

CITY OF LINCOLN, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

PREPARED BY
CITY OF LINCOLN FINANCE DEPARTMENT

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CITY OF LINCOLNTON, NORTH CAROLINA

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INTRODUCTORY SECTION

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



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

Letter of Transmittal

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

The Comprehensive Annual Financial Report of the City of Lincolnton, North Carolina is submitted for your review and use. The City, like other local governments in the State, is required by State law to publish a complete set of financial statements within four months of the close of each fiscal year. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report is published to fulfill that requirement for the fiscal year ended June 30, 2018, and to provide complete and further accountability to citizens and other interested parties by providing a comprehensive report in lieu of the minimum basic financial statement requirements.

Management assumes full responsibility for the completeness and reliability of the information contained in this report. To provide a reasonable basis for making these representations, we have established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Lincolnton's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The cost of internal controls should not outweigh their benefits. The City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we believe to the best of our knowledge, this financial report is complete and reliable in all material respects and is reported in a manner to present fairly the financial position of the City.

Lowdermilk Church & Co., L.L.P., Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of Lincolnton's financial statements for the fiscal year ended June 30, 2018. The independent auditors' report is located at the front of the financial section of this report.

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

Profile of the City

The City of Lincolnton, incorporated in 1785, is the County seat of Lincoln County ("the County"). It is located in the heart of the Piedmont section of the State, approximately 32 miles northwest of Charlotte on highways U.S. 321, State 27, and State 150. The City is the second oldest city west of the Catawba River in North Carolina with Morganton, established 1784, being the oldest city. Evidence of our long and distinguished history abounds throughout the stately streets of the City. The State of North Carolina has erected over a dozen historical markers to honor some of the important events, landmarks, and distinguished people in Lincolnton's past. Lincolnton was named for Benjamin Lincoln, who achieved fame at the time of Cornwallis' surrender to Washington at Yorktown, Virginia. It currently occupies 8.6 square miles and serves a population of 10,578. Lincolnton is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

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

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

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

Local Economy

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

During the past ten years, the unemployment rate rose from an initial low of 5.1 percent (2007) to a decade high of 14.8 percent (2009), only to descend to the current rate of 3.2 percent. This rate is lower than the State's rate of 3.7 percent and lower than the national rate of 4.1 percent. Lincolnton has followed the same pattern as the State during the economic cycles.

Numerous small businesses opened in Lincolnton, including: The Sound Factory, Guitar Wishes, Good Wood Pizza, The Meating Place, UMAR Arts, Treasures on Main, Graffiti's, and Marilyn's Sweet Additions.

NSC Behavioral Concepts, L.L.C. opened a second location in Lincolnton. NSC Behavioral Concepts, L.L.C.'s mission is to "Provide person centered services while promoting self-reliance and independence for personal outcomes". Dr. Nicole and qualified staff has the ability to conduct multiple types of needs assessments. Once specific needs have been identified, solutions will be followed through the implementation of an action plan. Examples include: process review and modification, establishing accountability procedures, and assisting in the creation, maintenance and communication of vital information.

"Lincoln County's existing industry, The Walking Company, is planning to invest over seven and a half million dollars in the expansion of their existing facility in the Lincoln County Industrial Park," said John Dancoff with the Lincoln Economic Development Association. Dancoff presented a request to the county commissioners on Monday, November 6th to grant The Walking Company tax incentives based upon the County's Industrial Incentive Grant Program. Upon the commissioners' approval of the request, the County will provide \$30,931.88 per year in grants for a five-year period after the completion of the project. The grant total is calculated to be \$154,659.40. The Walking Company, based out of Santa Barbara, California, is best known as the leading destination for high-quality and comfortable footwear. They currently have 200 employees at their Lincolnton facility and will add over forty-five additional jobs to their head count.

Brick Tree Brewing Co., one of the Charlotte region's newly anticipated breweries, is looking forward to opening its first taproom and production facility in downtown Lincolnton in Fall 2018. The facility will be located in the historic Eureka Manufacturing Company Cotton Mill on 414 E. Water Street. The 6,000 square-foot, first floor space will boast a production area with a 10bbl brewhouse for core beers, plus a smaller batch brew system for pilot, seasonal and one-off beers. The taproom space will be designed with the visitor in mind, bringing guests an engaging and sensory experience into the brewing process, along with an outdoor beer garden, a stage for live music, and available rentable space upstairs for private events. The brewery will offer an inviting space for guests to gather and enjoy their craft beers.

"Lincoln County's existing industry, Blum Inc., is planning to invest \$22,506,000 in new equipment and facility expansion over the next two years," said John Dancoff with the Lincoln Economic Development Association. Dancoff presented a request to the county commissioners on Monday, June 4th to grant Blum Inc. tax incentives based upon the County's Industrial Incentive Grant Program. Upon the commissioners' approval of the request, the County will provide \$93,338 per year in grants for a five-year period after the completion of the project and the total twenty-two million dollar investment is made. The grant total is calculated to be \$466,690. Two separate additions will be built in phases. Initially, a 16,000 square-foot addition to the east side of the building will create more space for receiving raw materials and staging orders for customers before shipping. Additionally, a new office space for shipping and receiving personnel will be constructed. A separate 46,000 square-foot expansion to the north side of the building will enlarge the automated high-bay warehouse for finished goods and components. These expansions will allow for greater efficiency and increased capabilities to better respond to specialty orders and requests.

"Lincoln County's existing industry, Husky Rack & Wire, is planning to invest over \$10,000,000 in equipment and building facility in the Airlie Industrial Park," said John Dancoff with the Lincoln Economic Development Association. Dancoff presented a request to the county commissioners on Monday, June 4th to grant Husky Rack & Wire tax incentives based upon the County's Industrial Incentive Grant Program. Upon the commissioners' approval of the request, the County will provide \$42,163.58 per year in grants for a five-year period after the completion of the project. The grant total is calculated to be \$210,817.91. Husky Rack & Wire, based out of Denver, North Carolina, is best known as a leading manufacturer of industrial pallet rack, wire security enclosure and machine guarding. This expansion will help accommodate and meet market demands. They currently have just over 200 employees at their Denver facility and will add over 20 additional jobs to their head count.

During the past five years, the government's expenses related to public safety have remained fairly constant with only a slight increase in amount, and also increased as a percentage of total expense (a five-year increase of 4.47 percent). The increase reflects increases in salary and benefits and capital outlay.

During this same five-year period, charges for services, continue to increase in amount, and have increased slightly as a percentage of total revenue (a five-year decrease of 0.36 percent). The reason for this relatively small increase is the relative increase in expenses related to services that are not supported by fees and charges (e.g., public safety); thus, as taxes have increased to support these services, so has the proportion of total revenue generated by taxes.

Long-Term Financial Planning and Major Initiatives

Unassigned fund balance in the general fund is 19.87 percent of total general fund expenditures, which is above the required amount of 8 percent set by the State of North Carolina. As demonstration of the City's commitment to financial planning and fiscal health, the unreserved, unassigned fund balance in the general fund was \$2,261,650.

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

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

Purchase of VIPER radios for the Police and Fire Departments.

Purchase of a 10,900 square foot building for \$759,000 to become the new home for the police department.

Participating in a lease program with Enterprise to replace aging vehicles. Vehicles will be replaced on a five year cycle.

Installation of GPS on city vehicles to provide route and time management savings.

Upgrading of various departmental needs including service vehicles, technology and service equipment items.

Relevant Financial Policies

The City of Lincolnton's Unified Development Ordinance requires that a developer of a subdivision dedicate land for a park, recreation, and open space purposes or the developer pay a fee in lieu of land before the subdivision is approved. The use of these funds is governed by the North Carolina General Statute 160A-372.

Awards and Acknowledgments

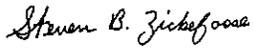
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lincolnton for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2017. This was the twenty-eighth consecutive year that Lincolnton has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Water Department was one of four water systems that was honored for surpassing federal and State drinking water standards by the Department of Environmental Quality for eleven years in a row. Awards are given to water systems that demonstrate outstanding turbidity and microbial removal, two factors important in determining the drinking water quality. While all systems must meet strict guidelines from federal and State standards, those awarded met performance goals that were more rigorous.

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

Respectfully submitted,



Steven B. Zickefoose, MBA
City Manager/Finance Director

December 17, 2018

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Government Finance Officers Association

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

Presented to

**City of Lincolnton
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

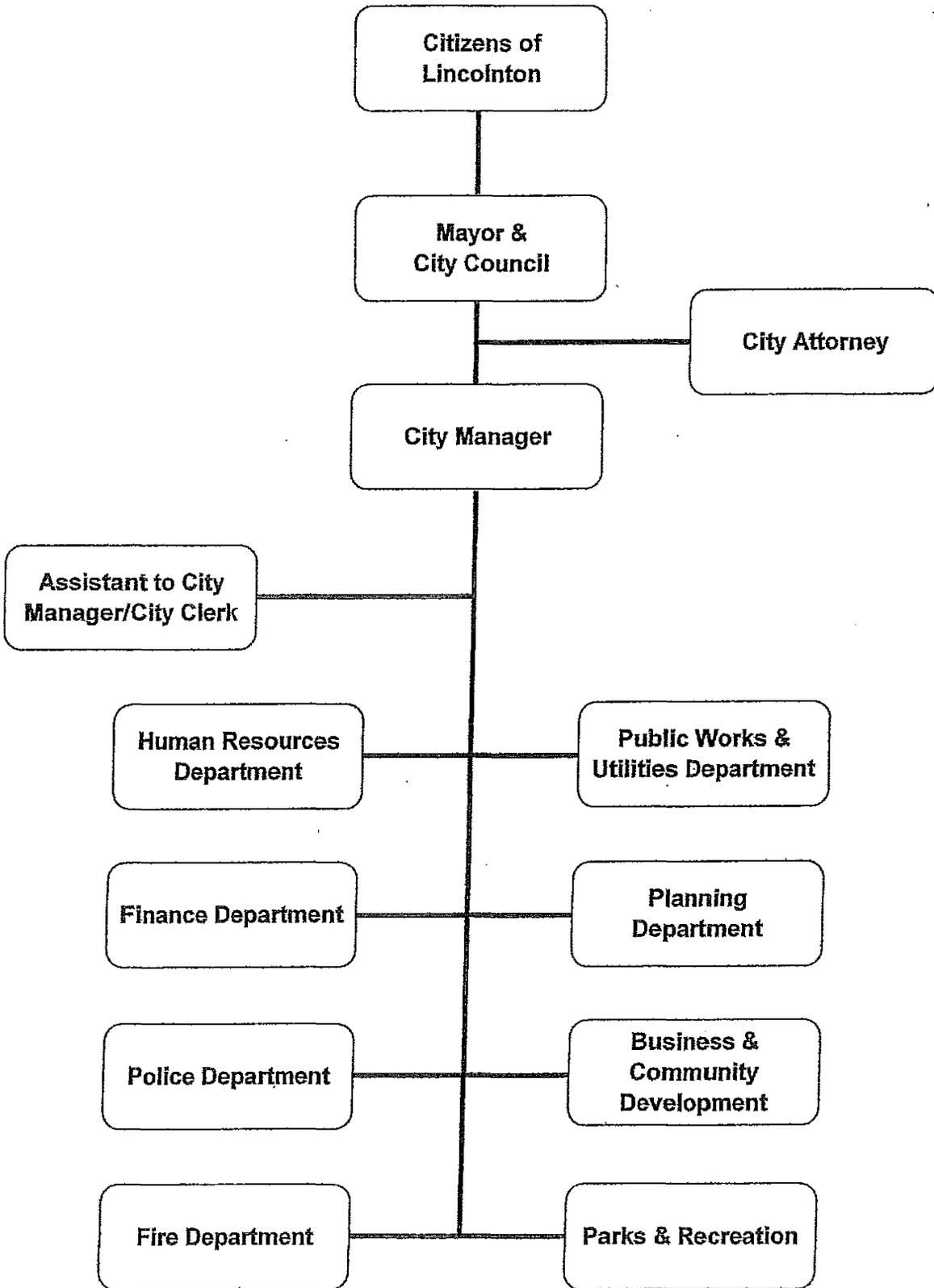
June 30, 2017

Christopher P. Morill

Executive Director/CEO

City of Lincolnton

Department Organizational Chart



CITY OF LINCOLNTON, NORTH CAROLINA

LIST OF PRINCIPAL OFFICIALS

June 30, 2018

Mayor & City Council

Mayor	Edward L. Hatley, Jr.
Ward I	Tim Smith
Ward II	David M. Black
Ward III	
Mayor Pro-Tem	Martin Eaddy
Ward IV	Roby D. Jetton

City Administration

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

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FINANCIAL SECTION

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

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

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lincolnton, North Carolina as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Lincolnton, North Carolina's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lincoln, North Carolina, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Other Postemployment Benefits Schedule of Changes in Total OPEB Liability and Related Ratios, Local Government Employees' Retirement System Schedules of the Proportionate Share of the Net Pension Liability and Contributions and Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of the Proportionate Share of Net Pension Liability and the Law Enforcement Officers' Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 12-21, and 76-81 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 17, 2018 on our consideration of the City of Lincolnton, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the City of Lincolnton, North Carolina's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Lincolnton, North Carolina's internal control over financial reporting and compliance.

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

Morganton, North Carolina
December 17, 2018

Management's Discussion and Analysis

As management of the City of Lincolnton, we offer the readers of the City of Lincolnton's financial statements this narrative overview and analysis of the financial activities of the City of Lincolnton for the fiscal year ended June 30, 2018. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

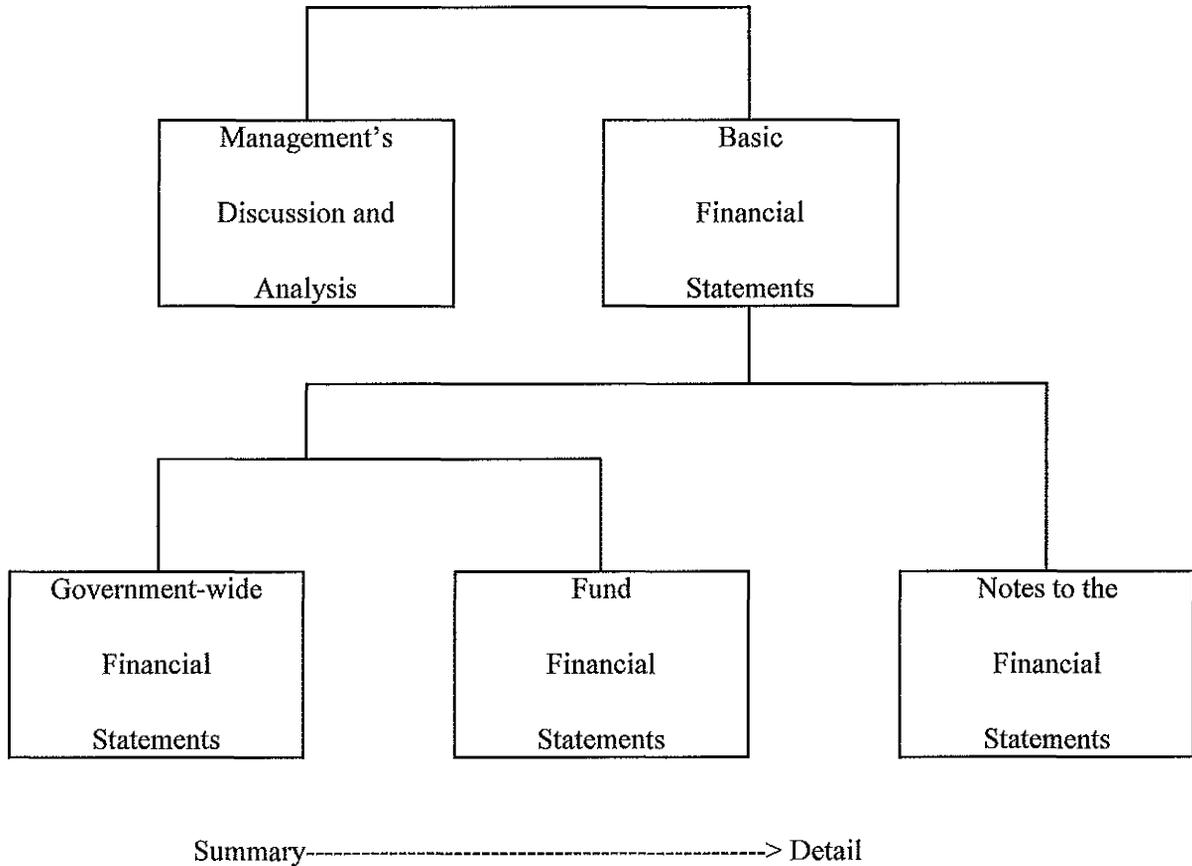
Financial Highlights

- The assets and deferred outflows of resources of the City of Lincolnton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$43,196,592 (net position).
- The City's total net position decreased by \$7,318,103, primarily due to the implementation of GASB No. Statement 75, *Accounting and Financial Reporting For Postemployment Benefits Other Than Pensions* and the restatement of beginning net assets and the requirement to record beginning OPEB liability.
- As of the close of the current fiscal year, the City of Lincolnton's governmental funds reported combined ending fund balances of \$4,795,984, with a net decrease of \$356,086 in fund balance. Approximately 36.88 percent of this total amount, or \$1,768,864, is nonspendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,261,650, or 20.36 percent of total General Fund expenditures for the fiscal year.
- The City of Lincolnton's total debt increased by \$5,928,249 (32.64%) during the current fiscal year. The key factor in this change was the implementation of GASB No. Statement 75.
- The City's last bond rating was Aaa and AAA.
- The City's total capital assets decreased by \$977,807 (1.98%) during the current fiscal year. The key factor in this decrease is depreciation expense.

Overview of the Financial Statements

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

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

The first two statements (pages 22 through 25) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (pages 26 through 34) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-wide Financial Statements

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

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

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

The government-wide financial statements are on pages 22 through 25 of this report.

Fund Financial Statements

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

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

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 35 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 Lincolnnton’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 76 of this report.

The individual fund statements and schedules are presented immediately following the required supplementary information on pensions. Individual fund statements and schedules can be found beginning on page 82 of this report.

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

Government-Wide Financial Analysis

The City of Lincolnnton, Net Position						
	Governmental		Figure 2 Business-type		Total	
	Activities		Activities			
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 5,383,264	\$ 5,731,640	\$14,198,068	\$13,464,834	\$19,581,332	\$19,196,474
Capital assets	<u>19,215,388</u>	<u>18,989,715</u>	<u>29,303,184</u>	<u>30,506,664</u>	<u>48,518,572</u>	<u>49,496,379</u>
Total assets	<u>24,598,651</u>	<u>24,721,354</u>	<u>43,501,252</u>	<u>43,971,498</u>	<u>\$68,099,904</u>	<u>\$68,692,853</u>
Deferred outflows of resources	<u>1,086,748</u>	<u>1,454,930</u>	<u>304,192</u>	<u>444,325</u>	<u>1,390,940</u>	<u>1,899,255</u>
Long-term liabilities outstanding	11,841,844	5,603,876	9,288,490	9,650,052	21,130,335	15,253,928
Other liabilities	<u>956,979</u>	<u>954,885</u>	<u>3,610,291</u>	<u>3,708,474</u>	<u>4,567,270</u>	<u>4,663,359</u>
Total liabilities	<u>12,798,822</u>	<u>6,558,760</u>	<u>12,898,781</u>	<u>13,358,526</u>	<u>25,697,604</u>	<u>19,917,287</u>
Deferred inflows of resources	<u>459,495</u>	<u>124,835</u>	<u>137,154</u>	<u>35,290</u>	<u>596,649</u>	<u>160,125</u>
Net position:						
Net investment in capital assets	18,078,633	17,836,400	20,899,184	19,838,664	38,977,817	37,675,064
Restricted	1,721,261	1,522,318	-	-	1,721,261	1,522,318
Unrestricted	<u>(7,372,812)</u>	<u>133,971</u>	<u>9,870,326</u>	<u>11,183,342</u>	<u>2,497,514</u>	<u>11,317,313</u>
Total net position	<u>\$12,427,082</u>	<u>\$19,492,689</u>	<u>\$30,769,510</u>	<u>\$31,022,006</u>	<u>\$43,196,592</u>	<u>\$50,514,695</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Lincoln exceeded liabilities and deferred inflows by \$43,196,592 as of June 30, 2018. The City's net position decreased by \$7,318,103 for the fiscal year ended June 30, 2018. However, the largest portion of net position (90.23%) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City of Lincoln uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Lincoln's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Lincoln's net position, \$1,721,261, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,497,514 is unrestricted.

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

- Decrease in capital grants and contributions and an increase in general revenues in the governmental activities.
- Increase in overall governmental expenses.
- Decrease due to implementation of GASB 75.
- Slight decrease in overall expenses in the business-type activities.
- Slight increase in charges for services in the Water and Sewer Fund.

