

**CITY OF LINCOLNTON, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**PREPARED BY
CITY OF LINCOLNTON FINANCE DEPARTMENT**

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CITY OF LINCOLNTON, NORTH CAROLINA

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INTRODUCTORY SECTION

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CITY OF LINCOLNTON

CITY COUNCIL

John O. Gilleland, Jr., Mayor
Larry Mac Hovis, Mayor Pro-Tem
Devin Rhyne
Martin A. Eaddy
John Les Cloninger



CITY MANAGER

JEFF EMORY
jeffemory@ci.lincolnton.nc.us

CITY CLERK

DONNA C. FLOWERS, CMC
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
City of Lincoln, North Carolina

The Comprehensive Annual Financial Report of the City of Lincoln, 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, 2015, 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 Lincoln'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 Lincoln's financial statements for the fiscal year ended June 30, 2015. 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 10,522. 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 two-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, 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 (42%), education (22%), retail (14%), public administration (13%) 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 8.3 percent. This rate is slightly higher than the State’s rate of 5.9 percent and higher than the national rate of 5.3 percent. Lincolnton has followed the same pattern as the State during the economic cycles.

Numerous small businesses opened in Lincoln County, including Habibi Frozen Yogurt, Pelican's SnoBall, Sassy Pants Consignments and Gifts, The Salty Petal, Sweetfire BBQ, The Tavern and Staff Masters. In addition, retailers Ross "Dress for Less", Tractor Supply and Big Lots plus grocery chain Ingles opened in the fall.

Brazilian Maestro Investments LLC, is investing in Lincoln County with the construction of a 45,000 square foot shell building at the Lincoln County Industrial Park (LCIP); a groundbreaking ceremony was held Friday, August 22 to kick off the construction. The Lincoln Economic Development Association (LEDA) will assist in marketing the facility designed for manufacturing. Through his relationship with Panico Peres, President & CEO of No Borders Consulting Group and former board member of LEDA, Maestro Investments expressed interest in investing in the US. After a tour of Lincoln County and discussions with LEDA of the need for product to market, Maestro Investments decided to focus on the Lincoln County Industrial Park (LCIP) off Hwy 321 to build the structure. Maestro Investments acquired approximately 11 acres, which faces Hwy 321. The building will consist of 26 foot ceiling height, loading docks, and is expandable to 110,000 square feet. Maestro, with the help of No Borders, hired firms for architectural, engineering and construction services from the Charlotte Region to include Lincoln County.

Airlie Business Park expanded in Lincoln County with the dedication of Phase II and a ground breaking on a new 50,000 square foot shell building. New occupants at Airlie will enjoy a world-class business park with close access to Charlotte and the Charlotte Douglas International Airport via new Highway 16. In addition to being just 20 minutes from Charlotte Douglas International Airport, close to a strong labor pool, and next door to Lake Norman, the facility will offer an attractive speed to market advantage for potential new industries seeking to locate in the Charlotte Region.

American Tire Distributors of Huntersville, NC, announced they will expand their Lincoln County tire distribution operations in the Lincoln County Industrial Park to include neighboring Keith Corporation's 420,000 square foot facility bringing total operations in Lincoln County to over 1 million square feet. This move is necessary as a result of six acquisitions made by ATD since January of last year; making it the largest tire distributor in the United States and Canada. The newly leased facility is adjacent to the existing ATD facility and will house American Tire's standard product assortment, as well as, Hercules Tire which was one of the more recent acquisitions made by the company. Adding the new facility to the Lincoln County mix will mean additional 12-15 jobs to the current employee count.

Timken has announced plans for an equipment expansion at its Iron Station, North Carolina location. The bearing manufacturer which employs over 600 people is planning for increased production in their manufacturing of hub assemblies specifically for application in the automotive industry. The project is expected to be in production in 2015. With the added production, Timken plans to invest over \$11 million dollars in the project. Lincoln Economic Development Association presented a request to the County Commission on Monday, April 20, 2015 for approval of incentives for the project per the qualifications of the Lincoln County Incentive Grant Program for industries. Based upon the agreement, Timken will receive \$39,430.00 per year for five years from Lincoln County once the total \$11 million dollar investment is made.

During the past five years, the government's expenses related to public safety have increased in amount, and also increased as a percentage of total expense (a five-year increase of 1.30 percent). Much of the increase reflects a regional trend that has seen the salaries and benefits of police and firefighters growing at a much faster rate than those of other categories of public-sector employees.

During this same five year period, charges for services, while continuing to increase in amount, have increased slightly as a percentage of total revenue (a five-year increase of 0.22 percent). The reason for this relative 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 17.74 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 \$1,714,961.

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:

Refinancing of the Series 2005 Enterprise System Revenue Bonds for \$9,479,000 which resulted in interest savings of \$811,000 over the remaining 6 years of the loan.

Financing of \$300,000 for purchasing of 10 police vehicles to allow officers to take their police vehicle home in order to minimize lost travel time to and from work.

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, 2014. This was the twenty-fifth 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.

In addition, the City of Lincolnton was again recognized by the National Trust Main Street Program as a National Main Street. Over \$30 million has been invested in downtown Lincolnton since being recognized as a Main Street Community seventeen years ago, which equates to over \$1.9 million each year and just under \$2,800 per capita using 2010 Census figures.

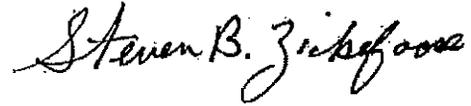
The Water Department was one of the thirty six water systems that was honored for surpassing federal and state drinking water standards by the N.C. Division of Water Resources' Public Water Supply section. Awards are given to water systems that demonstrate outstanding turbidity and microbial removal, 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 Lincoln's finances.

Respectfully submitted,



Jeff B. Emory
City Manager



Steven B. Zickefoose
Finance Director

November 23, 2015



Government Finance Officers Association

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

Presented to

**City of Lincolnton
North Carolina**

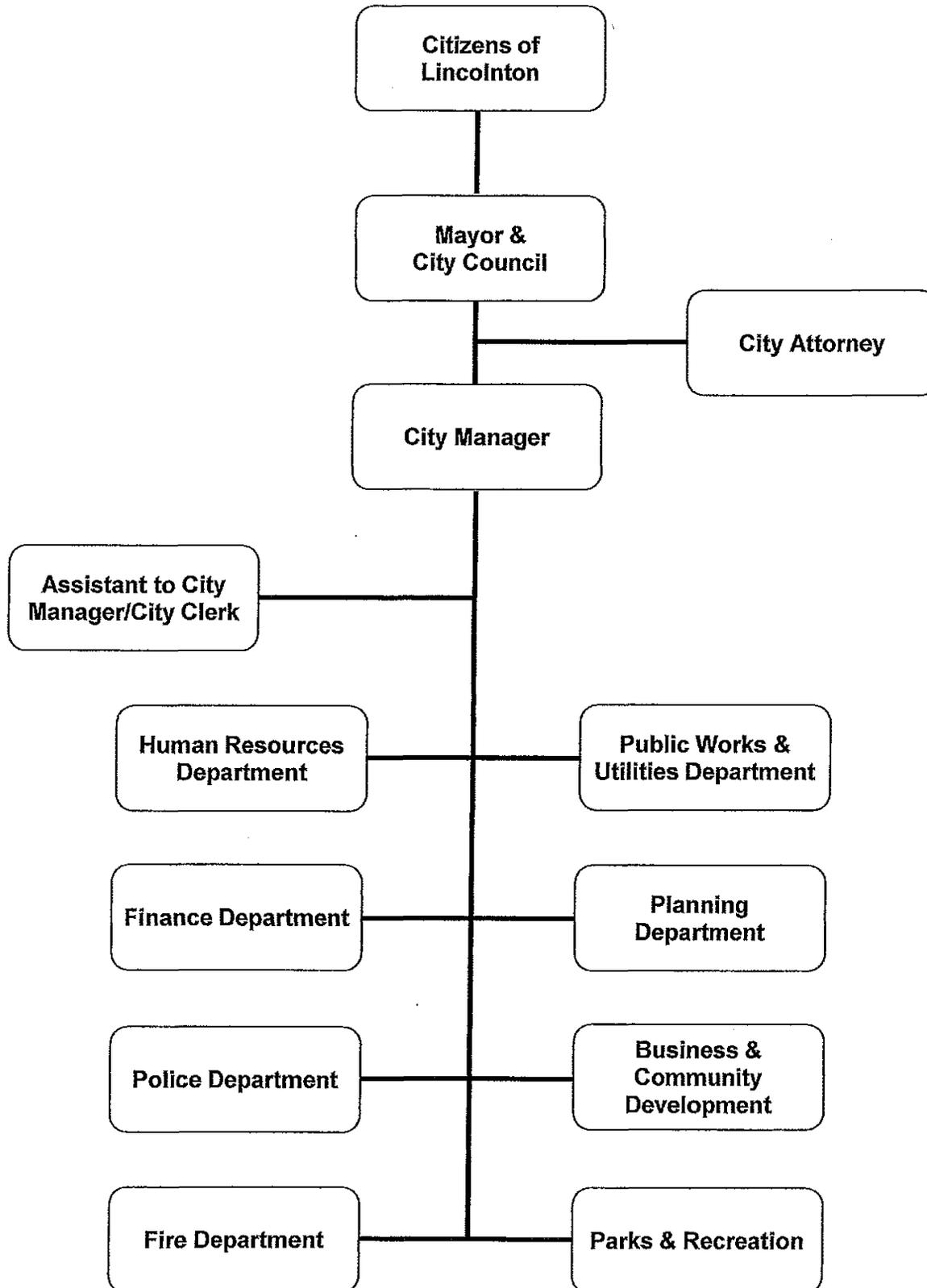
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

City of Lincolnton

Department Organizational Chart



CITY OF LINCOLNTON, NORTH CAROLINA

LIST OF PRINCIPAL OFFICIALS
June 30, 2015

Mayor & City Council

Mayor	John O. Gilleland, Jr.
Ward I	Devin Rhyne
Ward II	John "Les" Cloninger
Ward III	Martin Eaddy
Ward IV	Larry Mac Hovis
Mayor Pro-Tem	

City Administration

City Manager	Jeff Emory
City Attorney	Thomas J. Wilson, Jr.
Assistant to City Manager/City Clerk	Donna Flowers
Human Resources Director	Tanya Osborne
Finance Director	Steven B. Zickefoose
Police Chief	Rodney Jordan
Fire Chief	Charles R. Heavner
Public Works & Utilities Director	Steve Peeler
Planning Director	Laura Simmons
Business & Community Development Director	Vickie Davis
Parks & Recreation Director	Richard Haynes

FINANCIAL SECTION

- **Independent Auditors' Report**
 - **Management's Discussion and Analysis**
 - **Basic Financial Statements**
 - **Notes to the Financial Statements**
 - **Required Supplemental Information**
 - **Combining, 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
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 two 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, 2015, 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 the 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 two aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lincolnton, North Carolina, as of June 30, 2015, 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, Law Enforcement Officers' Separation Allowance, Other Postemployment Benefits Schedule of Funding Progress and Schedule of Employer Contributions, Local Government Employees' Retirement System Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions and Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of the Proportionate Share of Net Pension Liability (Asset) on pages 12 through 20 and 69 through 75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lincolnton, North Carolina's basic financial statements. The introductory section, individual fund financial statements, 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 November 23, 2015 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 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.

Lawsonick Hunt & Co.

Morganton, North Carolina
November 23, 2015

Management's Discussion and Analysis

As management of the City of Lincoln, we offer the readers of the City of Lincoln's financial statements this narrative overview and analysis of the financial activities of the City of Lincoln for the fiscal year ended June 30, 2015. 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

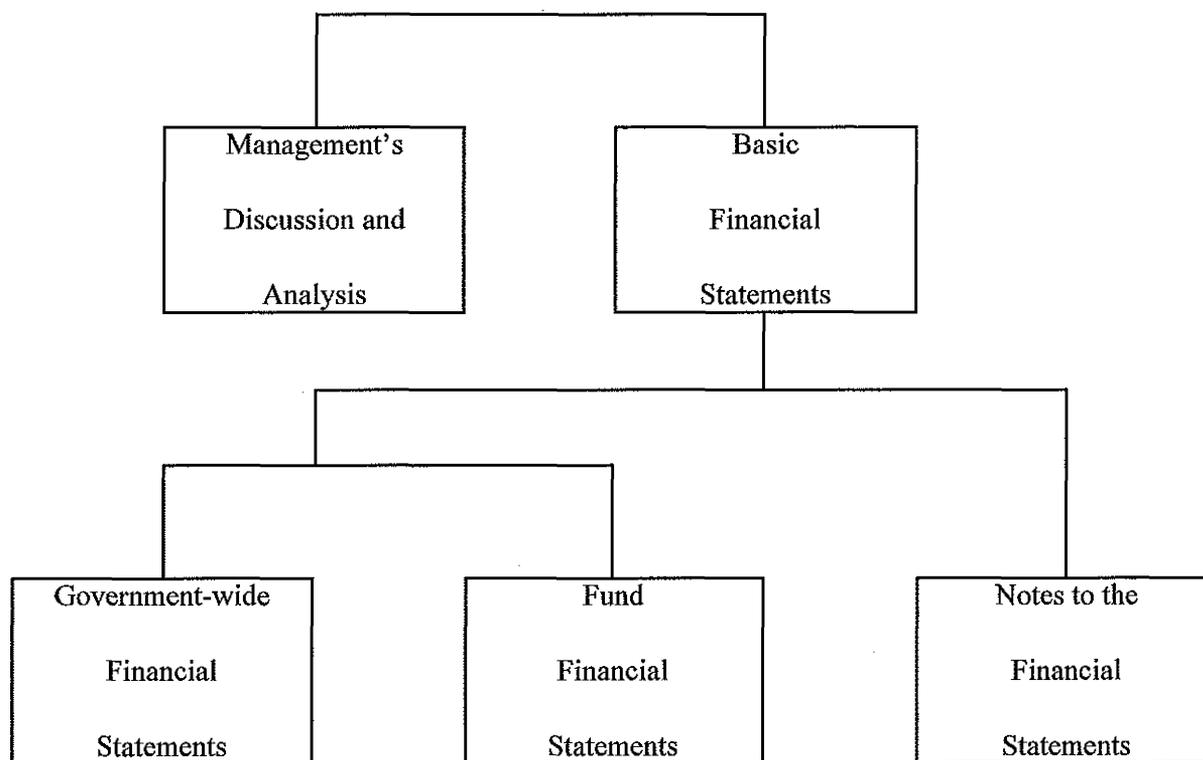
- The assets and deferred outflows of resources of the City of Lincoln exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$48,251,848 (net position).
- The City's total net position decreased by \$1,433,164, primarily due to a restatement of net position and decreased revenues in the governmental activities.
- As of the close of the current fiscal year, the City of Lincoln's governmental funds reported combined ending fund balances of \$4,692,437, with a net increase of \$71,195 in fund balance. Approximately 33.50 percent of this total amount, or \$1,571,935, is nonspendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,714,961 or 17.74 percent of total general fund expenditures for the fiscal year.
- The City of Lincoln's total debt decreased by \$1,514,464 (8.97%) during the current fiscal year. The key factor in this decrease was principal payments.
- The City's last bond rating was Aaa and AAA.
- The City's total capital assets decreased by \$1,850,381 (0.7%) 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 Lincoln'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 Lincoln.

