

CITY OF LOCUST,
NORTH CAROLINA

FINANCIAL STATEMENTS
June 30, 2022

CITY OF LOCUST, NORTH CAROLINA

COUNCIL MEMBERS

Stephen Huber, Mayor

Larry Baucom, Mayor Pro Tem

Harry Fletcher

Mike Haigler

Mandy Watson

J.C. Burris

Roger Hypes

Russell Efird

OFFICIALS

Cesar Correa

City Administrator

Stephania Morton

Finance Director

CITY OF LOCUST, NORTH CAROLINA

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor
And Members of the City Council
Locust, North Carolina

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Locust, 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's basic financial statements as listed in the table of contents.

In our opinion, based upon our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Locust, North Carolina, as of June 30, 2022, and the respective changes in financial position, and 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.

We did not audit the financial statements of the City of Locust's ABC Board, which represent 100 percent of the assets, net position, and revenues, respectively, of the aggregate discretely presented component unit as of June 30, 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Locust's ABC Board, is based solely on the report of the other auditors.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation,

and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Governmental Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 12, the Local Government Employee's Retirement System's Schedules of the Proportionate Share of the Net Position Asset and Contributions, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Locust, North Carolina's basic financial statements. The 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the individual fund statements, budgetary schedules and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2022, on our consideration of the City of Locust, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Locust, North Carolina's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Locust, North Carolina's internal control over financial reporting and compliance.

Huneycutt, Parsley & Taylor, CPAs, PLLC

Huneycutt, Parsley & Taylor, CPAs, PLLC
Albemarle, North Carolina

November 30, 2022



City of Locust

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Management's Discussion and Analysis

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

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

Financial Highlights

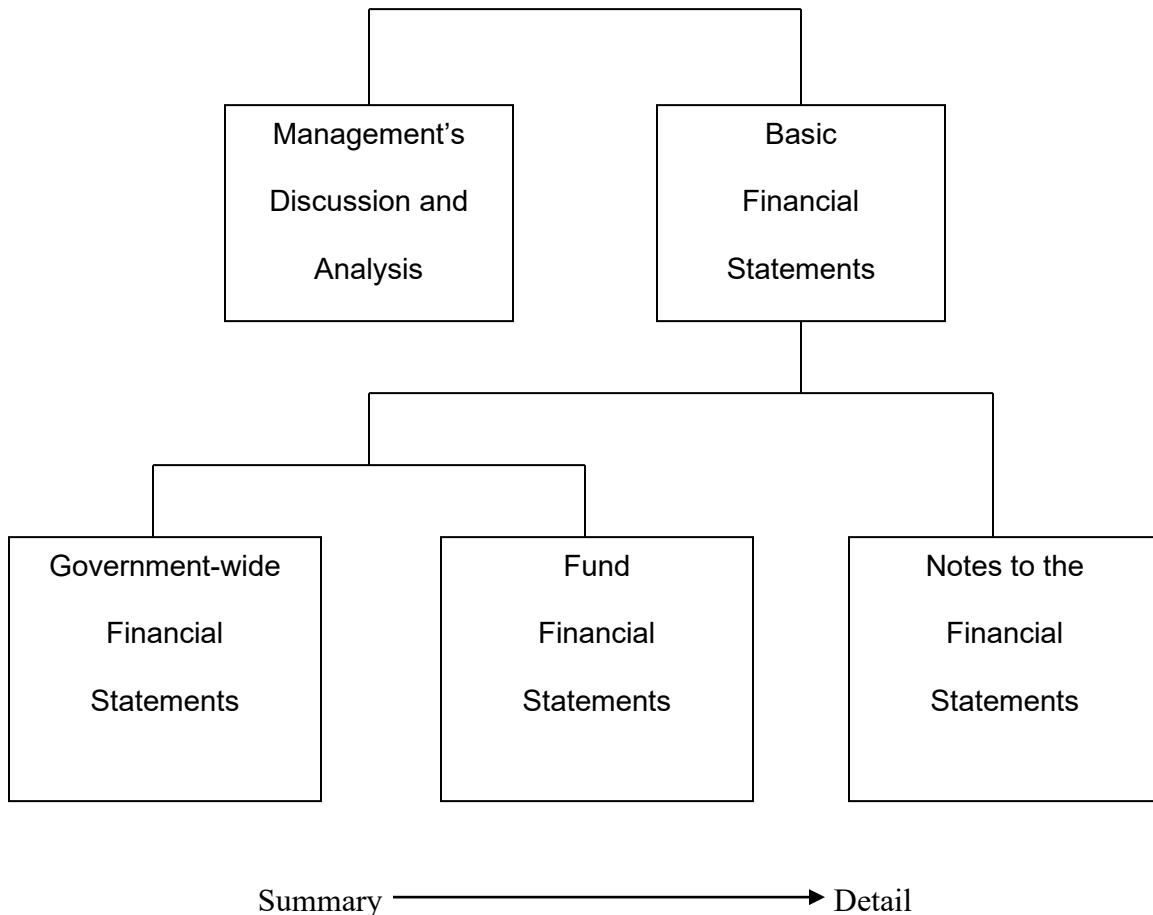
- The assets and deferred outflows of resources of the City of Locust exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$28,085,777 (*net position*).
- The government's total net position increased by \$2,459,235. The increase in net position is a result of an increase in actual revenues compared to budgeted revenues, particularly wastewater revenues, while expenses remained steadfast throughout the year.
- As of the close of the current fiscal year, the City of Locust's General Fund reported ending fund balances of \$4,064,669, an increase of \$95,595 in comparison with the prior year. Approximately 8.92% of this total amount or \$362,952 is restricted, approximately 11.1% or \$453,822 is assigned to LEOSSA (Law Enforcement Officers' Special Separation Allowance), and approximately 2% or \$82,081 is non-spendable for prepaid expenses.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,165,874, or 90.8% of total General Fund expenditures for the 2021-2022 fiscal year.
- On June 21, 2022 the City of Locust made a payment in the amount of \$1,508,725.22 against the USDA governmental center loan outstanding principal.
- **As of the close of the current fiscal year, the City of Locust is debt-free.**

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Locust's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Locust.

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's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual

Management Discussion and Analysis City of Locust

funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the sewer services offered by the City of Locust. The final category is the component unit. Although legally separate from the City, the ABC Board is important to the City. The City exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the City.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Locust, 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 Locust 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 and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less

Management Discussion and Analysis

City of Locust

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

The City of Locust 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 Fund – City of Locust has one on-going proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. City of Locust uses its enterprise fund to account for its sewer activity. This fund is 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 20 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Locust's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 55 of this report.