City of Lincoln, Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:						
Program revenues:						
Charges for services	\$ 232,657	\$ 213,807	\$15,969,934	\$ 15,929,943	\$ 16,202,591	\$ 16,143,750
Operating grants and contributions	545,794	490,071	-	-	545,794	490,071
Capital grants and contributions	156,106	-	-	-	156,106	-
General revenues:						
Property taxes	4,737,848	4,718,281	-	-	4,737,848	4,718,281
Other taxes	4,466,390	4,148,712	-	-	4,466,390	4,148,712
Unrestricted investment earnings	49,932	18,979	136,764	51,748	186,695	70,727
Other	<u>8,048</u>	<u>(3,245)</u>	<u>(12,133)</u>	<u>17,744</u>	<u>(4,085)</u>	<u>14,499</u>
Total revenues	<u>10,196,775</u>	<u>9,586,605</u>	<u>16,094,565</u>	<u>15,999,435</u>	<u>26,291,339</u>	<u>25,586,039</u>
Expenses:						
General government	2,121,703	1,864,038	-	-	2,121,703	1,864,038
Public safety	5,397,252	4,808,973	-	-	5,397,252	4,808,973
Public works	1,420,115	1,352,039	-	-	1,420,115	1,352,039
Economic and physical development	378,549	333,749	-	-	378,549	333,749
Environmental protection	759,807	1,010,361	-	-	759,807	1,010,361
Cultural and recreational	991,094	688,966	-	-	991,094	688,966
Interest on long-term debt	37,729	37,365	200,965	296,382	238,694	333,747
Water and sewer	-	-	6,158,427	6,370,070	6,158,427	6,370,070
Electric	-	-	<u>7,561,454</u>	<u>7,445,989</u>	<u>7,561,454</u>	<u>7,445,989</u>
Total expenses	<u>11,106,249</u>	<u>10,095,491</u>	<u>13,920,846</u>	<u>14,112,441</u>	<u>25,027,095</u>	<u>24,207,932</u>

	City of Lincolnton, Changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Increase (decrease) in net position before transfers	\$ (909,474)	\$ (508,886)	\$ 2,173,719	\$ 1,886,994	\$ 1,264,244	\$ 1,378,108
Transfers	405,071	405,071	(405,071)	(405,071)	-	-
Increase (decrease) in net position	<u>\$ (504,403)</u>	<u>\$ (103,815)</u>	<u>\$ 1,768,648</u>	<u>\$ 1,481,923</u>	<u>\$ 1,264,244</u>	<u>\$ 1,378,108</u>
Net position, July 1, as previously reported	\$ 19,492,689	\$ 20,295,166	\$ 31,022,006	\$ 29,540,083	\$ 50,514,695	\$ 49,835,249
Restatement	(6,561,204)	(698,662)	(2,021,145)	-	(8,582,349)	(698,662)
Net position, July 1, restated	12,931,485	19,596,504	29,000,861	29,540,083	41,932,346	49,136,587
Increase (decrease) in net position	<u>(504,403)</u>	<u>(103,815)</u>	<u>1,768,648</u>	<u>1,481,923</u>	<u>1,264,246</u>	<u>1,378,108</u>
Net position, June 30	<u>\$ 12,427,082</u>	<u>\$ 19,492,689</u>	<u>\$ 30,769,510</u>	<u>\$ 31,022,006</u>	<u>\$ 43,196,592</u>	<u>\$ 50,514,695</u>

Governmental Activities. Governmental activities decreased the City's net position by \$504,403. Key elements of this decrease are as follows:

- \$317,678 increase in other taxes.
- Expenses increased.

Business-type Activities. Business-type activities increased the City of Lincolnton's net position by \$1,768,648. Key elements of this change are as follows:

- Charges for services decreased approximately \$40,000.
- Investment earnings increased \$85,016.
- \$405,071 transfers out, in the current year.
- The Water and Sewer Fund rates did not increase.
- Electric Fund rates did not increase.
- Administrative expenditures to the General Fund were \$500,000 for the Water and Sewer Fund and \$600,000 for the Electric Fund.
- Purchase for power decreased approximately \$212,700.

Financial Analysis of the City's Funds

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

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

The General Fund is the chief operating fund of the City of Lincoln. At the end of the current fiscal year, the City of Lincoln's fund balance available in the General Fund was \$3,703,324, while total fund balance reached \$4,795,984. The City currently has an available fund balance of 33.35 percent of General Fund expenditures, while total fund balance represents 43.18 percent of that same amount.

General Fund Budgetary Highlights. During the year, there was a \$1,928,223 increase in appropriations between the original and final budget. Following are the main components of the increase:

- \$93,655 balance due for fire engine purchase.
- \$24,173 CBD enhancement incentives carryover.
- \$128,083 First Federal Park Project carryover.
- \$150,000 State Grant - Betty Ross Park.
- \$124,000 Building Inspections startup.
- \$1,000,000 Police building purchase and renovation.

Revenues increased from the prior year due to the issuance of debt, capital contributions, Powell Bill reimbursements, donations and interest on investments.

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

- Total governmental expenditures were approximately \$1,776,133 less than budgeted due to an overall controlling of costs in all departments and capital projects not completed by year end.
- Public safety was less than budgeted due to vacancies and lower operating costs of \$354,448.
- Public works was less than budgeted due to lower operating costs for administration \$68,279, the delay of capital projects for Generals Boulevard Intersection improvement \$505,873, culvert repairs \$85,000 and downtown improvements \$47,000.
- Street maintenance was less than budgeted due to vacancies and lower operating costs of \$474,518.
- Parks and recreation was less than budgeted due to lower operating costs of \$27,028 and the progress of a major capital project for \$152,471.
- General government expenditures were less than budgeted due to lower operating costs of \$175,777.

Proprietary Funds. The City of Lincoln's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$6,202,196, and unrestricted net position for the Electric Fund amounted to \$3,668,130. The total change in net position for both funds was \$1,422,583 and \$346,065, respectively. The change in net position in the Water and Sewer Fund is a result of decreased operating expenses and interest expense and an increase in investment income and operating revenues. The increase in the Electric Fund is a result of income and expenses remaining stable.

Capital Asset and Debt Administration

Capital Assets. The City of Lincolnnton's investment in capital assets for its governmental and business-type activities as of June 30, 2018, totals \$48,518,572 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following:

- Major additions in the General Fund included vehicles and equipment of approximately \$416,000 and construction in progress of \$850,000.
- The Electric Fund had approximately \$316,000 in current year additions for system improvements.
- The Water and Sewer Fund had approximately \$95,000 of new additions for vehicles and equipment and \$197,000 for system repairs.

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 8,669,355	\$ 8,214,213	\$ 105,820	\$ 105,820	\$ 8,775,175	\$ 8,320,033
Buildings and improvements	6,054,297	5,260,074	8,016,311	7,948,381	14,070,608	13,208,455
Distribution systems	170,824	180,042	20,134,370	20,766,822	20,305,194	20,946,864
Infrastructure	2,563,402	2,754,189	-	-	2,563,402	2,754,189
Vehicles and equipment	1,699,017	1,420,524	1,046,683	1,097,317	2,745,700	2,517,841
Construction in progress	58,494	1,160,673	-	588,324	58,494	1,748,997
Total	<u>\$19,215,388</u>	<u>\$18,989,715</u>	<u>\$29,303,184</u>	<u>\$30,506,664</u>	<u>\$48,518,572</u>	<u>\$49,496,379</u>

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

Long-Term Debt. As of June 30, 2018, the City of Lincolnnton had total bonded debt outstanding of \$4,861,000 and \$4,679,755 of loans payable. The loans payable is backed by security interest in the property for which it was issued. The remainder of the City's debt represents bonds secured solely by specified revenue sources (e.g. revenue bonds).

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Loans payable	\$ 1,136,755	\$1,296,182	\$ 3,543,000	\$ 4,240,000	\$ 4,679,755	\$ 5,536,182
Revenue bonds	-	-	4,861,000	6,428,000	4,861,000	6,428,000
Compensated absences	351,526	357,360	131,960	131,501	483,486	488,861
OPEB	8,824,552	2,045,022	2,772,008	682,280	11,596,560	2,727,302
Pension related debt (LGERS)	1,125,134	1,536,631	363,785	501,871	1,488,919	2,038,502
Pension related debt (LEO)	980,468	943,092	-	-	980,468	943,092
Total	<u>\$12,418,435</u>	<u>\$6,178,287</u>	<u>\$11,671,753</u>	<u>\$11,983,652</u>	<u>\$24,090,188</u>	<u>\$18,161,939</u>

The City of Lincolnton's total debt increased by \$5,928,249 (32.64%) during the fiscal year, primarily due to an increase in OPEB liability.

The City of Lincolnton has an Aaa bond rating from Moody's Investors Service and AAA rating from Standard and Poor's Corporation and Fitch Ratings. This bond rating is a clear indicator of the sound financial condition of the City of Lincolnton. This achievement is a primary factor in keeping interest costs low on the City's outstanding debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within the government's boundaries. The legal debt margin for the City of Lincolnton is \$68,714,098. The City has no bonds authorized but un-issued at June 30, 2018.

Additional information regarding the City of Lincolnton's long-term debt can be found in Note III.B of this report.

Economic Factors and Next Year's Budgets and Rates

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

- The City is continuing to evaluate its infrastructure assets and as part of that ongoing evaluation will prioritize any necessary capital improvements.
- Two major industrial parks in Lincoln County are located within close proximity of our corporate limits and their continuous growth benefits the City economically.
- The City replaced fourteen aging vehicles through a lease program with Enterprise.
- The City purchased an 11,000 sq. ft. building at a cost of \$759,000 for relocation of the police department.
- The City approved a \$211,000 project for a river launch, fishing deck and pickleball courts at Betty Ross Park.
- Numerous small businesses opened in Lincolnton, including: The Sound Factory, Guitar Wishes, Good Wood Pizza, The Meating Place, UMAR Arts, Treasures on Main, Graffiti's, and Marilyn's Sweet Additions.

Budget Highlights for the Fiscal Year Ending June 30, 2019

Governmental Activities: Property taxes are expected to increase two percent from amounts budgeted in the prior year due to growth. The City's general fund budgeted revenues are approximately \$12,619,882, which reflects a decrease from the prior year.

The City has appropriated to use \$765,470 of fund balance.

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

Budgeted expenditures compared with the 2018 actual expenditures are expected to decrease 2.7%.

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

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

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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

CITY OF LINCOLNTON, NORTH CAROLINA

**Statement of Net Position
June 30, 2018**

	Primary Government			Component Units	
	Governmental Activities	Business - type Activities	Total	Lincolnton Tourism Develop- ment Authority	City of Lincolnton ABC Board
Assets					
Current assets:					
Cash and cash equivalents	\$ 4,586,802	\$11,408,610	\$15,995,413	\$ 344,325	\$ 368,462
Taxes receivable, net	138,336	-	138,336	-	-
Accounts receivable, net	683,741	1,267,031	1,950,772	-	-
Note receivable	58,125	-	58,125	-	-
Due from other government agencies	192,630	-	192,630	4,074	-
Internal balances	(1,000,000)	1,000,000	-	-	-
Inventories	14,396	99,648	114,044	-	178,133
Prepaid items	33,207	49,845	83,052	-	17,776
Total current assets	<u>4,707,236</u>	<u>13,825,134</u>	<u>18,532,371</u>	<u>348,399</u>	<u>564,372</u>
Noncurrent assets:					
Restricted cash	<u>676,028</u>	<u>372,934</u>	<u>1,048,962</u>	<u>-</u>	<u>-</u>
Capital assets:					
Land and nondepreciable assets	8,727,849	105,820	8,833,669	23,484	425,000
Other capital assets, net of accumulated depreciation	<u>10,487,540</u>	<u>29,197,364</u>	<u>39,684,904</u>	<u>17,955</u>	<u>1,070,222</u>
Total capital assets	<u>19,215,388</u>	<u>29,303,184</u>	<u>48,518,572</u>	<u>41,439</u>	<u>1,495,222</u>
Total assets	<u>24,598,653</u>	<u>43,501,252</u>	<u>68,099,905</u>	<u>389,838</u>	<u>2,059,594</u>
Deferred Outflows of Resources					
Pension deferrals	1,067,899	298,271	1,366,170	-	46,359
OPEB deferrals	<u>18,849</u>	<u>5,921</u>	<u>24,770</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources	<u>1,086,748</u>	<u>304,192</u>	<u>1,390,940</u>	<u>-</u>	<u>46,359</u>

cont.

CITY OF LINCOLNTON, NORTH CAROLINA

Page 2 of 2

**Statement of Net Position
June 30, 2018**

	Primary Government			Component Units	
	Governmental Activities	Business - type Activities	Total	Lincolnton Tourism Develop- ment Authority	City of Lincolnton ABC Board
<u>Liabilities</u>					
Accounts payable and accrued liabilities	\$ 380,378	\$ 854,093	\$ 1,234,471	\$ -	\$ 252,956
Customer deposits -restricted	-	372,934	372,934	-	-
Unearned revenues	10	-	10	-	-
Current portion of long-term liabilities	576,591	2,383,264	2,959,855	-	-
Total current liabilities	956,979	3,610,291	4,567,271	-	252,956
Long-term liabilities					
Net pension liability	1,125,134	363,785	1,488,919	-	37,429
Total pension liability	980,468	-	980,468	-	-
Total OPEB liability	8,824,552	2,772,008	11,596,560	-	-
Due in more than one year	911,690	6,152,696	7,064,386	-	-
Total liabilities	12,798,823	12,898,781	25,697,604	-	290,385
<u>Deferred Inflows of Resources</u>					
Prepaid taxes	13,450	-	13,450	-	-
Pension deferrals	82,770	23,041	105,811	-	1,060
OPEB deferrals	363,275	114,113	477,388	-	-
Total deferred inflows of resources	459,495	137,154	596,649	-	1,060
<u>Net Position</u>					
Net investment in capital assets	18,078,633	20,899,184	38,977,817	-	1,495,222
Restricted for:					
Working capital	-	-	-	-	86,530
Stabilization by State Statute	1,045,057	-	1,045,057	-	-
Streets	676,199	-	676,199	-	-
Public safety	5	-	5	-	-
Economic development	-	-	-	389,838	-
Unrestricted	(7,372,812)	9,870,326	2,497,514	-	232,756
Total net position	\$ 12,427,082	\$30,769,510	\$43,196,592	\$ 389,838	\$ 1,814,508

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

CITY OF LINCOLNTON, NORTH CAROLINA

**Statement of Activities
For the Year Ended June 30, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>					
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>			<u>Component Units</u>	
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Lincolnton Tourism Development Authority</u>	<u>City of Lincolnton ABC Board</u>
Primary Government:									
Governmental activities:									
General government	\$ 2,121,703	\$ -	\$ -	\$ -	\$ (2,121,703)	\$ -	\$ (2,121,703)	\$ -	\$ -
Public safety	5,397,252	12,669	217,081	-	(5,167,502)	-	(5,167,502)	-	-
Public works	1,420,115	-	328,713	-	(1,091,402)	-	(1,091,402)	-	-
Economic and physical development	378,549	12,221	-	156,106	(210,221)	-	(210,221)	-	-
Environmental protection	759,807	30,634	-	-	(729,173)	-	(729,173)	-	-
Cultural and recreational	991,094	177,133	-	-	(813,962)	-	(813,962)	-	-
Interest on long-term debt	37,729	-	-	-	(37,729)	-	(37,729)	-	-
Total governmental activities	11,106,249	232,657	545,794	156,106	(10,171,692)	-	(10,171,692)	-	-
Business-type activities:									
Water and sewer	6,359,391	8,056,185	-	-	-	1,696,793	1,696,793	-	-
Electric	7,561,454	7,913,749	-	-	-	352,295	352,295	-	-
Total business-type activities	13,920,845	15,969,934	-	-	-	2,049,089	2,049,089	-	-
Total primary government	\$25,027,094	\$16,202,590	\$ 545,794	\$ 156,106	(10,171,692)	2,049,089	(8,122,603)	-	-
Component Unit:									
Lincolnton Tourism Development Authority	\$ 41,834	\$ -	\$ 118,060	\$ -	-	-	-	76,225	-
City of Lincolnton ABC Board	2,258,028	2,249,767	-	-	-	-	-	-	(8,261)
Total component unit	\$ 2,299,862	\$ 2,249,767	\$ 118,060	\$ -	-	-	-	76,225	(8,261)

cont.

CITY OF LINCOLNTON, NORTH CAROLINA

Page 2 of 2, cont.

**Statement of Activities
For the Year Ended June 30, 2018**

	Net (Expense) Revenue and Changes in Net Position				
	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Lincolnton Tourism Develop- ment Authority	City of Lincolnton ABC Board
General revenues:					
Ad valorem taxes	\$ 4,737,848	\$ -	\$ 4,737,848	\$ -	\$ -
Local option sales tax	3,155,789	-	3,155,789	-	-
Franchise tax	895,540	-	895,540	-	-
Other taxes and licenses	415,062	-	415,062	-	-
Unrestricted investment earnings	49,932	136,764	186,696	3,459	822
Miscellaneous	8,048	-	8,048	-	7,439
Gain(loss) on sale of capital assets	-	(12,133)	(12,133)	-	-
Transfers	405,071	(405,071)	-	-	-
Total general revenues and transfers	<u>9,667,289</u>	<u>(280,440)</u>	<u>9,386,849</u>	<u>3,459</u>	<u>8,261</u>
Changes in net position	<u>\$ (504,403)</u>	<u>\$ 1,768,648</u>	<u>\$ 1,264,246</u>	<u>\$ 79,684</u>	<u>\$ -</u>
Net position - beginning, as previously reported	\$ 19,492,689	\$ 31,022,006	\$ 50,514,695	\$ 310,154	\$ 1,814,508
Restatement	<u>(6,561,204)</u>	<u>(2,021,145)</u>	<u>(8,582,349)</u>	<u>-</u>	<u>-</u>
Net position - beginning, restated	12,931,485	29,000,861	41,932,346	310,154	1,814,508
Changes in net position	<u>(504,403)</u>	<u>1,768,648</u>	<u>1,264,246</u>	<u>79,684</u>	<u>-</u>
Net position - ending	<u>\$ 12,427,082</u>	<u>\$ 30,769,510</u>	<u>\$ 43,196,592</u>	<u>\$ 389,838</u>	<u>\$ 1,814,508</u>

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

CITY OF LINCOLNTON, NORTH CAROLINA

**Balance Sheet
Governmental Funds
June 30, 2018**

	<u>Major Fund</u>
	General
	<u>Fund</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 4,586,802
Taxes receivable, net	138,336
Accounts receivable, net	683,741
Due from government agencies	192,630
Inventories	14,396
Prepaid items	33,207
Restricted cash	<u>676,028</u>
Total assets	<u>\$ 6,325,140</u>
<u>Liabilities</u>	
Accounts payable and accrued liabilities	\$ 377,359
Advance from other funds	1,000,000
Unearned revenues	<u>10</u>
Total liabilities	<u>1,377,369</u>
<u>Deferred Inflows of Resources</u>	
Property taxes receivable	138,336
Prepaid taxes	<u>13,450</u>
Total deferred inflows of resources	<u>151,786</u>
<u>Fund Balances</u>	
Nonspendable:	
Inventories	14,396
Prepaid expenditures	33,207
Restricted:	
Stabilization by State Statute	1,045,057
Streets - Powell Bill	676,199
Public safety - police	5
Assigned:	
Subsequent year's expenditures	765,470
Unassigned	<u>2,261,650</u>
Total fund balances	<u>4,795,984</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,325,140</u>

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

CITY OF LINCOLNTON, NORTH CAROLINA

**Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
June 30, 2018**

Total Fund Balance, Governmental Funds	\$ 4,795,984
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Note receivable used in governmental activities is not a financial resources and, therefore, is not reported in the funds. 58,125	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Gross capital assets at historical cost	\$ 41,675,358
Accumulated depreciation	<u>(22,459,970)</u> 19,215,388
Deferred outflows of resources related to the following are not reported in the funds:	
Pensions	1,067,899
OPEB	18,849
Earned revenues considered deferred inflows of resources in the fund statements.	
Property taxes receivable	138,336
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.	
Accrued interest on long-term debt	(3,019)
Long-term debt	(1,136,755)
Compensated absences	(351,526)
Net pension liability	(1,125,134)
Total pension liability	(980,468)
OPEB liability	(8,824,552)
Deferred inflows of resources related to the following are not reported in the funds:	
Pensions	(82,770)
OPEB	<u>(363,275)</u>
Net position of governmental activities	<u>\$ 12,427,082</u>

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

CITY OF LINCOLNTON, NORTH CAROLINA

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018**

	<u>Major Fund</u>
	<u>General</u>
	<u>Fund</u>
Revenues:	
Ad valorem taxes	\$ 4,800,673
Other taxes and licenses	203,572
Unrestricted intergovernmental revenues	4,387,039
Restricted intergovernmental revenues	577,679
Permits and fees	44,632
Sales and services	210,912
Investment earnings	49,932
Miscellaneous	59,802
Total revenues	<u>10,334,241</u>
Expenditures:	
General government	1,572,754
Public safety	6,029,667
Public works	1,266,038
Economic and physical development	422,053
Environmental protection	580,802
Cultural and recreational	1,036,387
Debt service:	
Principal retirement	435,016
Interest and other charges	38,714
Total expenditures	<u>11,381,430</u>
Revenues over (under) expenditures	<u>(1,047,189)</u>
Other Financing Sources (Uses):	
Issuance of debt	275,589
Principal received	1,875
Transfers - in	405,071
Total other financing sources (uses)	<u>682,535</u>
Net changes in fund balances	(364,654)
Fund balances, July 1	5,152,070
Increase (decrease) in inventory	<u>8,568</u>
Fund balances, June 30	<u>\$ 4,795,984</u>

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

CITY OF LINCOLN, NORTH CAROLINA

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2018**

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

Net change in fund balances - total governmental funds	\$ (364,654)
Change in fund balance due to change in reserve for inventory	8,568

Governmental funds report capital outlays as expenditures. However, in the the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	1,388,274
Depreciation expense	(1,087,959)
Gain (loss) on sale of assets	(66,100)
Proceeds from sale of fixed assets	(8,541)

Contributions to the pension plan in the current year fiscal year are not included on the Statement of Activities	390,389
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Benefit payments paid and administrative expenses for the LEOSSA are not included in the Statement of Activities	92,842
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OPEB benefit payments and administrative costs made in the current fiscal year are not included in the Statement of Activities	473,802
--	---------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred revenue for tax purposes	(62,825)

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

New long-term debt issued	(275,589)
Principal payments on long-term debt	435,016
Accrued interest payable	985
Principal payments received	(1,875)
Loans receivable issued	60,000

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	5,834
Pension expense	(363,173)
OPEB plan expense	(1,129,396)
Change in net position of governmental activities	<u>\$ (504,403)</u>