Required Components of Annual Financial Report

Figure 1



Summary-----> Detail

Basic Financial Statements

The first two statements (pages 21 through 23) 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 24 through 32) 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 they have 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 Lincoln. The final category is the component units. Although legally separate from the City, the City of Lincoln 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 Lincoln Tourism Development Authority is important to the City because the City exercises control over the Board by appointing its members and because the occupancy tax collected is used to promote travel and tourism in the City.

The government-wide financial statements are on pages 21 through 23 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 Lincoln, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of City of Lincoln 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 Lincoln 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 - City of Lincolnton has one type of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. City of Lincolnton uses enterprise funds to account for its water and sewer activity and for its electric operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements -- The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 33 of this report.

Other Information -- In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Lincolnton's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 69 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 76 of this report.

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

Government-Wide Financial Analysis

The City of Lincolnton, Net Position						
Figure 2						
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 5,752,284	\$ 5,505,795	\$12,876,276	\$12,415,445	\$18,628,560	\$17,921,240
Capital assets	18,606,359	18,914,071	32,177,582	33,720,251	50,783,941	52,634,322
Deferred outflows of resources	<u>335,475</u>	<u>-</u>	<u>105,092</u>	<u>508,430</u>	<u>440,567</u>	<u>508,430</u>
Total assets and deferred outflows of resources	<u>\$24,694,118</u>	<u>\$24,419,866</u>	<u>\$45,158,950</u>	<u>\$46,644,126</u>	<u>\$69,853,068</u>	<u>\$71,063,992</u>
Long term liabilities outstanding	\$ 2,425,344	\$ 1,911,234	\$13,460,882	\$15,463,766	\$15,886,227	\$17,375,001
Other liabilities	604,517	477,860	3,531,954	3,368,914	4,136,471	3,846,774
Deferred inflows of resources	<u>1,199,493</u>	<u>297</u>	<u>379,029</u>	<u>156,908</u>	<u>1,578,522</u>	<u>157,205</u>
Total liabilities and deferred inflows of resources	<u>\$ 4,229,355</u>	<u>\$ 2,389,392</u>	<u>\$17,371,866</u>	<u>\$18,989,589</u>	<u>\$21,601,221</u>	<u>\$21,378,981</u>
Net position:						
Net investment in capital assets	\$18,225,559	\$18,914,071	\$17,189,653	\$17,188,580	\$35,415,212	\$36,102,651
Restricted	1,490,531	1,903,248	-	-	1,490,531	1,903,248
Unrestricted	<u>748,673</u>	<u>1,213,155</u>	<u>10,597,432</u>	<u>10,465,958</u>	<u>11,346,105</u>	<u>11,679,113</u>
Total net position	<u>\$20,464,763</u>	<u>\$22,030,474</u>	<u>\$27,787,085</u>	<u>\$27,654,538</u>	<u>\$48,251,848</u>	<u>\$49,685,012</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 \$48,251,848 as of June 30, 2015. The City's net position decreased by \$1,433,164 for the fiscal year ended June 30, 2015. However, the largest portion of net position (73.4%) 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, \$1,490,531, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$11,346,105 is unrestricted. Also, the City of Lincoln implemented GASB Statement 68 this year. With the new reporting change, the City is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$874,241. Decisions regarding the allocations are made by the administrators of the pension plan, not by the City of Lincoln's management. In addition, the Lincoln Tourism Development Authority (LTDA) is a component unit of the City. In prior years the LTDA was included as a special revenue fund. This resulted in a restatement to beginning net position of (\$383,388).

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

- Decrease in ad valorem taxes and decrease in other general revenues in the governmental activities.
- Decrease in overall governmental expenses.
- Decrease in capital grants and contributions due to the contribution of a sewer line in the prior year.
- Decrease in overall expenses in the business-type activities.
- Increase in charges for services in the electric fund.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 153,872	\$ 176,928	\$ 16,377,389	\$ 16,058,777	\$ 16,531,261	\$ 16,235,705
Operating grants and contributions	447,765	557,434	-	-	447,765	557,434
Capital grants and contributions	14,237	-	-	1,674,563	14,237	1,674,563
General revenues:						
Property taxes	4,761,205	4,849,278	-	-	4,761,205	4,849,278
Other taxes	3,573,901	3,349,868	-	-	3,573,901	3,349,868
Unrestricted investment earnings	3,477	1,916	10,869	9,233	14,345	11,148
Other	56,808	320,657	(405,085)	236	(348,277)	320,893
Total revenues	9,011,265	9,256,081	15,983,173	17,742,809	24,994,437	26,998,889
Expenses:						
General government	1,864,278	2,025,069	-	-	1,864,278	2,025,069
Public safety	4,562,298	4,663,422	-	-	4,562,298	4,663,422
Public works	1,315,049	1,488,646	-	-	1,315,049	1,488,646
Economic and physical development	348,274	497,450	-	-	348,274	497,450
Environmental protection	1,173,121	1,067,913	-	-	1,173,121	1,067,913
Cultural and recreational	654,985	718,794	-	-	654,985	718,794
Interest on long-term debt	5,662	5,428	663,840	760,216	669,502	765,644
Water and sewer	-	-	6,516,275	6,470,498	6,516,275	6,470,498
Electric	-	-	8,066,191	7,601,547	8,066,191	7,601,547
Total expenses	9,923,667	10,466,722	15,246,306	14,832,261	25,169,973	25,298,983

City of Lincolnton, Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Increase (decrease) in net position before transfers and extraordinary item	\$ (912,402)	\$ (1,210,641)	\$ 736,867	\$ 2,910,548	\$ (175,536)	\$ 1,699,906
Transfers	<u>394,135</u>	<u>394,105</u>	<u>(394,135)</u>	<u>(394,105)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	<u>\$ (518,268)</u>	<u>\$ (816,535)</u>	<u>\$ 342,733</u>	<u>\$ 2,516,442</u>	<u>\$ (175,536)</u>	<u>\$ 1,699,906</u>
Net position, July 1, as previously reported	\$ 22,030,474	\$ 22,847,010	\$ 27,654,538	\$ 25,138,096	\$ 49,685,012	\$ 47,985,106
Restatement	<u>(1,047,443)</u>	<u>-</u>	<u>(210,186)</u>	<u>-</u>	<u>(1,257,629)</u>	<u>-</u>
Net position, July 1, restated	20,983,031	22,847,010	27,444,352	25,138,096	48,427,383	47,985,106
Increase (decrease) in net position	<u>(518,268)</u>	<u>(816,536)</u>	<u>342,733</u>	<u>2,516,442</u>	<u>(175,535)</u>	<u>1,699,907</u>
Net position, June 30	<u>\$ 20,464,763</u>	<u>\$ 22,030,475</u>	<u>\$ 27,787,085</u>	<u>\$ 27,654,538</u>	<u>\$ 48,251,848</u>	<u>\$ 49,685,012</u>

Governmental Activities. Governmental activities decreased the City's net position by \$1,565,711. Key elements of this decrease are as follows:

- Program revenues and general revenues decreased.
- \$394,135 transfers in the current year.
- Expenses decreased.
- The implementation of GASB 68 and the change in reporting of LTDA decreased the City's net position by \$1,047,443.

Business-type Activities. Business-type activities increased the City of Lincolnton's net position by \$132,547. Key elements of this increase are as follows:

- The implementation of GASB 68 decreased net position by \$210,186.
- Charges for services increased approximately \$319,000.
- Capital grants and contributions decreased approximately \$1,675,000 due to a capital contribution in the prior year.
- \$394,135 transfers out, in the current year.
- The Water and Sewer Fund rates increased as follows: 4% increase for non (textile based) and 2% increase for industrial (textile based).
- Electric Fund rates increased 5.2%.
- Administrative expenditures to the General Fund were \$775,000 for the Water and Sewer Fund and \$375,000 for the Electric Fund.
- Purchase for power increased approximately \$244,000.

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 \$3,977,257, while total fund balance reached \$4,692,437. The City currently has an available fund balance of 41.1 percent of General Fund expenditures while total fund balance represents 48.54 percent of that same amount.

General Fund Budgetary Highlights. During the year there was a \$37,755 increase in appropriations between the original and final budget. Following are the main components of the increase:

- \$350,000 increase for purchase of police vehicles.
- \$14,327 Donated capital Fire Department-Drying cabinet.
- \$6,999 Federal Equitable Sharing contribution for Police Department.

Due to economic and market declines during the year, revenues were anticipated to decline. The decrease was due to anticipated revenues not being received.

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

- Total government expenditures were approximately \$1,791,385 less than budgeted mainly due to an overall controlling of cost in all departments.
- Public safety was less than budgeted due to vacancies and lower operating costs of \$340,947.
- Public works was less than budgeted due to lower operating costs for administration, street maintenance and solid waste of \$312,907. Also, a major capital project for an intersection project was delayed until 2016 reducing costs by \$581,250.
- Debt service was \$150,657 less than budgeted due to interest rates.

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 \$7,504,046, and unrestricted net position for the Electric Fund amounted to \$3,093,387. The total change in net position for both funds was \$487,265 and \$(144,532), respectively. The change in net position in the Water and Sewer Fund is a result of increased operating revenues and a decrease in interest expense that was not offset by an increase in charges for services. The decrease in the Electric Fund is a result of an increase in expenses.

Capital Asset and Debt Administration

Capital Assets. The City of Lincoln's investment in capital assets for its governmental and business type activities as of June 30, 2015, totals \$50,783,941 (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, equipment and land of approximately \$580,200.
- The Electric Fund had approximately \$141,100 in current year additions for a bucket truck and equipment.
- The Water and Sewer Fund had approximately \$148,800 of new additions, for vehicles and equipment.

City of Lincolnton's Capital Assets						
Figure 4						
	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Land	\$ 8,300,388	\$ 8,180,388	\$ 105,820	\$ 105,820	\$ 8,406,208	\$ 8,286,208
Buildings and improvements	5,946,479	6,220,551	8,654,511	9,006,466	14,600,990	15,227,017
Distribution systems	198,477	207,695	22,062,097	23,168,584	22,260,574	23,376,279
Infrastructure	3,164,553	3,433,667	-	-	3,164,553	3,433,667
Vehicles and equipment	976,462	842,648	1,349,891	1,426,781	2,326,353	2,269,429
Construction in progress	20,000	29,121	5,265	12,600	25,265	41,721
Total	<u>\$18,606,359</u>	<u>\$18,914,071</u>	<u>\$32,177,582</u>	<u>\$33,720,251</u>	<u>\$50,783,941</u>	<u>\$52,634,321</u>

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

Long-term Debt. As of June 30, 2015, the City of Lincolnton had total bonded debt outstanding of \$9,479,000. The City's bonded debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

City of Lincolnton's Outstanding Debt						
Figure 5						
	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Revenue bonds	\$ -	\$ -	\$ 9,479,000	\$10,750,000	\$ 9,479,000	\$10,750,000
Loans payable	<u>380,800</u>	-	<u>5,508,929</u>	<u>6,133,193</u>	<u>5,889,729</u>	<u>6,133,193</u>
Total	<u>\$380,800</u>	<u>\$ -</u>	<u>\$14,987,929</u>	<u>\$16,883,193</u>	<u>\$15,368,729</u>	<u>\$16,883,193</u>

The City of Lincolnton's total debt decreased by \$1,514,464 (8.97%) during the fiscal year, primarily due to debt principal payments.

The City refinanced the Series 2005 Enterprise System Revenue Bonds for \$9,479,000, which results in interest savings of \$811,000 over the remaining six years of the debt.

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 City of Lincolnton is \$68,815,090. The City has no bonds authorized but un-issued at June 30, 2015.

Additional information regarding the City of Lincolnton's long-term debt can be found in note II.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.
- The 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 purchased property to create a new downtown park and splash pad area.
- The City refinanced the Series 2005 Enterprise System Revenue Bonds for \$9,479,000, which resulted in interest savings of \$811,000 over the remaining six years of the loan.
- Numerous small businesses opened in Lincolnton, including Habibi Frozen Yogurt, Pelican's SnoBall, Sassy Pants Consignments and Gifts, The Salty Petal, Sweetfire BBQ, The Tavern and Staff Masters. In addition, retailers Ross "Dress for Less", Tractor Supply and Big Lots plus grocery chain Ingle's opened in the fall.

Budget Highlights for the Fiscal Year Ending June 30, 2016

Governmental Activities: Property taxes are expected to decrease five percent from amounts budgeted in the prior year due to reevaluation. Grant revenue is expected to lead the increase in budgeted revenues. The City's general fund budgeted revenues are approximately \$12,847,107, which reflects an increase from the prior year.

The City has appropriated to use \$1,405,541 of fund balance.

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

Budgeted expenditures compared with the 2014 actual expenditures in the General Fund are expected to increase 10%. The largest increase is in general government.

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 increased 9% for non textile based and 4.5% for textile based. Electric rates did not increase. Rate increases are effective on the July 1, 2015 billing.

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, NC 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, NC 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.

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.