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

City of Locust's Net Position

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 4,552,764	\$ 4,551,171	\$ 3,119,067	\$ 1,704,054	\$ 7,671,831	\$ 6,255,225
Capital assets	11,928,786	12,244,417	9,841,086	10,024,403	21,769,872	22,268,820
Deferred outflows of resources	703,671	484,935	52,156	92,523	755,827	577,458
Total assets and deferred outflows of resources	17,185,221	17,280,523	13,012,309	11,820,980	30,197,530	29,101,503
Long-term liabilities outstanding	803,224	2,609,630	47,646	134,548	850,870	2,744,178
Other liabilities	567,409	627,526	70,894	78,630	638,303	706,156
Deferred inflows of resources	553,649	21,111	68,931	3,517	622,580	24,628
Total liabilities and deferred inflows of resources	1,924,282	3,258,267	187,471	216,695	2,111,753	3,474,962
Net position:						
Net investment in capital assets	11,928,786	12,244,417	9,841,086	10,024,403	21,769,872	22,268,819
Restricted	362,952	296,069	-	-	362,952	296,069
Unrestricted	2,969,201	1,481,770	2,983,752	1,579,883	5,952,953	3,061,653
Total net position	\$ 15,260,939	\$ 14,022,256	\$ 12,824,838	\$ 11,604,286	\$ 28,085,777	\$ 25,626,542

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 Locust exceeded liabilities and deferred inflows by \$28,085,777 as of June 30, 2022. The City's net position increased by \$2,459,235 for the fiscal year ended June 30, 2022. However, the largest portion (77.5%) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City of Locust uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Locust's net investment in its 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. Restricted net position relating to state Powell Bill revenues and stabilization required by state statutes total \$362,952. The remaining balance of \$5,952,953 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.25%.
- Increase in sales tax due to business growth in the city.
- Continued increase in new development and sewer tap fees.

City of Locust Changes in Net Position
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues						
Charges for services	\$ 69,058	\$ 46,865	\$ 2,656,257	\$ 1,936,350	\$ 2,725,315	\$ 1,983,215
Operating grants and contributions	179,612	223,318	-	-	179,612	223,318
Capital grants and contributions	6,322	-	-	-	6,322	-
General revenues:						
Property taxes	2,304,682	1,911,376	-	-	2,304,682	1,911,376
Other taxes	164,575	273,304	-	-	164,575	273,304
Grants and contributions not restricted to specific programs	1,976,904	1,519,554	-	-	1,976,904	1,519,554
Other	686,618	24,783	1,694	-	688,312	24,783
Total revenues	5,387,771	3,999,200	2,657,951	1,936,350	8,045,722	5,935,550
Expenses:						
General government	819,588	796,197	-	-	819,588	796,197
Public safety	1,552,880	1,375,133	-	-	1,552,880	1,375,133
Transportation	1,015,593	840,112	-	-	1,015,593	840,112
Economic development	2,103	-	-	-	2,103	-
Environmental protection	250,231	245,742	-	-	250,231	245,742
Cultural and recreation	452,432	334,354	-	-	452,432	334,354
Interest on long-term debt	56,261	51,523	-	-	56,261	51,523
Wastewater	-	-	1,437,399	1,239,236	1,437,399	1,239,236
Total expenses	4,149,088	3,643,061	1,437,399	1,239,236	5,586,487	4,882,297
Increase/(decrease) in net position	1,238,683	356,139	1,220,552	697,113	2,459,235	1,053,252
Net position, beginning	14,022,256	13,666,117	11,604,286	10,297,979	25,626,542	24,573,290
Net position, ending	\$ 15,260,939	\$ 14,022,256	\$ 12,824,838	\$ 11,604,286	\$ 28,085,777	\$ 25,626,542

Governmental activities - Governmental activities increased the City's net position by \$1,238,683. A key element of this increase is as follows:

- The City received more tax revenues than budgeted and controlled expenses within budgeted levels.

Business-type activities: Business-type activities increased the City of Locust's net position by \$1,220,552.

Financial Analysis of the City's Funds

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

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

The general fund is the chief operating fund of the City of Locust. At the end of the current fiscal year, City of Locust's fund balance available in the General Fund was \$3,165,874 while total fund balance reached \$4,064,669. The City follows the Local Government Commission's recommendation in order to maintain an adequate cash flow in the General Fund. The Fund Balance available for appropriation should not drop below 8.0% of total expenditures. This represents approximately one month's average expenditures. The City currently has an available fund balance of 63.4%, while total fund balance represents 81.4% of that same amount. These percentages include factoring in the final USDA loan payment of \$1,508,725, which is included in General Fund expenditures for the fiscal year. This one time lump sum payment will not be a recurring expenditure in the General Fund.

At June 30, 2022, the governmental funds of the City of Locust reported a combined fund balance of \$4,064,669 with a net increase in fund balance of \$95,595.

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 grant; and 3) increases in appropriations that become necessary to maintain services. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. Revenues were higher than budgeted amounts primarily due to the fact that the City historically budgets conservatively. Expenditures were held in check to comply with its budgetary requirements.

Proprietary Funds – The City of Locust's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Wastewater Fund at the end of the fiscal year amounted to \$2,983,752. Other factors concerning the finances of the fund have already been addressed in the discussion of the City of Locust's business-type activities.

Capital Asset and Debt Administration

Capital assets - The City of Locust's investment in capital assets for its governmental and business-type activities as of June 30, 2022 totals \$21,769,872 (net of accumulated depreciation). These assets include buildings, streets, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

City of Locust's Capital Assets (net of depreciation)

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 693,782	\$ 693,782	\$ -	\$ -	\$ 693,782	693,782
Buildings and systems	2,439,808	2,591,200	9,841,086	10,024,403	12,280,894	12,615,603
Machinery and equipment	248,050	116,017	-	-	248,050	116,017
Infrastructure	8,237,889	8,308,060	-	-	8,237,889	8,308,060
Vehicles and motorized equipment	309,257	250,544	-	-	309,257	250,544
Construction in progress	-	284,814	-	-	-	284,814
Total net position	\$ 11,928,786	\$ 12,244,417	\$ 9,841,086	\$ 10,024,403	\$ 21,769,872	\$ 22,268,820

Major capital asset transactions during the year included the following:

- City purchased new Public Works Ford F-150.
- City purchased 2 new police Dodge Chargers.
- City completed city beautification project (tree planting) along Hwy 24/27.
- City purchased new mowers and utility tractor.

Long-term Debt. As of June 30, 2022, the City of Locust was debt-free. The City made a payment in the amount of \$1,508,725.22 on June 21, 2022 to satisfy in full the USDA governmental center loan.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Locust is 50,053,356. Additional information regarding City of Locust's long-term debt can be found in Note 2 of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the City of Locust:

- The City's unemployment rate remained stable from the prior year.
- Occupancy rates on office and retail space remained steady through the year.
- Commercial growth is increasing as evidenced by the increased sales taxes collected.
- Increase in the number of commercial and retail establishments during the year.

Budget Highlights for the Fiscal Year Ended June 30, 2023

Governmental Activities: Property taxes and revenues from permits and fees are expected to remain steady as compared to the current year. Budgeted expenditures in the General Fund are expected to remain steady for budget year 2022-2023.

Business-type Activities: The Enterprise Fund's general operations are expected to remain steady compared to the current year. General operating expenses will remain steady for budget year 2022-2023.

Requests for Information

This report is designed to provide an overview of the City of Locust'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 office of Cesar Correa, City Administrator, P.O. Box 190, Locust, N.C. 28097 or e-mail to CityAdmin@locustnc.com.