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

CITY OF LINCOLNTON, NORTH CAROLINA

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 4,749,000	\$ 4,749,000	\$ 4,800,673	\$ 51,673
Other taxes and licenses	141,900	141,900	203,572	61,672
Unrestricted intergovernmental revenues	3,878,270	3,878,270	4,387,039	508,769
Restricted intergovernmental revenues	766,373	951,500	577,679	(373,821)
Permits and fees	28,400	92,400	44,632	(47,768)
Sales and services	122,200	122,200	210,912	88,712
Investment earnings	3,000	3,000	49,932	46,932
Miscellaneous	89,600	89,600	59,802	(29,798)
Total revenues	<u>9,778,743</u>	<u>10,027,870</u>	<u>10,334,241</u>	<u>306,371</u>
Expenditures:				
General government	1,656,927	1,748,531	1,572,754	175,777
Public safety	5,375,460	6,384,115	6,029,667	354,448
Public works	1,733,917	2,123,425	1,266,038	857,387
Economic and physical development	409,514	513,754	422,053	91,701
Environmental protection	718,328	708,328	580,802	127,526
Cultural and recreational	871,670	1,215,886	1,036,387	179,499
Debt service:				
Principal retirement	422,322	422,322	435,016	(12,694)
Interest and other charges	41,202	41,202	38,714	2,488
Total expenditures	<u>11,229,340</u>	<u>13,157,563</u>	<u>11,381,430</u>	<u>1,776,133</u>
Revenues over (under) expenditures	<u>(1,450,597)</u>	<u>(3,129,693)</u>	<u>(1,047,189)</u>	<u>2,082,504</u>
Other Financing Sources (Uses):				
Issuance of debt	260,000	1,353,655	275,589	(1,078,066)
Principal received	-	60,000	1,875	(58,125)
Appropriated fund balance	785,301	1,310,742	-	(1,310,742)
Transfers in	405,296	405,296	405,071	(225)
Total other financing sources (uses)	<u>1,450,597</u>	<u>3,129,693</u>	<u>682,535</u>	<u>(2,447,158)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(364,654)	<u>\$ (364,654)</u>
Fund balance, July 1			5,152,070	
Increase (decrease) in reserve for inventory			8,568	
Fund balance, June 30			<u>\$ 4,795,984</u>	

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

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CITY OF LINCOLNTON, NORTH CAROLINA

**Statement of Fund Net Position
Proprietary Funds
June 30, 2018**

	Business-type Activities Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 8,462,789	\$ 2,945,821	\$ 11,408,610
Accounts receivable	550,687	716,344	1,267,031
Advance to other funds	-	59,944	59,944
Inventories	63,180	36,468	99,648
Prepaid expenses	11,958	37,887	49,845
Total current assets	<u>9,088,615</u>	<u>3,796,464</u>	<u>12,885,078</u>
Noncurrent assets:			
Restricted cash and cash equivalents	106,209	266,725	372,934
Advance to other funds	-	940,056	940,056
Capital assets, net of accumulated depreciation	27,905,655	1,397,529	29,303,184
Total noncurrent assets	<u>28,011,864</u>	<u>2,604,310</u>	<u>30,616,174</u>
Total assets	<u>37,100,478</u>	<u>6,400,774</u>	<u>43,501,252</u>
<u>Deferred Outflows of Resources</u>			
Pension deferrals	235,551	62,720	298,271
OPEB deferrals	5,269	652	5,921
Total deferred outflows of resources	<u>240,820</u>	<u>63,372</u>	<u>304,192</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	154,680	699,413	854,093
Customer deposits - restricted	106,209	266,725	372,934
Bonds payable - current	1,596,000	-	1,596,000
Loans payable - current	714,000	-	714,000
Accrued compensated absences	64,673	8,591	73,264
Total current liabilities	<u>2,635,562</u>	<u>974,729</u>	<u>3,610,291</u>
Noncurrent liabilities:			
Bonds payable	3,265,000	-	3,265,000
Loans payable	2,829,000	-	2,829,000
Total OPEB liability	2,466,781	305,227	2,772,008
Accrued compensated absences	34,071	24,625	58,696
Net pension liability	287,289	76,496	363,785
Total noncurrent liabilities	<u>8,882,141</u>	<u>406,348</u>	<u>9,288,489</u>
Total liabilities	<u>11,517,704</u>	<u>1,381,077</u>	<u>12,898,781</u>
<u>Deferred Inflows of Resources</u>			
Pension deferrals	18,196	4,845	23,041
OPEB deferrals	101,548	12,565	114,113
	<u>119,744</u>	<u>17,410</u>	<u>137,154</u>
<u>Net Position</u>			
Net investment in capital assets	19,501,655	1,397,529	20,899,184
Unrestricted	6,202,196	3,668,130	9,870,326
Total net position	<u>\$ 25,703,851</u>	<u>\$ 5,065,659</u>	<u>\$ 30,769,510</u>

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

CITY OF LINCOLNTON, NORTH CAROLINA

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2018**

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
Operating Revenues:			
Electricity sales	\$ -	\$ 6,925,175	\$ 6,925,175
Water sales	3,311,272	-	3,311,272
Sewer charges	4,228,192	-	4,228,192
Water and sewer taps	260,500	-	260,500
Electricity - municipal operations	-	697,326	697,326
Other operating revenues	256,222	291,248	547,469
Total operating revenues	<u>8,056,185</u>	<u>7,913,749</u>	<u>15,969,934</u>
Operating Expenses:			
Electrical operations	-	1,043,319	1,043,319
Electrical power purchases	-	5,772,554	5,772,554
Water treatment plant	1,591,252	-	1,591,252
Water and sewer distribution maintenance	1,374,223	-	1,374,223
Waste treatment plant	1,572,142	-	1,572,142
Administrative	-	600,000	600,000
Depreciation	1,620,810	145,580	1,766,390
Total operating expenses	<u>6,158,426</u>	<u>7,561,454</u>	<u>13,719,880</u>
Operating income (loss)	<u>1,897,758</u>	<u>352,295</u>	<u>2,250,054</u>
Nonoperating Revenues (Expenses):			
Investment earnings	98,133	38,631	136,764
Gain (loss) on disposal of capital assets	6,753	(18,886)	(12,133)
Interest on long-term debt	(200,965)	-	(200,965)
Total nonoperating revenues (expenses)	<u>(96,079)</u>	<u>19,745</u>	<u>(76,334)</u>
Income (loss) before transfers and capital contributions	1,801,679	372,040	2,173,719
Transfers (to) from other funds			
General Fund-payment in lieu of taxes	<u>(379,096)</u>	<u>(25,975)</u>	<u>(405,071)</u>
Changes in net position	<u>\$ 1,422,583</u>	<u>\$ 346,065</u>	<u>\$ 1,768,648</u>
Total net position - previously reported	\$ 26,097,319	\$ 4,924,688	\$ 31,022,006
Prior period adjustment	<u>(1,816,051)</u>	<u>(205,094)</u>	<u>(2,021,145)</u>
Total net position - restated	24,281,268	4,719,594	29,000,861
Changes in net position	<u>1,422,583</u>	<u>346,065</u>	<u>1,768,648</u>
Total net position - ending	<u>\$ 25,703,851</u>	<u>\$ 5,065,659</u>	<u>\$ 30,769,510</u>

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

CITY OF LINCOLNTON, NORTH CAROLINA

Page 1 of 2

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018**

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
Cash Flows From Operating Activities:			
Cash received from customers	\$8,123,870	\$7,823,090	\$ 15,946,960
Customer deposits received	3,610	5,877	9,487
Cash paid for goods and services	(2,668,319)	(6,996,828)	(9,665,147)
Cash paid to or on behalf of employees for services	<u>(1,767,441)</u>	<u>(483,794)</u>	<u>(2,251,235)</u>
Net cash provided (used) by operating activities	<u>3,691,720</u>	<u>348,345</u>	<u>4,040,065</u>
Cash Flows From Non-Capital Financing Activities:			
Advance to General Fund	-	(1,000,000)	(1,000,000)
Transfers - in (out)	<u>(379,096)</u>	<u>(25,975)</u>	<u>(405,071)</u>
Net cash provided (used) by non-capital financing activities	<u>(379,096)</u>	<u>(1,025,975)</u>	<u>(1,405,071)</u>
Cash Flows From Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(238,652)	(343,144)	(581,796)
Proceeds from sale of capital assets	6,753	-	6,753
Principal paid on long-term debt	(2,264,000)	-	(2,264,000)
Interest paid on long-term debt	<u>(197,469)</u>	<u>-</u>	<u>(197,469)</u>
Net cash provided (used) by capital and related financing activities	<u>(2,693,368)</u>	<u>(343,144)</u>	<u>(3,036,512)</u>
Cash Flows From Investing Activities:			
Investment earnings	<u>98,133</u>	<u>38,631</u>	<u>136,764</u>
Net cash provided (used) by investing activities	<u>98,133</u>	<u>38,631</u>	<u>136,764</u>
Net increase (decrease) in cash and cash equivalents	717,389	(982,143)	(264,754)
Cash and cash equivalents at beginning of year	<u>7,851,609</u>	<u>4,194,689</u>	<u>12,046,298</u>
Cash and cash equivalents at end of year	<u>\$8,568,998</u>	<u>\$3,212,546</u>	<u>\$ 11,781,543</u>

cont.

CITY OF LINCOLNTON, NORTH CAROLINA

Page 2 of 2, cont.

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018**

	Business-type Activities		
	Enterprise Funds		
	<u>Water and Sewer Fund</u>	<u>Electric Fund</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$1,897,758	\$ 352,295	\$ 2,250,054
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	1,620,810	145,580	1,766,390
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	67,685	(90,659)	(22,974)
(Increase) decrease in inventory	11,602	6,940	18,542
(Increase) decrease in prepaid expense	6,189	254	6,443
Increase (decrease) in accounts payable and other accrued liabilities	(66,522)	(94,307)	(160,829)
Increase (decrease) in accrued vacation pay	(2,789)	3,248	459
Increase (decrease) in OPEB liability	61,031	7,552	68,583
Increase (decrease) in deferred outflows of resources - OPEB	(5,269)	(652)	(5,921)
Increase (decrease) in deferred inflows of resources - OPEB	101,548	12,565	114,113
Increase (decrease) in deferred outflows of resources - pensions	117,988	28,066	146,054
Increase (decrease) in net pension liability	(112,038)	(26,048)	(138,086)
Increase (decrease) in deferred inflows of resources - pensions	(9,883)	(2,366)	(12,249)
Increase (decrease) in customer deposits	<u>3,610</u>	<u>5,877</u>	<u>9,487</u>
Net cash provided (used) by operating activities	<u>\$3,691,720</u>	<u>\$ 348,345</u>	<u>\$ 4,040,066</u>

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

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NOTES TO THE FINANCIAL STATEMENTS

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

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CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2018

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

City of Lincolnton ABC Board

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

Lincolnton Tourism Development Authority

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

B. Basis of Presentation - Fund Accounting

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 the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2018

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.

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

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

The City reports the following major governmental fund:

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

The City reports the following major enterprise funds:

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

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

C. Measurement Focus and Basis of Accounting

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

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2018

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

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

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

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

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

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2018

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

D. Budgetary Data

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

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the City, the ABC Board and LTDA to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The investments of the City, the ABC Board and LTDA are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2018**

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

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

City of Lincolnton Restricted Cash	
Governmental activities	
General Fund	
Streets	\$ 676,023
Public safety	<u>5</u>
	<u>676,028</u>
Business-type activities	
Water and Sewer Fund	
Customer deposits	106,209
Electric Fund	
Customer deposits	<u>266,725</u>
Total business-type activities	<u>372,934</u>
Total restricted cash	<u>\$ 1,048,962</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2017. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

CITY OF LINCOLN, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2018**

5. Allowances for Doubtful Accounts

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

6. Inventories and Prepaid Items

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

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

7. Capital Assets

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

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

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

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2018**

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

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditures until then. The City has two items that meet this criterion, pension and other post-employment deferrals for the 2018 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has only four items that meet the criterion for this category - prepaid taxes, property taxes receivable, pension and other post-employment deferrals.

9. Long-Term Obligations

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

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

10. Compensated Absences

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

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Notes to the Financial Statements June 30, 2018

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

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

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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Notes to the Financial Statements June 30, 2018

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 - the portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

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

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

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

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

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

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

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

The City of Lincolnnton does not have a formal revenue spending policy that provides guidance for programs with multiple revenue sources. However, the Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local, non-city funds, city funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the City.

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2018

12. Defined Benefit Cost-Sharing Plans

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

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

F. Other

Management Estimates

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

II. Stewardship, Compliance, and Accountability

A. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2018, the expenditures made in the City's General Fund exceeded the authorized appropriations made by the governing board for debt service by \$10,205. This over-expenditure occurred because principal payments exceeded appropriations. Management and the Board will more closely review the budget reports to ensure compliance in future years.

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2018

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

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

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

At June 30, 2018, the City's deposits had a carrying amount of \$14,371,114 and a bank balance of \$14,652,651. Of the bank balance, \$250,000 was covered by federal depository insurance, and the remainder was covered by collateral held under the Pooling Method. At June 30, 2018, the City's petty cash fund totaled \$1,150.

At June 30, 2018, the ABC Board had a carrying amount of \$363,962 and a bank balance of \$413,660. Of the bank balance, \$250,000 was covered by federal depository insurance. At June 30, 2018, the ABC Board had cash on hand of \$4,100.

At June 30, 2018, the LTDA had a carrying amount of \$344,325 and a bank balance of \$344,325. Of the bank balance \$250,000 was covered by federal depository insurance.

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2018**

2. Investments

<u>Investment by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/18</u>	<u>Maturity</u>	<u>Rating</u>
N. C. Capital Management Trust-Government Portfolio	Amortized Cost	<u>\$2,672,111</u>	N/A	AAAm

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Interest Rate Risk. The City has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The City has no formal policy regarding credit risk, but has internal management procedures that limit the City's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City's investments in the N. C. Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard and Poor's as of June 30, 2018.

3. Receivables - Allowance for Doubtful Accounts

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

General Fund:	
Taxes receivable	<u>\$108,000</u>
Enterprise Funds:	
Water and Sewer Fund	189,913
Electric Fund	<u>59,989</u>
Total enterprise funds	<u>249,902</u>
Total	<u>\$357,902</u>

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2018**

4. Capital Assets

Primary Government

Capital asset activity for the primary government for the year ended June 30, 2018, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 8,214,213	\$ 455,142	\$ -	\$ 8,669,355
Construction in progress	<u>1,160,673</u>	<u>256,891</u>	<u>1,359,070</u>	<u>58,494</u>
Total capital assets not being depreciated	<u>9,374,886</u>	<u>\$ 712,033</u>	<u>\$1,359,070</u>	<u>8,727,849</u>
Capital assets being depreciated:				
Building	7,647,240	\$ 848,181	\$ -	8,495,421
Other improvements	2,468,957	297,971	-	2,766,928
Plant and distribution systems	239,075	-	-	239,075
Furniture and equipment	1,935,308	304,728	7,565	2,232,471
Vehicles and motorized equipment	5,278,613	509,790	57,757	5,730,646
Infrastructure	<u>13,482,969</u>	<u>-</u>	<u>-</u>	<u>13,482,969</u>
Total capital assets being depreciated	<u>31,052,162</u>	<u>\$1,960,670</u>	<u>\$ 65,322</u>	<u>32,947,510</u>
Less accumulated depreciation for:				
Building	3,503,496	\$ 236,123	\$ -	3,739,619
Other improvements	1,352,627	115,806	-	1,468,433
Plant and distribution systems	59,033	9,218	-	68,251
Furniture and equipment	1,469,428	119,187	7,565	1,581,050
Vehicles and motorized equipment	4,323,969	416,838	57,757	4,683,050
Infrastructure	<u>10,728,780</u>	<u>190,787</u>	<u>-</u>	<u>10,919,567</u>
Total accumulated depreciation	<u>21,437,333</u>	<u>\$1,087,959</u>	<u>\$ 65,322</u>	<u>22,459,970</u>
Total capital assets being depreciated, net	<u>9,614,829</u>			<u>10,487,540</u>
Governmental activity capital assets, net	<u>\$18,989,715</u>			<u>\$19,215,389</u>

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2018**

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

General government	\$ 477,463
Public safety	304,873
Public works	103,603
Environmental protection	145,764
Cultural and recreational	<u>56,256</u>
Total depreciation expense	<u>\$1,087,959</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activities:				
Water and Sewer Fund:				
Capital assets, not being depreciated:				
Land	\$ 95,600	\$ -	\$ -	\$ 95,600
Construction in progress	<u>443,442</u>	<u>38,437</u>	<u>481,879</u>	<u>-</u>
Total capital assets not being depreciated	<u>539,042</u>	<u>\$ 38,437</u>	<u>\$ 481,879</u>	<u>95,600</u>
Capital assets being depreciated:				
Building and improvements	13,775,364	\$ 439,753	\$ -	14,215,117
Plant and distribution systems	46,857,391	65,535	-	46,922,926
Furniture and equipment	7,747,803	176,806	-	7,924,609
Vehicles	<u>484,492</u>	<u>-</u>	<u>43,290</u>	<u>441,202</u>
Total capital assets being depreciated	<u>68,865,050</u>	<u>\$ 682,094</u>	<u>\$ 43,290</u>	<u>69,503,854</u>
Less accumulated depreciation for:				
Building and improvements	6,233,402	\$ 334,625	\$ -	6,568,027
Plant and distribution systems	26,568,175	1,103,512	-	27,671,687
Furniture and equipment	6,967,280	128,876	-	7,096,156
Vehicles	<u>347,422</u>	<u>53,797</u>	<u>43,290</u>	<u>357,929</u>
Total accumulated depreciation	<u>40,116,279</u>	<u>\$1,620,810</u>	<u>\$ 43,290</u>	<u>41,693,799</u>
Total capital assets being depreciated, net	<u>28,748,771</u>			<u>27,810,055</u>
Water and Sewer Fund capital assets, net	<u>29,287,813</u>			<u>27,905,655</u>
Electric Fund:				
Capital assets not being depreciated:				
Land	10,220	\$ -	\$ -	10,220
Construction in progress	<u>144,882</u>	<u>252,260</u>	<u>397,142</u>	<u>-</u>
Total capital assets not being depreciated	<u>155,102</u>	<u>\$ 252,260</u>	<u>\$ 397,142</u>	<u>10,220</u>
Capital assets being depreciated:				
Building and improvements	775,989	\$ -	\$ -	775,989
Plant and distribution systems	3,400,802	469,140	-	3,869,942
Furniture and equipment	133,855	-	-	133,855
Vehicles	<u>660,347</u>	<u>-</u>	<u>-</u>	<u>660,347</u>
Total capital assets being depreciated	<u>4,970,993</u>	<u>\$ 469,140</u>	<u>\$ -</u>	<u>5,440,133</u>

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2018**

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type Activities:				
Less accumulated depreciation for:				
Building and improvements	\$ 369,570	\$ 37,198	\$ -	\$ 406,768
Plant and distribution systems	2,923,196	63,615	-	2,986,811
Furniture and equipment	81,408	7,339	-	88,747
Vehicles	<u>533,070</u>	<u>37,428</u>	-	<u>570,498</u>
Total accumulated depreciation	<u>3,907,244</u>	<u>\$ 145,580</u>	<u>\$ -</u>	<u>4,052,824</u>
 Total capital assets being depreciated, net	 <u>1,063,749</u>			 <u>1,387,309</u>
 Electric Fund capital assets, net	 <u>1,218,851</u>			 <u>1,397,529</u>
Business-type activities capital assets, net	<u>\$30,506,664</u>			<u>\$29,303,184</u>

The City has active construction projects as of June 30, 2018. At year-end, the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
River Launch Project	\$ 13,164	\$ -
Tennis/Pickleball Court Renovation	-	61,600
321 Sidewalk Project	20,386	394,487
Police Building Renovation	<u>756,623</u>	<u>543,377</u>
Total	<u>\$ 790,173</u>	<u>\$ 999,464</u>

Discretely Presented Component Units:

Activity for the City of Lincolnton ABC Board for the year ended June 30, 2018 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 425,000	\$ -	\$ -	\$ 425,000
Capital assets being depreciated:				
Building and improvements	1,340,266	\$ 6,587	\$ -	1,346,853
Equipment	<u>173,481</u>	<u>183</u>	-	<u>173,664</u>
Total capital assets being depreciated	<u>1,513,747</u>	<u>\$ 6,770</u>	<u>\$ -</u>	<u>1,520,517</u>
Less accumulated depreciation for:				
Building and improvements	259,555	\$35,517	\$ -	295,072
Equipment	<u>141,951</u>	<u>13,272</u>	-	<u>155,223</u>
Total accumulated depreciation	<u>401,506</u>	<u>\$48,789</u>	<u>\$ -</u>	<u>450,295</u>
 Total capital assets being depreciated, net	 <u>1,112,241</u>			 <u>1,070,222</u>
 Capital assets, net	 <u>\$1,537,242</u>			 <u>\$1,495,222</u>

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2018**

Activity for the Lincolnton Tourism Development Authority for the year ended June 30, 2018 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Construction in progress	\$ -	\$23,484	\$ -	\$23,484
Capital assets being depreciated:				
Equipment	\$ -	\$17,955	\$ -	17,955
Less accumulated depreciation for:				
Equipment	-	\$ -	\$ -	-
Total capital assets being depreciated, net	-			17,955
Capital assets, net	\$ -			\$41,439

B. Liabilities

1. Accounts Payable and Accrued Liabilities

Payables at the government-wide level at June 30, 2018 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Other</u>	<u>Total</u>
Governmental activities:					
General	\$125,077	\$252,282	\$ 3,019	\$ -	\$ 380,378
Other governmental	-	-	-	-	-
Total governmental activities	125,077	252,282	3,019	-	380,378
Business-type activities:					
Water and Sewer	60,488	69,015	25,178	-	154,680
Electric	651,973	26,336	-	21,104	699,413
Total business-type activities	712,461	95,351	25,178	21,104	854,093
Total	\$837,538	\$347,633	\$ 28,196	\$ 21,104	\$1,234,471

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2018

2. Pension Plan and Post-employment Obligations

a. Local Governmental Employees' Retirement System

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

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

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

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2018**

Contributions - Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The City of Lincolnton employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Lincolnton's contractually required contribution rate for the year ended June 30, 2018 was 8.25% of compensation for law enforcement officers and 7.59% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Lincolnton were \$516,612 for the year ended June 30, 2018.