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CITY OF LINCOLN, NORTH CAROLINA

**Statement of Net Position
June 30, 2015**

<u>Assets</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>
Current assets:					
Cash and cash equivalents	\$ 3,408,232	\$10,880,763	\$14,288,994	\$ 413,785	\$ 284,980
Taxes receivable, net	259,241	-	259,241	-	-
Accounts receivable, net	436,461	1,374,741	1,811,202	-	-
Due from other government agencies	160,682	-	160,682	-	-
Due from component unit	35,263	-	35,263	-	-
Inventories	22,880	95,455	118,335	-	194,577
Prepaid items	58,524	28,859	87,383	-	4,241
Total current assets	4,381,281	12,379,818	16,761,099	413,785	483,798
Noncurrent assets:					
Restricted cash	872,917	338,805	1,211,722	-	-
Net pension asset	498,086	157,653	655,739	-	7,255
Capital assets:					
Land and nondepreciable assets	8,320,388	111,085	8,431,473	-	425,000
Other capital assets, net of accumulated depreciation	10,285,971	32,066,497	42,352,468	-	1,195,185
Total capital assets	18,606,359	32,177,582	50,783,941	-	1,620,185
Total assets	24,358,642	45,053,859	69,412,501	413,785	2,111,238
Deferred Outflows of Resources					
Contributions to pension plan in current fiscal year	335,475	105,092	440,567	-	4,148
Liabilities					
Accounts payable and accrued liabilities	294,510	977,988	1,272,498	-	210,490
Customer deposits	-	338,805	338,805	-	-
Unearned revenues	6,010	-	6,010	-	-
Current portion of long-term liabilities	303,997	2,215,161	2,519,158	-	-
Total current liabilities	604,517	3,531,954	4,136,471	-	210,490
Long-term liabilities					
Due in more than one year	2,425,344	13,460,882	15,886,226	-	-
Total liabilities	3,029,861	16,992,837	20,022,698	-	210,490
Deferred Inflows of Resources					
Prepaid taxes	1,999	-	1,999	-	-
Pension deferrals	1,197,494	379,029	1,576,523	-	17,679
Total deferred inflows of resources	1,199,493	379,029	1,578,522	-	17,679
Net Position					
Net investment in capital assets	18,225,559	17,189,653	35,415,212	-	1,620,185
Restricted for:					
Working capital	-	-	-	-	65,972
Stabilization by State Statute	633,776	-	633,776	-	-
Streets	849,755	-	849,755	-	-
Public safety	7,000	-	7,000	-	-
Economic development	-	-	-	413,785	-
Unrestricted	748,673	10,597,432	11,346,105	-	201,060
Total net position	\$ 20,464,763	\$27,787,085	\$48,251,848	\$ 413,785	\$ 1,887,217

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

CITY OF LINCOLN, NORTH CAROLINA

**Statement of Activities
For the Year Ended June 30, 2015**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>			<u>Component Units</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		<u>Total</u>	<u>Lincolnton Tourism Development Authority</u>	<u>City of Lincolnton ABC Board</u>
					<u>Governmental Activities</u>	<u>Business-type Activities</u>			
Primary Government:									
Governmental activities:									
General government	\$ 1,864,278	\$ -	\$ 6,500	\$ -	\$ (1,857,778)	\$ -	\$ (1,857,778)	\$ -	\$ -
Public safety	4,562,298	5,427	118,219	14,237	(4,424,416)	-	(4,424,416)	-	-
Public works	1,315,049	-	318,057	-	(996,992)	-	(996,992)	-	-
Economic and physical development	348,274	8,875	-	-	(339,399)	-	(339,399)	-	-
Environmental protection	1,173,121	18,625	-	-	(1,154,496)	-	(1,154,496)	-	-
Cultural and recreational	654,985	120,945	4,989	-	(529,051)	-	(529,051)	-	-
Interest on long-term debt	5,662	-	-	-	(5,662)	-	(5,662)	-	-
Total governmental activities	9,923,668	153,872	447,765	14,237	(9,307,794)	-	(9,307,794)	-	-
Business-type activities:									
Water and sewer	7,180,115	8,434,290	-	-	-	1,254,176	1,254,176	-	-
Electric	8,066,191	7,943,099	-	-	-	(123,093)	(123,093)	-	-
Total business-type activities	15,246,306	16,377,389	-	-	-	1,131,083	1,131,083	-	-
Total primary government	\$25,169,974	\$16,531,261	\$ 447,765	\$ 14,237	(9,307,794)	1,131,083	(8,176,711)	-	-
Component Unit:									
Lincolnton Tourism Development Authority	\$ 79,110	\$ -	\$ 109,122	\$ -	-	-	-	30,012	-
City of Lincolnton ABC Board	1,717,304	1,715,261	-	-	-	-	-	-	(2,043)
Total component unit	\$ 1,796,414	\$ 1,715,261	\$ 109,122	\$ -	-	-	-	30,012	(2,043)

cont.

CITY OF LINCOLNTON, NORTH CAROLINA

Page 2 of 2, cont.

**Statement of Activities
For the Year Ended June 30, 2015**

	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	\$ 4,761,205	\$ -	\$ 4,761,205	\$ -	\$ -
Local option sales tax	2,499,885	-	2,499,885	-	-
Franchise tax	920,256	-	920,256	-	-
Other taxes and licenses	153,760	-	153,760	-	-
Unrestricted investment earnings	3,477	10,869	14,346	385	2,043
Miscellaneous	56,808	5,281	62,090	-	-
Loss on retirement of old debt	-	(410,366)	(410,366)	-	-
Transfers	394,135	(394,135)	-	-	-
Total general revenues and transfers	<u>8,789,526</u>	<u>(788,350)</u>	<u>8,001,176</u>	<u>385</u>	<u>2,043</u>
Changes in net position	<u>\$ (518,268)</u>	<u>\$ 342,733</u>	<u>\$ (175,535)</u>	<u>\$ 30,397</u>	<u>\$ -</u>
Net position - beginning, as previously reported	\$ 22,030,474	\$ 27,654,538	\$ 49,685,012	\$ -	\$ 1,892,001
Restatement	(1,047,443)	(210,186)	(1,257,629)	383,388	(4,783)
Net position - beginning, restated	20,983,031	27,444,352	48,427,383	383,388	1,887,217
Changes in net position	<u>(518,268)</u>	<u>342,733</u>	<u>(175,535)</u>	<u>30,397</u>	<u>-</u>
Net position - ending	<u>\$ 20,464,763</u>	<u>\$ 27,787,085</u>	<u>\$ 48,251,848</u>	<u>\$ 413,785</u>	<u>\$ 1,887,217</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, 2015**

	<u>Major Fund</u> <u>General</u> <u>Fund</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 3,408,232
Taxes receivable, net	259,241
Accounts receivable, net	436,461
Due from government agencies	160,682
Due from component unit	35,263
Inventories	22,880
Prepaid items	58,524
Restricted cash	<u>872,917</u>
Total assets	<u>\$ 5,254,197</u>
<u>Liabilities</u>	
Accounts payable and accrued liabilities	\$ 294,510
Unearned revenues	<u>6,010</u>
Total liabilities	<u>300,520</u>
<u>Deferred Inflows of Resources</u>	
Property taxes receivable	259,241
Prepaid taxes	<u>1,999</u>
Total deferred inflows of resources	<u>261,240</u>
<u>Fund Balances</u>	
Nonspendable:	
Inventories	22,880
Prepaid expenditures	58,524
Restricted:	
Stabilization by State Statute	633,776
Streets - Powell Bill	849,755
Public safety - police	7,000
Assigned:	
Subsequent year's expenditures	1,405,541
Unassigned	<u>1,714,961</u>
Total fund balances	<u>4,692,437</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,254,197</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, 2015**

Total Fund Balance, Governmental Funds \$ 4,692,437

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

Capital assets used in governmental activities
are not financial resources and, therefore, are not
reported in the funds.

Gross capital assets at historical cost	\$ 38,760,956	
Accumulated depreciation	<u>(20,154,597)</u>	18,606,359

Net pension asset 498,086

Contributions to the pension plan in the current fiscal year are deferred
outflows of resources on the Statement of Net Position 335,475

Liabilities for earned revenues considered deferred inflows of
resources in the fund statements.

Property taxes receivable	259,241
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Long-term liabilities used in governmental activities are not
financial uses and therefore are not reported in the funds.

Long-term debt	(380,800)
Compensated absences	(331,424)
Other post employment benefits	(1,743,779)
Law enforcement officers' separation allowance	(273,338)

Pension related deferrals	<u>(1,197,494)</u>
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Net position of governmental activities	<u>\$ 20,464,763</u>
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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, 2015**

	<u>Major Fund</u> <u>General</u> <u>Fund</u>
Revenues:	
Ad valorem taxes	\$ 4,734,705
Other taxes and licenses	27,986
Unrestricted intergovernmental revenues	3,601,858
Restricted intergovernmental revenues	391,822
Permits and fees	27,756
Sales and services	142,760
Investment earnings	3,477
Miscellaneous	54,519
Total revenues	<u>8,984,882</u>
Expenditures:	
General government	1,355,882
Public safety	4,902,029
Public works	1,234,560
Economic and physical development	346,769
Environmental protection	1,099,891
Cultural and recreational	632,441
Debt service:	
Principal retirement	89,200
Interest and other charges	5,662
Total expenditures	<u>9,666,434</u>
Revenues over (under) expenditures	<u>(681,552)</u>
Other Financing Sources (Uses):	
Issuance of debt	470,000
Transfers - in	394,135
Total other financing sources (uses)	<u>864,135</u>
Net changes in fund balances	182,583
Fund balances, July 1	4,621,243
Increase (decrease) in inventory	<u>(111,388)</u>
Fund balances, June 30	<u>\$ 4,692,437</u>

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

CITY OF LINCOLNTON, NORTH CAROLINA

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2015**

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

Net change in fund balances - total governmental funds	\$ 182,583
Change in fund balance due to change in reserve for inventory	(111,388)

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	580,164
Depreciation expense	(887,759)
Gain (loss) on sale of assets	12,146
Proceeds from sale of fixed assets	(12,263)

Contributions to the pension plan in the current year fiscal year are not included on the Statement of Activities	335,475
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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	26,500

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	(470,000)
Principal payments on long-term debt	89,200

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	(24,877)
Pension expense	(35,353)
Other post employment benefits	(201,527)
Net pension obligation	<u>(1,170)</u>

Change in net position of governmental activities	<u>\$ (518,268)</u>
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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, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 4,708,000	\$ 4,708,000	\$ 4,734,705	\$ 26,705
Other taxes and licenses	21,850	21,850	27,986	6,136
Unrestricted intergovernmental revenues	3,380,650	3,380,650	3,601,858	221,208
Restricted intergovernmental revenues	821,900	828,900	391,822	(437,078)
Permits and fees	24,900	24,100	27,756	3,656
Sales and services	124,000	127,400	142,760	15,360
Investment earnings	1,300	1,300	3,477	2,177
Miscellaneous	62,700	74,427	54,519	(19,908)
Total revenues	<u>9,145,300</u>	<u>9,166,627</u>	<u>8,984,882</u>	<u>(181,745)</u>
Expenditures:				
General government	1,555,228	1,493,828	1,355,882	137,946
Public safety	4,902,174	5,266,501	4,902,029	364,472
Public works	2,067,484	2,135,884	1,234,560	901,324
Economic and physical development	419,470	419,470	346,769	72,701
Environmental protection	1,221,574	1,221,574	1,099,891	121,683
Cultural and recreational	675,312	675,312	632,441	42,871
Debt service:				
Principal retirement	239,857	239,857	89,200	150,657
Interest and other charges	5,393	5,393	5,662	(269)
Total expenditures	<u>11,086,492</u>	<u>11,457,819</u>	<u>9,666,434</u>	<u>1,791,385</u>
Revenues over (under) expenditures	<u>(1,941,192)</u>	<u>(2,291,192)</u>	<u>(681,552)</u>	<u>1,609,640</u>
Other Financing Sources (Uses):				
Issuance of debt	-	350,000	470,000	120,000
Appropriated fund balance	1,547,057	1,547,057	-	(1,547,057)
Transfers in	394,135	394,135	394,135	-
Total other financing sources (uses)	<u>1,941,192</u>	<u>2,291,192</u>	<u>864,135</u>	<u>(1,427,057)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	182,583	<u>\$ 182,583</u>
Fund balance, July 1			4,621,243	
Increase (decrease) in reserve for inventory			<u>(111,388)</u>	
Fund balance, June 30			<u>\$ 4,692,437</u>	

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

CITY OF LINCOLNTON, NORTH CAROLINA

**Statement of Fund Net Position
Proprietary Funds
June 30, 2015**

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 7,579,677	\$ 3,301,086	\$ 10,880,763
Accounts receivable	752,956	621,785	1,374,741
Inventories	56,951	38,504	95,455
Prepaid expenses	22,359	6,500	28,859
Total current assets	<u>8,411,943</u>	<u>3,967,875</u>	<u>12,379,818</u>
Noncurrent assets:			
Restricted cash and cash equivalents	91,759	247,046	338,805
Net Pension asset	127,609	30,044	157,653
Capital assets, net of accumulated depreciation	31,060,919	1,116,663	32,177,582
Total noncurrent assets	<u>31,280,287</u>	<u>1,393,753</u>	<u>32,674,040</u>
Total assets	<u>39,692,231</u>	<u>5,361,628</u>	<u>45,053,859</u>
<u>Deferred Outflows of Resources</u>			
Contributions to pension plan	<u>85,585</u>	<u>19,507</u>	<u>105,092</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	201,659	776,328	977,988
Customer deposits	91,759	247,046	338,805
Bonds payable - current	1,511,000	-	1,511,000
Loans payable - current	642,180	-	642,180
Accrued compensated absences	54,004	7,978	61,982
Total current liabilities	<u>2,500,602</u>	<u>1,031,352</u>	<u>3,531,954</u>
Noncurrent liabilities:			
Bonds payable	7,968,000	-	7,968,000
Loans payable	4,866,750	-	4,866,750
Other post retirement benefits liability	512,863	53,159	566,022
Accrued compensated absences	45,768	14,342	60,110
Total noncurrent liabilities	<u>13,393,381</u>	<u>67,501</u>	<u>13,460,882</u>
Total liabilities	<u>15,893,983</u>	<u>1,098,853</u>	<u>16,992,837</u>
<u>Deferred Inflows of Resources</u>			
Pension deferrals	<u>306,797</u>	<u>72,232</u>	<u>379,029</u>
<u>Net Position</u>			
Net investment in capital assets	16,072,990	1,116,663	17,189,653
Unrestricted	7,504,046	3,093,387	10,597,432
Total net position	<u>\$ 23,577,036</u>	<u>\$ 4,210,049</u>	<u>\$ 27,787,085</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, 2015**

	Business-type Activities Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
Operating Revenues:			
Electricity sales	\$ -	\$ 6,749,802	\$ 6,749,802
Water sales	3,401,603	-	3,401,603
Sewer charges	4,639,428	-	4,639,428
Water and sewer taps	18,450	-	18,450
Electricity - municipal operations	-	764,944	764,944
Other operating revenues	374,809	428,353	803,161
Total operating revenues	<u>8,434,290</u>	<u>7,943,099</u>	<u>16,377,389</u>
Operating Expenses:			
Electrical operations	-	1,195,498	1,195,498
Electrical power purchases	-	6,410,269	6,410,269
Water treatment plant	1,741,970	-	1,741,970
Water and sewer distribution maintenance	1,483,625	-	1,483,625
Waste treatment plant	1,543,522	-	1,543,522
Administrative	-	375,000	375,000
Depreciation	1,747,158	85,424	1,832,582
Total operating expenses	<u>6,516,275</u>	<u>8,066,191</u>	<u>14,582,466</u>
Operating income (loss)	<u>1,918,015</u>	<u>(123,093)</u>	<u>1,794,922</u>
Nonoperating Revenues (Expenses):			
Investment earnings	6,334	4,536	10,869
Gain (loss) on disposal of capital assets	5,281	-	5,281
Gain (loss) on retirement of old debt	(410,366)	-	(410,366)
Interest on long-term debt	(663,840)	-	(663,840)
Total nonoperating revenues (expenses)	<u>(1,062,590)</u>	<u>4,536</u>	<u>(1,058,054)</u>
Income (loss) before transfers and capital contributions	855,425	(118,557)	736,868
Transfers (to) from other funds			
General Fund-payment in lieu of taxes	<u>(368,160)</u>	<u>(25,975)</u>	<u>(394,135)</u>
Changes in net position	<u>\$ 487,265</u>	<u>\$ (144,532)</u>	<u>\$ 342,733</u>
Total net position - beginning, as previously reported	\$ 23,259,902	\$ 4,394,636	\$ 27,654,538
Restatement	<u>(170,131)</u>	<u>(40,055)</u>	<u>(210,186)</u>
Total net position - beginning, restated	23,089,771	4,354,581	27,444,352
Changes in net position	<u>487,265</u>	<u>(144,532)</u>	<u>342,733</u>
Total net position - ending	<u>\$ 23,577,036</u>	<u>\$ 4,210,049</u>	<u>\$ 27,787,085</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, 2015**

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
Cash Flows From Operating Activities:			
Cash received from customers	\$8,469,318	\$7,951,822	\$ 16,421,140
Customer deposits received	225	7,209	7,434
Cash paid for goods and services	(2,876,350)	(7,342,121)	(10,218,471)
Cash paid to or on behalf of employees for services	<u>(1,841,213)</u>	<u>(418,760)</u>	<u>(2,259,973)</u>
Net cash provided (used) by operating activities	<u>3,751,980</u>	<u>198,150</u>	<u>3,950,130</u>
Cash Flows From Non-Capital Financing Activities:			
Repayment from General Fund	-	150,000	150,000
Transfers - in (out)	<u>(368,160)</u>	<u>(25,975)</u>	<u>(394,135)</u>
Net cash provided (used) by non-capital financing activities	<u>(368,160)</u>	<u>124,025</u>	<u>(244,135)</u>
Cash Flows From Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(148,797)	(141,116)	(289,913)
Proceeds from sale of capital assets	5,281	-	5,281
Principal paid on long-term debt	(1,895,263)	-	(1,895,263)
Interest paid on long-term debt	<u>(717,472)</u>	<u>-</u>	<u>(717,472)</u>
Net cash provided (used) by capital and related financing activities	<u>(2,756,251)</u>	<u>(141,116)</u>	<u>(2,897,367)</u>
Cash Flows From Investing Activities:			
Investment earnings	<u>6,334</u>	<u>4,536</u>	<u>10,870</u>
Net cash provided (used) by investing activities	<u>6,334</u>	<u>4,536</u>	<u>10,870</u>
Net increase (decrease) in cash and cash equivalents	633,903	185,595	819,498
Cash and cash equivalents at beginning of year	<u>7,037,533</u>	<u>3,362,538</u>	<u>10,400,071</u>
Cash and cash equivalents at end of year	<u>\$7,671,436</u>	<u>\$3,548,132</u>	<u>\$ 11,219,568</u>

cont.