CITY OF LOCUST, NORTH CAROLINA**STATEMENT OF NET POSITION**

June 30, 2022

	Primary Government			City of Locust ABC Board
	Governmental Activities	Business-type Activities	Total	
Assets:				
Current Assets:				
Cash and cash equivalents	\$ 3,181,941	\$ 949,613	\$ 4,131,554	\$ 578,834
Taxes receivable (net)	43,055	-	43,055	-
Accounts receivable (net)	3,136	159,961	163,097	-
Due from other governments	387,019	-	387,019	-
Prepaid items	82,021	-	82,021	18,632
Internal balances	(1,899,099)	1,899,099	-	-
Inventories	-	-	-	304,727
Restricted cash and cash equivalents	2,754,691	110,394	2,865,085	-
Total Current Assets	4,552,764	3,119,067	7,671,831	902,193
Non-current assets:				
Capital Assets (Note 1):				
Land, non-depreciable improvements, and construction in progress	693,782	-	693,782	-
Other capital assets, net of depreciation	11,235,004	9,841,086	21,076,090	35,345
Total Capital Assets	11,928,786	9,841,086	21,769,872	35,345
Total Assets	16,481,550	12,960,153	29,441,703	937,538
Deferred Outflows of Resources:				
Current year pension contributions	175,079	-	175,079	-
Pension deferrals	528,592	52,156	580,748	51,595
Total Deferred Outflows of Resources	703,671	52,156	755,827	51,595
Liabilities:				
Current Liabilities:				
Accounts payable	21,088	-	21,088	490,922
Compensated absences payable	122,366	-	122,366	-
Unearned revenues	423,955	-	423,955	-
Customer deposits	-	70,894	70,894	-
Total Current Liabilities	567,409	70,894	638,303	490,922
Long-Term Liabilities:				
Net pension liability	349,402	47,646	397,048	53,601
Total pension liability	453,822	-	453,822	-
Total Noncurrent Liabilities	803,224	47,646	850,870	34,199
Total Liabilities	1,370,633	118,540	1,489,173	525,121
Deferred Inflows of Resources:				
Pension deferrals	553,649	68,931	622,580	49,028
Total Deferred Inflows of Resources	553,649	68,931	622,580	49,028
Net Position:				
Net investment in capital assets	11,928,786	9,841,086	21,769,872	35,345
Restricted for:				
Stabilization by State Statute	360,686	-	360,686	-
Transportation	2,266	-	2,266	-
Working capital	-	-	-	124,910
Unrestricted	2,969,201	2,983,752	5,952,953	254,729
Total Net Position	\$ 15,260,939	\$ 12,824,838	\$ 28,085,777	\$ 414,984

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

CITY OF LOCUST, NORTH CAROLINA**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			City of Locust ABC Board
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental Activities:								
General government	\$ 819,588	\$ 350	\$ -	\$ -	\$ (819,238)	\$ -	\$ (819,238)	\$ -
Public safety	1,552,880	-	33,333	-	(1,519,547)	-	(1,519,547)	-
Transportation	1,015,593	-	144,279	-	(871,314)	-	(871,314)	-
Economic development	2,103	-	-	-	(2,103)	-	(2,103)	-
Environmental protection	250,231	-	2,000	-	(248,231)	-	(248,231)	-
Cultural and recreational	452,432	68,708	-	6,322	(377,402)	-	(377,402)	-
Interest on long-term debt	56,261	-	-	-	(56,261)	-	(56,261)	-
Total Governmental Activities (See Note 1)	4,149,088	69,058	179,612	6,322	(3,894,096)	-	(3,894,096)	-
Business-type Activities:								
Water and sewer	1,437,399	2,656,257	-	-	-	1,218,858	1,218,858	-
Total Business-type Activities	1,437,399	2,656,257	-	-	-	1,218,858	1,218,858	-
Total primary government	\$ 5,586,487	\$ 2,725,315	\$ 179,612	\$ 6,322	(3,894,096)	1,218,858	(2,675,238)	-
Component Unit:								
ABC Board	\$ 3,247,649	\$ 3,247,648	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1)
Total component unit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1)
General Revenues:								
Taxes:								
Property taxes, levied for general purpose					2,304,682	-	2,304,682	-
Other taxes and licenses					164,575	-	164,575	-
Grants and contributions not restricted to specific programs					1,976,904	-	1,976,904	-
Unrestricted investment earnings					7,420	1,694	9,114	-
Miscellaneous					679,198	-	679,198	-
Total General Revenues					5,132,779	1,694	5,134,473	-
Change in Net Position					1,238,683	1,220,552	2,459,235	(1)
Net Position, Beginning					14,022,256	11,604,286	25,626,542	414,985
Net Position, Ending					\$ 15,260,939	\$ 12,824,838	\$ 28,085,777	\$ 414,984

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

CITY OF LOCUST, NORTH CAROLINA**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2022

	Major Funds		Total Governmental Funds
	General	American Rescue Plan Act	
Assets:			
Cash and cash equivalents	\$ 3,611,312	\$ -	\$ 3,611,312
Restricted cash	2,330,736	423,955	2,754,691
Accounts receivable	3,139	-	3,139
Taxes receivable	43,055	-	43,055
Due from other governments	387,019	-	387,019
Prepaid expenses	82,021	-	82,021
Total Assets	\$ 6,457,282	\$ 423,955	\$ 6,881,237
Liabilities:			
Accounts payable and accrued liabilities	\$ 21,088	\$ -	\$ 21,088
Due to other funds	2,328,470	-	2,328,470
Unearned revenues	-	423,955	423,955
Total Liabilities	2,349,558	423,955	2,773,513
Deferred Inflows of Resources:			
Property taxes receivable	43,055	-	43,055
Total Deferred Inflows of Resources	43,055	-	43,055
Fund Balances:			
Restricted			
Streets - Powell Bill	2,266	-	2,266
Stabilization by State Statute	360,686	-	360,686
Nonspendable			
Prepaid expenses	82,021	-	82,021
Assigned - LEOSSA liability	453,822	-	453,822
Unassigned	3,165,874	-	3,165,874
Total Fund Balances	4,064,669	-	\$ 4,064,669
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 6,457,282	\$ 423,955	

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.

Gross capital assets at historical cost	\$ 19,109,574	
Accumulated depreciation	(7,180,788)	11,928,786

Deferred outflows of resources related to pensions are not
reported in the funds. 703,671

Earned revenues considered deferred inflows
of resources in fund statements. 43,055

Long-term liabilities used in governmental activities are not
financial uses and therefore are not reported in the funds

Net pension liability	(349,402)
Total pension liability	(453,822)

Deferred inflows of resources related to pensions are not
reported in the funds (553,649)

Compensated absences are not reported in the funds (122,369)

Net position of governmental activities \$ 15,260,939

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

CITY OF LOCUST, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2022

	<u>Major Funds</u>		<u>Total</u>
	<u>General</u>	<u>American Rescue Plan Act</u>	<u>Governmental Funds</u>
Revenues:			
Ad valorem taxes	\$ 2,261,627	\$ -	\$ 2,261,627
Other taxes and licenses	166,316	-	166,316
Unrestricted intergovernmental	1,975,163	-	1,975,163
Restricted intergovernmental	189,057	92,016	189,057
Permits and fees	74,848	-	74,848
Investment earnings	7,420	-	7,420
Miscellaneous	415,294	-	415,294
Total Revenues	5,089,725	92,016	5,089,725
Expenditures:			
Current:			
General government	679,928	-	679,928
Public safety	1,513,229	92,016	1,513,229
Cultural and recreational	376,279	-	376,279
Transportation	564,943	-	564,943
Environmental protection	250,231	-	250,231
Economic development	2,103	-	2,103
Debt service	1,607,417	-	1,607,417
Total Expenditures	4,994,130	92,016	4,994,130
Revenues Over (Under) Expenditures	95,595	-	95,595
Net Change in Fund Balance	95,595	-	95,595
Fund Balances, Beginning	3,969,074	-	3,969,074
Fund Balances, Ending	\$ 4,064,669	\$ -	\$ 4,064,669