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

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

At June 30, 2018, the City reported a liability of \$1,488,919 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017, the City's proportion was 0.09746%, which was a decrease of 0.00141% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized pension expense of \$504,970. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 85,776	\$ 42,147
Changes of assumptions	212,638	-
Net difference between projected and actual earnings on pension plan investments	361,511	-
Changes in proportion and differences between City contributions and proportionate share of contributions	44,242	52,155
City contributions subsequent to the measurement date	<u>516,612</u>	<u>-</u>
Total	<u>\$1,220,779</u>	<u>\$ 94,302</u>

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2018**

\$516,612 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ 74,549
2020	422,640
2021	213,917
2022	(101,241)
2023	-
Thereafter	-

Actuarial Assumptions - The total pension liability in the December 31, 2016 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	7.20 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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2018

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 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 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2018**

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 7.20 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 (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

	1% Increase <u>(6.20%)</u>	Discount Decrease <u>(7.20%)</u>	1% Rate <u>(8.20%)</u>
City's proportionate share of the net pension liability (asset)	<u>\$4,469,768</u>	<u>\$1,488,919</u>	<u>\$(999,149)</u>

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

b. Law Enforcement Officers Special Separation Allowance

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

All full-time City law enforcement officers are covered by the Separation Allowance. At December 31, 2016 the Separation Allowance's membership consisted of:

Retirees receiving benefits	7
Terminated plan members entitled to, but not receiving, benefits	-
Active plan members	<u>32</u>
Total	<u>39</u>

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2018

Summary of Significant Accounting Policies

Basis of Accounting - The City has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meet the following criteria which we outlined in GASB Statement 73:

Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2016 valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.16 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, 2017.

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 G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established, and may be amended by, the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$95,891 as benefits came due for the reporting period.

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2018**

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

At June 30, 2018, the City reported a total pension liability of \$980,468. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the City recognized pension expense of \$77,382.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 14,091	\$ -
Changes of assumptions	38,458	11,509
City benefit payments and plan administrative expense made subsequent to the measurement date	<u>92,842</u>	<u>-</u>
Total	<u>\$145,391</u>	<u>\$11,509</u>

\$92,842 paid as benefits came due and \$-0- of administrative expenses subsequent to the measurement date have been reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Year ended June 30:

2019	\$10,172
2020	10,172
2021	10,172
2022	10,524
2023	-
Thereafter	-

Sensitivity of the City's total pension liability to changes in the discount rate. The following presents the City's total pension liability calculated using the discount rate of 3.16 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

	<u>1% Decrease (2.16%)</u>	<u>Discount Rate (3.16%)</u>	<u>1% Increase (4.16%)</u>
Total pension liability	<u>\$1,047,388</u>	<u>\$980,468</u>	<u>\$918,320</u>

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2018**

Law Enforcement Officers' Special Separation Allowance

Beginning balance	\$ 943,092
Service cost	32,657
Interest on the total pension liability	34,553
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of total pension liability	17,713
Changes of assumptions or other inputs	48,344
Benefit payments	(95,891)
Other changes	-
Ending balance of the total pension liability	<u>\$ 980,468</u>

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 504,970	\$77,382	\$ 582,352
Pension liability	1,488,919	980,468	2,469,387
Proportionate share of the net pension liability	0.09746%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	85,776	14,091	99,867
Changes of assumptions	212,638	38,458	251,096
Net difference between projected and actual earnings on plan investments	361,511	-	361,511
Changes in proportion and differences between contributions and proportionate share of contributions	44,242	-	44,242
Benefit payments and administrative costs paid subsequent to the measurement date	516,612	92,842	609,454
Deferred Inflows of Resources			
Differences between expected and actual experience	42,147	-	42,147
Changes of assumptions	-	11,509	11,509
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	52,155	-	52,155

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2018

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description - The City contributes to the Supplemental Retirement Income Plan (the Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy - Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan.

The City made contributions of \$74,008 for the reporting year. No amounts were forfeited.

d. Firefighters' and Rescue Squad Workers' Pension Fund

Plan Description - The State of North Carolina contributes, on behalf of the City of Lincolnton, to the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing, multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire and rescue squad workers who have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Firefighters' and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Firefighters' and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2018

Benefits Provided - FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed, minus the benefits collected.

Contributions - Plan members are required to contribute \$10 per month to the plan, which is paid by the City. The State, a non-employer contributor, funds the plan through appropriations. Contribution provisions are established by General Statute 58 - 86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2017, the State contributed \$17,602,000 to the plan. The City of Lincolnton's proportionate share of the State's contribution is \$8,294.

Refunds of Contributions - Plan members who are no longer eligible, or choose not to participate in the plan, may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

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

At June 30, 2018, the City reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the City through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the City, and supported by the State, was \$22,859. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the City is not projected to make any future contributions to the plan, its proportionate share at June 30, 2017 and at June 30, 2016 was 0%.

For the year ended June 30, 2018, the City recognized pension expense of \$5,002 and revenue of \$5,002 for support provided by the State. At June 30, 2018, the City reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2018**

Actuarial Assumptions - The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Not applicable
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

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

Discount rate - The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2018**

e. Other Post-employment Benefits

Healthcare Benefits

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

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

The City pays the full cost of coverage for these benefits. Also, the City's retirees can purchase coverage for their dependents. Currently, thirty-two (32) retirees are eligible for post-employment health benefits. As of February 1, 2017, the City participates in the North Carolina State Health Plan which is a division of the North Carolina Department of State Treasury.

Membership of the HCB Plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	32
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	113
Active employees-Law Enforcement Officers	<u>32</u>
Total	<u>177</u>

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

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2018**

Total OPEB Liability

The City's total OPEB liability of \$11,596,560 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.50 to 7.75 percent, average, including inflation
Discount Rate	3.56 percent
Healthcare cost trend rates	Pre-Medicare - 7.50% for 2017, decreasing to an ultimate rate of 5.00% by 2023

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1/2017	11,858,733
Changes for the year	
Service cost	469,911
Interest	348,745
Changes of benefit terms	-
Differences between expected and actual experience	29,100
Changes in assumptions or other inputs	(560,847)
Benefit payments	(549,082)
Net changes	(262,173)
Balance at 6/30/2018	11,596,560

Changes in assumptions and other inputs reflect a change in the discount rate from 3.01% to 3.56%.

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2018**

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current rate:

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB liability	<u>\$12,639,424</u>	<u>\$11,596,560</u>	<u>\$10,653,120</u>

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease 5.5%, Prescription 6.25%, Admin Expenses - 2.00%)	Discount Rate (Medical 6.5%, Prescription - 7.25%, Admin Expenses - 3.00%)	(Medical -7.5%, - Prescription - 8.25%, Admin Expenses - 4.00%)
Total OPEB liability	<u>\$10,463,658</u>	<u>\$11,596,560</u>	<u>\$12,910,791</u>

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

For the year ended June 30, 2018, the City recognized OPEB expense of \$739,527. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,770	\$ -
Changes of assumptions	<u>-</u>	<u>477,388</u>
Total	<u>\$ 24,770</u>	<u>\$ 477,388</u>

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2018**

\$-0- reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ (79,129)
2020	(79,129)
2021	(79,129)
2022	(79,129)
2023	(79,129)
Thereafter	(56,973)

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

f. Other Employment Benefits

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

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2018**

3. Deferred Outflows and Inflows of Resources

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

<u>Source</u>	
Contributions to pension plan in current fiscal year	\$ 516,612
Benefit payments and administrative expenses for LEOSSA made subsequent to the measurement date	92,842
Benefit payments and administrative expenses for OPEB made subsequent to the measurement date	-
Differences between expected and actual experience	124,637
Changes of assumptions	251,096
Net difference between projected and actual	361,511
Changes in proportion and differences between employer contributions and proportionate share of contributions	44,242
Charge on refunding	-
Total	<u>\$1,390,940</u>

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

	Statement of Net <u>Position</u>	General Fund <u>Balance Sheet</u>
Prepaid taxes (General Fund)	\$ 13,450	\$ 13,450
Taxes Receivable, less penalties (General Fund)	-	138,336
Changes in assumptions	488,897	-
Differences between expected and actual experience	42,147	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>52,155</u>	-
Total	<u>\$596,649</u>	<u>\$151,786</u>

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2018**

4. Risk Management

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

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

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

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

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

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

5. Long-Term Obligations

a. Loans Payable

Loans payable

Serviced by the General Fund:

\$120,000, 2015, 4.5% loan payable to an individual bank, in monthly installments of \$1,244, due in 2025 \$ 87,526

\$175,000, 2016, 1.5% loan payable to bank, in semi-annual installments of \$22,550, due in 2019 56,760

\$1,025,000, 2016 1.65% loan payable to bank, in annual installments of \$154,395 to \$153,492, due in 2022 591,000

\$391,186, 2017, 1.40% loan payable to bank, in annual installments of \$100,537, due in 2020 196,928

\$275,589, 2018, 2.68% loan payable to bank, in annual installments of \$71,868, due in 2021 204,542

Total \$1,136,755

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2018**

b. Revolving Loans

In June 2000, a grant of \$269,425 was received from the State of North Carolina Department of Environment and Natural Resources, and in December 2001, a State revolving loan was received in conjunction to finance water supply projects pursuant to the North Carolina Clean Water Revolving Loan and Grant Act of 1987. In July 2003, an additional revolving loan was received to finance a wastewater treatment facility upgrade. Both of these loans were refunded in June 2017 for \$4,240,000. The loans are reported as long-term debt in the Water and Sewer Fund. The loans are collateralized by water and sewer fee collections. Principal and interest requirements are appropriated when due.

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

Revolving loans payable consist of the following individual issue at June 30, 2018:

\$4,240,000 Water and Sewer revenue loan, with principal installments due annually in May with semiannual interest payments due in May and November, at an annual interest rate of 2.00% through 2023	<u>\$ 3,543,000</u>
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c. Revenue Bond

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

Bonds payable consists of the following individual issue at June 30, 2018:

\$9,479,000, 2015, revenue bonds with principal installments due annually in May, of \$1,511,000 to \$1,647,000 through 2021; with semiannual interest payments due in May and November at rates of 1.65%	<u>\$4,861,000</u>
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CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2018**

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

	<u>Loans Payable</u>		<u>Revolving Loans</u>		<u>Revenue Bonds</u>		<u>Total Debt Due</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Governmental activities:								
2019	\$ 357,078	\$22,903	\$ -	\$ -	\$ -	\$ -	\$ 357,078	\$ 22,903
2020	345,105	16,318	-	-	-	-	345,105	16,318
2021	231,261	10,020	-	-	-	-	231,261	10,020
2022	163,832	5,147	-	-	-	-	163,832	5,147
2023	13,422	2,092	-	-	-	-	13,422	2,092
2024-2028	<u>26,058</u>	<u>2,634</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,058</u>	<u>2,634</u>
Total governmental	<u>1,136,755</u>	<u>59,113</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,136,755</u>	<u>59,113</u>
Business-type activities:								
2019	-	-	714,000	70,860	1,596,000	80,207	2,310,000	151,067
2020	-	-	728,000	56,580	1,618,000	53,873	2,346,000	110,453
2021	-	-	743,000	42,020	1,647,000	27,176	2,390,000	69,196
2022	-	-	672,000	27,160	-	-	672,000	27,160
2023	-	-	686,000	13,720	-	-	686,000	13,720
2024-2028	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type	<u>-</u>	<u>-</u>	<u>3,543,000</u>	<u>210,340</u>	<u>4,861,000</u>	<u>161,255</u>	<u>8,404,001</u>	<u>371,595</u>
Total	<u>\$1,136,755</u>	<u>\$59,113</u>	<u>\$ 3,543,000</u>	<u>\$210,340</u>	<u>\$4,861,000</u>	<u>\$161,255</u>	<u>\$ 9,540,756</u>	<u>\$ 430,707</u>

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2018**

The City is in compliance with the covenants as to rates, fees, rentals, and charges in Section 704 of the Bond Order, authorizing the issuance of the Water and Sewer Revenue Bonds, Series 2005. Section 704(a) of the Bond Order requires the debt service coverage ratio for Parity Indebtedness to be no less than 120%, including 15% of water and sewer unrestricted net assets as of the last day of the proceeding fiscal year, and no less than 100% for Parity Indebtedness and Subordinated Indebtedness. The debt service coverage ratio calculation for the year ended June 30, 2018, is as follows:

	Revenue Bond Only	All Debt
Operating revenues	\$8,056,185	\$ 8,056,185
Operating expenses*	<u>4,537,616</u>	<u>4,537,616</u>
Operating income	3,518,569	3,518,569
Nonoperating revenues (expenses)**	104,886	104,886
15% of prior year unrestricted net assets	<u>1,121,626</u>	<u>-</u>
Income available for debt	<u>\$4,745,081</u>	<u>\$ 3,623,455</u>
Debt service, principal and interest paid	\$1,668,753	\$ 2,448,465
Debt service coverage	284%	148%

*Per rate covenants, this does not include the depreciation expense of \$1,620,810.

**Per rate covenants, this does not include interest payments of \$200,965.

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

At June 30, 2018, the City of Lincolnton had no bonds authorized but un-issued and a legal debt margin of \$68,714,098.

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$9,479,000 in water and sewer system revenue bonds issued in April 2015. Proceeds from the bonds provided financing for the construction of facilities utilized in the operations of water and sewer. The bonds are payable solely from water and sewer customer net revenues and are payable through 2021. Annual principal and interest payments on the bonds are appropriated when due. The total principal and interest remaining to be paid on the bonds is \$5,022,255. Principal and interest paid for the current year was \$1,673,062.

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements

June 30, 2018

Changes in Long-Term Liabilities

	<u>Balance</u> <u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Current</u> <u>Portion of</u> <u>Balance</u>
Governmental activities:					
Compensated absences	\$ 357,360	\$ 213,650	\$ 219,484	\$ 351,526	\$ 219,513
Total pension liability (LEO)	943,092	133,267	95,891	980,468	-
Total OPEB liability	2,045,022	7,204,838	425,308	8,824,552	-
Net pension liability (LGERS)	1,536,631	-	411,497	1,125,134	-
Loans payable	<u>1,296,182</u>	<u>275,589</u>	<u>435,016</u>	<u>1,136,755</u>	<u>357,078</u>
Governmental activities long-term liabilities	<u>\$ 6,178,287</u>	<u>\$7,827,344</u>	<u>\$1,587,196</u>	<u>\$12,418,435</u>	<u>\$ 576,591</u>
Business-type activities:					
Water and Sewer Fund:					
Compensated absences	\$ 101,533	\$ 63,452	\$ 66,241	\$ 98,744	\$ 64,673
Total OPEB liability	589,699	2,000,856	123,774	2,466,781	-
Net pension liability (LGERS)	399,327	-	112,038	287,289	-
Revenue bonds	6,428,000	-	1,567,000	4,861,000	1,596,000
Revolving loans	<u>4,240,000</u>	<u>-</u>	<u>697,000</u>	<u>3,543,000</u>	<u>714,000</u>
Water and Sewer Fund long-term liabilities	<u>11,758,559</u>	<u>2,064,308</u>	<u>2,566,053</u>	<u>11,256,814</u>	<u>2,374,673</u>
Electric Fund:					
Compensated absences	29,968	12,240	8,992	33,216	8,591
Total OPEB liability	92,581	212,646	-	305,227	-
Net pension liability (LGERS)	<u>102,544</u>	<u>-</u>	<u>26,048</u>	<u>76,496</u>	<u>-</u>
Electric Fund long-term liabilities	<u>225,093</u>	<u>224,886</u>	<u>35,040</u>	<u>414,939</u>	<u>8,591</u>
Business-type activities long-term liabilities	<u>\$11,983,651</u>	<u>\$2,289,194</u>	<u>\$2,601,093</u>	<u>\$11,671,753</u>	<u>\$2,383,264</u>

C. Interfund Balances and Activity

Interfund Loan - On June 30, 2018, the General Fund borrowed \$1,000,000 from the Electric Fund to fund a new police building. The terms of the arrangement require the General Fund to repay the Electric Fund over fifteen years with an interest rate of 1.5%. In the Electric Fund, \$59,944 that will be due within the next year is presented as an advance to the other funds; the remaining \$940,056 is presented as an advance to other funds.

Transfers To/From Other Funds

The composition of transfers as of June 30, 2018 is as follows:

	<u>General</u> <u>Fund</u>	<u>Transfers In</u> <u>Electric Rate</u> <u>Stabilization</u> <u>Fund</u>	<u>Total</u>
Transfer Out			
Water and Sewer Fund	\$379,096	\$ -	\$379,096
Electric Fund	<u>25,975</u>	<u>25,000</u>	<u>50,975</u>
Total	<u>\$405,071</u>	<u>\$25,000</u>	<u>\$430,071</u>

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2018**

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

For the year ended June 30, 2018, the government made the following transfers:

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

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

Transfers from the Electric Fund to the Electric Rate Stabilization Fund to accumulate funds to stabilize electric rates.

D. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2018, the City of Lincolnton has recognized on-behalf payments for pension contributions made by the State as a revenue and an expenditure of \$5,002 for the 20 employed firemen who perform firefighting duties for the City's fire department. The employees elected to be members of the Firemen and Rescue Worker's Pension Fund, a cost sharing, multiple-employer, public employee retirement system established, and administered by, the State of North Carolina. The Plan is funded by a \$120 annual contribution paid by the City, investment income, and a State appropriation.

Also, the City has recognized as a revenue and an expenditure, on-behalf payments for fringe benefits and salaries of \$-0- for the low interest loans provided to eligible firemen by the local board of trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2018. Under State law the local board of trustees for the Fund receives an amount each year, which the board may use at its own discretion for eligible firemen or their departments.

E. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$ 19,215,388	\$ 29,303,184
Less: long-term debt	<u>(1,136,755)</u>	<u>(8,404,000)</u>
	<u>\$ 18,078,633</u>	<u>\$ 20,899,184</u>

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2018**

F. Fund Balance

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

Total fund balance-General Fund	\$4,795,984
Less:	
Inventories	14,396
Prepaid	33,207
Stabilization by State Statute	1,045,057
Streets-Powell Bill	676,199
Police	5
Appropriated Fund Balance in 2019 budget	765,470
Remaining Fund Balance	2,261,650

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

<u>Encumbrances</u>	<u>General Fund</u>	<u>Non-Major Funds</u>
	\$168,687	\$-0-

III. Jointly Governed Organizations

The City, in conjunction with eighteen other local governments, is a member of the North Carolina Municipal Power Agency Number 1 (NCMPA#1). The Electric Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Electric Agency's governing board. The nineteen members, which receive power from the Electric Agency, have signed power sales agreements to purchase a specified share of the power generated by the Electric Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The City's purchases of power for the fiscal year ended June 30, 2018 were \$5,772,554.

The City, in conjunction with nine counties and seventy-four other municipalities, established the Centralina Council of Governments (the Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The City paid membership fees of \$2,616 to the Council during the fiscal year ended June 30, 2018.

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2018

IV. Joint Venture

The City, in conjunction with Lincoln County, participates in a general aviation airport. The Airport Authority's board shall be reconstructed as a five-member board, with one member appointed by the City and four members by the County; however, one of the four members selected by the County shall reside within the City of Lincolnton, and the other three shall reside within the County. The members on the Authority's board shall have staggered 3-year terms and a two-term limit, with a chairman to be designated by the County. The Airport has been in existence since 1986, but it is not yet self-sustaining. The City has a pro-rata shared ongoing financial responsibility for the Airport because it and the County are legally obligated under the intergovernmental agreement that created the Airport to honor any deficiencies in the event that proceeds from other default remedies are insufficient. The City contributed \$30,000 to the Airport during the fiscal year ended June 30, 2018. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2018. Complete financial statements for the Airport can be obtained from Lincoln County Administrative Offices at 115 West Main Street, Lincolnton, N. C. 28092.

The City and the members of the City's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightening insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. The City obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the City's fire department by the board of trustees. During the fiscal year ended June 30, 2018, the City reported revenues and expenditures for the payments of \$-0- made through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2018. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina, 27603.

V. Related Organization

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

VI. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2018**

VII. Significant Effects of Subsequent Events

Management has evaluated subsequent events through December 17, 2018, the date on which the financial statements were available to be issued. During the period from the end of the year, and through this date, the following subsequent event occurred that requires recognition or disclosure in these financial statements.

The Electric Fund is advancing the General Fund an additional \$300,000.

The City has entered into a contract for the Betty Ross Park Flag Football Fields in the amount of \$325,000.

VIII. Change in Accounting Principles/Restatement

The City implemented Governmental Accounting Standards Board (GASB) No. Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the City to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the City related to OPEB during the measurement period (fiscal year ending December 31, 2017). Beginning deferred outflows and inflows of resources associated with the implementation were excluded from the restatement. As a result, net position for the governmental activities decreased \$6,561,204 and \$2,021,145 for the business-type activities.

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REQUIRED SUPPLEMENTARY INFORMATION

This section contains additional information required by generally accepted accounting principles

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

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

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

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

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

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

CITY OF LINCOLNTON, NORTH CAROLINA

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

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

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

CITY OF LINCOLNTON, NORTH CAROLINA

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City of Lincolnton's proportionate share of the net pension liability (%)	0.0000%	0.0000%	0.0000%	0.0000%
City of Lincolnton's proportionate share of the net pension liability (\$)	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with City of Lincolnton	<u>22,859</u>	<u>16,133</u>	<u>20,230</u>	<u>11,033</u>
Total	<u>\$ 22,859</u>	<u>\$ 16,133</u>	<u>\$ 20,230</u>	<u>\$ 11,033</u>
City of Lincolnton's covered-employee payroll	\$1,061,834	\$936,500	\$744,636	\$824,108
City of Lincolnton's proportionate share of the net pension liability as a percentage of its covered-employee payroll	2.15%	1.72%	2.72%	1.33%
Plan fiduciary net position as a percentage of the total pension liability	89.35%	84.94%	91.40%	93.42%

*The amounts are presented for the prior fiscal year.