CITY OF LINCOLN, NORTH CAROLINA

Page 2 of 2, cont.

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015**

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$1,918,015	\$ (123,093)	\$ 1,794,922
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	1,747,158	85,424	1,832,582
Pension expense	9,057	2,134	11,191
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	35,028	8,723	43,751
(Increase) decrease in inventory	109,405	156,418	265,823
(Increase) decrease in prepaid expense	(1,112)	(987)	(2,099)
Increase (decrease) in accounts payable and other accrued liabilities	(39,818)	66,507	26,689
Increase (decrease) in other post retirement benefits	58,166	12,776	70,942
Increase (decrease) in accrued vacation pay	1,441	2,546	3,987
Increase (decrease) in deferred outflows of resources for pensions	(85,585)	(19,507)	(105,092)
Increase (decrease) in customer deposits	225	7,209	7,434
Net cash provided (used) by operating activities	<u>\$3,751,980</u>	<u>\$ 198,150</u>	<u>\$ 3,950,130</u>
Supplemental Schedule of Non Cash Financing Activities:			
Amortization of loss on refunded debt	<u>\$ 98,064</u>	<u>\$ -</u>	<u>\$ 98,064</u>
Amortization on premium on refunded debt	<u>\$ (156,908)</u>	<u>\$ -</u>	<u>\$ (156,908)</u>
Amortization on prepaid insurance on bond refunding	<u>\$ 58,843</u>	<u>\$ -</u>	<u>\$ 58,843</u>
Payment of debt with the issuance of debt	<u>\$9,479,000</u>	<u>\$ -</u>	<u>\$ 9,479,000</u>

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

NOTES TO THE FINANCIAL STATEMENTS

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

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CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2015

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, NC 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.

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, 2015

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. Nonoperating 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, 2015

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. Nonexchange 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 nonoperating 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 nonoperating 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. Proceeds 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, 2015

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, Special Revenue (Occupancy Tax) Fund, and Enterprise Funds. 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. During the year, several immaterial amendments to the original budget were necessary.

The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

All deposits of the City and the ABC Board, are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The City, 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 nonguaranteed 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 as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

CITY OF LINCOLNTON, NORTH CAROLINA

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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. Therefore, all cash and investments of the City are essentially demand deposits and are considered cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of 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. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per 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	\$ 865,917
Public safety	<u>7,000</u>
	<u>872,917</u>
Business-type activities	
Water and sewer fund	
Customer deposits	91,759
Electric fund	
Customer deposits	<u>247,046</u>
Total business-type activities	<u>338,805</u>
Total restricted cash	<u><u>\$1,211,722</u></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, 2014. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
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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 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. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. 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, 2015

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 one item that meets this criterion, contributions made to the pension plan in the 2015 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 three items that meet the criterion for this category - prepaid taxes, property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

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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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 - 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 - 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, 2015

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

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

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

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

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

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

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2015

12. Pensions

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. 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.

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
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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, 2015, the City's deposits had a carrying amount of \$13,383,161 and a bank balance of \$13,727,166. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$13,477,166 in interest-bearing deposits was covered by collateral held under the pooling method. At June 30, 2015, the City's petty cash fund totaled \$1,150.

At June 30, 2015, the ABC Board had a carrying amount of \$282,180 and a bank balance of \$282,180. Of the bank balance, \$250,000 was covered by federal depository insurance. At June 30, 2015, the ABC Board had cash on hand of \$2,800.

At June 30, 2015, the LTDA had a carry amount of \$413,785 and a bank balance of \$413,785. Of the bank balance \$250,000 was covered by federal depository insurance.

2. Investments

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust Cash Portfolio	<u>\$2,116,405</u>	N/A	AAAm

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 NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard and Poor's as of June 30, 2015.

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2015**

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>\$ 90,000</u>
Enterprise Funds:	
Water and Sewer Fund	210,724
Electric Fund	<u>93,442</u>
Total enterprise funds	<u>304,166</u>
Total	<u><u>\$394,166</u></u>

4. Capital Assets

Primary Government

Capital asset activity for the primary government for the year ended June 30, 2015, 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	\$ 8,180,388	\$ 120,000	\$ -	\$ 8,300,388
Construction in progress	<u>29,121</u>	<u>4,561</u>	<u>13,682</u>	<u>20,000</u>
Total capital assets not being depreciated	<u>8,209,509</u>	<u>\$124,561</u>	<u>\$13,682</u>	<u>8,320,388</u>
Capital assets being depreciated:				
Building	7,622,241	\$ 24,999	\$ -	7,647,240
Other improvements	2,406,956	48,682	-	2,455,638
Plant and distribution systems	239,075	-	-	239,075
Furniture and equipment	1,687,731	45,645	9,865	1,723,511
Vehicles and motorized equipment	4,598,907	349,960	56,732	4,892,135
Infrastructure	<u>13,482,969</u>	<u>-</u>	<u>-</u>	<u>13,482,969</u>
Total capital assets being depreciated	<u>30,037,879</u>	<u>\$469,286</u>	<u>\$66,597</u>	<u>30,440,568</u>
Less accumulated depreciated for:				
Building	2,795,902	\$ 235,857	\$ -	3,031,759
Other improvements	1,012,744	111,896	-	1,124,640
Plant and distribution systems	31,380	9,218	-	40,598
Furniture and equipment	1,269,891	86,775	9,747	1,346,919
Vehicles and motorized equipment	4,174,099	174,898	56,732	4,292,265
Infrastructure	<u>10,049,302</u>	<u>269,114</u>	<u>-</u>	<u>10,318,416</u>
Total accumulated depreciation	<u>19,333,318</u>	<u>\$887,758</u>	<u>\$66,479</u>	<u>20,154,597</u>
Total capital assets being depreciated, net	<u>10,704,561</u>			<u>10,285,971</u>
Governmental activity capital assets, net	<u>\$18,914,070</u>			<u>\$18,606,359</u>

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2015**

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

General government	\$576,758
Public safety	132,499
Public works	80,674
Economic and physical development	628
Environmental protection	56,128
Cultural and recreational	41,071
Total depreciation expense	<u>\$887,758</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type Activities:				
Water and Sewer Fund:				
Capital assets, not being depreciated:				
Land	\$ 95,600	\$ -	\$ -	\$ 95,600
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>95,600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>95,600</u>
Capital assets being depreciated:				
Building and improvements	13,719,229	\$ 19,185	\$ -	13,738,414
Plant and distribution systems	45,972,157	-	-	45,972,157
Furniture and equipment	7,631,349	64,226	36,490	7,659,085
Vehicles	372,980	65,387	28,836	409,531
Total capital assets being depreciated	<u>67,695,715</u>	<u>\$ 148,798</u>	<u>\$65,326</u>	<u>67,779,187</u>
Less accumulated depreciation for:				
Building and improvements	5,230,985	\$ 333,733	\$ -	5,564,718
Plant and distribution systems	23,280,165	1,107,631	-	24,387,796
Furniture and equipment	6,268,038	289,435	36,490	6,520,983
Vehicles	352,848	16,358	28,836	340,370
Total accumulated depreciation	<u>35,132,036</u>	<u>\$1,747,157</u>	<u>\$65,326</u>	<u>36,813,867</u>
Total capital assets being depreciated, net	<u>32,563,679</u>			<u>30,965,320</u>
Water and Sewer Fund capital assets, net	<u>32,659,279</u>			<u>31,060,919</u>
Electric Fund:				
Capital assets not being depreciated:				
Land	10,220	\$ -	\$ -	10,220
Construction in progress	12,600	5,265	12,600	5,265
Total capital assets not being depreciated	<u>22,820</u>	<u>\$ 5,265</u>	<u>\$12,000</u>	<u>15,485</u>
Capital assets being depreciated:				
Building and improvements	775,989	\$ -	\$ -	775,989
Plant and distribution systems	3,262,094	41,908	-	3,304,002
Furniture and equipment	117,520	-	-	117,520
Vehicles	523,047	106,543	-	629,590
Total capital assets being depreciated	<u>4,678,650</u>	<u>\$ 148,451</u>	<u>\$ -</u>	<u>4,827,101</u>

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**Notes to the Financial Statements
June 30, 2015**

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type Activities:				
Less accumulated depreciation for:				
Building and improvements	\$ 257,767	\$ 37,407	\$ -	\$ 295,174
Plant and distribution systems	2,785,502	40,764	-	2,826,266
Furniture and equipment	78,980	4,557	-	83,537
Vehicles	<u>518,249</u>	<u>2,696</u>	-	<u>520,945</u>
Total accumulated depreciation	<u>3,640,498</u>	<u>\$ 85,424</u>	<u>\$ -</u>	<u>3,725,922</u>
 Total capital assets being depreciated, net	 <u>1,038,152</u>			 <u>1,101,179</u>
 Electric Fund capital assets, net	 <u>1,060,971</u>			 <u>1,116,663</u>
Business-type activities capital assets, net	<u>\$33,720,251</u>			<u>\$32,177,582</u>

The City has active construction projects as of June 30, 2015. At year-end, the City's commitments with contractors are as follows:

	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Main St. and Generals Blvd. Intersection	\$20,000	\$581,250
SCADA - Phase II	<u>5,265</u>	<u>64,735</u>
Total	<u>\$25,265</u>	<u>\$645,985</u>

Discretely Presented Component Unit:

Activity for the City of Lincolnton ABC Board for the year ended June 30, 2015 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 425,000	<u>\$ -</u>	<u>\$ -</u>	\$ 425,000
Capital assets being depreciated:				
Building	1,334,566	\$ -	\$ -	1,334,566
Improvements	5,700	-	-	5,700
Office equipment	137,196	19,990	-	157,186
Store equipment	<u>172</u>	<u>-</u>	<u>-</u>	<u>172</u>
Total capital assets being depreciated	<u>1,477,634</u>	<u>\$19,900</u>	<u>\$ -</u>	<u>1,497,624</u>
Less accumulated depreciation for:				
Building	151,765	\$34,631	-	186,396
Improvements	2,185	570	-	2,755
Office equipment	91,918	21,198	-	113,116
Store equipment	<u>172</u>	<u>-</u>	<u>-</u>	<u>172</u>
Total accumulated depreciation	<u>246,040</u>	<u>\$56,399</u>	<u>\$ -</u>	<u>302,439</u>
 Total capital assets being depreciated, net	 <u>1,231,594</u>			 <u>1,195,185</u>
 ABC Board capital assets, net	 <u>\$1,656,594</u>			 <u>\$1,620,185</u>

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2015**

B. Liabilities

1. Accounts Payable and Accrued Liabilities

Payables at the government-wide level at June 30, 2015 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Other</u>	<u>Total</u>
Governmental activities:					
General	\$ 98,075	\$196,434	\$ -	\$ -	\$ 294,510
Other governmental	-	-	-	-	-
Total governmental activities	<u>98,075</u>	<u>196,434</u>	<u>-</u>	<u>-</u>	<u>294,510</u>
Business-type activities:					
Water and Sewer	94,650	53,801	53,208	-	201,659
Electric	<u>745,743</u>	<u>13,709</u>	<u>-</u>	<u>16,876</u>	<u>776,328</u>
Total business-type activities	<u>840,394</u>	<u>67,510</u>	<u>53,208</u>	<u>16,876</u>	<u>977,988</u>
Total	<u>\$938,469</u>	<u>\$263,945</u>	<u>\$ 53,208</u>	<u>\$16,876</u>	<u>\$1,272,497</u>

2. Pension Plan and Postemployment 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.

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2015

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.

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, 2015, was 7.41% of compensation for law enforcement officers and 7.07% 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 \$440,567 for the year ended June 30, 2015.

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

CITY OF LINCOLNTON, NORTH CAROLINA

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

At June 30, 2015, the City reported an asset of \$655,739 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension asset 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, 2014, the City's proportion was 0.11119%, which was a decrease of 0.00189% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$46,543. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 71,651
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,526,545
Changes in proportion and differences between City contributions and proportionate share of contributions	21,673	-
City contributions subsequent to the measurement date	<u>1,576,523</u>	<u>-</u>
Total	<u>\$1,598,196</u>	<u>\$1,598,196</u>

\$1,576,523 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$(394,162)
2017	(394,162)
2018	(394,162)
2019	(394,037)
2020	-
Thereafter	-

Actuarial Assumptions - The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

CITY OF LINCOLNTON, NORTH CAROLINA

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Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 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, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 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	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	<u>4.5%</u>	3.7%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 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 3.19%. All rates of return and inflation are annualized.

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A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

Discount rate - The discount rate used to measure the total pension liability was 7.25%. 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.

Sensitivity of the City's proportionate share of the net pension asset to changes in the discount rate - The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.25 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 (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Increase (6.25%)	Discount Decrease (7.25%)	1% Rate (8.25%)
Town's proportionate share of the net pension liability (asset)	<u>\$2,225,861</u>	<u>\$(655,739)</u>	<u>\$(3,081,953)</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. 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.

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements

Jnne 30, 2015

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2013, 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>

A separate report was not issued for the plan.