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

CITY OF LOCUST, 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	\$	95,595
<p>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 capital outlays exceeded depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized	\$	609,895
Depreciation expense for governmental assets		<u>(640,912)</u> (31,017)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		175,079
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		(14,626)
<p>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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Principal payments on long-term debt		1,551,156
<p>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.</p>		
Compensated absences		(5,890)
Pension expense		<u>(531,614)</u>
Total changes in net position of governmental activities	\$	<u><u>1,238,683</u></u>

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

CITY OF LOCUST, NORTH CAROLINA**GENERAL FUND****STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 1,667,000	\$ 3,212,101	\$ 2,261,627	\$ (950,474)
Unrestricted intergovernmental	1,213,500	1,213,500	1,975,163	761,663
Restricted intergovernmental	110,100	156,785	189,057	32,272
Other taxes and licenses	62,500	62,500	166,316	103,816
Sales and services	65,000	71,955	74,848	2,893
Investment earnings	6,000	6,000	7,420	1,420
Miscellaneous	121,594	322,162	415,294	93,132
Total Revenues	3,245,694	5,045,003	5,089,725	44,722
Expenditures:				
Current:				
General government	662,445	692,925	679,928	12,997
Public safety	1,405,685	1,572,434	1,513,229	59,205
Cultural and recreational	381,351	434,616	376,279	58,337
Transportation	575,504	613,489	564,943	48,546
Economic development	1,000	2,103	2,103	-
Environmental protection	250,000	251,000	250,231	769
Debt service:				
Principal retirement	32,822	1,551,130	1,551,129	1
Interest and other charges	65,870	56,289	56,288	1
Total Expenditures	3,374,677	5,173,986	4,994,130	179,856
Revenues Over (Under) Expenditures	(128,983)	(128,983)	95,595	224,578
Fund Balance Appropriated	128,983	128,983	-	(128,983)
Net Change in Fund Balance	\$ -	\$ -	95,595	\$ 95,595
Fund Balance, Beginning			3,969,074	
Fund Balance, Ending			\$ 4,064,669	

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

CITY OF LOCUST, NORTH CAROLINA**STATEMENT OF FUND NET POSITION****PROPRIETARY FUND**

June 30, 2022

	<u>Major Enterprise Fund</u>	
	<u>Wastewater Fund</u>	<u>Total</u>
Assets:		
Current Assets:		
Cash and cash equivalents	\$ 949,613	\$ 949,613
Accounts receivable (net)	159,961	159,961
Due from other funds	1,899,099	1,899,099
Restricted cash and cash equivalents	110,394	110,394
Total Current Assets	<u>3,119,067</u>	<u>3,119,067</u>
Noncurrent Assets:		
Capital Assets:		
Land and other non-depreciable assets	-	-
Other capital assets, net of depreciation	9,841,086	9,841,086
Capital assets (net)	<u>9,841,086</u>	<u>9,841,086</u>
Total Noncurrent Assets	<u>9,841,086</u>	<u>9,841,086</u>
Total Assets	<u><u>\$ 12,960,153</u></u>	<u><u>\$ 12,960,153</u></u>
Deferred Outflows of Resources:		
Pension deferrals	52,156	52,156
Total Deferred Outflows of Resources	<u>52,156</u>	<u>52,156</u>
Liabilities:		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ -	\$ -
Customer deposits	70,894	70,894
Total Current Liabilities	<u>70,894</u>	<u>70,894</u>
Long-Term Liabilities:		
Net pension liability	47,646	47,646
Total Noncurrent Liabilities	<u>47,646</u>	<u>47,646</u>
Total Liabilities	<u>118,540</u>	<u>118,540</u>
Deferred Inflows of Resources:		
Pension deferrals	68,931	68,931
Net Position:		
Net Investment in Capital Assets	9,841,086	9,841,086
Unrestricted	2,983,752	2,983,752
Total Net Position	<u><u>\$ 12,824,838</u></u>	<u><u>\$ 12,824,838</u></u>

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

CITY OF LOCUST, NORTH CAROLINA**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION****PROPRIETARY FUND**

For the Year Ended June 30, 2022

	<u>Major Enterprise Fund</u>	
	<u>Wastewater Fund</u>	<u>Total</u>
Operating Revenues:		
Charges for services	\$ 1,343,641	\$ 1,343,641
Sewer taps	565,000	565,000
System development fees	612,308	612,308
Availability fees	132,821	132,821
Other operating revenues	<u>2,487</u>	<u>2,487</u>
Total Operating Revenues	<u>2,656,257</u>	<u>2,656,257</u>
Operating Expenses:		
Administration	459,827	459,827
Wastewater collection and treatment	629,408	629,408
Depreciation	<u>348,164</u>	<u>348,164</u>
Total Operating Expenses	<u>1,437,399</u>	<u>1,437,399</u>
Operating Income (Loss)	<u>1,218,858</u>	<u>1,218,858</u>
Nonoperating Revenues (Expenses):		
Interest and other charges	<u>1,694</u>	<u>1,694</u>
Total Nonoperating Revenues (Expenses)	<u>1,694</u>	<u>1,694</u>
Change in Net Position	1,220,552	1,220,552
Total Net Position, Beginning	<u>11,604,286</u>	<u>11,604,286</u>
Total Net Position, Ending	<u>\$ 12,824,838</u>	<u>\$ 12,824,838</u>

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

CITY OF LOCUST, NORTH CAROLINA**STATEMENT OF CASH FLOWS****PROPRIETARY FUND**

For the Fiscal Year Ended June 30, 2022

	<u>Major Enterprise Fund</u>	
	<u>Wastewater Fund</u>	<u>Total</u>
Cash Flows From Operating Activities:		
Cash received from customers	\$ 2,636,381	\$ 2,636,381
Cash paid for goods and services	(619,433)	(619,433)
Cash paid to or on behalf of employees for services	(245,580)	(245,580)
Other operating revenues	9,596	9,596
Customer deposits	(7,736)	(7,736)
	<u>1,773,228</u>	<u>1,773,228</u>
Net Cash Provided (Used) by Operating Activities	<u>1,773,228</u>	<u>1,773,228</u>
Cash Flows From Non-Capital Financing Activities:		
Net due to (from) other fund	<u>(1,395,151)</u>	<u>(1,395,151)</u>
	<u>(1,395,151)</u>	<u>(1,395,151)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,395,151)</u>	<u>(1,395,151)</u>
Cash Flows From Capital and Related		
Acquisition of capital assets	<u>(375,604)</u>	<u>(375,604)</u>
	<u>(375,604)</u>	<u>(375,604)</u>
Net Cash Provided (Used) by Investing Activities	<u>(375,604)</u>	<u>(375,604)</u>
Net Increase in Cash and Cash Equivalents	2,473	2,473
Balances, Beginning	<u>1,057,534</u>	<u>1,057,534</u>
Balances, Ending	<u>\$ 1,060,007</u>	<u>\$ 1,060,007</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$ <u>1,218,858</u>	\$ <u>1,218,858</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	348,164	348,164
Changes in Assets and Liabilities:		
(Increase) decrease in accounts receivable	17,389	17,389
(Increase) decrease in deferred outflows of resources	40,367	40,367
Increase (decrease) in customer deposits	(3,866)	(3,866)
Increase (decrease) in net pension liability	86,902	86,902
Increase (decrease) in deferred inflows of resources	<u>65,414</u>	<u>65,414</u>
Total Adjustments	<u>554,370</u>	<u>554,370</u>
Net Cash Provided by Operating Activities	<u>\$ 1,773,228</u>	<u>\$ 1,773,228</u>

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

CITY OF LOCUST, 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 Locust and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies.