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

CITY OF LINCOLNTON, NORTH CAROLINA

Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Last Two Fiscal Years

	<u>2018</u>	<u>2017</u>
Beginning balance	\$943,092	\$ 976,259
Service cost	32,657	37,675
Interest on the total pension liability	34,553	33,318
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	17,713	-
Changes of assumptions or other inputs	48,344	(18,181)
Benefit payments	(95,891)	(85,979)
Other changes	-	-
Ending balance of the total pension liability	<u>\$980,468</u>	<u>\$ 943,092</u>

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

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

CITY OF LINCOLNTON, NORTH CAROLINA

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

	<u>2018</u>	<u>2017</u>
Total Pension liability	\$ 980,468	\$ 943,092
Covered payroll	1,493,025	1,545,187
Total pension liability as a percentage of covered payroll	65.67%	61.03%

Notes to the schedules:

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

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

CITY OF LINCOLN, NORTH CAROLINA

**Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2018**

Total OPEB Liability	<u>2018</u>
Service cost	\$ 469,911
Interest	348,745
Changes of benefit terms	-
Differences between expected and actual experience	29,100
Changes of assumptions	(560,847)
Benefit payments	<u>(549,082)</u>
Net change in total OPEB liability	(262,173)
Total OPEB liability - beginning	<u>11,858,733</u>
Total OPEB liability - ending	<u><u>\$11,596,560</u></u>
Covered payroll	\$ 5,935,441
Total OPEB liability as a percentage of covered payroll	195.38%

Notes to Schedule

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

<u>Fiscal year</u>	<u>Rate</u>
2018	3.56%

GOVERNMENTAL ACTIVITIES

GENERAL FUND

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

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CITY OF LINCOLNTON, NORTH CAROLINA

**General Fund
Balance Sheets
June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 4,586,802	\$ 3,935,399
Taxes receivable, net	138,336	201,161
Accounts receivable, net	683,741	502,861
Due from governmental agencies	192,630	204,025
Inventories	14,396	5,828
Prepaid items	33,207	44,437
Restricted cash	676,028	837,929
Total assets	<u>\$ 6,325,140</u>	<u>\$ 5,731,640</u>
 <u>Liabilities</u>		
Accounts payable and other accrued liabilities	\$ 377,359	\$ 370,460
Advance from other funds	1,000,000	-
Unearned revenues	10	6,010
Total liabilities	<u>1,377,369</u>	<u>376,470</u>
 <u>Deferred Inflows of Resources</u>		
Property taxes receivable	138,336	201,161
Prepaid taxes	13,450	1,939
Total deferred inflows of resources	<u>151,786</u>	<u>203,100</u>
 <u>Fund Balances</u>		
Non Spendable:		
Inventories	14,396	5,828
Prepaid expenditures	33,207	44,437
Restricted:		
Stabilization by State statute	1,045,057	827,256
Streets	676,199	695,057
Public safety - police	5	5
Assigned:		
Subsequent year's expenditures	765,470	785,301
Unassigned	2,261,650	2,794,186
Total fund balances	<u>4,795,984</u>	<u>5,152,070</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,325,140</u>	<u>\$ 5,731,640</u>

CITY OF LINCOLNTON, NORTH CAROLINA

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**General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2017)**

	2018		Variance Positive (Negative)	2017 Actual
	Budget	Actual		
Revenues:				
Ad valorem taxes:				
Current year	\$ 4,654,000	\$4,667,984	\$ 13,984	\$4,601,315
Prior years	70,000	102,272	32,272	76,637
Interest and penalties	25,000	30,418	5,418	26,925
Total	<u>4,749,000</u>	<u>4,800,673</u>	<u>51,673</u>	<u>4,704,877</u>
Other taxes and licenses:				
Other taxes	<u>141,900</u>	<u>203,572</u>	<u>61,672</u>	<u>167,263</u>
Unrestricted intergovernmental revenues:				
Local option sales tax	2,820,000	3,155,789	335,789	2,983,564
Payment in lieu of taxes	22,470	28,545	6,075	23,400
Utility franchise tax	820,000	895,540	75,540	911,698
Beer and wine tax	44,000	46,076	2,076	47,787
ABC profit distribution	60,000	132,044	72,044	15,000
Other	111,800	129,046	17,246	127,926
Total	<u>3,878,270</u>	<u>4,387,039</u>	<u>508,769</u>	<u>4,109,375</u>
Restricted intergovernmental revenues:				
Powell Bill street aid allocation	311,000	309,837	(1,163)	309,152
Powell Bill investment earnings	300	9,176	8,876	3,956
Other Powell Bill receipts	-	9,700	9,700	-
Controlled substance tax	5,000	4,108	(892)	4,304
ABC revenue for law enforcement	30,000	40,000	10,000	40,000
On-behalf of payments-Fire and Rescue	5,200	5,002	(198)	4,733
Federal, state and local grants	600,000	199,856	(400,144)	-
Total	<u>951,500</u>	<u>577,679</u>	<u>(373,821)</u>	<u>362,145</u>

cont.

General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2017)

	2018		Variance Positive (Negative)	2017 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues (continued):				
Permits and fees:				
Zoning fees	\$ 10,000	\$ 12,221	\$ 2,221	\$ 10,514
P&Z inspections	64,000	-	(64,000)	-
Online convenience fees	14,000	28,787	14,787	19,649
Other fees	4,400	3,624	(776)	5,232
Total	<u>92,400</u>	<u>44,632</u>	<u>(47,768)</u>	<u>35,394</u>
Sales and services:				
Cemetery lot sales	10,000	30,634	20,634	27,201
Recreation fees and concessions	108,800	177,133	68,333	169,179
Other	3,400	3,145	(255)	2,956
Total	<u>122,200</u>	<u>210,912</u>	<u>88,712</u>	<u>199,336</u>
Investment earnings	<u>3,000</u>	<u>49,932</u>	<u>46,932</u>	<u>18,979</u>
Miscellaneous:				
Sale of property	12,600	8,878	(3,722)	76,708
Other	77,000	50,924	(26,076)	43,913
Total	<u>89,600</u>	<u>59,802</u>	<u>(29,798)</u>	<u>120,621</u>
Total revenues	<u>10,027,870</u>	<u>10,334,241</u>	<u>306,371</u>	<u>9,717,991</u>

cont.

General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2017)

	2018		Variance Positive (Negative)	2017 Actual
	<u>Budget</u>	<u>Actual</u>		
Expenditures:				
General government:				
Governing body				
Salaries and employee benefits	\$ 95,700	\$ 92,812	\$ 2,888	\$ 73,648
Other operating expenditures	844,604	734,208	110,396	624,706
Tax collection fees	155,700	154,866	834	151,533
Interdepartmental charges	<u>(185,080)</u>	<u>(185,080)</u>	-	<u>(193,813)</u>
	910,924	796,806	114,118	656,074
Administrative				
Salaries and employee benefits	627,630	618,538	9,092	562,894
Other operating expenditures	96,385	75,124	21,261	72,763
Capital outlay	160	-	160	7,607
Interdepartmental charges	<u>(159,980)</u>	<u>(159,980)</u>	-	<u>(175,673)</u>
	564,195	533,681	30,514	467,592
Finance				
Salaries and employee benefits	546,972	537,400	9,572	523,578
Other operating expenditures	121,000	102,473	18,527	64,692
Capital outlay	11,500	8,455	3,045	-
Interdepartmental charges	<u>(406,060)</u>	<u>(406,060)</u>	-	<u>(418,168)</u>
	273,412	242,267	31,145	170,101
Total general government	<u>1,748,531</u>	<u>1,572,754</u>	<u>175,777</u>	<u>1,293,767</u>
Public safety:				
Police				
Salaries and employee benefits	2,639,020	2,583,152	55,868	2,523,331
Other operating expenditures	307,750	364,110	(56,360)	329,589
Capital outlay	<u>1,338,000</u>	<u>1,025,930</u>	<u>312,070</u>	<u>159,660</u>
	4,284,770	3,973,192	311,578	3,012,580

cont.

General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2017)

	<u>2018</u>		Variance Positive (Negative)	<u>2017 Actual</u>
	<u>Budget</u>	<u>Actual</u>		
Expenditures (continued):				
Fire				
Salaries and employee benefits	\$ 1,749,190	\$1,744,221	\$ 4,969	\$1,632,729
Other operating expenditures	198,500	197,886	614	250,734
Capital outlay	151,655	114,367	37,288	126,045
	<u>2,099,345</u>	<u>2,056,475</u>	<u>42,870</u>	<u>2,009,508</u>
Total public safety	<u>6,384,115</u>	<u>6,029,667</u>	<u>354,448</u>	<u>5,022,088</u>
Public works:				
General and administrative				
Salaries and employee benefits	221,870	192,229	29,641	187,318
Operating expenditures	97,886	59,248	38,638	52,427
Interdepartmental charges	(146,800)	(146,800)	-	(150,495)
	<u>172,956</u>	<u>104,677</u>	<u>68,279</u>	<u>89,250</u>
Street maintenance				
Salaries and employee benefits	526,700	579,055	(52,355)	595,474
Operating expenditures	269,678	171,410	98,268	251,033
Capital outlay	480,950	52,345	428,605	145,499
Interdepartmental charges	(151,060)	(151,060)	-	(155,323)
	<u>1,126,268</u>	<u>651,750</u>	<u>474,518</u>	<u>836,683</u>
Powell Bill assistance				
Operating expenditures	<u>657,681</u>	<u>347,571</u>	<u>310,110</u>	<u>514,780</u>
Fleet maintenance				
Salaries and employee benefits	141,116	138,813	2,303	137,299
Operating expenditures	30,434	33,407	(2,973)	28,176
Capital outlay	3,750	-	3,750	29,857
Interdepartmental charges	(40,180)	(40,180)	-	(44,930)
	<u>135,120</u>	<u>132,040</u>	<u>3,080</u>	<u>150,401</u>
Airport operation	<u>31,400</u>	<u>30,000</u>	<u>1,400</u>	<u>60,000</u>
Total public works	<u>2,123,425</u>	<u>1,266,038</u>	<u>857,387</u>	<u>1,651,114</u>

cont.

General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2017)

	2018		Variance Positive (Negative)	2017 Actual
	<u>Budget</u>	<u>Actual</u>		
Expenditures (continued):				
Economic and physical development:				
Business and community development				
Salaries and employee benefits	\$ 787	\$ 360	\$ 427	\$ 42,137
Operating expenditures	<u>164,173</u>	<u>156,494</u>	<u>7,679</u>	<u>39,139</u>
	<u>164,960</u>	<u>156,854</u>	<u>8,106</u>	<u>81,276</u>
Planning and zoning				
Salaries and employee benefits	273,234	229,487	43,747	210,052
Operating expenditures	86,400	46,551	39,849	35,716
Interdepartmental charges	<u>(10,840)</u>	<u>(10,840)</u>	<u>-</u>	<u>(11,150)</u>
	<u>348,794</u>	<u>265,199</u>	<u>83,595</u>	<u>234,617</u>
Total economic and physical development	<u>513,754</u>	<u>422,053</u>	<u>91,701</u>	<u>315,893</u>
Environmental protection:				
Solid waste				
Salaries and employee benefits	518,170	424,501	93,669	513,402
Operating expenditures	190,158	156,301	33,857	159,411
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,850</u>
	<u>708,328</u>	<u>580,802</u>	<u>127,526</u>	<u>686,662</u>
Cemetery				
Salaries and employee benefits	-	-	-	132,700
Operating expenditures	-	-	-	30,004
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,218</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>186,922</u>
Total environmental protection	<u>708,328</u>	<u>580,802</u>	<u>127,526</u>	<u>873,584</u>
Cultural and recreational:				
Salaries and employee benefits	657,233	647,678	9,555	402,394
Operating expenditures	246,770	227,806	18,964	208,779
Capital outlay	<u>311,883</u>	<u>160,903</u>	<u>150,980</u>	<u>366,212</u>
Total cultural and recreational	<u>1,215,886</u>	<u>1,036,387</u>	<u>179,499</u>	<u>977,385</u>

cont.

General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2017)

	<u>2018</u>		<u>Variance Positive (Negative)</u>	<u>2017 Actual</u>
	<u>Budget</u>	<u>Actual</u>		
Expenditures (continued):				
Debt service:				
Principal retirement	\$ 422,322	\$ 435,016	\$ (12,694)	\$ 404,726
Interest and other charges	41,202	38,714	2,488	37,591
Total debt service	<u>463,524</u>	<u>473,729</u>	<u>(10,205)</u>	<u>442,317</u>
Total expenditures	<u>13,157,563</u>	<u>11,381,430</u>	<u>1,776,133</u>	<u>10,576,149</u>
Revenues over (under) expenditures	<u>(3,129,693)</u>	<u>(1,047,189)</u>	<u>2,082,504</u>	<u>(858,158)</u>
Other Financing Sources (Uses):				
Issuance of debt	1,353,655	275,589	(1,078,066)	391,186
Principal received	60,000	1,875	(58,125)	-
Appropriated fund balance	1,310,742	-	(1,310,742)	-
Transfers (to) from other funds				
Water and Sewer Fund	379,096	379,096	-	379,096
Electric Fund	26,200	25,975	(225)	25,975
Total other financing sources (uses)	<u>3,129,693</u>	<u>682,535</u>	<u>(2,447,158)</u>	<u>796,257</u>
Revenues and other financing sources over (under) expenditures and other financing uses and extraordinary item	<u>\$ -</u>	<u>(364,654)</u>	<u>\$ (364,654)</u>	<u>(61,901)</u>
Fund balances, July 1		5,152,070		5,222,459
Increase (decrease) in reserve for inventory		<u>8,568</u>		<u>(8,488)</u>
Fund balances, June 30		<u>\$4,795,984</u>		<u>\$5,152,070</u>

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**GOVERNMENTAL ACTIVITIES
COMPONENT UNIT**

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

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CITY OF LINCOLN, NORTH CAROLINA

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

For the Year Ended June 30, 2018

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2017)

	<u>2018</u>		Variance Positive (Negative)	2017 Actual
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:				
Unrestricted intergovernmental:				
Local occupancy tax	\$ 107,000	\$ 118,060	\$ 11,060	\$ 115,543
Investment earnings	-	3,459	3,459	1,140
Total revenues	<u>107,000</u>	<u>121,518</u>	<u>14,518</u>	<u>116,683</u>
Expenditures:				
Supplies	2,000	-	2,000	-
Advertising	49,866	4,218	45,648	7,345
Training	4,000	-	4,000	-
Other operating expenditures	121,772	37,617	84,155	34,936
Capital outlay	41,762	41,439	323	-
Total expenditures	<u>219,400</u>	<u>83,273</u>	<u>136,127</u>	<u>42,281</u>
Revenues over (under) expenditures	(112,400)	38,245	150,645	74,402
Other Financing Sources (Uses):				
Appropriated fund balance	112,400	-	(112,400)	-
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	38,245	<u>\$ 38,245</u>	74,402
Reconciliation From Budgetary Basis (Modified Accrual)				
To Full Accrual:				
Cost of expenditures that were capitalized		<u>41,439</u>		<u>-</u>
Revenues over (under) expenditures		79,684		74,402
Fund balance, July 1		<u>310,154</u>		<u>235,752</u>
Fund balance, June 30		<u>\$ 389,838</u>		<u>\$ 310,154</u>

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BUSINESS - TYPE ACTIVITIES

ENTERPRISE FUNDS

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

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

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

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

CITY OF LINCOLNTON, NORTH CAROLINA

**Statements of Net Position
Water and Sewer Fund
June 30, 2018 and 2017**

<u>Assets</u>	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and cash equivalents	\$ 8,462,789	\$ 7,749,011
Accounts receivable	550,687	618,372
Inventories	63,180	74,782
Prepaid expenses	<u>11,958</u>	<u>18,147</u>
Total current assets	9,088,615	8,460,312
Noncurrent assets:		
Restricted cash and cash equivalents	106,209	102,599
Capital assets, net of accumulated depreciation	<u>27,905,655</u>	<u>29,287,813</u>
Total assets	<u>37,100,478</u>	<u>37,850,724</u>
<u>Deferred Outflows of Resources</u>		
Pension deferrals	235,551	353,539
OPEB deferrals	<u>5,269</u>	<u>-</u>
Total deferred outflows of resources	<u>240,820</u>	<u>353,539</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable and accrued liabilities	154,680	217,707
Customer deposits - restricted	106,209	102,599
Bonds payable - current	1,596,000	1,567,000
Loans payable - current	714,000	697,000
Accrued compensated absences	<u>64,673</u>	<u>61,631</u>
Total current liabilities	<u>2,635,562</u>	<u>2,645,937</u>
Noncurrent liabilities:		
Bonds payable	3,265,000	4,861,000
Loans payable	2,829,000	3,543,000
Total OPEB liability	2,466,781	589,699
Accrued compensated absences	34,071	39,902
Net pension liability	<u>287,289</u>	<u>399,327</u>
Total noncurrent liabilities	<u>8,882,141</u>	<u>9,432,928</u>
Total liabilities	<u>11,517,704</u>	<u>12,078,865</u>
<u>Deferred Inflows of Resources</u>		
Pension deferrals	18,196	28,079
OPEB deferrals	<u>101,548</u>	<u>-</u>
Total deferred inflows of resources	<u>119,744</u>	<u>28,079</u>
<u>Net Position</u>		
Net investment in capital assets	19,501,655	18,619,813
Unrestricted	<u>6,202,196</u>	<u>7,477,506</u>
Total net position	<u>\$ 25,703,851</u>	<u>\$ 26,097,319</u>

CITY OF LINCOLNTON, NORTH CAROLINA

**Statements of Revenues, Expenses and Changes in Net Position
Water and Sewer Fund
For the Years Ended June 30, 2018 and 2017**

Operating Revenues:	<u>2018</u>	<u>2017</u>
Water charges	\$ 3,311,272	\$ 3,451,827
Sewer charges	4,228,192	4,343,685
Water and sewer taps	260,500	25,200
Other operating revenues	<u>256,222</u>	<u>190,602</u>
 Total operating revenues	 <u>8,056,185</u>	 <u>8,011,313</u>
 Operating Expenses:		
Water treatment plant	1,591,252	1,568,229
Water and sewer distribution maintenance	1,374,223	1,480,901
Waste treatment plant	1,572,142	1,568,198
Depreciation	<u>1,620,810</u>	<u>1,752,742</u>
 Total operating expenses	 <u>6,158,426</u>	 <u>6,370,070</u>
 Operating income (loss)	 <u>1,897,758</u>	 <u>1,641,243</u>
 Nonoperating Revenues (Expenses):		
Investment earnings	98,133	37,297
Gain (loss) on disposition of capital assets	6,753	12,971
Interest on long-term debt	<u>(200,965)</u>	<u>(296,382)</u>
 Total nonoperating revenues (expenses)	 <u>(96,079)</u>	 <u>(246,114)</u>
 Income (loss) before transfers and capital contributions	 1,801,679	 1,395,130
 Transfer to General Fund-payment in lieu of taxes	 <u>(379,096)</u>	 <u>(379,096)</u>
 Change in net position	 <u>\$ 1,422,583</u>	 <u>\$ 1,016,034</u>
 Total net position -previously reported	 \$ 26,097,319	 \$ 25,081,285
Prior period adjustment	<u>(1,816,051)</u>	<u>-</u>
Total net position - restated	24,281,268	25,081,285
Change in net position	<u>1,422,583</u>	<u>1,016,034</u>
Total net position - ending	<u>\$ 25,703,851</u>	<u>\$ 26,097,319</u>

CITY OF LINCOLNTON, NORTH CAROLINA

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**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Water and Sewer Fund
For the Year Ended June 30, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)**

	2018		Variance Positive (Negative)	2017 Actual
	Budget	Actual		
Revenues:				
Operating revenues:				
Water charges	\$ 3,140,000	\$ 3,311,272	\$ 171,272	\$ 3,451,827
Sewer charges	4,100,000	4,228,192	128,192	4,343,685
Water and sewer taps	24,000	260,500	236,500	25,200
Other	172,995	256,222	83,227	190,602
Total operating revenues	<u>7,436,995</u>	<u>8,056,185</u>	<u>619,190</u>	<u>8,011,313</u>
Nonoperating revenues:				
Investment earnings	10,000	98,133	88,133	37,297
Total nonoperating revenues	<u>10,000</u>	<u>98,133</u>	<u>88,133</u>	<u>37,297</u>
Total revenues	<u>7,446,995</u>	<u>8,154,318</u>	<u>707,323</u>	<u>8,048,610</u>
Expenditures:				
Operating expenditures:				
Water treatment plant				
Salaries and employee benefits	688,100	651,073	37,028	563,724
Chemicals	107,250	89,870	17,380	103,375
Electricity	263,175	263,158	17	262,316
Water service contract	134,000	127,827	6,173	118,273
Administrative	153,410	153,410	-	206,966
Repairs and maintenance	43,625	21,902	21,723	84,522
Other operating expenditures	257,750	218,026	39,724	221,826
	<u>1,647,310</u>	<u>1,525,264</u>	<u>122,046</u>	<u>1,561,002</u>
Water and sewer distribution maintenance				
Salaries and employee benefits	694,700	652,538	42,162	659,846
Supplies	207,000	206,788	212	166,263
Administrative	193,180	193,180	-	261,143
Repairs and maintenance	185,890	133,529	52,361	209,088
Other operating expenditures	165,660	140,218	25,442	133,514
	<u>1,446,430</u>	<u>1,326,254</u>	<u>120,176</u>	<u>1,429,854</u>
Waste treatment plant				
Salaries and employee benefits	644,650	614,418	30,232	574,945
Sludge removal	240,200	219,601	20,599	202,439
Electricity	278,000	278,000	-	278,000
Administrative	153,410	153,410	-	206,443
Repairs and maintenance	78,300	55,393	22,907	153,505
Other operating expenditures	226,750	203,086	23,664	182,151
	<u>1,621,310</u>	<u>1,523,909</u>	<u>97,401</u>	<u>1,597,483</u>

cont.