Summary of Significant Accounting Policies

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

The Separation Allowance has no assets accumulated in a trust that meet the following criteria which we outlined in GASB Statements 67 and 68:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members.

Method Used to Value Investments - No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2013 actuarial valuation using the projected unit credit actuarial cost method. The amortization method used was the level dollar closed. The plan has a remaining amortization period of 17 years. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25%-7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include postretirement benefit increases. Market value is used to determine the actuarial value of assets.

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
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Annual Pension Cost and Net Pension Obligation - The City's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 96,533
Interest on net pension obligation	13,608
Adjustment to annual required contribution	<u>(22,992)</u>
Annual pension cost	87,149
Contributions made	<u>85,979</u>
Increase (decrease) in net pension obligation	1,170
Net pension obligation, beginning of year	<u>272,168</u>
Net pension obligation, end of year	<u><u>\$273,338</u></u>

3 Year Trend Information

For Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2013	\$63,775	101.30%	\$271,479
2014	\$67,625	98.98%	\$272,168
2015	\$87,149	98.66%	\$273,338

Funded Status and Funding Progress

As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$834,409. The covered payroll (annual payroll of active employees covered by the plan) was \$1,320,464, and the ratio of the UAAL to the covered payroll was 63.19%.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2015

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description - The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State 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. Contributions for the year ended June 30, 2015 were \$81,568, which consisted of \$64,710 from the City and \$16,858 from the law enforcement officers.

d. Firemen's 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.

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.

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2015

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, 2014, the State contributed \$14,627,000 to the plan. The City of Lincolnton's proportionate share of the State's contribution is \$2,280.

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, 2015, 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 \$11,033. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 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, 2014 and at June 30, 2013 was 0%.

For the year ended June 30, 2015, the City recognized pension expense of \$4,148 and revenue of \$4,148 for support provided by the State. At June 30, 2015, the City reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

Actuarial Assumptions - The total pension liability in the December 31, 2013 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	7.25 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.

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
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Discount rate - The discount rate used to measure the total pension liability was 7.25%. 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.

e. Other Postemployment 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 (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 at the City's group rates. Currently, thirty (31) retirees are eligible for post-employment health benefits. For the fiscal year ended June 30, 2015, the City made payments for post-employment health benefit premiums of \$379,884. The City participates in a self-funded risk-financing pool administered by the North Carolina League of Municipalities.

Membership of the HCB Plan consisted of the following at December 31, 2014, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	31
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	121
Active employees-Law Enforcement Officers	<u>31</u>
Total	<u>183</u>

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
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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.

The current ARC rate is 7.20% of annual covered payroll. For the current year, the City contributed \$379,884 or 6.37% of annual covered payroll. The City obtains healthcare coverage through a self funded risk-financing pool administered by the North Carolina League of Municipalities. There were no contributions made by employees, except for dependent coverage. The City's obligation to contribute to HCB Plan is established and may be amended by the City Council.

Summary of Significant Accounting Policies - Postemployment expenditures are made from the fund and function level for which the employee retired, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and OPEB Obligation - The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 648,710
Interest on net OPEB obligation	81,493
Adjustment to annual required contribution	<u>(77,851)</u>
Annual OPEB cost (expense)	652,352
Contributions made	<u>(379,884)</u>
Increase (decrease) in net OPEB obligation	272,468
Net OPEB obligation, beginning of year	<u>2,037,333</u>
Net OPEB obligation, end of year	<u>\$ 2,309,801</u>

CITY OF LINCOLN, NORTH CAROLINA

**Notes to the Financial Statements
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The City's annual OPEB cost, the percentage of annual OPEB cost contribution to the plan, and the net OPEB obligation for 2015, 2014, and 2013 were as follows:

For Year Ended	3 Year Trend Information		
<u>June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$558,689	45.4%	\$1,773,807
2014	\$541,323	51.3%	\$2,037,333
2015	\$652,352	58.2%	\$2,309,801

Funded Status and Funding Progress - As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$9,496,222. The covered payroll (annual payroll of active employees covered by the plan) was \$5,625,969, and the ratio of the UAAL to the covered payroll was 168.8%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 % investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.50 % to 5.00 % annually. The investment rate included a 3.00 % inflation assumption. The actuarial value of assets, if any, was determined using the market value of investments. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2014 was 30 years.

The ABC Board has not elected to provide other postemployment benefits to employees.

CITY OF LINCOLNTON, NORTH CAROLINA

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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 (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 of 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.

For the fiscal year ended June 30, 2015, the City made contributions to the State for death benefits of \$0. The City's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.00% and 0.00% of covered payroll, respectively.

Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012. A temporary relief period based on the number of years the employer has contributed as of December 31, 2010 was established as follows:

<u>No. Years Contributing</u>	<u>Years Relief</u>	<u>Fiscal Year Contributions Resume</u>
10 - 20	2	2015
20 or more	3	2016

The period of reprieve is determined separately for law enforcement officers. The City of Lincolnton will have a two year reprieve because it has been contributing for more than 20 years. Contributions will resume in the fiscal year beginning July 1, 2015.

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2015**

3. Deferred Outflows and Inflows of Resources

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

Source

Contributions to pension plan in current fiscal year	\$440,567
--	-----------

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

Prepaid taxes	\$ 1,999
Taxes receivable	259,241
Pension deferrals	1,576,523

4. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The City participates in two self-funding risk financing pools administered by the North Carolina League of Municipalities. Through these pools the City has worker's compensation coverage of up to statutory limits and unlimited lifetime limit on employee health coverage. The pools are reinsured for annual employee health claims in excess of \$500,000.

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.

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2015**

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 2028 \$118,300

\$350,000, 2015, 1.50% loan payable to bank, in annual installments of \$87,500 due in 2018 262,500
\$380,800

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. 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.

Revolving loans payable consist of the following individual issues at June 30, 2015

\$1,355,575 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 2.87% through 2021 \$ 470,050

\$10,000,000 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 2.87% through 2023 5,038,879
\$5,508,929

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.

CITY OF LINCOLN, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2015**

Bonds payable consists of the following individual issue at June 30, 2015:

\$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% \$9,479,000

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

	<u>Loans Payable</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:								
2016	\$ 97,301	\$ 4,724	\$ -	\$ -	\$ -	\$ -	\$ 97,301	\$ 4,724
2017	97,751	7,748	-	-	-	-	97,751	7,748
2018	98,222	5,985	-	-	-	-	98,222	5,985
2019	11,215	4,202	-	-	-	-	11,215	4,202
2020	11,730	3,709	-	-	-	-	11,730	3,709
2021-2025	<u>64,581</u>	<u>10,574</u>	-	-	-	-	<u>64,581</u>	<u>10,574</u>
Total business-type	<u>\$380,800</u>	<u>\$36,943</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$380,800</u>	<u>\$36,943</u>
	<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>
Business-type activities:								
2016	\$ -	\$ -	\$ 642,180	\$158,106	\$1,511,000	\$159,879	\$ 2,153,180	\$ 317,985
2017	-	-	660,610	139,676	1,540,000	131,472	2,200,610	271,148
2018	-	-	679,570	120,716	1,567,000	106,062	2,246,570	226,778
2019	-	-	699,073	101,213	1,596,000	80,207	2,295,073	181,419
2020	-	-	719,137	81,149	1,618,000	53,873	2,337,137	135,022
2021-2025	-	-	<u>2,108,358</u>	<u>119,705</u>	<u>1,647,000</u>	<u>27,176</u>	<u>3,755,358</u>	<u>146,881</u>
Total business-type	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,508,929</u>	<u>\$720,565</u>	<u>\$9,479,000</u>	<u>\$558,668</u>	<u>\$14,987,929</u>	<u>\$1,279,233</u>
Total	<u>\$380,800</u>	<u>\$36,943</u>	<u>\$ 5,508,929</u>	<u>\$720,565</u>	<u>\$9,479,000</u>	<u>\$558,668</u>	<u>\$15,368,729</u>	<u>\$1,316,176</u>

The City insured \$9,479,000 of Combined Enterprise System Revenue Refunding Bonds Series 2015 to refund the refunded Bonds of 2005. The net revenues of the Water and Sewer System are pledged to pay the principal and interest of the Bonds. The Bonds bear interest of 1.65% per annum.

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2015**

d. Current Refunding

On April 23, 2105, the City of Lincolnton entered into a Combined Enterprise Revenue Refunding Bond, Series 2015 of \$9,479,000 with an interest rate of 1.65% for five years to refinance an October 2005, 3.5% to 5.0%, Revenue Bond with a remaining balance of \$10,750,000, maturity date 2021. As a result of the current refunding, the City reduced its annual debt service cost from \$1,806,219 to \$1,808,738 to \$1,511,000 to \$1,647,000, which resulted in an economic gain (difference between the present value of the old debt and the new debt service payments) of \$768,626.

Changes in Long-Term Liabilities

	<u>Balance</u> <u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Current</u> <u>Portion of</u> <u>Balance</u>
Governmental activities:					
Compensated absences	\$ 306,547	\$217,149	\$ 192,272	\$ 331,424	\$ 206,698
Net pension obligation	272,168	87,149	85,979	273,338	-
Other postemployment benefits	1,542,252	519,602	318,075	1,743,779	-
Net pension liability (LGERS)	1,000,834	-	1,000,834	-	-
Loans payable	<u>-</u>	<u>470,000</u>	<u>89,200</u>	<u>380,800</u>	<u>97,301</u>
Governmental activities long-term liabilities	<u>\$ 3,121,801</u>	<u>\$1,293,900</u>	<u>\$ 1,686,360</u>	<u>\$ 2,729,341</u>	<u>\$ 303,997</u>
Business-type activities:					
Compensated absences	\$ 118,106	\$ 68,225	\$ 64,239	\$ 122,092	\$ 61,982
Other postemployment benefits	495,081	132,750	61,809	566,022	-
Net pension liability (LGERS)	204,650	-	204,650	-	-
Revenue bonds	10,750,000	9,479,000	10,750,000	9,479,000	1,511,000
Revolving loans	<u>6,133,193</u>	<u>-</u>	<u>624,264</u>	<u>5,508,929</u>	<u>642,180</u>
Business-type activities long-term liabilities	<u>\$ 17,701,030</u>	<u>\$9,679,975</u>	<u>\$11,704,961</u>	<u>\$15,676,044</u>	<u>\$2,215,161</u>

The liability for compensated absences, net pension obligation and other postemployment benefits for the governmental activities typically has been liquidated in the General Fund.

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2015**

C. Interfund Balances and Activity

Balances Due To/From Other Funds

The composition of interfund balances as of June 30, 2015 is as follows:

<u>Receivable</u>	<u>Payable Fund</u>	
Electric Fund	General Fund	<u>\$-0-</u>

During the year ended June 30, 2005, the Electric Fund transferred \$1,500,000 to the General Fund to be repaid in the annual equalized payments of principal of \$150,000 together with all accrued interest at a rate of 1.5% per annum on the first day of May beginning in 2006 through May 2015. The \$1,500,000 interfund loan was used to partially fund the \$4,200,000 project that reconstructed and enlarged the City Hall/Fire Station Complex.

Transfers To/From Other Funds

The composition of transfers as of June 30, 2015 is as follows:

<u>Transfer Out</u>	<u>Transfers In</u>		
	<u>General Fund</u>	<u>Electric Rate Stabilization Fund</u>	<u>Total</u>
Water and Sewer Fund	\$368,160	\$ -	\$368,160
Electric Fund	<u>25,975</u>	<u>25,000</u>	<u>50,975</u>
Total	<u>\$394,135</u>	<u>\$25,000</u>	<u>\$419,135</u>

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, 2015, 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.

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2015**

D. Component Unit Receivables and Payables

The composition of component unit balances as of June 30, 2015 was as follows:

	<u>Receivable</u>	<u>Payable</u>
Primary Government	\$35,263	\$ -
Component Unit - City of Lincolnton ABC Board	<u>-</u>	<u>35,263</u>
Total	<u>\$35,263</u>	<u>\$35,263</u>

E. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2015, the City of Lincolnton has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$4,148 for the 17 employed firemen who perform firefighting duties for the City's fire department. The employees elected to be members of the Firemen and Rescue 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 \$4,026 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, 2015. 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.

F. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$ 18,606,359	\$ 32,177,582
Less: long-term debt	<u>(380,800)</u>	<u>(14,987,929)</u>
	<u>\$ 18,225,559</u>	<u>\$ 17,189,653</u>

CITY OF LINCOLNTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2015**

G. 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	\$4,692,437
Less:	
Inventories	22,880
Prepaid	58,524
Stabilization by State Statute	633,776
Streets-Powell Bill	849,755
Police	7,000
Appropriated Fund Balance in 2016 budget	1,405,541
Remaining Fund Balance	1,714,961

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>
	\$1,383	\$-0-

H. Prior Period Adjustment

In prior years, the Lincolnton Tourism Development Authority (LTDA) was reported as a special revenue fund in City of Lincolnton's financial statements. The LTDA should have been reported as a component unit, governmental fund (discrete presentation). Therefore, an adjustment to beginning fund balance of \$383,388 has been made to reflect the correct presentation.

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, 2015 were \$6,410,269.

The City, in conjunction with nine counties and seventy-four other municipalities established the Centralina Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The City paid membership fees of \$2,517 to the Council during the fiscal year ended June 30, 2015.

CITY OF LINCOLNTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2015

IV. Joint Venture

The City, in conjunction with Lincoln County, participates in a general aviation airport. Each participating government appoints three members to the six-member board. The Airport is a joint venture established to facilitate economic expansion within the County and improve the quality of life for its citizens. The Airport has been in existence since 1986, but it is not yet self-sustaining. The City has an 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 \$60,000 to the Airport during the fiscal year ended June 30, 2015. 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, 2015. Complete financial statements for the Airport can be obtained from Lincoln County administrative offices at 115 West Main Street, Lincolnton, NC 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 lightning 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, 2015, the City reported revenues and expenditures for the payments of \$4,026 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, 2015. 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, NC 28092.

VII. 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, 2015**

VIII. Significant Effects of Subsequent Events

Management has evaluated subsequent events through November 23, 2015, the date on which the financial statements were available to be issued. During the period from the end of the year and through this date, the following subsequent event occurred that requires recognition or disclosure in these financial statements. The City issued new debt of \$175,000, 1.5%, for four years for the purchase of five police vehicles. The City anticipates issuing \$1,000,000 for the purchase of a new fire truck (\$450,000) and two garbage trucks \$250,000 each for a term of seven years.

The Lincolnton Tourism Development has appropriated to use \$220,000 to be paid to the City of Lincolnton for the First Federal Park project.