Reporting Entity

The City of Locust, North Carolina is a municipal corporation that is governed by an elected mayor and a seven-member council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Locust and its component unit, a legally separate entity for which the City is financially accountable. The discretely presented component unit presented below is reported in a separate column in the City's financial statements in order to emphasize that it is legally separate from the City.

City of Locust ABC Board

The members of the ABC Board's governing board are appointed by the City. In addition, the ABC Board is required by state statute to distribute its surpluses to the General Fund of the City. The ABC Board, which has a June 30 year end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at City of Locust ABC Board, 1008 West Main Street, Locust, NC 28097.

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government and its component unit. 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 governmental and business-type activities. 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 particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

CITY OF LOCUST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Financial Statements: The fund financial statements provide information about the City's funds. The emphasis of fund financial statements is on the major governmental fund.

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-shared revenues. The primary expenditures are for public safety, street maintenance and construction, sanitation services, and general government services.

American Rescue Plan Act. This fund holds grant funds from the American Rescue Plan Act. All funds are expected to be expended in the subsequent year.

The City reports the following major enterprise fund:

Wastewater Fund. This fund is used to account for the City's wastewater operations.

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 Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide 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. 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 charged 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 wastewater 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.

CITY OF LOCUST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Concluded)

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. 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 are for limited registration plates are shown as receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. 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.

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 Enterprise Fund. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. All amendments must be approved by the governing board. 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.

CITY OF LOCUST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Deposits and Investments

All deposits of the City and the ABC Board 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 and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The City's and the ABC Board's investments are reported at fair value.

The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT Term Portfolio is a bond fund, has not rating and is measured at fair value. As of June 30, 2022, the Term portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

Cash and Cash Equivalents

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

Restricted Assets

Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected.

CITY OF LOCUST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Outflows/Inflows, and Fund Equity (Continued)

Restricted Assets (Concluded)

Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per

City of Locust Restricted Cash

Governmental Activities

General Fund

Streets	\$ 2,266
---------	----------

Due to Wastewater Fund	2,328,470
------------------------	-----------

Business-Type Activities

Delinquent accounts offset by state	39,500
-------------------------------------	--------

Customer Deposits	<u>70,894</u>
-------------------	---------------

Total Restricted Cash	<u>\$ 2,865,085</u>
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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 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. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

Inventory and Prepaid Items

The inventory of the ABC Board is valued at lower of cost (first in first out), which approximates market.

The inventory of the ABC Board consists of materials and supplies held for subsequent use. The cost of this inventory is expensed when consumed rather than when purchased.

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as items are used.

CITY OF LOCUST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Outflows/Inflows, and Fund Equity (Continued)

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, buildings, and improvements, \$20,000; infrastructure, \$100,000; equipment and furniture, \$5,000; vehicles and motorized equipment, \$10,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The City has elected not to report major general infrastructure assets, such as road network, retroactively as permitted for Phase Three governments. Thus, any amounts expended for infrastructure prior to July 1, 2003, are not reported as capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	50
Buildings	30
Improvements	25
Vehicles	6
Furniture and equipment	10
Computer Equipment	5
Computer Software	3

Property and equipment of the ABC Board are stated at cost and are being depreciated over their useful lives on a straight-line basis as follows:

Asset Class	Estimated Useful Lives
Equipment	10
Leasehold improvements	10
Furniture and fixtures	5-10
Office equipment	3-7

CITY OF LOCUST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Outflows/Inflows, and Fund Equity (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has two items that meet this criterion, contributions to the pension plan in the current fiscal year and 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 two items that meet the criterion for the category – property taxes receivable and pension deferrals.

Long-Term Obligations

Long-term debt for wastewater purposes is carried in the Enterprise Fund rather than the Long-term debt account group. For the year ended June 30, 2022, the City had no long-term debt incurred or paid during the year.

Compensated Absences

The vacation policy of the City provides for the accumulation of leave without any maximum until December 31 of each year. Effective with the last payroll in the calendar year, any employee with more than 5 days of accumulated leave shall have the excess accumulation removed so that only 5 days are carried forward to January 1 of the next calendar year. For the City's government-wide funds 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 compensation time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The City's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since 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 LOCUST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Concluded)

Assets, Liabilities, Deferred Outflows/Inflows, and Fund Equity (Concluded)

Net Position/Fund Balances

Net Position

Net position in government-wide financial statements are 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:

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 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

CITY OF LOCUST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Concluded)

Assets, Liabilities, Deferred Outflows/Inflows, and Fund Equity (Concluded)

Net Position/Fund Balances (Concluded)

Fund Balances (Concluded)

“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 nonspendable. 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 and sidewalk construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Restricted for Working Capital – North Carolina Alcoholic Beverage Control Commission Rule [.0902] defines working capital as the total of cash, investments and inventory less all unsecured liabilities. An ABC Board shall set its working capital requirements at not less than two weeks’ average gross sales of the last fiscal year or greater than four months average gross sales of the last fiscal year. Average gross sales mean gross receipts from the sale of alcoholic beverages less distributions required by State law [G.S. 18B-805(b), (2), (3), (4)].

Assigned Fund Balance – Portion of fund balance the City of Locust intends to use for specific purposes.

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 Locust 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 City of Locust follows the Local Government Commission’s recommendation in order to maintain an adequate cash flow in the General Fund. The Fund Balance for appropriation should not drop below 8% of total expenditures. This represents approximately one month’s average expenditures.

CITY OF LOCUST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Concluded)

Assets, Liabilities, Deferred Outflows/Inflows, and Fund Equity (Concluded)

Pensions

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 Government 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 Locust's employer contributions are recognized when due and the City of Locust 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

Assets

Deposits

All the deposits of the City and the ABC Board 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 this unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the ABC Board 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. The ABC Board has not formal policy regarding custodial risk for deposits.

CITY OF LOCUST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 2 - Detail Notes on All Funds (Continued)

Assets (Continued)

Restricted Cash

The City has restricted cash accounts for the General Fund. These cash balances are available for use for the specific purposes.

Investments

At June 30, 2022, the City had \$2,584,365 invested with the North Carolina Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The City has no policy regarding credit risk.

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	693,782	-	-	693,782
Construction in progress	\$ 284,814	\$ -	\$ 284,814	\$ -
Capital Assets Being Depreciated:				
Buildings	2,546,843	-	-	2,546,843
Other improvements	1,878,865	-	-	1,878,865
Furniture and equipment	681,460	174,425	-	855,885
Computer equipment	202,920	-	-	202,920
Vehicles and motorized equipment	932,807	149,796	-	1,082,603
Infrastructure	11,562,802	285,674	-	11,848,476
Total Capital Assets Being Depreciated	17,805,697	609,895	-	18,415,592
Less Accumulated Depreciation For:				
Buildings	825,966	80,360	-	906,326
Other improvements	1,008,542	71,232	-	1,079,774
Furniture and equipment	565,443	42,392	-	607,835
Computer equipment	202,920	-	-	202,920
Vehicles and motorized equipment	682,263	91,083	-	773,346
Infrastructure	3,254,742	355,845	-	3,610,587
Total Accumulated Depreciation	6,539,876	\$ 640,912	\$ -	7,180,788
Total Capital Assets Being Depreciated, Net	11,265,821			11,234,804
Governmental Activity Capital Assets, Net	\$ 12,244,417			\$ 11,928,786

CITY OF LOCUST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 2 - Detail Notes on All Funds (Continued)

Assets (Continued)