CITY OF LINCOLNTON, NORTH CAROLINA

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

Water and Sewer Fund

For the Year Ended June 30, 2018

(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018		Variance	
	Budget	Actual	Positive (Negative)	2017 Actual
Total operating expenditures	\$ 4,715,050	\$ 4,375,427	\$ 339,623	\$ 4,588,339
Debt service:				
Principal retirement	2,264,000	2,264,000	-	6,406,750
Interest and fees	207,249	197,469	9,780	319,892
Total debt service	2,471,249	2,461,469	9,780	6,726,642
Capital outlay:				
Water treatment plant	109,600	99,980	9,620	-
Water and sewer distribution maintenance	186,903	103,972	82,931	983,724
Waste water treatment plant	114,750	34,700	80,050	29,690
Total capital outlay	411,253	238,652	172,601	1,013,414
Total expenditures	7,597,552	7,075,548	522,004	12,328,395
Revenues over (under) expenditures	(150,557)	1,078,770	1,229,327	(4,279,784)
Other Financing Sources (Uses):				
Appropriated fund balance	526,653	-	(526,653)	-
Transfer-General Fund-payment in lieu of taxes	(379,096)	(379,096)	-	(379,096)
Gain (loss) on disposition of capital assets	3,000	6,753	3,753	12,971
Proceeds from debt refunding	-	-	-	4,240,000
Total other financing sources	150,557	(372,343)	(522,900)	3,873,875
Revenues and other sources over (under) expenditures and other uses	\$ -	706,426	\$ 706,426	(405,910)
Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual:				
Increase (decrease) in inventory		(11,602)		(10,550)
(Increase) decrease in accrued vacation pay		2,788		808
Increase (decrease) in deferred outflows of resources - pensions		(117,988)		267,895
(Increase) decrease in net pension liability		112,038		(302,717)
(Increase) decrease in deferred infows of resources - pensions		9,883		25,259
Increase (decrease) in deferred outflows of resources - OPEB		5,269		-
(Increase) decrease in OPEB liability		(61,031)		(9,683)
(Increase) decrease in deferred infows of resources - pensions		(101,548)		-
Cost of expenditures that were capitalized		238,652		1,013,414
Payment of debt principal		2,264,000		6,406,750
Proceeds from refunding		-		(4,240,000)
(Increase) decrease in accrued interest		(3,496)		23,510
Depreciation		(1,620,810)		(1,752,742)
Change in net position		\$ 1,422,583		\$ 1,016,034

CITY OF LINCOLNTON, NORTH CAROLINA

**Statements of Cash Flows
Water and Sewer Fund
For the Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities:		
Cash received from customers and users	\$ 8,123,870	\$ 8,032,111
Customer deposits received	3,610	1,453
Cash paid for goods and services	(2,668,319)	(2,875,861)
Cash paid to or on behalf of employees for services	<u>(1,767,441)</u>	<u>(1,798,515)</u>
Net cash provided (used) by operating activities	<u>3,691,720</u>	<u>3,359,188</u>
Cash Flows From Non-Capital Financing Activities:		
Transfers - in (out)	<u>(379,096)</u>	<u>(379,096)</u>
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(238,652)	(1,013,414)
Proceeds from sale of capital assets	6,753	12,971
Principal paid on long-term debt	(2,264,000)	(2,166,748)
Interest paid on long-term debt	<u>(197,469)</u>	<u>(319,892)</u>
Net cash provided (used) by capital and related financing activities	<u>(2,693,368)</u>	<u>(3,487,083)</u>
Cash Flows From Investing Activities:		
Investment earnings	<u>98,133</u>	<u>37,297</u>
Net cash provided (used) by investing activities	<u>98,133</u>	<u>37,297</u>
Net increase (decrease) in cash and cash equivalents	717,389	(469,694)
Cash and cash equivalents at beginning of year	<u>7,851,609</u>	<u>8,321,303</u>
Cash and cash equivalents at end of year	<u>\$ 8,568,998</u>	<u>\$ 7,851,609</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 1,897,758	\$ 1,641,243
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,620,810	1,752,742
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	67,685	20,798
(Increase) decrease in inventory	11,602	10,549
(Increase) decrease in prepaid expense	6,189	7,183
Increase (decrease) in accounts payable and other accrued liabilities	(66,522)	(93,218)
Increase (decrease) in accrued vacation pay	(2,789)	(808)
Increase (decrease) in OPEB liability	61,031	9,683
(Increase) decrease in deferred outflows of resources-OPEB	(5,269)	-
Increase (decrease) in deferred inflows of resources-OPEB	101,548	-
(Increase) decrease in deferred outflows of resources-pensions	117,988	(267,895)
Increase (decrease) in net pension liability	(112,038)	302,717
Increase (decrease) in deferred inflows of resources-pensions	(9,883)	(25,259)
Increase (decrease) in customer deposits	<u>3,610</u>	<u>1,453</u>
Net cash provided (used) by operating activities	<u>\$ 3,691,720</u>	<u>\$ 3,359,188</u>
Supplemental Schedule of Non Cash Financing Activities:		
Payment of debt with the issuance of debt	<u>\$ -</u>	<u>\$ 4,240,000</u>

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CITY OF LINCOLNTON, NORTH CAROLINA

**Statements of Net Position
Electric Fund
June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 2,945,821	\$ 3,933,841
Accounts receivable	716,344	625,685
Advance to other funds	59,944	-
Inventories	36,468	43,408
Prepaid expenses	<u>37,887</u>	<u>38,141</u>
Total current assets	3,796,464	4,641,075
Noncurrent assets:		
Restricted cash and cash equivalents	266,725	260,848
Advance to other funds	940,056	-
Capital assets, net of accumulated depreciation	<u>1,397,529</u>	<u>1,218,851</u>
Total assets	<u>6,400,774</u>	<u>6,120,774</u>
<u>Deferred Outflows of Resources</u>		
Pension deferrals	62,720	90,786
OPEB deferrals	<u>652</u>	<u>-</u>
Total deferred outflows of resources	<u>63,372</u>	<u>90,786</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable and accrued liabilities	699,413	793,720
Customer deposits - restricted	266,725	260,848
Accrued compensated absences	<u>8,591</u>	<u>7,969</u>
Total current liabilities	<u>974,729</u>	<u>1,062,537</u>
Noncurrent liabilities:		
Total OPEB liability	305,227	92,581
Accrued compensated absences	24,625	21,999
Net pension liability	<u>76,496</u>	<u>102,544</u>
Total noncurrent liabilities	<u>406,348</u>	<u>217,124</u>
Total liabilities	<u>1,381,077</u>	<u>1,279,661</u>
<u>Deferred Inflows of Resources</u>		
Pension deferrals	4,845	7,211
OPEB deferrals	<u>12,565</u>	<u>-</u>
Total deferred inflows of resources	<u>17,410</u>	<u>7,211</u>
<u>Net Position</u>		
Net investment in capital assets	1,397,529	1,218,851
Unrestricted	<u>3,668,130</u>	<u>3,705,837</u>
Total net position	<u>\$ 5,065,659</u>	<u>\$ 4,924,688</u>

CITY OF LINCOLNTON, NORTH CAROLINA

**Statements of Revenues, Expenses and Changes in Net Position
Electric Fund
For the Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Operating Revenues:		
Electric sales	\$ 6,925,175	\$ 6,907,921
Electricity - municipal operations	697,326	697,327
Other operating revenues	<u>291,248</u>	<u>313,382</u>
Total operating revenues	<u>7,913,749</u>	<u>7,918,630</u>
Operating Expenses:		
Electrical operations	1,043,319	857,477
Electrical power purchases	5,772,554	5,985,261
Administrative	600,000	475,000
Depreciation	<u>145,580</u>	<u>128,252</u>
Total operating expenses	<u>7,561,454</u>	<u>7,445,989</u>
Operating income (loss)	<u>352,295</u>	<u>472,640</u>
Nonoperating Revenues (Expenses);		
Investment earnings	38,631	14,451
Gain (loss) on disposition of capital assets	<u>(18,886)</u>	<u>4,773</u>
Total nonoperating revenues (expenses)	<u>19,745</u>	<u>19,224</u>
Income (loss) before transfers	372,040	491,864
Transfer to the General Fund-payment in lieu of taxes	<u>(25,975)</u>	<u>(25,975)</u>
Change in net position	<u>\$ 346,065</u>	<u>\$ 465,889</u>
Total net position - previously reported	\$ 4,924,688	\$ 4,458,798
Prior period adjustment	<u>(205,094)</u>	<u>-</u>
Total net position - restated	4,719,594	4,458,798
Change in net position	<u>346,065</u>	<u>465,889</u>
Total net position - ending	<u>\$ 5,065,659</u>	<u>\$ 4,924,688</u>

CITY OF LINCOLNTON, NORTH CAROLINA

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**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Electric Fund
For the Year Ended June 30, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)**

	<u>2018</u>		Variance	
	<u>Budget</u>	<u>Actual</u>	Positive	2017
			(Negative)	Actual
Revenues:				
Operating revenues:				
Electricity sales	\$6,796,000	\$6,925,175	\$ 129,175	\$6,907,921
Electricity - municipal operations	776,914	697,326	(79,588)	697,327
Other operating revenues	216,800	291,248	74,448	313,382
Total operating revenues	<u>7,789,714</u>	<u>7,913,749</u>	<u>124,035</u>	<u>7,918,630</u>
Nonoperating revenues:				
Investment earnings	<u>2,000</u>	<u>38,631</u>	<u>36,631</u>	<u>14,451</u>
Total revenues	<u>7,791,714</u>	<u>7,952,380</u>	<u>160,666</u>	<u>7,933,081</u>
Expenditures:				
Salaries and employee benefits	497,060	483,793	13,267	446,281
Electrical power purchases	5,773,000	5,772,554	446	5,985,261
Administrative	600,000	600,000	-	475,000
Repairs and maintenance	175,800	153,313	22,487	46,239
Other operating expenditures	457,779	376,908	80,871	346,529
Capital outlay	461,583	343,144	118,439	227,242
Total operating expenditures	<u>7,965,222</u>	<u>7,729,712</u>	<u>235,510</u>	<u>7,526,552</u>
Revenues over (under) expenditures	<u>(173,508)</u>	<u>222,668</u>	<u>396,176</u>	<u>406,529</u>
Other Financing Sources (Uses):				
Appropriated fund balance	1,224,483	-	(1,224,483)	-
Loan to General Fund	(1,000,000)	-	1,000,000	-
Transfers from (to):				
General Fund-payment in lieu of taxes	(25,975)	(25,975)	-	(25,975)
Rate Stabilization Fund	(25,000)	(25,000)	-	(25,000)
Total other financing sources (uses)	<u>173,508</u>	<u>(50,975)</u>	<u>(224,483)</u>	<u>(50,975)</u>

cont.

CITY OF LINCOLN, NORTH CAROLINA

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

Electric Fund

For the Year Ended June 30, 2018

(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018		Variance	
	Budget	Actual	Positive (Negative)	2017 Actual
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	\$ 171,693	<u>\$ 171,693</u>	\$ 355,554
Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual:				
Transfer to Rate Stabilization Fund		25,000		25,000
Increase (decrease) in inventory		(6,940)		1,038
(Increase) decrease in accrued vacation pay		(3,248)		(2,267)
Increase (decrease) in deferred outflows of resources - pensions		(28,066)		68,793
(Increase) decrease in net pension liability		26,048		(77,735)
(Increase) decrease in deferred inflows of resources - pensions		2,366		6,486
(Increase) decrease in OPEB liability		(7,552)		(14,744)
Increase (decrease) in deferred outflows of resources - OPEB		652		-
Increase (decrease) in deferred inflows of resources - OPEB		(12,565)		-
Gain (loss) on disposition of assets		(18,886)		4,773
Cost of expenditures that were capitalized		343,144		227,242
Depreciation		<u>(145,580)</u>		<u>(128,252)</u>
Changes in net position		<u>\$ 346,065</u>		<u>\$ 465,889</u>

CITY OF LINCOLN, NORTH CAROLINA

**Statements of Cash Flows
Electric Fund
For the Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities:		
Cash received from customers and users	\$ 7,823,090	\$ 7,880,439
Customer deposits received	5,877	2,490
Cash paid for goods and services	(6,996,828)	(6,834,409)
Cash paid to or on behalf of employees for services	(483,794)	(446,280)
Net cash provided (used) by operating activities	<u>348,345</u>	<u>602,240</u>
Cash Flows From Non-Capital Financing Activities:		
Advance to other funds	(1,000,000)	-
Transfers - in (out)	(25,975)	(25,975)
Net cash provided (used) by non-capital financing activities	<u>(1,025,975)</u>	<u>(25,975)</u>
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(343,144)	(227,242)
Proceeds from sale of capital assets	-	4,773
Net cash provided (used) by capital and related financing activities	<u>(343,144)</u>	<u>(222,469)</u>
Cash Flows From Investing Activities:		
Investment earnings	38,631	14,451
Net cash provided (used) by investing activities	<u>38,631</u>	<u>14,451</u>
Net increase (decrease) in cash and cash equivalents	(982,143)	368,247
Cash and cash equivalents at beginning of year	4,194,689	3,826,442
Cash and cash equivalents at end of year	<u>\$ 3,212,546</u>	<u>\$ 4,194,689</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 352,295	\$ 472,640
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	145,580	128,251
Changes in assets, deferred outflows of resources and liabilities:		
(Increase) decrease in accounts receivable	(90,659)	(38,191)
(Increase) decrease in inventory	6,940	(1,038)
(Increase) decrease in prepaid expense	254	(553)
Increase (decrease) in accounts payable and other accrued liabilities	(94,307)	19,174
Increase (decrease) in accrued vacation pay	3,248	2,267
Increase (decrease) in OPEB liability	7,552	14,744
(Increase) decrease in deferred outflows of resources-OPEB	(652)	-
(Increase) decrease in deferred outflows of resources-pensions	28,066	(68,793)
Increase (decrease) net pension liability	(26,048)	77,735
Increase (decrease) in deferred inflows of resources-pensions	(2,366)	(6,486)
Increase (decrease) in deferred inflows of resources-OPEB	12,565	-
Increase (decrease) in customer deposits	5,877	2,490
Net cash provided (used) by operating activities	<u>\$ 348,345</u>	<u>\$ 602,240</u>

CITY OF LINCOLNTON, NORTH CAROLINA

**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Electric Rate Stabilization Fund
From Inception and for the Year Ended June 30, 2018**

	<u>Project Authorization</u>	<u>Actual Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Investment earnings	\$ -	\$ -	\$ -	\$ -
Other Financing Sources (Uses):				
Transfers in (out):				
Electric Fund	750,000	725,000	25,000	750,000
Electric Fund	<u>(750,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>725,000</u>	<u>25,000</u>	<u>750,000</u>
 Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	 <u>\$ -</u>	 <u>\$ 725,000</u>	 <u>\$ 25,000</u>	 <u>\$ 750,000</u>

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OTHER SCHEDULES

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

- **Schedule of Ad Valorem Taxes Receivable**
 - **Analysis of Current Tax Levy**
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CITY OF LINCOLNTON, NORTH CAROLINA

**Schedule of Ad Valorem Taxes Receivable
June 30, 2018**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2017</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2018</u>
2017 - 2018	\$ -	\$4,813,332	\$4,723,012	\$ 90,320
2016 - 2017	112,695	-	86,939	25,756
2015 - 2016	34,820	-	19,938	14,882
2014 - 2015	23,925	-	12,239	11,684
2013 - 2014	31,266	-	5,543	25,723
2012 - 2013	21,243	-	2,522	18,721
2011 - 2012	18,154	-	1,338	16,816
2010 - 2011	14,970	-	569	14,401
2009 - 2010	13,793	-	313	13,480
2008 - 2009	14,965	-	412	14,553
2007 - 2008	15,330	-	15,330	-
Total	<u>\$ 301,161</u>	<u>\$4,813,332</u>	<u>\$4,868,155</u>	246,336
Less allowance for uncollectibles				<u>(108,000)</u>
Balance				<u>\$ 138,336</u>
 Reconcilement With Revenue:				
Taxes - Ad valorem - General Fund				\$ 4,800,673
Adjustments, releases and discounts				82,569
Taxes written off				15,330
Interest collected				<u>(30,418)</u>
Total collections and credits				<u>\$ 4,868,155</u>

CITY OF LINCOLNTON, NORTH CAROLINA

**Analysis of Current Tax Levy
June 30, 2018**

	City Wide			Total Levy	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy:					
Property taxes at current year's rate	\$ 780,815,033	0.56	\$ 4,372,564	\$ 4,372,564	\$ -
Motor vehicles taxed at current year rate	<u>76,584,041</u>	0.56	<u>428,871</u>	<u>-</u>	<u>428,871</u>
Total	<u>857,399,074</u>		<u>4,801,435</u>	<u>4,372,564</u>	<u>428,871</u>
Discoveries:					
Current year taxes	2,592,146		14,517	14,517	-
Adjustments	<u>(1,065,000)</u>		<u>(2,620)</u>	<u>(2,620)</u>	<u>-</u>
Total	<u>1,527,146</u>		<u>11,897</u>	<u>11,897</u>	<u>-</u>
Total property valuation	<u>\$ 858,926,220</u>				
Net levy			4,813,332	4,384,461	428,871
Less uncollected taxes at June 30, 2018			<u>(90,320)</u>	<u>(90,320)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 4,723,012</u>	<u>\$ 4,294,141</u>	<u>\$ 428,871</u>
Current levy collection percentage			<u>98.12%</u>	<u>97.94%</u>	<u>100.00%</u>

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STATISTICAL SECTION

(Unaudited)

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

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CITY OF LINCOLN, NORTH CAROLINA

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Governmental Activities:										
Net investment in capital assets	\$20,760,706	\$20,342,099	\$20,210,351	\$19,493,069	\$19,313,526	\$18,914,071	\$18,225,559	\$17,845,361	\$17,836,400	\$18,078,633
Restricted	1,338,407	1,302,773	1,864,473	1,912,469	1,876,915	1,903,248	1,490,531	1,592,074	1,522,318	1,721,261
Unrestricted	<u>4,311,861</u>	<u>4,687,937</u>	<u>2,897,027</u>	<u>2,329,895</u>	<u>1,656,570</u>	<u>1,213,155</u>	<u>748,673</u>	<u>857,731</u>	<u>133,971</u>	<u>(7,372,812)</u>
Total governmental activities net position	<u>\$26,410,974</u>	<u>\$26,332,809</u>	<u>\$24,971,852</u>	<u>\$23,735,434</u>	<u>\$22,847,010</u>	<u>\$22,030,474</u>	<u>\$20,464,763</u>	<u>\$20,295,166</u>	<u>\$19,492,689</u>	<u>\$12,427,082</u>
Business-type Activities:										
Net investment in capital assets	\$15,580,344	\$15,321,964	\$15,584,724	\$15,270,921	\$15,251,603	\$17,188,580	\$17,189,653	\$18,312,253	\$19,838,664	\$20,899,184
Unrestricted	<u>10,146,582</u>	<u>9,432,418</u>	<u>9,310,193</u>	<u>9,272,685</u>	<u>9,886,493</u>	<u>10,465,958</u>	<u>10,597,432</u>	<u>11,227,830</u>	<u>11,183,342</u>	<u>9,870,326</u>
Total business-type activities net position	<u>\$25,726,926</u>	<u>\$24,754,382</u>	<u>\$24,894,916</u>	<u>\$24,543,606</u>	<u>\$25,138,096</u>	<u>\$27,654,538</u>	<u>\$27,787,085</u>	<u>\$29,540,083</u>	<u>\$31,022,006</u>	<u>\$30,769,510</u>
Primary Government:										
Net investment in capital assets	\$36,341,050	\$35,664,063	\$35,795,075	\$34,763,990	\$34,565,129	\$36,102,650	\$35,415,211	\$36,157,613	\$37,675,063	\$38,977,817
Restricted	1,338,407	1,302,773	1,864,473	1,912,469	1,876,915	1,903,248	1,490,531	1,592,074	1,522,318	1,721,261
Unrestricted	<u>14,458,443</u>	<u>14,120,355</u>	<u>12,207,220</u>	<u>11,602,580</u>	<u>11,543,063</u>	<u>11,679,114</u>	<u>11,346,106</u>	<u>12,085,562</u>	<u>11,317,314</u>	<u>2,497,515</u>
Total primary government net position	<u>\$52,137,901</u>	<u>\$51,087,192</u>	<u>\$49,866,769</u>	<u>\$48,279,040</u>	<u>\$47,985,106</u>	<u>\$49,685,012</u>	<u>\$48,251,848</u>	<u>\$49,835,249</u>	<u>\$50,514,695</u>	<u>\$43,196,592</u>