IX. Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No.27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the Town to record beginning net pension liability and the effects on net position of contributions made by the Town during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$664,055 and \$210,186, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

This section contains additional information required by generally accepted accounting principles

- **Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance.**
 - **Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance.**
 - **Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance.**
 - **Schedule of Funding Progress for the Other Postemployment Benefits.**
 - **Schedule of Employer Contributions for the Other Postemployment Benefits.**
 - **Notes to the Required Schedules for the Other Postemployment Benefits.**
 - **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**
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CITY OF LINCOLNTON, NORTH CAROLINA

**Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
		Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)			
12-31-05	\$ -	\$433,462	\$433,462	0%	\$1,023,896	42.33%
12-31-06	-	467,359	467,359	0%	1,186,979	39.37%
12-31-07	-	564,990	564,990	0%	1,059,126	53.34%
12-31-08	-	603,347	603,347	0%	1,151,305	52.41%
12-31-09	-	799,775	799,775	0%	1,208,384	66.19%
12-31-10	-	597,843	597,843	0%	1,221,571	48.94%
12-31-11	-	669,998	669,998	0%	1,175,985	56.97%
12-31-12	-	767,812	767,812	0%	1,233,949	62.22%
12-31-13	-	831,721	831,721	0%	1,246,793	66.71%
12-31-14	-	834,409	834,409	0%	1,320,464	63.19%

CITY OF LINCOLN, NORTH CAROLINA

**Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Employer Contributions**

Year Ended <u>June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2006	\$49,774	4.90%
2007	43,820	4.12%
2008	48,621	3.95%
2009	53,374	5.04%
2010	59,566	5.17%
2011	71,809	5.94%
2012	64,029	5.24%
2013	67,106	5.71%
2014	76,169	6.17%
2015	96,533	7.74%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuation.

Valuation date	12/31/14
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	16 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increases	4.25 - 7.85%
Includes inflation at	3.00%
Cost-of-living adjustments	N/A

CITY OF LINCOLNTON, NORTH CAROLINA

**Other Postemployment Benefits
Required Supplementary Information
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
12/31/08	-	\$6,311,805	\$6,311,805	0%	\$5,830,706	108.3%
12/31/09	-	\$6,295,360	\$6,295,360	0%	\$6,005,830	104.8%
12/31/10	-	\$6,141,503	\$6,141,503	0%	\$5,984,911	102.6%
12/31/11	-	\$6,662,214	\$6,662,214	0%	\$6,175,733	107.9%
12/31/12	-	\$6,487,957	\$6,487,957	0%	\$5,849,512	110.9%
12/31/13	-	\$7,847,877	\$7,847,877	0%	\$6,031,272	130.1%
12/31/14	-	\$9,496,222	\$9,496,222	0%	\$5,625,969	168.8%

Note: The City of Lincolnton implemented GASB Statement No. 45 for the fiscal year ended June 30, 2009. As the City has additional actuary valuations performed, previous years information will be added to this Schedule.

CITY OF LINCOLN, NORTH CAROLINA

**Other Postemployment Benefits
Required Supplementary Information
Schedule of Employer Contributions**

Year Ended <u>June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2010	\$539,675	9.26%
2011	\$529,260	8.82%
2012	\$523,248	8.74%
2013	\$556,063	9.00%
2014	\$538,152	9.20%
2015	\$648,710	10.76%

Note: The City of Lincoln implemented GASB Statement No. 45 for the fiscal year ended June 30, 2009. As the City has additional actuary valuations performed, previous years information will be added to this Schedule.

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part actuarial valuation follows:

Valuation date	12/31/14
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	4.0%
Medicare cost trend rate	7.75% - 5.00%
Year of ultimate trend rate	2020
*Includes inflation at	3.00%

CITY OF LINCOLN, NORTH CAROLINA

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

	<u>2015</u>	<u>2014</u>
City of Lincoln's proportion of the net pension liability (asset)(%)	0.11119%	0.10930%
City of Lincoln's proportion of the net pension liability (asset)(\$)	\$ (655,739)	\$1,317,485
City of Lincoln's covered payroll	\$ 6,230,371	\$6,051,103
City of Lincoln's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(10.52%)	21.75%
Plan fiduciary net pension as a percentage of the total pension liability**	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.

CITY OF LINCOLNTON, NORTH CAROLINA

**City of Lincolnton's Contributions
Required Supplementary Information
Last Two Fiscal Years**

Local Government Employees' Retirement System

	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 440,567	\$ 443,242
Contributions in relation to the contractually required contributions	<u>440,567</u>	<u>443,242</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City of Lincolnton's covered-employee payroll	\$6,170,108	\$6,230,371
Contributions as a percentage of covered employee payroll	7.15%	7.11%

CITY OF LINCOLNTON, NORTH CAROLINA

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

	<u>2015</u>
City of Lincolnton's proportionate share of the net pension liability (%)	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>11,033</u>
Total	<u>\$ 11,033</u>
City of Lincolnton's covered-employee payroll	\$926,057
City of Lincolnton's proportionate share of the net pension liability as a percentage of its covered-employee payroll	11.91%
Plan fiduciary net position as a percentage of the total pension liability	93.42%

*The amounts presented for the fiscal year ending June 30, 2015 were determined as of June 30, 2014.

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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, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 3,408,232	\$ 3,331,217
Taxes receivable, net	259,241	232,741
Accounts receivable, net	436,461	469,292
Due from governmental agencies	160,682	183,341
Due from component unit	35,263	33,319
Inventories	22,880	134,268
Prepaid items	58,524	55,321
Restricted cash	872,917	832,908
Total assets	<u>\$ 5,254,197</u>	<u>\$ 5,272,407</u>
<u>Liabilities</u>		
Accounts payable and other accrued liabilities	\$ 294,510	\$ 262,092
Due to other funds	-	150,000
Unearned revenues	6,010	6,035
Total liabilities	<u>300,520</u>	<u>418,127</u>
<u>Deferred Inflows of Resources</u>		
Property taxes receivable	259,241	232,741
Prepaid taxes	1,999	297
Total deferred inflows of resources	<u>261,240</u>	<u>233,038</u>
<u>Fund Balances</u>		
Non Spendable:		
Inventories	22,880	134,268
Prepaid expenditures	58,524	55,321
Restricted:		
Stabilization by State statute	633,776	686,430
Streets	849,755	833,430
Public safety - police	7,000	-
Assigned:		
Subsequent year's expenditures	1,405,541	1,547,057
Unassigned	1,714,961	1,364,736
Total fund balances	<u>4,692,437</u>	<u>4,621,243</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,254,197</u>	<u>\$ 5,272,407</u>

General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2015
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014)

	<u>2015</u>		Variance Positive (Negative)	2014 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues:				
Ad valorem taxes:				
Current year	\$ 4,548,000	\$4,635,627	\$ 87,627	\$4,751,510
Prior years	125,000	76,183	(48,817)	117,734
Interest and penalties	<u>35,000</u>	<u>22,895</u>	<u>(12,105)</u>	<u>36,588</u>
Total	<u>4,708,000</u>	<u>4,734,705</u>	<u>26,705</u>	<u>4,905,832</u>
Other taxes and licenses:				
Other taxes	<u>21,850</u>	<u>27,986</u>	<u>6,136</u>	<u>25,521</u>
Unrestricted intergovernmental revenues:				
Local option sales tax	2,400,000	2,499,885	99,885	2,264,938
Payment in lieu of taxes	22,650	22,471	(179)	22,651
Hold harmless distribution	-	-	-	66,169
Utility franchise tax	795,000	920,256	125,256	808,761
Beer and wine tax	44,000	50,317	6,317	45,873
ABC profit distribution	60,000	50,263	(9,737)	113,319
Other	<u>59,000</u>	<u>58,666</u>	<u>(334)</u>	<u>57,636</u>
Total	<u>3,380,650</u>	<u>3,601,858</u>	<u>221,208</u>	<u>3,379,348</u>
Restricted intergovernmental revenues:				
Powell Bill street aid allocation	315,000	315,266	266	314,080
Powell Bill investment earnings	200	842	642	238
Other Powell Bill receipts	-	1,948	1,948	1,906
Controlled substance tax	5,000	5,352	352	11,477
ABC revenue for law enforcement	30,000	40,000	10,000	30,000
Restricted investment earnings	-	1	1	-
On-behalf of payments-Fire and Rescue	5,200	8,174	2,974	10,855
Federal, state and local grants	<u>473,500</u>	<u>20,238</u>	<u>(453,262)</u>	<u>49,453</u>
Total	<u>828,900</u>	<u>391,822</u>	<u>(437,078)</u>	<u>418,009</u>

cont.

General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2015
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014)

	<u>2015</u>		<u>Variance Positive (Negative)</u>	<u>2014 Actual</u>
	<u>Budget</u>	<u>Actual</u>		
Revenues (continued):				
Permits and fees:				
Zoning fees	\$ 10,000	\$ 8,875	\$ (1,125)	\$ 8,380
Online convenience fees	10,000	13,455	3,455	11,908
Other fees	<u>4,100</u>	<u>5,427</u>	<u>1,327</u>	<u>5,480</u>
Total	<u>24,100</u>	<u>27,756</u>	<u>3,656</u>	<u>25,768</u>
Sales and services:				
Cemetery lot sales	18,000	18,600	600	27,300
Refuse/solid waste fees	-	25	25	44,466
Recreation fees and concessions	106,000	120,945	14,945	91,302
Other	<u>3,400</u>	<u>3,190</u>	<u>(210)</u>	<u>3,166</u>
Total	<u>127,400</u>	<u>142,760</u>	<u>15,360</u>	<u>166,235</u>
Investment earnings	<u>1,300</u>	<u>3,477</u>	<u>2,177</u>	<u>1,916</u>
Miscellaneous:				
Sale of property	12,600	13,441	841	6,522
Other	<u>61,827</u>	<u>41,077</u>	<u>(20,750)</u>	<u>297,979</u>
Total	<u>74,427</u>	<u>54,519</u>	<u>(19,908)</u>	<u>304,501</u>
Total revenues	<u>9,166,627</u>	<u>8,984,882</u>	<u>(181,745)</u>	<u>9,227,129</u>

cont.

General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2015

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014)

	2015		Variance Positive (Negative)	2014 Actual
	<u>Budget</u>	<u>Actual</u>		
Expenditures:				
General government:				
Governing body				
Salaries and employee benefits	\$ 240,400	\$ 211,720	\$ 28,680	\$ 320,473
Other operating expenditures	503,985	435,407	68,578	451,275
Tax collection fees	160,665	146,370	14,295	147,395
Capital outlay	60,000	155,000	(95,000)	40,177
Interdepartmental charges	(194,023)	(194,023)	-	(177,292)
	<u>771,027</u>	<u>754,474</u>	<u>16,553</u>	<u>782,029</u>
Administrative				
Salaries and employee benefits	518,990	493,848	25,142	458,534
Other operating expenditures	108,610	70,046	38,564	68,462
Capital outlay	5,000	-	5,000	-
Interdepartmental charges	(181,202)	(181,202)	-	(169,172)
	<u>451,398</u>	<u>382,692</u>	<u>68,706</u>	<u>357,823</u>
Finance				
Salaries and employee benefits	578,345	555,438	22,907	565,163
Other operating expenditures	92,055	62,981	29,074	62,584
Capital outlay	15,000	14,294	706	-
Interdepartmental charges	(413,997)	(413,997)	-	(375,188)
	<u>271,403</u>	<u>218,716</u>	<u>52,687</u>	<u>252,559</u>
Total general government	<u>1,493,828</u>	<u>1,355,882</u>	<u>137,946</u>	<u>1,392,411</u>
Public safety:				
Police				
Salaries and employee benefits	2,515,700	2,383,501	132,199	2,404,167
Other operating expenditures	390,524	303,092	87,432	305,846
Capital outlay	363,100	349,959	13,141	111,685
	<u>3,269,324</u>	<u>3,036,553</u>	<u>232,771</u>	<u>2,821,698</u>

cont.

General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2015
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014)

	<u>2015</u>		<u>Variance Positive (Negative)</u>	<u>2014 Actual</u>
	<u>Budget</u>	<u>Actual</u>		
Expenditures (continued):				
Fire				
Salaries and employee benefits	\$ 1,659,350	\$1,613,654	\$ 45,696	\$1,595,425
Other operating expenditures	281,500	220,471	61,029	182,232
Capital outlay	56,327	31,352	24,975	-
	<u>1,997,177</u>	<u>1,865,476</u>	<u>131,701</u>	<u>1,777,657</u>
Total public safety	<u>5,266,501</u>	<u>4,902,029</u>	<u>364,472</u>	<u>4,599,355</u>
Public works:				
General and administrative				
Salaries and employee benefits	240,500	208,230	32,270	222,173
Operating expenditures	85,286	53,418	31,868	60,508
Interdepartmental charges	(149,285)	(149,285)	-	(135,185)
	<u>176,501</u>	<u>112,363</u>	<u>64,138</u>	<u>147,496</u>
Street maintenance				
Salaries and employee benefits	612,250	602,680	9,570	605,276
Operating expenditures	303,588	185,171	118,417	163,252
Capital outlay	45,000	-	45,000	54,541
Interdepartmental charges	(153,613)	(153,613)	-	(139,103)
	<u>807,225</u>	<u>634,238</u>	<u>172,987</u>	<u>683,966</u>
Powell Bill assistance				
Operating expenditures	<u>951,250</u>	<u>301,732</u>	<u>649,518</u>	<u>388,118</u>
Fleet maintenance				
Salaries and employee benefits	142,520	141,971	549	175,058
Operating expenditures	36,838	31,106	5,732	32,276
Capital outlay	-	-	-	5,267
Interdepartmental charges	(46,850)	(46,850)	-	(44,070)
	<u>132,508</u>	<u>126,227</u>	<u>6,281</u>	<u>168,532</u>
Airport operation	<u>68,400</u>	<u>60,000</u>	<u>8,400</u>	<u>165,549</u>
Total public works	<u>2,135,884</u>	<u>1,234,560</u>	<u>901,324</u>	<u>1,553,660</u>

General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2015
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014)

	<u>2015</u>		Variance Positive (Negative)	2014 Actual
	<u>Budget</u>	<u>Actual</u>		
Expenditures (continued):				
Economic and physical development:				
Business and community development				
Salaries and employee benefits	\$ 126,950	\$ 104,817	\$ 22,133	\$ 124,098
Operating expenditures	84,650	65,347	19,303	51,045
	<u>211,600</u>	<u>170,164</u>	<u>41,436</u>	<u>175,143</u>
Planning and zoning				
Salaries and employee benefits	166,500	163,596	2,905	208,808
Operating expenditures	52,400	24,040	28,360	27,999
Capital outlay	-	-	-	7,500
Interdepartmental charges	(11,030)	(11,030)	-	(9,990)
	<u>207,870</u>	<u>176,605</u>	<u>31,265</u>	<u>234,317</u>
Total economic and physical development	<u>419,470</u>	<u>346,769</u>	<u>72,701</u>	<u>409,460</u>
Environmental protection:				
Solid waste				
Salaries and employee benefits	605,950	591,701	14,249	592,029
Operating expenditures	365,888	283,536	82,352	186,380
	<u>971,838</u>	<u>875,237</u>	<u>96,601</u>	<u>778,408</u>
Cemetery				
Salaries and employee benefits	182,390	176,320	6,070	170,154
Operating expenditures	42,346	48,334	(5,988)	22,661
Capital outlay	25,000	-	25,000	9,459
	<u>249,736</u>	<u>224,654</u>	<u>25,082</u>	<u>202,274</u>
Total environmental protection	<u>1,221,574</u>	<u>1,099,891</u>	<u>121,683</u>	<u>980,682</u>
Cultural and recreational:				
Salaries and employee benefits	415,196	397,179	18,017	370,994
Operating expenditures	235,116	210,263	24,853	287,610
Capital outlay	25,000	24,999	1	122,966
Total cultural and recreational	<u>675,312</u>	<u>632,441</u>	<u>42,871</u>	<u>781,570</u>