Capital Assets (Continued)

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

General Government	\$ 131,239
Public Safety	82,348
Transportation	350,675
Cultural and Recreational	<u>76,650</u>
 Total Depreciation Expense	 \$ <u>640,912</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Wastewater Fund				
Capital Assets Not Being Depreciated:				
Land	\$ 210,757	\$ -	\$ 210,757	\$ -
 Capital Assets Being Depreciated:				
Furniture and maintenance equipment	275,698	164,847		440,545
Plant and distribution systems	<u>14,658,386</u>	<u>210,757</u>	<u>-</u>	<u>14,869,143</u>
Total Capital Assets Being Depreciated	<u>14,934,084</u>	<u>375,604</u>	<u>-</u>	<u>15,309,688</u>
 Less Accumulated Depreciation For:				
Furniture and maintenance equipment	123,709	48,363	-	172,072
Plant and distribution systems	<u>4,996,729</u>	<u>299,801</u>	<u>-</u>	<u>5,296,530</u>
Total Accumulated Depreciation	<u>5,120,438</u>	\$ <u>348,164</u>	\$ <u>-</u>	<u>5,468,302</u>
 Total Capital Assets Being Depreciated, Net	<u>9,813,646</u>			<u>9,841,086</u>
 Governmental Activity Capital Assets, Net	\$ <u>10,024,403</u>			\$ <u>9,841,086</u>

CITY OF LOCUST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 2 - Detail Notes on All Funds (Continued)

Liabilities

Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. The City of Locust 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 government 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 for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the 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. 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 or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

CITY OF LOCUST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 2 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Pension Plan Obligations (Concluded)

Local Governmental Employees' Retirement System (Concluded)

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Locust 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 Locust's contractually required contribution rate for the year ended June 30, 2022 was 12.04% of compensation for law enforcement officers and 11.35% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Locust were \$49,159 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.

At June 30, 2022, the City reported a liability of \$397,048 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 asset 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, the City's proportion was 0.02062%, which was a decrease of 0.00527% from its proportion measured as of June 30, 2020.

CITY OF LOCUST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 2 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

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

For the year ended June 30, 2022, the City recognized pension expense of \$183,117. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 126,315	\$ 567,262
Change of assumptions	249,448	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between City contributions and proportionate share of contributions	58,864	7,168
City contributions subsequent to the measurement date	<u>175,079</u>	<u>-</u>
Total	<u>\$ 609,706</u>	<u>\$ 574,430</u>

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

Year ended June 30:

2023	\$ 51,089
2024	6,521
2025	(23,826)
2026	(173,586)
2027	-
Thereafter	<u>-</u>
	<u>\$ (139,802)</u>

CITY OF LOCUST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 2 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

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

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

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

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2011 through December 31, 2014.

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

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

CITY OF LOCUST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 2 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	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 3.00%. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF LOCUST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 2 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

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

Sensitivity of the City's proportionate share of the net pension asset to changes in the discount rate. The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.50 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 (6.50 percent) or one percentage point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability (asset)	\$ 1,541,307	\$ 397,048	\$ (544,611)

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

Supplemental Retirement Income Plan

Plan Description. The City of Locust contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The plan provides retirement benefits to law enforcement officers and other full-time City employees. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute, each month, an amount equal to five percent of each law enforcement officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers and other full-time City employees may make voluntary contributions to the plan. The City will match full-time City employees' contributions up to five percent collectively. The City made contributions of \$66,679 for the year ended June 30, 2022.

CITY OF LOCUST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 2 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

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

Law Enforcement Officers Special Separation Allowance

Plan Description

The City of Locust 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 assigned the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2021, the City had one retiree receiving benefits. The City had fifteen active plan members and one retiree receiving benefits as of December 31, 2020.

Summary of Significant Accounting Policies

Basis of Accounting. The City has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds 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.

Actuarial Assumptions

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

Inflation	2.50 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, 2021.

CITY OF LOCUST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 2 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Law Enforcement Officers Special Separation Allowance (Continued)

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

Contributions

The City is required by Article 12D of 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 benefits of \$18,594 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 \$453,822. 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 \$67,726.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 45,680	\$ 29,547
Change of assumptions and other inputs	100,441	18,603
Benefit payments and administrative expenses subsequent to the measurement date	-	-
	<u>\$ 146,121</u>	<u>\$ 48,150</u>

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

Year ended June 30:

2023	\$ 22,262
2024	22,644
2025	21,239
2026	21,026
2027	16,675
Thereafter	(5,875)

CITY OF LOCUST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 2 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Law Enforcement Officers Special Separation Allowance (Continued)

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 lower (1.25 percent) or 1-percentage point higher (3.25 percent) than the current rate:

	1% Decrease (1.25%)	Discount Rate (2.25%)	1% Increase (3.25%)
Total Pension Liability	\$ 502,151	\$ 453,822	\$ 410,559

Schedule of Changes in Total Pension Liability

Law Enforcement Officers' Special Separation Allowance

	2022
Beginning balance	\$ 475,663
Service cost	36,101
Interest on the total pension liability	9,001
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(33,455)
Changes of assumptions or other inputs	(14,894)
Benefit payments	(18,594)
Other changes	-
Ending balance of the total pension liability	<u>\$ 453,822</u>

The plan currently uses mortality tables that vary by age, and health status (i.e. disable 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, 2011 through December 31, 2014.

CITY OF LOCUST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 2 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

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	\$ 183,117	\$ 67,726	\$ 250,843
Pension Liability	397,048	453,822	850,870
Proportionate share of the net pension liability	0.02589%	N/A	

Deferred Outflows of Resources:

Differences between expected and actual experience	126,315	45,680	171,995
Changes of assumptions	249,448	100,441	349,889
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	58,864	-	58,864
Benefits payments and administrative costs paid subsequent to the measurement date	175,079	-	175,079

Deferred Inflows of Resources:

Differences between expected and actual experience	-	29,547	29,547
Changes of assumptions	-	18,603	18,603
Net difference between projected and actual earnings on plan investments	567,262	-	567,262
Changes in proportion and differences between contributions and proportionate share of contributions	7,168	-	7,168

CITY OF LOCUST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 2 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Deferred Outflows and Inflows of Resources

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

Contributions to pension plan in current fiscal year	\$	175,079
Deferred pension charges		<u>580,748</u>
Total	\$	<u>755,827</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable (General Fund)	\$ -	\$ 43,055
Pension deferrals	<u>622,580</u>	<u>-</u>
Total	\$ <u>622,580</u>	\$ <u>43,055</u>

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

The City carries no flood insurance. The City is not located in an area of the State that is designated as a flood plain or located close to a river, lake, or stream.

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 insured against theft in the amount of \$5,000 per occurrence.

CITY OF LOCUST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 2 – Detail Notes on All Funds (Continued)

Liabilities (Concluded)

Installment Purchases

During the year ended June 30, 2022, the City paid in full the construction loan with the US Department of Agriculture for its Government Center. As of June 30, 2022, the City had no debt other than that related to pensions.