CITY OF LINCOLNTON, NORTH CAROLINA

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

Expenses:	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:										
General government	\$ 2,005,540	\$ 2,030,667	\$ 1,810,131	\$ 1,880,470	\$ 1,898,069	\$ 2,025,069	\$ 1,864,278	\$ 1,896,606	\$ 1,864,038	\$ 2,121,703
Public safety	4,268,681	4,445,229	4,510,132	4,773,082	4,586,096	4,663,422	4,562,298	4,487,641	4,808,973	5,397,252
Public works	1,545,041	1,422,754	1,460,931	1,312,549	1,530,196	1,488,646	1,315,049	1,342,101	1,352,039	1,420,115
Economic and physical development	485,736	431,472	430,681	532,931	531,028	497,450	348,274	404,448	333,749	378,549
Environmental protection	1,088,088	1,131,470	1,198,004	1,194,004	1,133,471	1,067,913	1,173,121	1,120,857	1,010,361	759,807
Cultural and recreational	626,197	637,700	662,228	667,510	673,215	718,794	654,985	683,973	688,966	991,094
Interest on long-term debt	39,451	31,710	23,762	16,973	11,190	5,428	5,662	16,458	37,365	37,729
Total governmental activities	10,058,734	10,131,001	10,095,868	10,377,520	10,363,265	10,466,722	9,923,668	9,952,085	10,095,491	11,106,249
Business-type activities:										
Interest on long-term debt	1,106,711	1,053,796	983,268	911,725	827,061	760,216	663,840	312,468	296,382	200,965
Water and sewer	5,944,608	5,998,337	6,095,894	6,420,997	6,438,818	6,470,498	6,516,275	6,220,283	6,370,070	6,158,426
Electric	6,628,371	6,850,392	7,248,183	7,341,177	7,351,083	7,601,547	8,066,191	7,525,821	7,445,989	7,561,454
Total business-type activities	13,679,690	13,902,524	14,327,344	14,673,899	14,616,961	14,832,261	15,246,306	14,058,572	14,112,442	13,920,845
Total expenses	\$23,738,424	\$24,033,525	\$24,423,213	\$25,051,419	\$24,980,226	\$25,298,983	\$25,169,974	\$24,010,658	\$24,207,933	\$25,027,094
Program Revenues:										
Governmental activities:										
Charges for services:										
Environmental protection	\$ 46,604	\$ 63,668	\$ 14,487	\$ 40,608	\$ 19,001	\$ 71,766	\$ 8,875	\$ 29,259	\$ 27,201	\$ 12,221
Cultural and recreational	80,740	89,218	93,470	98,702	96,676	91,302	120,945	116,764	169,179	177,133
Other	28,371	24,533	15,355	15,638	13,014	13,860	24,052	17,187	17,427	43,303
Operating grants and contributions	491,458	454,353	434,879	644,722	617,234	557,434	447,765	428,431	490,071	545,794
Capital grants and contributions	18,920	40,375	-	-	305,882	-	14,237	364,737	-	156,106
Total governmental activities	666,093	672,147	558,191	799,670	1,051,807	734,362	615,874	956,378	703,878	934,557
Business-type activities:										
Charges for services-Water and Sewer	6,677,523	7,072,445	7,972,746	8,186,402	8,384,249	8,380,928	8,434,290	8,393,729	8,011,313	8,056,185
Charges for services-Electric	6,197,694	6,186,496	6,457,194	6,681,363	7,204,066	7,677,848	7,943,099	7,793,578	7,918,630	7,913,749
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	533,700	-	-	-	-	1,674,563	-	-	-	-
Total business-type activities	13,408,917	13,258,941	14,429,940	14,867,765	15,588,315	17,733,339	16,377,389	16,187,307	15,929,943	15,969,934
Total program revenues	\$14,075,010	\$13,931,088	\$14,988,131	\$15,667,435	\$16,640,122	\$18,467,701	\$16,993,263	\$17,143,685	\$16,633,821	\$16,904,491

CITY OF LINCOLNTON, NORTH CAROLINA

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Net revenue (expense)										
Governmental activities	\$ (9,392,642)	\$ (9,458,855)	\$ (9,537,677)	\$ (9,577,850)	\$ (9,311,458)	\$ (9,732,360)	\$ (9,307,794)	\$ (8,995,707)	\$ (9,391,613)	\$10,171,692
Business-type activities	<u>(270,773)</u>	<u>(643,583)</u>	<u>102,596</u>	<u>193,865</u>	<u>971,353</u>	<u>2,901,078</u>	<u>1,131,083</u>	<u>2,128,735</u>	<u>1,817,502</u>	<u>2,049,089</u>
Total net expense	<u>\$ (9,663,415)</u>	<u>\$10,102,438</u>	<u>\$ (9,435,081)</u>	<u>\$ (9,383,985)</u>	<u>\$ (8,340,105)</u>	<u>\$ (6,831,281)</u>	<u>\$ (8,176,711)</u>	<u>\$ (6,866,972)</u>	<u>\$ (7,574,112)</u>	<u>\$ (8,122,603)</u>
General Revenues										
Governmental activities:										
Ad valorem taxes	\$ 4,740,285	\$ 4,715,808	\$ 4,697,996	\$ 4,563,151	\$ 4,724,967	\$ 4,849,278	\$ 4,761,205	\$ 4,641,125	\$ 4,718,281	\$ 4,737,848
Other taxes and licenses	3,492,339	3,295,628	3,331,733	3,311,700	3,292,144	3,349,868	3,573,901	3,682,640	4,148,713	4,466,391
Unrestricted investment earnings	94,982	18,895	20,384	6,830	3,990	1,916	3,477	10,321	18,979	49,932
Other	64,875	18,759	126,607	71,951	11,235	320,657	56,808	86,953	(3,245)	8,048
Transfers	375,000	381,600	-	387,800	390,700	394,105	394,135	405,071	405,071	405,071
Extraordinary item	-	950,000	-	-	-	-	-	-	-	-
Total governmental activities	<u>8,767,481</u>	<u>9,380,691</u>	<u>8,176,720</u>	<u>8,341,432</u>	<u>8,423,036</u>	<u>8,915,824</u>	<u>8,789,526</u>	<u>8,826,110</u>	<u>9,287,798</u>	<u>9,667,289</u>
Business-type activities:										
Unrestricted investment earnings	170,312	41,539	38,791	21,211	14,743	9,233	10,869	26,421	51,748	136,764
Other	-	11,100	(852)	-	(906)	236	(405,084)	2,914	17,744	(12,133)
Transfers	<u>(375,000)</u>	<u>(381,600)</u>	<u>-</u>	<u>(387,800)</u>	<u>(390,700)</u>	<u>(394,105)</u>	<u>(394,135)</u>	<u>(405,071)</u>	<u>(405,071)</u>	<u>(405,071)</u>
Total business-type activities	<u>(204,688)</u>	<u>(328,961)</u>	<u>37,939</u>	<u>(366,589)</u>	<u>(376,863)</u>	<u>(384,637)</u>	<u>(788,350)</u>	<u>(375,736)</u>	<u>(335,579)</u>	<u>(280,440)</u>
Total primary government	<u>\$ 8,562,794</u>	<u>\$ 9,051,730</u>	<u>\$ 8,214,659</u>	<u>\$ 7,974,843</u>	<u>\$ 8,046,172</u>	<u>\$ 8,531,188</u>	<u>\$ 8,001,176</u>	<u>\$ 8,450,374</u>	<u>\$ 8,952,219</u>	<u>\$ 9,386,849</u>
Change in Net Position:										
Governmental activities	\$ (625,160)	\$ (78,165)	\$ (1,360,957)	\$ (1,236,418)	\$ (888,422)	\$ (816,535)	\$ (518,268)	\$ (169,597)	\$ (103,815)	\$ (504,403)
Business-type activities	<u>(475,461)</u>	<u>(972,544)</u>	<u>140,534</u>	<u>(172,724)</u>	<u>594,491</u>	<u>2,516,442</u>	<u>342,733</u>	<u>1,752,998</u>	<u>1,481,923</u>	<u>1,768,648</u>
Total primary government	<u>\$ (1,100,621)</u>	<u>\$ (1,050,709)</u>	<u>\$ (1,220,423)</u>	<u>\$ (1,409,142)</u>	<u>\$ (293,933)</u>	<u>\$ 1,699,906</u>	<u>\$ (175,535)</u>	<u>\$ 1,583,401</u>	<u>\$ 1,378,108</u>	<u>\$ 1,264,246</u>

CITY OF LINCOLNTON, NORTH CAROLINA

**Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)**

Fiscal Year	Property Tax	Rental Vehicle Tax	Sales Tax	Franchise Tax	Payment in lieu of Tax (1)	Payment in lieu of Tax (2)	Alcoholic Beverage Tax	Solid Waste Disposal Tax (3)	Total
2009	\$4,740,285	\$ 13,275	\$2,266,490	\$ 949,800	\$ 17,612	\$ 375,000	\$ 49,675	\$ 3,329	8,415,466
2010	4,715,808	12,519	2,125,810	888,871	17,209	381,600	16,140	7,810	8,165,767
2011	4,697,996	13,743	2,166,206	860,398	22,950	-	50,919	7,717	7,819,929
2012	4,563,151	16,399	2,138,139	849,492	25,552	387,800	45,667	7,375	8,033,575
2013	4,724,967	20,592	2,173,528	868,442	24,732	390,700	42,462	6,618	8,252,041
2014	4,849,278	19,622	2,264,938	808,761	22,651	394,105	45,873	5,899	8,411,127
2015	4,761,205	21,270	2,499,885	920,256	22,471	394,135	50,317	6,717	8,676,256
2016	4,641,125	16,000	2,644,526	873,432	21,216	405,071	46,286	5,900	8,653,556
2017	4,718,281	27,376	2,983,564	911,698	23,400	405,071	47,787	7,086	9,124,263
2018	4,737,848	26,362	3,155,789	895,540	28,545	405,071	46,076	7,250	9,302,481

- (1) Payment in lieu of tax from the Housing Authority
- (2) Payment in lieu of tax from the Enterprise Funds
- (3) First year of tax 2009

CITY OF LINCOLNTON, NORTH CAROLINA

**Fund Balances, Governmental Funds-Pre GASB 54
Fiscal Years 2009 through 2010
(Modified Accrual Basis of Accounting)
(Unaudited)**

	<u>2009</u>	<u>2010</u>
General Fund:		
Reserved	\$ 2,177,926	\$ 2,340,260
Unreserved:		
Designated	1,321,355	1,724,750
Undesignated	<u>2,342,762</u>	<u>2,418,046</u>
	-	-
Total general fund	<u>\$ 5,842,043</u>	<u>\$ 6,483,056</u>
All Other Governmental Funds:		
Unreserved, reported in:		
Special revenue funds	\$ 354,768	\$ 400,207
Capital projects funds	<u>-</u>	<u>-</u>
	-	-
Total all other governmental funds	<u>\$ 354,768</u>	<u>\$ 400,207</u>

The increase in unreserved fund balance in the General Fund for the fiscal year 2010 is due to a one time payment from the City of Lincolnton ABC Board for excess proceeds from the sale of the ABC Board's land and building.

CITY OF LINCOLNTON, NORTH CAROLINA

**Fund Balances, Governmental Funds-GASB 54
Last Eight Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)**

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

GASB 54 implemented in 2011.

CITY OF LINCOLNTON, NORTH CAROLINA

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Revenues:										
Ad valorem taxes	\$4,689,312	\$4,754,810	\$4,714,523	\$4,573,099	\$4,680,104	\$4,905,832	\$4,734,705	\$4,712,610	\$4,704,877	\$4,800,673
Other taxes and licenses	16,667	20,831	21,614	23,774	27,210	25,521	27,986	32,034	167,263	203,572
Unrestricted intergovernmental	3,475,672	3,325,324	3,351,667	3,397,305	3,398,765	3,379,348	3,601,858	3,709,323	4,109,375	4,387,039
Restricted intergovernmental	447,063	444,202	393,331	534,113	768,655	418,009	391,822	505,951	362,145	577,679
Permits and fees	28,371	24,532	15,355	15,638	13,014	25,768	27,756	32,559	35,394	44,632
Sales and services	127,344	152,886	107,957	139,310	115,676	166,235	142,760	149,132	199,336	210,912
Investment earnings	93,334	18,895	20,384	8,060	4,618	1,916	3,477	10,321	18,979	49,932
Miscellaneous	86,514	40,759	126,607	71,951	92,549	304,501	54,519	296,487	120,621	59,802
Total revenues	<u>8,964,277</u>	<u>8,782,239</u>	<u>8,751,438</u>	<u>8,763,250</u>	<u>9,100,592</u>	<u>9,227,129</u>	<u>8,984,882</u>	<u>9,448,416</u>	<u>9,717,989</u>	<u>10,334,241</u>
Expenditures:										
General government	1,318,593	1,400,247	1,188,057	1,165,808	1,248,570	1,392,411	1,355,882	1,327,589	1,293,767	1,572,754
Public safety	4,008,254	4,191,610	4,332,145	4,485,885	4,487,544	4,599,355	4,902,029	5,060,727	5,022,088	6,029,667
Public works	1,582,187	1,404,132	1,800,117	1,359,972	1,566,676	1,553,660	1,234,560	1,241,230	1,651,114	1,266,038
Economic and physical development	479,530	457,145	473,906	565,131	902,831	409,460	346,769	374,412	315,893	422,053
Environmental protection	1,203,912	1,171,102	1,098,170	1,102,472	1,065,771	980,682	1,099,891	1,519,010	873,584	580,802
Cultural and recreational	718,722	593,233	638,588	593,648	610,871	781,570	632,441	708,628	977,385	1,036,387
Debt service:										
Principal	145,982	151,474	151,540	94,126	97,658	67,134	89,200	271,078	404,726	435,016
Interest	39,451	31,710	23,762	16,973	11,190	5,428	5,662	12,229	37,591	38,714
Total expenditures	<u>9,496,630</u>	<u>9,400,652</u>	<u>9,706,284</u>	<u>9,384,015</u>	<u>9,991,112</u>	<u>9,789,700</u>	<u>9,666,434</u>	<u>10,514,903</u>	<u>10,576,148</u>	<u>11,381,430</u>
Revenues over (under) expenditures	<u>(532,353)</u>	<u>(618,412)</u>	<u>(954,846)</u>	<u>(620,765)</u>	<u>(890,520)</u>	<u>(562,571)</u>	<u>(681,552)</u>	<u>(1,066,487)</u>	<u>(858,158)</u>	<u>(1,047,189)</u>

cont.

CITY OF LINCOLNTON, NORTH CAROLINA

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Other Financing Sources (Uses):										
Transfers in	\$ 375,000	\$ 381,600	\$ -	\$ 387,800	\$ 390,700	\$ 394,105	\$ 394,135	\$ 405,071	\$ 405,071	\$ 405,071
Issuance of debt	-	-	-	-	-	-	470,000	1,200,000	391,186	275,589
Miscellaneous	-	-	-	-	-	-	-	-	-	1,875
Extraordinary item	-	950,000	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>375,000</u>	<u>1,331,600</u>	<u>-</u>	<u>387,800</u>	<u>390,700</u>	<u>394,105</u>	<u>864,135</u>	<u>1,605,071</u>	<u>796,257</u>	<u>682,535</u>
Net change in fund balances	<u>\$ (157,353)</u>	<u>\$ 713,188</u>	<u>\$ (954,846)</u>	<u>\$ (232,965)</u>	<u>\$ (499,820)</u>	<u>\$ (168,466)</u>	<u>\$ 182,583</u>	<u>\$ 538,585</u>	<u>\$ (61,901)</u>	<u>\$ (364,654)</u>
Debt service as a percentage of non-capital project expenditures	2.1%	2.1%	2.0%	1.2%	1.2%	0.8%	1.0%	3.1%	4.7%	4.7%

CITY OF LINCOLNTON, NORTH CAROLINA

**Assessed Value of Taxable Property
Last Ten Fiscal Years
(Unaudited)**

<u>Fiscal Year</u>	<u>Assessed Value (1)</u>				<u>Property Tax Rate (Per \$100 Assessed Value)</u>	<u>Percent Increase in Value</u>	<u>Estimated Actual Taxable Value (4)</u>	<u>Assessed Value as a Percentage of Actual Value</u>
	<u>Real Property</u>	<u>Personal Value(3)</u>	<u>Public Service Companies</u>	<u>Total</u>				
2009 (2)	\$ 690,763,741	\$140,967,952	\$ 19,243,063	\$ 850,974,756	0.56	17.8%	\$ 857,923,940	99.19%
2010	703,874,050	126,090,395	17,329,754	847,294,199	0.56	(0.4)%	868,663,317	97.54%
2011	704,250,623	120,213,019	20,881,247	845,344,889	0.56	(0.2)%	789,968,124	107.01%
2012 (2)	686,864,483	114,288,978	21,123,419	822,276,880	0.56	(2.7)%	833,360,576	98.67%
2013	702,066,213	125,389,496	21,180,272	848,635,981	0.56	3.2%	812,869,714	104.40%
2014	705,934,770	157,621,750	18,774,043	882,330,563	0.56	4.0%	845,954,519	104.30%
2015	706,398,383	134,664,090	19,126,151	860,188,624	0.56	(2.5)%	859,243,456	100.11%
2016 (2)	685,583,561	125,026,097	21,026,134	831,635,792	0.56	(3.3)%	831,552,837	100.01%
2017	702,208,297	125,357,003	23,533,271	851,098,571	0.56	2.3%	846,166,992	99.42%
2018	701,648,672	132,992,216	24,285,332	858,926,220	0.56	0.9%	870,315,305	98.41%

Notes:

- (1) Assessed value is established by Lincoln County Assessor's office.
- (2) North Carolina General Statutes require that a reappraisal of real property be conducted every eight years. A revaluation of real property became effective for the fiscal year.
- (3) Includes vehicles. During 2014, the State of North Carolina began collecting vehicle taxes.
- (4) The estimated market value is calculated by dividing the assessed value by an assessment-to-sales ratio determined by the State Department of Revenue. The ratio is based on the actual property sales which took place for Lincoln County during the fiscal year.

CITY OF LINCOLNTON, NORTH CAROLINA

**Property Tax Rates - Direct and Overlapping Governments
Last Ten Fiscal Years
(Unaudited)**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
City of Lincolnton	<u>0.56</u>									
Lincoln County	<u>0.57</u>	<u>0.57</u>	<u>0.57</u>	<u>0.598</u>	<u>0.598</u>	<u>0.598</u>	<u>0.598</u>	<u>0.611</u>	<u>0.611</u>	<u>0.611</u>
Special District:										
East Lincoln Water and Sewer District	<u>0.0200</u>	<u>0.0175</u>	<u>0.0175</u>	<u>0.0199</u>	<u>0.0355</u>	<u>0.0342</u>	<u>0.0342</u>	<u>0.0345</u>	<u>0.0000</u>	<u>0.0000</u>
Fire Districts:										
Alexis	0.1142	0.1050	0.1100	0.1100	0.1100	0.1100	0.1100	0.1165	0.1165	0.1165
Boger City	0.0700	0.0700	0.0750	0.0925	0.0925	0.0925	0.0925	0.0999	0.0999	0.0999
Crouse	0.0600	0.0600	0.0600	0.0609	0.0609	0.0609	0.0609	0.0640	0.0640	0.0640
Denver	0.0981	0.0968	0.0968	0.1099	0.1099	0.1099	0.1099	0.1125	0.1125	0.1150
East Lincoln	0.0606	0.0606	0.0606	0.0680	0.0785	0.0850	0.0850	0.0850	0.1125	0.0890
Howards Creek	0.0700	0.1000	0.1000	0.1050	0.1050	0.1150	0.1150	0.1203	0.1223	0.1223
North Brook	0.0600	0.0600	0.0600	0.0600	0.0600	0.0800	0.0800	0.1000	0.1000	0.1000
North 321	0.0350	0.0350	0.0350	0.0350	0.0350	0.0400	0.0400	0.0400	0.0400	0.0400
Pumpkin Center	0.0951	0.0951	0.0951	0.0951	0.0951	0.1242	0.1242	0.1295	0.9700	0.9700
South Fork	0.0776	0.0910	0.0910	0.0910	0.0910	0.1236	0.1236	0.1250	0.1250	0.1250
Union	<u>0.0750</u>	<u>0.0750</u>	<u>0.0750</u>	<u>0.0750</u>	<u>0.0900</u>	<u>0.0900</u>	<u>0.0900</u>	<u>0.0900</u>	<u>0.0900</u>	<u>0.1250</u>
	<u>0.82</u>	<u>0.85</u>	<u>0.86</u>	<u>0.90</u>	<u>0.93</u>	<u>1.03</u>	<u>1.03</u>	<u>1.08</u>	<u>1.95</u>	<u>1.97</u>

Other Tax Data:

Tax rates are established on a per \$100 valuation basis and are levied on July 1, the first day of the fiscal year.

There is a State statutory tax rate limit of \$1.50 per hundred dollars valuation for operating expenses, but no limitation on the rate of tax, which may be levied for debt service.

The City has no financial responsibility for the public school system. It is funded through the County, State and Federal Government.

Lincoln County is an overlapping district of the East Lincoln Water and Sewer District.

Fire districts are overlapping of the County and the East Lincoln Water and Sewer District, but not of the City of Lincolnton.

CITY OF LINCOLNTON, NORTH CAROLINA

**Principal Property Taxpayers
Nine Years Ago and Current Year
(Unaudited)**

<u>Taxpayer</u>	<u>Type of Enterprise</u>	<u>2018</u>			<u>2009</u>		
		<u>Total Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Assessed Valuation</u>	<u>Total Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Assessed Valuation</u>
Wal-Mart Real Estate Business	Real Estate	\$ 13,599,830	1	1.62	\$ -		-
Griffin-American Healthcare REIT	Healthcare	13,288,362	2	1.58	-		-
Colonial Village of Linc, LLC	Apts/Real Estate	10,652,042	3	1.27	-		-
Lowes Home Centers, Inc.	Retail	10,336,115	4	1.23	11,338,754	3	1.30
Triangle Real Estate	Real Estate	9,391,393	5	1.12	-		-
Ingles Markets	Retail	8,693,034	6	1.03	-		-
The Oaks Apartments	Apts/Real Estate	6,009,178	7	0.72	-		-
T & T Investments	Real Estate	6,008,524	8	0.71	12,321,639	2	1.40
Archer Central Building, LLC	Real Estate	5,765,321	9	0.69	-		-
Provest Lincolnton Center, LLC	Retail	5,732,018	10	0.68	-		-
Bell South Telephone Company	Utility	-		-	9,443,071	5	1.10
Cochrane Furniture Co.	Manufacturing	-		-	10,803,860	4	1.30
Mohican Mills, Inc.	Textile	-		-	4,447,471	10	0.50
Robert Bosch Tool	Manufacturing	-		-	14,535,985	1	1.70
McMurray Fabrics	Textile	-		-	7,733,134	6	0.90
Inland Mart Limited Partnership	Real Estate	-		-	5,782,634	7	0.70
Leucadia	Real Estate	-		-	4,654,581	9	0.50
Duke Energy	Utility	-		-	4,892,603	8	0.60
Totals		<u>\$ 89,475,817</u>		<u>10.65</u>	<u>\$ 85,953,732</u>		<u>10.00</u>

CITY OF LINCOLNTON, NORTH CAROLINA

**Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	Total tax Levy for Fiscal Year	Current Year's Taxes Collected/Credited	Percentage of Levy Collected	Collections in Subsequent Years	Total Collections and Credits	Percentage of Total Tax Collections to Net Levy	Taxes Receivable Balance June 30 (1)
2009	\$ 4,771,612	\$ 4,632,981	97.1	\$ 124,078	\$ 4,757,059	99.7	14,553
2010	4,752,808	4,649,531	97.8	89,797	4,739,328	99.7	13,480
2011	4,751,351	4,636,451	97.6	100,499	4,736,950	99.7	14,401
2012	4,609,731	4,483,921	97.3	108,994	4,592,915	99.6	16,816
2013	4,756,670	4,619,621	97.1	118,328	4,737,949	99.6	18,721
2014	4,941,052	4,819,616	97.5	95,713	4,915,329	99.5	25,723
2015	4,817,056	4,688,416	97.3	116,956	4,805,372	99.8	11,684
2016	4,657,160	4,577,654	98.3	64,624	4,642,278	99.7	14,882
2017	4,766,152	4,653,457	97.6	86,939	4,740,396	99.5	25,756
2018	4,813,332	4,723,012	98.1	-	4,723,012	98.1	90,320

Notes:

(1) Includes current portion only of taxes receivable.