General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2015

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014)

	2015		Variance Positive (Negative)	2014 Actual
	<u>Budget</u>	<u>Actual</u>		
Expenditures (continued):				
Debt service:				
Principal retirement	\$ 239,857	\$ 89,200	\$ 150,657	\$ 67,134
Interest and other charges	<u>5,393</u>	<u>5,662</u>	<u>(269)</u>	<u>5,428</u>
Total debt service	<u>245,250</u>	<u>94,862</u>	<u>150,388</u>	<u>72,562</u>
Total expenditures	<u>11,457,819</u>	<u>9,666,434</u>	<u>1,791,385</u>	<u>9,789,700</u>
Revenues over (under) expenditures	<u>(2,291,192)</u>	<u>(681,552)</u>	<u>1,609,640</u>	<u>(562,571)</u>
Other Financing Sources (Uses):				
Issuance of debt	350,000	470,000	120,000	-
Appropriated fund balance	1,547,057	-	(1,547,057)	-
Transfers (to) from other funds				
Water and Sewer Fund	368,160	368,160	-	368,130
Electric Fund	<u>25,975</u>	<u>25,975</u>	<u>-</u>	<u>25,975</u>
Total other financing sources (uses)	<u>2,291,192</u>	<u>864,135</u>	<u>(1,427,057)</u>	<u>394,105</u>
Revenues and other financing sources over (under) expenditures and other financing uses and extraordinary item	<u>\$ -</u>	182,583	<u>\$ 182,583</u>	(168,466)
Fund balances, July 1		4,621,243		4,799,831
Increase (decrease) in reserve for inventory		<u>(111,388)</u>		<u>(10,122)</u>
Fund balances, June 30		<u>\$4,692,437</u>		<u>\$4,621,243</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, 2015**

	<u>2015</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Unrestricted intergovernmental:			
Local occupancy tax	\$ 78,000	\$ 109,122	\$ 31,122
Investment earnings	400	385	(15)
Total revenues	<u>78,400</u>	<u>109,507</u>	<u>31,107</u>
Expenditures:			
Other operating expenditures	78,660	79,110	(450)
Capital outlay	<u>220,000</u>	<u>-</u>	<u>220,000</u>
Total expenditures	<u>298,660</u>	<u>79,110</u>	<u>219,550</u>
Revenues over (under) expenditures	(220,260)	30,397	250,657
Other Financing Sources (Uses):			
Appropriated fund balance	<u>220,260</u>	<u>-</u>	<u>(220,260)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 30,397</u>	<u>\$ 30,397</u>
Fund balance, July 1, as previously reported		\$ -	
Prior period adjustment		<u>383,388</u>	
Fund balance, July 1, restated		383,388	
Revenues over (under) expenditures		<u>30,397</u>	
Fund balance, June 30		<u>\$ 413,785</u>	

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BUSINESS - TYPE ACTIVITIES

ENTERPRISE FUNDS

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

***Water and Wastewater 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, 2015 and 2014**

<u>Assets</u>	<u>2015</u>	<u>2014</u>
Current assets:		
Cash and cash equivalents	\$ 7,579,677	\$ 6,945,999
Accounts receivable	752,956	787,984
Inventories	56,951	166,357
Prepaid expenses	22,359	80,090
Total current assets	<u>8,411,943</u>	<u>7,980,431</u>
Noncurrent assets:		
Restricted cash and cash equivalents	91,759	91,534
Net pension asset	127,609	-
Capital assets, net of accumulated depreciation	31,060,919	32,659,280
Total assets	<u>39,692,231</u>	<u>40,731,245</u>
<u>Deferred Outflows of Resources</u>		
Unamortized loss on refunding	-	508,430
Contribution to pension plan in current fiscal year	85,585	-
Total deferred outflows of resources	<u>85,585</u>	<u>508,430</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable and accrued liabilities	201,659	295,109
Customer deposits	91,759	91,534
Bonds payable - current	1,511,000	1,345,000
Loans payable - current	642,180	624,263
Accrued compensated absences	54,004	56,030
Total current liabilities	<u>2,500,602</u>	<u>2,411,936</u>
Noncurrent liabilities:		
Bonds payable	7,968,000	9,405,000
Loans payable	4,866,750	5,508,930
Other post employment benefits liability	512,863	454,697
Accrued compensated absences	45,768	42,301
Total noncurrent liabilities	<u>13,393,381</u>	<u>15,410,929</u>
Total liabilities	<u>15,893,983</u>	<u>17,822,865</u>
<u>Deferred Inflows of Resources</u>		
Unamortized bond refunding charges	-	156,908
Pension deferrals	306,797	-
Total deferred inflows of resources	<u>306,797</u>	<u>156,908</u>
<u>Net Position</u>		
Net investment in capital assets	16,072,990	16,127,609
Unrestricted	7,504,046	7,132,293
Total net position	<u>\$ 23,577,036</u>	<u>\$ 23,259,902</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, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Operating Revenues:		
Water charges	\$ 3,401,603	\$ 3,423,517
Sewer charges	4,639,428	4,736,579
Water and sewer taps	18,450	10,050
Other operating revenues	<u>374,809</u>	<u>210,783</u>
Total operating revenues	<u>8,434,290</u>	<u>8,380,928</u>
Operating Expenses:		
Water treatment plant	1,741,970	1,781,424
Water and sewer distribution maintenance	1,483,625	1,454,570
Waste treatment plant	1,543,522	1,466,691
Depreciation	<u>1,747,158</u>	<u>1,767,812</u>
Total operating expenses	<u>6,516,275</u>	<u>6,470,497</u>
Operating income (loss)	<u>1,918,015</u>	<u>1,910,431</u>
Nonoperating Revenues (Expenses):		
Investment earnings	6,334	3,459
Gain (loss) on disposition of capital assets	5,281	236
Gain (loss) on retirement of old debt	(410,366)	-
Interest on long-term debt	<u>(663,840)</u>	<u>(760,216)</u>
Total nonoperating revenues (expenses)	<u>(1,062,590)</u>	<u>(756,521)</u>
Income (loss) before transfers and capital contributions	855,425	1,153,910
Transfer to General Fund-payment in lieu of taxes	(368,160)	(368,130)
Capital contributions	<u>-</u>	<u>1,674,563</u>
Change in net position	<u>\$ 487,265</u>	<u>\$ 2,460,342</u>
Total net position -beginning, as previously reported	\$ 23,259,902	\$ 20,799,559
Restatement	<u>(170,131)</u>	<u>-</u>
Total net position -beginning, restated	23,089,771	20,799,559
Change in net position	<u>487,265</u>	<u>2,460,342</u>
Total net position - ending	<u>\$ 23,577,036</u>	<u>\$ 23,259,902</u>

CITY OF LINCOLN, NORTH CAROLINA

**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Water and Sewer Fund
For the Year Ended June 30, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)**

	2015		Variance Positive (Negative)	2014 Actual
	Budget	Actual		
Revenues:				
Operating revenues:				
Water charges	\$ 3,385,000	\$ 3,401,603	\$ 16,603	\$ 3,423,517
Sewer charges	4,700,000	4,639,428	(60,572)	4,736,579
Water and sewer taps	14,000	18,450	4,450	10,050
Other	209,200	374,809	165,609	210,783
Total operating revenues	<u>8,308,200</u>	<u>8,434,290</u>	<u>126,090</u>	<u>8,380,928</u>
Nonoperating revenues:				
Investment earnings	2,900	6,334	3,434	3,459
Total nonoperating revenues	<u>2,900</u>	<u>6,334</u>	<u>3,434</u>	<u>3,459</u>
Total revenues	<u>8,311,100</u>	<u>8,440,624</u>	<u>129,524</u>	<u>8,384,387</u>
Expenditures:				
Operating expenditures:				
Water treatment plant				
Salaries and employee benefits	638,000	556,158	81,842	621,824
Chemicals	193,000	129,213	63,787	122,311
Electricity	328,088	307,515	20,573	318,799
Water service contract	135,000	130,188	4,812	119,816
Administrative	232,500	232,500	-	240,000
Repairs and maintenance	79,500	64,354	15,146	72,634
Other operating expenditures	346,960	221,437	125,523	261,619
	<u>1,953,048</u>	<u>1,641,364</u>	<u>311,684</u>	<u>1,757,004</u>
Water and sewer distribution maintenance				
Salaries and employee benefits	753,955	726,713	27,242	705,807
Supplies	167,000	149,079	17,921	127,313
Administrative	310,000	310,000	-	321,000
Repairs and maintenance	122,600	123,776	(1,176)	124,232
Other operating expenditures	221,963	172,406	49,557	143,045
	<u>1,575,518</u>	<u>1,481,974</u>	<u>93,544</u>	<u>1,421,398</u>
Waste treatment plant				
Salaries and employee benefits	591,300	558,340	32,960	529,602
Sludge removal	280,000	185,477	94,523	174,868
Electricity	292,087	292,087	-	259,092
Administrative	232,500	232,500	-	214,000
Repairs and maintenance	94,040	82,202	11,838	60,172
Other operating expenditures	415,500	202,687	212,813	214,890
	<u>1,905,427</u>	<u>1,553,293</u>	<u>352,134</u>	<u>1,452,624</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, 2015

(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	<u>2015</u>		<u>Variance</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u>	<u>2014</u>
			<u>(Negative)</u>	<u>Actual</u>
Total operating expenditures	\$ 5,433,993	\$ 4,676,632	\$ 757,361	\$ 4,631,026
Debt service:				
Principal retirement	11,522,270	11,374,263	148,007	1,896,847
Interest and fees	643,545	643,472	73	712,389
Total debt service	<u>12,165,815</u>	<u>12,017,735</u>	<u>148,080</u>	<u>2,609,236</u>
Capital outlay:				
Water treatment plant	177,000	97,806	79,194	59,635
Water and sewer distribution maintenance	110,750	34,917	75,833	1,855,901
Waste water treatment plant	63,000	16,074	46,926	-
Total capital outlay	<u>350,750</u>	<u>148,797</u>	<u>201,953</u>	<u>1,915,536</u>
Total expenditures	<u>17,950,558</u>	<u>16,843,164</u>	<u>1,107,394</u>	<u>9,155,798</u>
Revenues over (under) expenditures	<u>(9,639,458)</u>	<u>(8,402,540)</u>	<u>1,236,918</u>	<u>(771,410)</u>
Other Financing Sources (Uses):				
Appropriated fund balance	451,618	-	(451,618)	-
Transfer-General Fund-payment in lieu of taxes	(368,160)	(368,160)	-	(368,130)
Capital contributions	-	-	-	1,674,563
Gain (loss) on disposition of capital assets	3,000	5,281	2,281	236
Proceeds from revenue bond refunding	9,553,000	9,479,000	(74,000)	-
Loss on debt retirement of old debt	-	(410,366)	(410,366)	-
Total other financing sources	<u>9,639,458</u>	<u>8,705,756</u>	<u>(933,702)</u>	<u>1,306,668</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>303,215</u>	<u>\$ 303,215</u>	<u>535,258</u>
Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual:				
Increase (decrease) in inventory		(109,406)		(10,842)
(Increase) decrease in accrued vacation pay		(1,441)		(3,764)
(Increase) decrease in other post employment benefits		(58,166)		(57,054)
Cost of expenditures that were capitalized		148,797		1,915,536
Payment of debt principal		11,374,263		1,896,847
Proceeds from revenue bond refunding		(9,479,000)		-
(Increase) decrease in accrued interest		53,632		11,503
Deferred outflows of resources for contributions made to pension plan in the current year		85,585		-
Pension expense		(9,057)		-
Bond refunding expenses		(74,000)		(59,330)
Depreciation		(1,747,158)		(1,767,812)
Change in net position		<u>\$ 487,265</u>		<u>\$ 2,460,342</u>

CITY OF LINCOLN, NORTH CAROLINA

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**Statements of Cash Flows
Water and Sewer Fund
For the Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities:		
Cash received from customers and users	\$ 8,469,318	\$ 8,348,767
Customer deposits received	225	13,294
Cash paid for goods and services	(2,876,350)	(2,701,727)
Cash paid to or on behalf of employees for services	<u>(1,841,213)</u>	<u>(1,857,235)</u>
Net cash provided (used) by operating activities	<u>3,751,980</u>	<u>3,803,099</u>
Cash Flows From Non-Capital Financing Activities:		
Transfers - in (out)	<u>(368,160)</u>	<u>(368,130)</u>
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(148,797)	(240,973)
Proceeds from sale of capital assets	5,281	236
Principal paid on long-term debt	(1,895,263)	(1,896,847)
Interest paid on long-term debt	<u>(717,472)</u>	<u>(712,387)</u>
Net cash provided (used) by capital and related financing activities	<u>(2,756,251)</u>	<u>(2,849,971)</u>
Cash Flows From Investing Activities:		
Investment earnings	<u>6,334</u>	<u>3,459</u>
Net cash provided (used) by investing activities	<u>6,334</u>	<u>3,459</u>
Net increase (decrease) in cash and cash equivalents	633,903	588,457
Cash and cash equivalents at beginning of year	<u>7,037,533</u>	<u>6,449,076</u>
Cash and cash equivalents at end of year	<u>\$ 7,671,436</u>	<u>\$ 7,037,533</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 1,918,015	\$ 1,910,431
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,747,158	1,767,812
Pension expense	9,057	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	35,028	(32,161)
(Increase) decrease in inventory	109,405	10,842
(Increase) decrease in prepaid expense	(1,112)	(2,845)
Increase (decrease) in accounts payable and other accrued liabilities	(39,818)	74,910
Increase (decrease) in other post retirement benefits	58,166	57,053
Increase (decrease) in accrued vacation pay	1,441	3,763
Increase (decrease) in deferred outflows of resources	(85,585)	-
Increase (decrease) in customer deposits	<u>225</u>	<u>13,294</u>
Net cash provided (used) by operating activities	<u>\$ 3,751,980</u>	<u>\$ 3,803,099</u>

cont.