Changes in Long-Term Liabilities

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental Center loan	1,551,156	-	1,551,156	-	-
Net pension liability (LGERS)	\$ 566,159	\$ -	\$ 216,757	\$ 349,402	\$ -
Total pension liability (LEO)	475,663	-	21,841	453,822	-
Governmental activity long-term liabilities	<u>\$ 2,592,978</u>	<u>\$ -</u>	<u>\$ 1,789,754</u>	<u>\$ 803,224</u>	<u>\$ -</u>
Business-Type Activities:	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Net pension liability (LGERS)	\$ 170,682	\$ -	\$ 123,036	\$ 47,646	\$ -
Business type activity long-term liabilities	<u>\$ 170,682</u>	<u>\$ -</u>	<u>\$ 123,036</u>	<u>\$ 47,646</u>	<u>\$ -</u>

CITY OF LOCUST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 2 – Detail Notes on All Funds (Concluded)

Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business- Type</u>
Capital assets	\$ 11,928,786	\$ 9,841,086
Less: long-term debt	<u>-</u>	<u>-</u>
Net investment in capital asset	\$ <u>11,928,786</u>	\$ <u>9,841,086</u>

Fund Balance

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

<u>Total Fund Balance - General Fund</u>	<u>\$ 3,871,153</u>
Less:	
Prepaid items	82,021
Stabilization by State Statute	360,686
Streets - Powell Bill	2,266
LEOSSA Liability	453,822
Working Capital/Fund Balance Policy	<u>-</u>
Remaining Fund Balance	<u>\$ 2,972,358</u>

CITY OF LOCUST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 – Interfund Balances and Activity

The City maintains one operating checking account from which all disbursements are made and into which all deposits are made for both the general fund and the wastewater fund. That checking account is recorded in the general fund. Typically, there are no true transfers between these two funds recorded. Rather, a payable is recorded for monies deposited into the checking account for items such as monthly wastewater fees income and a receivable is recorded for disbursements made for expenditures appropriately recorded in the wastewater fund. For the year ended June 30, 2022, there were no transactions recorded as a transfer between the funds, hence the balances below.

These internal balances represent the net receivables and payables remaining after the elimination of an interfund activity within governmental and business-type activities.

	Receivable	Payable
General Fund	\$ -	\$ 1,899,099
Wastewater Fund	1,899,099	-
	\$ <u>1,899,099</u>	\$ <u>1,899,099</u>

Note 4 - Summary Disclosure of Significant Contingencies

State Assisted Program

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

Note 5 – Significant Effects of Subsequent Events

The City has evaluated all subsequent events through November 28, 2022, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY FINANCIAL DATA

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

- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability for Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Payroll

CITY OF LOCUST, NORTH CAROLINA

City of Locust's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Eight Fiscal Years

Local Government Employees' Retirement System

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Locust's proportion of the net pension liability (asset) (%)	0.02589%	0.02062%	0.01997%	0.01961%	0.02059%	0.02001%	0.02056%	0.02097%
Locust's proportion of the net pension liability (asset) (\$)	\$ 397,048	\$ 736,840	\$ 545,365	\$ 465,216	\$ 314,558	\$ 424,680	\$ 92,273	\$ (123,670)
Locust's covered-employee payroll	\$ 1,389,450	\$ 1,291,081	\$ 1,177,953	\$ 1,063,607	\$ 1,042,867	\$ 1,001,802	\$ 1,010,818	\$ 983,047
Locust's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	28.58%	57.07%	46.30%	43.74%	30.16%	42.39%	9.13%	-12.58%
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 ended June 30.

CITY OF LOCUST, NORTH CAROLINA

City of Locust's Contributions
Required Supplementary Information
Last Eight Fiscal Years

Local Government Employees' Retirement System

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 175,079	\$ 145,968	\$ 120,569	\$ 95,596	\$ 83,548	\$ 78,045	\$ 69,147	\$ 70,138
Contributions in relation to the contractually required contribution	<u>175,079</u>	<u>145,968</u>	<u>120,569</u>	<u>95,596</u>	<u>83,548</u>	<u>78,045</u>	<u>69,147</u>	<u>70,138</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Locust's covered-employee payroll	\$ 1,519,298	\$ 1,389,450	\$ 1,291,081	\$ 1,177,953	\$ 1,063,607	\$ 1,042,867	\$ 1,001,802	\$ 1,010,818
Contributions as a percentage of covered-employee payroll	11.52%	10.51%	9.34%	8.12%	7.86%	7.48%	6.90%	6.94%

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

CITY OF LOCUST, NORTH CAROLINA

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability - beginning	\$ 475,663	\$ 281,454	\$ 250,198	\$ 231,033	\$ 195,905
Service cost	36,101	16,347	14,925	14,767	12,284
Interest on the total pension liability	9,001	8,872	9,107	7,301	7,562
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(33,455)	59,499	(1,663)	8,039	(202)
Changes of assumptions or other inputs	(14,894)	128,085	8,887	(10,942)	15,484
Benefit payments	(18,594)	(18,594)	-	-	-
Other changes	-	-	-	-	-
Total pension liability - ending	\$ <u>453,822</u>	\$ <u>475,663</u>	\$ <u>281,454</u>	\$ <u>250,198</u>	\$ <u>231,033</u>

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

CITY OF LOCUST, NORTH CAROLINA

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

	<u>2022</u>		<u>2021</u>		<u>2020</u>		<u>2019</u>		<u>2018</u>
Total pension liability	\$ 453,822	\$	475,663	\$	281,454	\$	250,198	\$	231,033
Covered payroll	\$ 766,811	\$	631,827	\$	532,940	\$	537,259	\$	513,445
Total pension liability as a percentage of covered payroll	59.18%		75.28%		52.81%		46.57%		45.00%

Notes to the schedules:

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

CITY OF LOCUST, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad Valorem Taxes:			
Taxes	\$ 3,210,101	\$ 2,247,687	\$ (962,414)
Penalties and interest	2,000	13,940	11,940
Total	<u>3,212,101</u>	<u>2,261,627</u>	<u>(950,474)</u>
Other Taxes and Licenses:			
Motor vehicle fees	35,000	43,216	43,216
Vision cable franchise	17,500	22,236	22,236
Business registration and permits	10,000	100,864	100,864
Total	<u>62,500</u>	<u>166,316</u>	<u>103,816</u>
Unrestricted Intergovernmental:			
Local option sales tax	800,000	1,477,529	677,529
Utility franchise tax	185,000	215,075	30,075
Beer and wine tax	13,500	21,890	8,390
Solid waste fee	215,000	260,669	45,669
Total	<u>1,213,500</u>	<u>1,975,163</u>	<u>761,663</u>
Restricted Intergovernmental:			
Powell bill allocation	141,685	144,279	2,594
Powell bill interest	100	62	(38)
Court fees	5,000	3,061	(1,939)
Other grants	10,000	41,655	31,655
Total	<u>156,785</u>	<u>189,057</u>	<u>32,272</u>
Sales and Service:			
Recreation proceeds	66,955	68,708	1,753
Building rental	5,000	6,140	1,140
Total	<u>71,955</u>	<u>74,848</u>	<u>2,893</u>
Investment Earnings	<u>6,000</u>	<u>7,420</u>	<u>1,420</u>
Miscellaneous:			
Insurance proceeds		21,280	
ABC income		371,267	
Other	322,162	22,747	(299,415)
Total	<u>322,162</u>	<u>415,294</u>	<u>93,132</u>
Total Revenues	\$ 5,045,003	\$ 5,089,725	\$ 44,722