CITY OF LINCOLNTON, NORTH CAROLINA

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

Fiscal Year	Governmental Activities	Business-type Activities		Total Primary Government	Percentage of Personal Income(1)	Per Capita(1)
	Installment Financing	Revenue Bonds	State Revolving Loan			
2009	\$ 561,932	\$ 16,700,000	\$ 9,010,873	\$ 26,272,805	7.62%	\$ 2,322
2010	410,458	15,615,000	8,460,873	24,486,331	6.44%	2,119
2011	258,918	14,475,000	7,903,414	22,637,332	6.44%	2,148
2012	164,792	13,280,000	7,329,956	20,774,748	5.98%	1,975
2013	67,134	12,040,000	6,740,040	18,847,173	5.24%	1,797
2014	-	10,750,000	6,133,193	16,883,192	4.40%	1,608
2015	380,800	9,479,000	5,508,929	15,368,728	3.78%	1,461
2016	1,309,722	7,968,000	4,866,749	14,144,472	3.34%	1,333
2017	1,296,182	6,428,000	4,240,000	11,964,183	2.51%	1,112
2018	1,136,755	4,861,000	3,543,000	9,540,756	2.10%	885

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

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

CITY OF LINCOLNTON, NORTH CAROLINA

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

Fiscal Year	Population(1)	Total Assessed Value	Gross Bonded Debt	Less: Debt Payable From Enterprise Revenues	Total General Bonded Debt	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2009	11,316	\$ 850,974,756	\$ 16,700,000	\$ 16,700,000	-	-	-
2010	11,553	847,294,199	15,615,000	15,615,000	-	-	-
2011	10,540	845,344,889	14,475,000	14,475,000	-	-	-
2012	10,517	822,276,880	13,280,000	13,280,000	-	-	-
2013	10,487	848,635,981	12,040,000	12,040,000	-	-	-
2014	10,498	882,330,563	10,750,000	10,750,000	-	-	-
2015	10,552	860,188,624	9,479,000	9,479,000	-	-	-
2016	10,612	831,635,792	7,968,000	7,968,000	-	-	-
2017	10,754	851,098,571	6,428,000	6,428,000	-	-	-
2018	10,578	858,926,220	4,861,000	4,861,000	-	-	-

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

CITY OF LINCOLNTON, NORTH CAROLINA

Direct and Overlapping Government Activities Debt
June 30, 2018
(Unaudited)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
County of Lincoln	\$ 86,941,936	9.57%	<u>\$ 8,320,343</u>
Subtotal, overlapping debt			8,320,343
City of Lincolnton direct debt			<u>1,136,755</u>
Total direct and overlapping debt			<u>\$ 9,457,098</u>

Note: The percentage of overlapping debt is based on the June 30, 2018 assessed valuation of the County of Lincoln of \$8,748,996,456 as compared to the June 30, 2018 assessed valuation for the City of Lincolnton of \$858,926,220.

CITY OF LINCOLNTON, NORTH CAROLINA

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Assessed value of taxable property	<u>\$850,974,756</u>	<u>\$847,294,199</u>	<u>\$845,344,889</u>	<u>\$822,276,880</u>	<u>\$848,635,981</u>	<u>\$882,330,563</u>	<u>\$860,188,624</u>	<u>\$831,635,792</u>	<u>\$851,098,571</u>	<u>\$858,926,220</u>
Debt limit, 8% of assessed value (statutory limitation)	<u>\$ 68,077,980</u>	<u>\$ 67,783,536</u>	<u>\$ 67,627,591</u>	<u>\$ 65,782,150</u>	<u>\$ 67,890,878</u>	<u>\$ 70,586,445</u>	<u>\$ 68,815,090</u>	<u>\$ 66,530,863</u>	<u>\$ 68,087,886</u>	<u>\$ 68,714,098</u>
Debt applicable to limit:										
General obligation bonds	-	-	-	-	-	-	-	-	-	-
Less: Amount set aside for repayment of general obligation debt	<u>-</u>									
Total net debt applicable to limit	<u>-</u>									
Legal debt margin	<u>\$ 68,077,980</u>	<u>\$ 67,783,536</u>	<u>\$ 67,627,591</u>	<u>\$ 65,782,150</u>	<u>\$ 67,890,878</u>	<u>\$ 70,586,445</u>	<u>\$ 68,815,090</u>	<u>\$ 66,530,863</u>	<u>\$ 68,087,886</u>	<u>\$ 68,714,098</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

CITY OF LINCOLNTON, NORTH CAROLINA

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

Fiscal Year	Revenue Available for Debt Service	Less Expenses	Income Available for Debt Service	Total Debt Service	Principal	Interest	Coverage
2009	\$ 6,764,580	\$ 3,928,574	\$ 2,836,006	\$ 2,522,353	\$ 1,495,000	\$ 1,027,353	1.12
2010	7,088,173	3,981,988	3,106,185	2,609,438	1,635,000	974,438	1.19
2011	7,990,029	4,135,944	3,854,085	2,601,370	1,697,459	903,911	1.48
2012	8,194,878	4,486,488	3,708,390	2,600,825	1,768,458	832,367	1.43
2013	8,390,074	4,583,075	3,806,999	2,597,647	1,829,916	767,731	1.47
2014	10,059,186	4,702,685	5,356,501	2,597,732	1,896,847	700,885	2.06
2015	8,445,905	4,769,117	3,676,788	2,485,103	1,895,263	589,840	1.48
2016	8,416,097	4,485,512	3,930,585	2,465,652	2,153,184	312,468	1.59
2017	8,061,581	4,617,328	3,444,253	6,703,132	6,406,750	296,382	0.51
2018	8,161,071	4,537,616	3,623,455	2,464,965	2,264,000	200,965	1.47

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.
Operating expenses do not include interest, depreciation or PILOT (payment in lieu of taxes).

CITY OF LINCOLNTON, NORTH CAROLINA

**Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)**

<u>Fiscal Year</u>	<u>Population(1)</u>	<u>Personal Income (Amounts Expressed in Thousands)</u>	<u>Per Capita Personal Income(2)</u>	<u>Median Age(1)</u>	<u>School Enrollment(3)</u>	<u>Unemployment Rate %(4)</u>
2009	11,316	\$ 344,572	\$ 30,450	38.8	12,002	14.6
2010	11,553	380,232	32,912	39.3	11,757	12.2
2011	10,540	351,773	33,375	38.9	11,571	11.5
2012	10,517	347,366	33,029	41.1	11,655	10.4
2013	10,487	359,442	34,275	41.5	11,447	9.8
2014	10,498	384,016	36,580	42.0	11,589	8.3
2015	10,522	406,301	38,614	42.0	11,646	5.9
2016	10,612	423,938	39,949	38.5	11,503	4.7
2017	10,754	436,515	40,591	42.0	11,503	3.8
2018	10,578	-	-	42.0	11,441	3.5

Data Sources

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

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

(3) School District

(4) North Carolina Employment Security Commission

Information not available for 2018 personal income and per capita personal income.

Note: Separate data for the City is not available except for the population amounts, Lincoln County data was provided. Personal income information is a total for the previous year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.

CITY OF LINCOLNTON, NORTH CAROLINA

**Principal Employers
Current Year and Nine Years Ago
(Unaudited)**

<u>Employer</u>	<u>2018</u>			<u>2009</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Lincoln County Schools	1,511	1	3.48%	1,653	1	4.12%
Atrium Health	818	2	1.89%	735	4	1.83%
RSI Home Products	773	3	1.78%	700	5	1.74%
Wal-Mart Stores, Inc.	740	4	1.71%	604	6	1.50%
Lincoln County Government	718	5	1.66%	753	3	1.88%
The Timken Company	500	6	1.15%	800	2	1.99%
Julius Blum, Inc.	423	7	0.98%	430	7	1.07%
Robert Bosch Tool Company	350	8	0.81%	220	12	0.55%
Cataler North America	346	9	0.80%	190	16	0.47%
United Technologies	215	10	0.50%	190	13	0.47%
VT LeeBoy, Inc.	279	11	0.64%	204	14	0.51%
G & W	235	12	0.54%	233	11	0.58%
Wireway/Husky	190	13	0.44%	185	17	0.46%
State of North Carolina	130	14	0.30%	230	15	0.57%
Total	<u>7,228</u>		<u>16.68%</u>	<u>7,127</u>		<u>17.74%</u>
Total Civilian Labor Force	<u>43,368</u>			<u>40,156</u>		

Sources: Lincoln Economic Development Association
 North Carolina Department of Commerce Division of Employment Security
 Telephone survey by Lincoln County Finance Department

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

CITY OF LINCOLNTON, NORTH CAROLINA

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

Function	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General Government										
City Manager	3	3	3	3	3	3	3	3	4	3
Human resources	4	4	4	4	4	4	4	4	4	4
Finance	9	9	9	9	9	9	9	9	8	8
Public Safety										
Police										
Officers	29	31	30	27	30	31	31	31	33	33
Civilians	5	5	5	5	5	5	5	5	5	5
Fire										
Firefighters and officers	21	21	21	24	21	22	21	21	22	23
Civilians	1	1	1	1	1	1	1	1	1	1
Public Works										
Public works	3	3	3	3	3	3	3	3	3	3
Street	12	12	13	12	12	12	12	12	12	11
Equipment services	3	3	3	3	3	3	3	2	2	-
Environmental Protection										
Solid waste	13	13	13	13	12	12	12	13	13	11
General services-cemetery	3	3	3	3	2	2	2	2	2	-
Economic and Physical Development										
Planning and zoning	3	3	3	3	3	2	2	2	2	3
Business and community development	2	2	2	2	2	2	2	2	1	1
Cultural and Recreational										
Parks and recreation	5	5	5	5	5	5	5	5	5	7
Water and Sewer										
Water treatment plant	10	10	9	10	9	9	9	10	10	10
Distribution and collection	11	12	12	12	11	13	13	11	11	11
Waste water treatment plant	9	9	9	9	8	8	8	9	9	9
Electric	7	6	6	5	7	7	7	8	8	8
Total	<u>153</u>	<u>155</u>	<u>154</u>	<u>153</u>	<u>150</u>	<u>153</u>	<u>152</u>	<u>153</u>	<u>155</u>	<u>151</u>

Source: Finance Department's payroll record

CITY OF LINCOLNTON, NORTH CAROLINA

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

Function	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Public Safety										
Police										
Physical arrests	1,986	1,836	1,448	1,580	1,588	1,500	1,505	1,330	1,243	1,308
Parking violations	400	243	82	63	74	68	79	61	150	843
Traffic violations	1,274	1,339	798	707	1,183	1,366	1,727	2,359	1,830	1,667
Fire										
Number of calls answered	1,753	1,802	1,975	1,983	2,013	2,016	2,164	2,185	2,212	2,294
Inspections	312	636	698	615	598	526	597	344	301	297
Public Works - Highways and streets										
Street resurfacing (miles)	1.48	0.92	0.82	0.22	0.95	0.98	0.98	1.03	2.24	1.57
Potholes repaired	30	30	29	37	41	39	42	39	83	83
Environmental Protection										
Refuse collected (tons/day)	32.44	32.39	33.08	29.98	31.13	31.01	30.33	27.88	26.56	22.82
Recyclables collected (tons/day)	0.82	0.95	0.99	2.62	0.82	0.89	1.07	1.04	1.10	1.03
Cultural and Recreational (1)										
Youth sports participants	362	494	584	698	932	1,075	1,228	1,209	1,157	1,281
Youth camps/clinics participants	268	261	301	286	235	170	235	179	199	2,121
Open gym participants	9,738	10,139	12,511	12,703	13,118	4,072	10,099	7,827	9,846	15,219
Swimming pool participants	12,268	12,167	12,404	12,467	11,672	6,826	10,825	11,045	7,767	9,686
Other programs participants	1,833	4,029	3,440	5,015	5,196	4,125	5,305	3,992	3,435	3,885
Special events	12	16	22	26	26	13	19	23	23	27
Special events participants	5,587	6,613	5,992	7,399	7,935	4,456	6,427	6,971	3,435	6,750
Recreation program participants	30,056	33,703	35,232	38,568	39,088	20,724	34,109	34,223	28,791	38,942
Facility and ball field rentals	2,142	2,681	2,682	2,848	2,587	727	2,570	2,911	2,952	2,843

cont.

CITY OF LINCOLNTON, NORTH CAROLINA

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

Function	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Water										
New connections	32	16	12	20	12	9	18	12	14	12
Water main breaks	33	27	31	42	21	20	20	31	18	23
Average daily consumption (thousands of gallons)	2,868	2,890	3,000	2,810	3,000	3,000	3,000	3,000	2,689	2,424
Wastewater										
New connections	44	19	5	19	9	7	10	5	14	9
Average daily sewage treatment (thousands of gallons)	2,467	2,588	2,390	2,390	2,357	2,650	2,075	2,390	1,760	1,700
Electric										
New connections	16	13	4	6	9	5	15	4	23	9

Sources: Various City departments.

Note: Indicators are not available for general government function.

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

CITY OF LINCOLNTON, NORTH CAROLINA

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

Function	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Public Safety										
Police										
Stations	2	2	2	2	2	2	2	2	2	2
Patrol units	22	24	25	25	25	25	34	37	38	38
Fire stations	1	2	2	2	2	2	2	2	2	2
Public Works - Highways and streets										
Streets (miles)	58.80	58.65	60.03	60.03	59.90	59.90	59.90	59.90	60.15	60.15
Streetlights	979	979	979	979	981	981	981	981	981	981
Traffic signals	11	11	11	11	11	11	11	11	11	11
Environmental Protection										
Refuse collection trucks	5	5	5	5	5	5	5	5	5	5
Cultural and Recreational										
Number of parks	3	3	3	3	3	3	3	3	3	4
Park acreage	79.37	79.37	79.37	79.37	79.37	79.37	79.37	79.37	79.37	89.37
Number of parks with trail systems	2	2	2	2	2	2	2	2	2	3
Park trail mileage	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
Number of greenways	1	1	1	1	1	1	1	1	1	1
Greenway mileage	1	1	1	1	1.70	1.70	1.70	1.70	1.70	1.70
Number of ball fields	5	5	5	5	5	5	5	5	5	5
Number of soccer fields	2	2	2	2	2	2	2	2	2	2

cont.

CITY OF LINCOLNTON, NORTH CAROLINA

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

Function	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Water										
Water mains (miles)	260	260	260	260	260	260	260	260	260	260
Fire hydrants	709	717	717	717	717	717	717	717	717	717
Maximum daily capacity (thousands of gallons)	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000
Sewer										
Sanitary sewers (miles)	225.75	225.75	225.75	225.75	225.75	229.00	229.00	229.00	229.00	229.00
Storm sewers (miles)(1)	-	-	-	-	-	-	-	-	-	-
Maximum daily treatment capacity (thousands of gallons)	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Electric										
Number of distribution stations	1	1	1	1	1	1	1	1	1	1
Miles of services lines	74.5	74.5	75.0	76.0	76.0	76.0	76.0	76.0	76.0	76.0

Sources: Various city departments.

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

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

CITY OF LINCOLNTON, NORTH CAROLINA

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

Type of Customer	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Residential	239.6	232.5	222.8	217.1	216.9	210.8	198.1	214.7	215.9	213.5
Industrial	464.6	1.8	2.6	3.7	3.9	4.9	4.0	18.2	20.2	18.3
Industrial/Textile (1)	-	412.4	422.3	418.6	438.6	363.6	308.8	227.1	167.7	132.0
Commerical	157.2	147.1	155.1	148.1	148.0	111.1	108.5	107.7	106.4	107.6
Institutional (3)	-	-	-	-	-	33.2	37.9	38.7	38.0	39.1
Other Local Governments (2)	-	12.2	13.2	77.4	63.6	65.7	19.8	116.3	187.7	194.3
Military	-	-	-	-	-	-	0.1	0.1	0.1	0.1
Government	<u>37.0</u>	<u>35.8</u>	<u>20.7</u>	<u>8.4</u>	<u>10.4</u>	<u>9.5</u>	<u>7.3</u>	<u>7.6</u>	<u>8.7</u>	<u>8.5</u>
Total	<u>898.4</u>	<u>841.8</u>	<u>836.7</u>	<u>873.3</u>	<u>881.4</u>	<u>798.8</u>	<u>684.5</u>	<u>730.4</u>	<u>744.7</u>	<u>713.4</u>
Total direct rate per 1,000 gallons	<u>\$ 3.14</u>	<u>\$ 3.59</u>	<u>\$ 3.92</u>	<u>\$ 3.88</u>	<u>\$ 3.99</u>	<u>\$ 4.31</u>	<u>\$ 4.99</u>	<u>\$ 5.00</u>	<u>\$ 4.81</u>	<u>\$ 4.90</u>

Source: City of Lincolnton, Utility Billing Office

(1) 2010-First year of segregating Industrial Customers into two

(2) 2010-First year of segregating Other Local Governments

(3) 2014-First year of segregating water sold to customers classified as Institutional category.

CITY OF LINCOLNTON, NORTH CAROLINA

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

Type of Customer	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Residential	174.6	171.6	163.2	161.3	161.6	158.9	161.6	157.6	158.9	158.7
Industrial	479.1	45.1	52.9	56.4	55.5	54.7	55.2	63.8	58.8	52.9
Industrial/Textile (1)	-	391.8	405.5	380.5	415.5	350.0	267.9	195.2	137.7	116.4
Commerical	127.0	130.8	132.6	125.1	128.5	99.3	94.4	91.8	93.1	97.2
Institutional (2)	-	-	-	-	-	30.0	33.3	28.9	30.5	32.8
Military	-	-	-	-	-	-	0.1	0.1	0.1	0.1
Government	<u>34.6</u>	<u>34.7</u>	<u>19.6</u>	<u>7.8</u>	<u>9.3</u>	<u>8.7</u>	<u>7.0</u>	<u>7.3</u>	<u>8.3</u>	<u>8.5</u>
Total	<u>815.3</u>	<u>774.0</u>	<u>773.8</u>	<u>731.1</u>	<u>770.4</u>	<u>701.6</u>	<u>619.5</u>	<u>544.7</u>	<u>487.4</u>	<u>466.6</u>
Total direct rate per 1,000 gallons	<u>\$ 4.83</u>	<u>\$ 5.47</u>	<u>\$ 5.96</u>	<u>\$ 6.25</u>	<u>\$ 6.33</u>	<u>\$ 6.87</u>	<u>\$ 7.57</u>	<u>\$ 8.60</u>	<u>\$ 9.00</u>	<u>\$ 9.00</u>

Source: City of Lincolnton, Utility Billing Office

(1) 2010-First year of segregating Industrial Customers into two categories.

(2) 2014-First year of segregating sewer sold to customers classified as Institutional category.

CITY OF LINCOLNTON, NORTH CAROLINA

Water and Sewer Rates
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Water</u>		<u>Sewer</u>	
	<u>Monthly Base Rate</u>	<u>Rate per 1,000 Gallons</u>	<u>Monthly Base Rate</u>	<u>Rate per 1,000 Gallons</u>
2009	11.74	3.16	17.58	5.23
2010	11.74	3.16	17.58	5.23
2011	13.09	3.52	19.60	5.83
2012	13.62	3.67	20.39	6.07
2013	14.16	3.82	21.21	6.31
2014	14.73	3.97	22.06	6.56
2015	15.32	4.57	22.94	6.82
2016	16.71	4.52	22.94	7.47
2017	16.55	4.48	24.77	7.40
2018	16.55	4.48	24.77	7.40

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

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COMPLIANCE SECTION

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

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

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lincolnton, North Carolina as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Lincolnton, North Carolina's basic financial statements, and have issued our report thereon dated December 17, 2018. The financial statements of the City of Lincolnton ABC Board and the Lincolnton Tourism Development Authority were not audited in accordance with Government Auditing Standards.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lincolnton, North Carolina's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and responses as items 2018-001.

City of Lincolnton, North Carolina's Response to Findings

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

Purpose of this Report

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

Lowenthal Church & Co., L.L.P.

Morganton, North Carolina
December 17, 2018

CITY OF LINCOLNTON, NORTH CAROLINA

Schedule of Findings and Responses
For the Year Ended June 30, 2018

Compliance:

Finding: 2018-001 Excess Expenditures Over Appropriations

Condition: G. S. 159-9(a) states that all moneys received and expended by a local government or public authority should be included in the budget ordinance; however, funds were spent that exceeded the authorized appropriation in the General Fund.

Effect: Debt service was over spent by \$10,205. Principal payments exceeded the budgeted appropriations.

Response: Budget amendments will be adopted when appropriations exceed the budget.