfers (to) from	$ (30,465)	$ (30,465)
Change in net position	$ 881,602	$ 2,894
Accounts receivable - customers	$ 524,842	$ 559,574
Investment income	$ 156,780	$ 49,983
Days sales in accounts receivable	28.89%	31.03%
Funds Balance Available		
Available fund balance	$ 4,908,027	$ 4,175,179
Expenditures and other financiing sources and uses	6,957,403	7,544,735
Available fund balance %	70.54%	55.34%

CITY OF LINCOLNTON

Financial Highlights
Years Ended June 30, 2023 and 2022

	2023	2022
Component Unit		
Lincolnton Tourism Development Authority		
Total assets	$ 637,285	$ 573,958
Net position	$ 636,959	$ 556,588
Cash and Investments		
Cash	$ 25,159,669	$ 20,697,485
Restricted Cash	1,124,073	2,095,945
Total cash	$ 26,283,742	$ 22,793,430
Total cash includes:		
Special Revenue Fund/Federal - ARPA	$ -	$ 1,000,000
Special Revenue Fund/State - SCIF	$ 312,697	$ 356,360