CITY OF LOCUST, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General Government:			
Administration:			
Salaries and employee benefits	\$ 461,783	\$ 456,881	\$ 4,902
Professional services	23,415	23,415	-
Membership dues	15,205	15,205	-
Operating expenditures	<u>192,522</u>	<u>184,427</u>	<u>8,095</u>
Total	<u>692,925</u>	<u>679,928</u>	<u>12,997</u>
Public Safety:			
Police:			
Salaries and employee benefits	1,145,346	1,098,321	47,025
Vehicle maintenance	58,500	57,906	594
Other operating expenditures	151,848	140,263	11,585
Capital outlay	<u>216,740</u>	<u>216,739</u>	<u>1</u>
Total	<u>1,572,434</u>	<u>1,513,229</u>	<u>59,205</u>
Cultural and recreational:			
Recreation and parks:			
Salaries and employee benefits	175,020	152,030	22,990
Other operating expenditures	<u>259,596</u>	<u>224,249</u>	<u>35,347</u>
Total	<u>434,616</u>	<u>376,279</u>	<u>58,337</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits	200,714	181,038	19,676
Paving and repairs	141,785	138,330	3,455
Other operating expenditures	208,830	192,725	16,105
Capital outlay	<u>62,160</u>	<u>52,850</u>	<u>9,310</u>
Total	<u>613,489</u>	<u>564,943</u>	<u>48,546</u>
Environmental Protection:			
Solid waste contracted services	<u>251,000</u>	<u>250,231</u>	<u>769</u>
Total	<u>251,000</u>	<u>250,231</u>	<u>769</u>
Economic Development:			
Economic development	<u>2,103</u>	<u>2,103</u>	<u>-</u>
Total	<u>2,103</u>	<u>2,103</u>	<u>-</u>

CITY OF LOCUST, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Debt Service:			
Principal retirement	1,551,130	1,551,129	1
Interest and other charges	56,289	56,288	1
Total	<u>1,607,419</u>	<u>1,607,417</u>	<u>2</u>
 Total Expenditures	 \$ <u>5,173,986</u>	 \$ <u>4,994,130</u>	 \$ <u>179,856</u>
 Revenues Over (Under) Expenditures	 \$ <u>(128,983)</u>	 \$ <u>95,595</u>	 \$ <u>224,578</u>
 Fund Balance Appropriated	 <u>128,983</u>	 <u>-</u>	 <u>128,983</u>
 Net Change in Fund Balance	 \$ <u><u>-</u></u>	 95,595	 \$ <u><u>353,561</u></u>
 Fund Balances, Beginning		 <u>3,969,074</u>	
 Fund Balances, Ending		 \$ <u><u>4,064,669</u></u>	

CITY OF LOCUST, NORTH CAROLINA

WASTEWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Sewer Charges	\$ 1,000,000	\$ 1,343,641	\$ 343,641
Sewer taps and fees	333,959	697,821	363,862
System development fee collections	104,765	612,308	507,543
Other operating revenues	<u>1,600</u>	<u>9,596</u>	<u>7,996</u>
Total Revenues	<u>1,440,324</u>	<u>2,663,366</u>	<u>1,223,042</u>
 Expenditures:			
Wastewater administration:			
Salaries and employee benefits	245,580	241,160	4,420
Other operating expenditures	<u>73,991</u>	<u>66,295</u>	<u>7,696</u>
Total water and sewer administration	<u>319,571</u>	<u>307,455</u>	<u>12,116</u>
Waste collection and treatment:			
Maintenance	29,219	23,741	5,478
Utility service fees	90,300	79,388	10,912
Primary waste treatment	546,170	488,353	57,817
Other operating expenditures	<u>175,156</u>	<u>171,419</u>	<u>3,737</u>
Total water distribution	<u>840,845</u>	<u>762,901</u>	<u>77,944</u>
Capital Outlay:			
Maintenance equipment	<u>253,203</u>	<u>164,847</u>	<u>88,356</u>
Total Capital Outlay	<u>253,203</u>	<u>164,847</u>	<u>88,356</u>
Total Expenditures	<u>1,413,619</u>	<u>1,235,203</u>	<u>178,416</u>
Revenues Under Expenditures	26,705	1,428,163	1,401,458
 Other Financing Sources (Uses):			
Transfers (to)/from Other Funds:			
Wastewater capital project funds	(103,285)	-	(103,285)
General fund	-	-	-
Capital reserve fund	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(103,285)</u>	<u>-</u>	<u>(103,285)</u>
Fund Balance Appropriated	<u>76,580</u>	<u>-</u>	<u>(76,580)</u>
 Revenues and Other Sources Over Expenditures and Other Uses	\$ <u>-</u>	<u>1,428,163</u>	\$ <u>1,221,593</u>

CITY OF LOCUST, NORTH CAROLINA

WASTEWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and other sources over expenditures and other uses		\$ 1,428,163	
Reconciling Items:			
Pension expense		(24,294)	
Capital outlay		164,847	
Depreciation		<u>(348,164)</u>	
Total Reconciling Items		<u>(207,611)</u>	
Change in Net Position		\$ <u>1,220,552</u>	

CITY OF LOCUST, 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	\$ -	\$ 2,252,401	\$ 2,235,583	\$ 16,818
2020-2021	18,995	-	12,147	6,848
2019-2020	9,374	-	5,061	4,313
2018-2019	6,583	-	4,231	2,352
2017-2018	7,420	-	3,498	3,922
2016-2017	7,117	-	4,828	2,289
2015-2016	2,221	-	662	1,559
2014-2015	1,054	-	315	739
2013-2014	1,562	-	231	1,331
2012-2013	1,724	-	285	1,439
2011-2012	1,632	-	187	1,445
2010-2011	-	-	-	-
	\$ <u>57,682</u>	\$ <u>2,252,401</u>	\$ <u>2,267,028</u>	<u>43,055</u>

Reconciliation with Revenues:

Taxes - Ad Valorem	\$ 2,261,627
Other adjustments	5,890
Interest collected	(13,131)
Discounts	<u>12,642</u>

Total Collections and Credits \$ 2,267,028

CITY OF LOCUST, NORTH CAROLINA**ANALYSIS OF CURRENT TAX LEVY****CITY-WIDE LEVY**

For the Fiscal Year Ended 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 year's rate	\$ 625,615,833	\$ 0.36	\$ 2,252,217	\$ 2,016,998	\$ 235,219
Total Original Levy	<u>625,615,833</u>		<u>2,252,217</u>	<u>2,016,998</u>	<u>235,219</u>
Discoveries:					
Current year taxes	<u>2,298,611</u>	0.36	<u>8,275</u>	<u>8,275</u>	<u>-</u>
Total Discoveries	<u>2,298,611</u>		<u>8,275</u>	<u>8,275</u>	<u>-</u>
Abatements	<u>(2,247,500)</u>	\$ 0.36	<u>(8,091)</u>	<u>(8,091)</u>	<u>-</u>
Total Property Valuation	<u>\$ 625,666,944</u>				
Net levy			2,252,401	2,017,182	235,219
Uncollected taxes at June 30, 2022			<u>(16,818)</u>	<u>(16,337)</u>	<u>(481)</u>
Current year's taxes collected			<u>\$ 2,235,583</u>	<u>\$ 2,000,845</u>	<u>\$ 234,738</u>
Current levy collection percentage			<u>99.25%</u>	<u>99.19%</u>	<u>99.80%</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor
And Members of the City Council
Locust, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Locust, 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 Locust, North Carolina's basic financial statements, and have issued our report thereon dated October 25, 2022. Our report includes a reference to other auditors who audited the financial statements of the City of Locust's ABC Board, as described in our report on the City of Locust's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Locust, North Carolina's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Huneycutt, Parsley & Taylor, CPAs, PLLC

Huneycutt, Parsley & Taylor, CPAs, PLLC
Albemarle, North Carolina

November 30, 2022