CITY OF LINCOLNTON, NORTH CAROLINA

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Statements of Cash Flows
Water and Sewer Fund
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Supplemental Schedule of Non Cash Financing Activities:		
Amortization of loss on refunded debt	<u>\$ 98,064</u>	<u>\$ 73,508</u>
Amortization of premium on refunded debt	<u>\$ (156,908)</u>	<u>\$ (22,686)</u>
Amortization on prepaid insurance on bond refunding	<u>\$ 58,843</u>	<u>\$ 8,508</u>
Acquisition of capital assets through capital contributions	<u>\$ -</u>	<u>\$ 1,674,563</u>
Payment of debt with the issuance of debt	<u>\$ 9,479,000</u>	<u>\$ -</u>

CITY OF LINCOLNTON, NORTH CAROLINA**Statements of Net Position****Electric Fund****June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 3,301,086	\$ 3,122,701
Accounts receivable	621,785	630,508
Due from other funds	-	150,000
Inventories	38,504	194,922
Prepaid expenses	6,500	5,513
Total current assets	<u>3,967,875</u>	<u>4,103,643</u>
Noncurrent assets:		
Restricted cash and cash equivalents	247,046	239,837
Net pension asset	30,044	-
Capital assets, net of accumulated depreciation	<u>1,116,663</u>	<u>1,060,971</u>
Total assets	<u>5,361,628</u>	<u>5,404,451</u>
<u>Deferred Outflows of Resources</u>		
Contributions to pension plan in current fiscal year	<u>19,507</u>	<u>-</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable and accrued liabilities	776,328	709,821
Customer deposits	247,046	239,837
Accrued compensated absences	7,978	7,320
Total current liabilities	<u>1,031,352</u>	<u>956,978</u>
Noncurrent liabilities:		
Other post employment benefits liability	53,159	40,383
Accrued compensated absences	14,342	12,454
Total noncurrent liabilities	<u>67,501</u>	<u>52,837</u>
Total liabilities	<u>1,098,853</u>	<u>1,009,815</u>
<u>Deferred Inflows of Resources</u>		
Pension deferrals	<u>72,232</u>	<u>-</u>
<u>Net Position</u>		
Net investment in capital assets	1,116,663	1,060,971
Unrestricted	<u>3,093,387</u>	<u>3,333,665</u>
Total net position	<u>\$ 4,210,049</u>	<u>\$ 4,394,636</u>

CITY OF LINCOLNTON, NORTH CAROLINA

Statements of Revenues, Expenses and Changes in Net Position

Electric Fund

For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating Revenues:		
Electric sales	\$ 6,749,802	\$ 6,526,386
Electricity - municipal operations	764,944	728,082
Other operating revenues	<u>428,353</u>	<u>423,380</u>
Total operating revenues	<u>7,943,099</u>	<u>7,677,848</u>
Operating Expenses:		
Electrical operations	1,195,498	1,064,318
Electrical power purchases	6,410,269	6,165,880
Administrative	375,000	275,000
Depreciation	<u>85,424</u>	<u>96,349</u>
Total operating expenses	<u>8,066,191</u>	<u>7,601,547</u>
Operating income (loss)	<u>(123,093)</u>	<u>76,301</u>
Nonoperating Revenues (Expenses);		
Investment earnings	<u>4,536</u>	<u>5,774</u>
Total nonoperating revenues (expenses)	<u>4,536</u>	<u>5,774</u>
Income (loss) before transfers	(118,557)	82,075
Transfer to the General Fund-payment in lieu of taxes	<u>(25,975)</u>	<u>(25,975)</u>
Change in net position	<u>\$ (144,532)</u>	<u>\$ 56,099</u>
Total net position - beginning, as previously reported	\$ 4,394,636	\$ 4,338,537
Restatement	<u>(40,055)</u>	<u>-</u>
Total net position - beginning, restated	4,354,581	4,338,537
Change in net position	<u>(144,532)</u>	<u>56,099</u>
Total net position - ending	<u>\$ 4,210,049</u>	<u>\$ 4,394,636</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, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)**

	<u>2015</u>			
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2014 Actual</u>
Revenues:				
Operating revenues:				
Electricity sales	\$6,752,312	\$6,749,802	\$ (2,510)	\$6,526,386
Electricity - municipal operations	764,943	764,944	1	728,082
Other operating revenues	<u>415,920</u>	<u>428,353</u>	<u>12,433</u>	<u>423,380</u>
Total operating revenues	7,933,175	7,943,099	9,924	7,677,848
Nonoperating revenues:				
Investment earnings	<u>3,250</u>	<u>4,536</u>	<u>1,286</u>	<u>5,774</u>
Total revenues	<u>7,936,425</u>	<u>7,947,635</u>	<u>11,210</u>	<u>7,683,622</u>
Expenditures:				
Salaries and employee benefits	449,565	434,083	15,482	414,022
Electrical power purchases	6,410,325	6,410,269	56	6,165,880
Administrative	375,000	375,000	-	275,000
Repairs and maintenance	58,270	56,084	2,186	86,276
Other operating expenditures	618,990	550,968	68,022	553,059
Capital outlay	<u>271,000</u>	<u>141,116</u>	<u>129,884</u>	<u>39,579</u>
Total operating expenditures	<u>8,183,150</u>	<u>7,967,519</u>	<u>215,631</u>	<u>7,533,816</u>
Revenues over (under) expenditures	<u>(246,725)</u>	<u>(19,885)</u>	<u>226,840</u>	<u>149,806</u>
Other Financing Sources (Uses):				
Appropriated fund balance	147,700	-	(147,700)	-
Proceeds from borrowing	150,000	-	(150,000)	-
Transfers from (to):				
General Fund-payment in lieu of taxes	(25,975)	(25,975)	-	(25,975)
Rate Stabilization Fund	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>	<u>(25,000)</u>
Total other financing sources (uses)	<u>246,725</u>	<u>(50,975)</u>	<u>(297,700)</u>	<u>(50,975)</u>

cont.

CITY OF LINCOLNTON, NORTH CAROLINA

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

Electric Fund

For the Year Ended June 30, 2015

(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015		Variance	
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>	<u>2014</u> <u>Actual</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	\$ (70,860)	<u>\$ (70,860)</u>	\$ 98,831
Reconciliation From Budgetary Basis				
(Modified Accrual) to Full Accrual:				
Transfer to Rate Stabilization Fund		25,000		25,000
Increase (decrease) in inventory		(156,418)		(7,380)
(Increase) decrease in accrued vacation pay		(2,546)		3,327
(Increase) decrease in other post retirement benefits		(12,776)		(6,908)
Cost of expenditures that were capitalized		141,116		39,579
Deferred outflows of resources for contributions made to pension plan in current fiscal year		19,507		-
Pension expense		(2,132)		-
Depreciation		<u>(85,424)</u>		<u>(96,349)</u>
Changes in net position		<u>\$ (144,532)</u>		<u>\$ 56,099</u>

CITY OF LINCOLNTON, NORTH CAROLINA

**Statements of Cash Flows
Electric Fund
For the Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities:		
Cash received from customers and users	\$ 7,951,822	\$ 7,613,806
Customer deposits received	7,209	6,890
Cash paid for goods and services	(7,342,121)	(7,030,621)
Cash paid to or on behalf of employees for services	(418,760)	(410,330)
Net cash provided (used) by operating activities	<u>198,150</u>	<u>179,745</u>
Cash Flows From Non-Capital Financing Activities:		
Repayment from General Fund	150,000	150,000
Transfers - in (out)	(25,975)	(25,975)
Net cash provided (used) by non-capital financing activities	<u>124,025</u>	<u>124,025</u>
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(141,116)	(39,579)
Net cash provided (used) by capital and related financing activities	<u>(141,116)</u>	<u>(39,579)</u>
Cash Flows From Investing Activities:		
Investment earnings	4,536	5,774
Net cash provided (used) by investing activities	<u>4,536</u>	<u>5,774</u>
Net increase (decrease) in cash and cash equivalents	185,595	269,965
Cash and cash equivalents at beginning of year	<u>3,362,538</u>	<u>3,092,572</u>
Cash and cash equivalents at end of year	<u>\$ 3,548,132</u>	<u>\$ 3,362,538</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ (123,093)	\$ 76,301
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	85,424	96,349
Pension expense	2,134	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	8,723	(64,042)
(Increase) decrease in inventory	156,418	7,380
(Increase) decrease in prepaid expense	(987)	(224)
Increase (decrease) in accounts payable and other accrued liabilities	66,507	53,508
Increase (decrease) in accrued vacation pay	2,546	(3,327)
Increase (decrease) in other post retirement benefits	12,776	6,910
Increase (decrease) in deferred outflows of resources for pensions	(19,507)	-
Increase (decrease) in customer deposits	7,209	6,890
Net cash provided (used) by operating activities	<u>\$ 198,150</u>	<u>\$ 179,745</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, 2015

	<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	675,000	650,000	25,000	675,000
Electric Fund	<u>(675,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>650,000</u>	<u>25,000</u>	<u>675,000</u>
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ 650,000</u>	<u>\$ 25,000</u>	<u>\$ 675,000</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, 2015**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2014</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2015</u>
2014 - 2015	\$ -	\$4,817,056	\$4,688,416	\$ 128,640
2013 - 2014	121,436	-	58,074	63,363
2012 - 2013	52,058	-	13,050	39,008
2011 - 2012	31,291	-	7,501	23,790
2010 - 2011	23,067	-	5,701	17,367
2009 - 2010	15,981	-	1,498	14,482
2008 - 2009	16,630	-	947	15,684
2007 - 2008	16,909	-	293	16,616
2006 - 2007	16,758	-	329	16,429
2005 - 2006	14,178	-	315	13,863
2004 - 2004	9,432	-	9,432	-
Total	<u>\$ 317,741</u>	<u>\$4,817,056</u>	<u>\$4,785,556</u>	349,241
Less allowance for uncollectibles				<u>(90,000)</u>
Balance				<u>\$ 259,241</u>
Reconciliation With Revenue:				
Taxes - Ad valorem - General Fund				\$ 4,734,705
Adjustments, releases and discounts				64,423
Taxes written off				9,322
Interest collected				<u>(22,895)</u>
Total collections and credits				<u>\$ 4,785,556</u>

CITY OF LINCOLNTON, NORTH CAROLINA

**Analysis of Current Tax Levy
June 30, 2015**

	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	\$ 783,186,071	0.56	\$ 4,385,842	\$ 4,385,842	\$ -
Motor vehicles taxed at current year rate	<u>76,916,607</u>	0.56	<u>430,733</u>	<u>-</u>	<u>430,733</u>
Total	<u>860,102,678</u>		<u>4,816,575</u>	<u>4,385,842</u>	<u>430,733</u>
Discoveries:					
Current year taxes	1,212,671		6,791	6,778	13
Adjustments	<u>(1,126,725)</u>		<u>(6,310)</u>	<u>(1,143)</u>	<u>(5,167)</u>
Total	<u>85,946</u>		<u>481</u>	<u>5,635</u>	<u>(5,154)</u>
Total property valuation	<u>\$ 860,188,624</u>				
Net levy			4,817,056	4,391,477	425,579
Less uncollected taxes at June 30, 2015			<u>(128,640)</u>	<u>(128,640)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 4,688,416</u>	<u>\$ 4,262,837</u>	<u>\$ 425,579</u>
Current levy collection percentage			<u>97.33%</u>	<u>97.07%</u>	<u>100.00%</u>

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STATISTICAL SECTION

(Unaudited)

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

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CITY OF LINCOLNTON, NORTH CAROLINA

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Governmental Activities:										
Net investment in capital assets	\$21,089,389	\$20,981,810	\$20,987,519	\$20,760,706	\$20,342,099	\$20,210,351	\$19,493,069	\$19,313,526	\$18,914,071	\$18,225,559
Restricted	1,084,279	1,241,024	1,299,143	1,338,407	1,302,773	1,864,473	1,912,469	1,876,915	1,903,248	1,490,531
Unrestricted	<u>4,065,795</u>	<u>3,972,524</u>	<u>4,749,473</u>	<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>
Total governmental activities net position	<u>26,239,464</u>	<u>26,195,359</u>	<u>27,036,135</u>	<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>
Business-type Activities:										
Net investment in capital assets	15,822,692	15,225,894	15,432,757	15,580,344	15,321,964	15,584,724	15,270,921	15,251,603	17,188,580	17,189,653
Unrestricted	<u>9,640,507</u>	<u>10,593,657</u>	<u>10,769,631</u>	<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>
Total business-type activities net position	<u>25,463,199</u>	<u>25,819,551</u>	<u>26,202,388</u>	<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>
Primary Government:										
Net investment in capital assets	36,912,081	36,207,704	36,420,276	36,341,050	35,664,063	35,795,075	34,763,990	34,565,129	36,102,650	35,415,211
Restricted	1,084,279	1,241,024	1,299,143	1,338,407	1,302,773	1,864,473	1,912,469	1,876,915	1,903,248	1,490,531
Unrestricted	<u>13,706,302</u>	<u>14,566,181</u>	<u>15,519,104</u>	<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>
Total primary government net position	<u>\$51,702,663</u>	<u>\$52,014,909</u>	<u>\$53,238,523</u>	<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>

CITY OF LINCOLNTON, NORTH CAROLINA

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

Expenses:	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
General government	\$ 1,909,910	\$ 1,930,014	\$ 2,011,281	\$ 2,005,540	\$ 2,030,667	\$ 1,810,131	\$ 1,880,470	\$ 1,898,069	\$ 2,025,069	\$ 1,864,278
Public safety	3,660,282	3,812,228	3,955,603	4,268,681	4,445,229	4,510,132	4,773,082	4,586,096	4,663,422	4,562,298
Public works	1,103,629	1,021,948	1,335,245	1,545,041	1,422,754	1,460,931	1,312,549	1,530,196	1,488,646	1,315,049
Economic and physical development	411,415	414,345	395,563	485,736	431,472	430,681	532,931	531,028	497,450	348,274
Environmental protection	1,013,276	1,010,268	978,261	1,088,088	1,131,470	1,198,004	1,194,004	1,133,471	1,067,913	1,173,121
Cultural and recreational	-	8,555	547,857	626,197	637,700	662,228	667,510	673,215	718,794	654,985
Interest on long-term debt	23,452	38,151	46,994	39,451	31,710	23,762	16,973	11,190	5,428	5,662
Total governmental activities	8,121,964	8,235,509	9,270,805	10,058,734	10,131,001	10,095,868	10,377,520	10,363,265	10,466,722	9,923,668
Business-type activities:										
Interest on long-term debt	754,218	1,212,090	1,164,787	1,106,711	1,053,796	983,268	911,725	827,061	760,216	663,840
Water and sewer	5,840,385	5,783,918	5,952,991	5,944,608	5,998,337	6,095,894	6,420,997	6,438,818	6,470,498	6,516,275
Electric	5,880,297	6,049,454	6,381,703	6,628,371	6,850,392	7,248,183	7,341,177	7,351,083	7,601,547	8,066,191
Total business-type activities	12,474,900	13,045,462	13,499,480	13,679,690	13,902,524	14,327,344	14,673,899	14,616,961	14,832,261	15,246,306
Total expenses	\$20,596,865	\$21,280,972	\$22,770,286	\$23,738,424	\$24,033,525	\$24,423,213	\$25,051,419	\$24,980,226	\$25,298,983	\$25,169,974
Program Revenues:										
Governmental activities:										
Charges for services:										
Environmental protection	\$ 31,620	\$ 45,211	\$ 56,315	\$ 46,604	\$ 63,668	\$ 14,487	\$ 40,608	\$ 19,001	\$ 71,766	\$ 8,875
Cultural and recreational	-	-	65,237	80,740	89,218	93,470	98,702	96,676	91,302	120,945
Other	24,588	26,537	30,536	28,371	24,533	15,355	15,638	13,014	13,860	24,052
Operating grants and contributions	811,783	569,541	599,519	491,458	454,353	434,879	644,722	617,234	557,434	447,765
Capital grants and contributions	-	35,000	9,200	18,920	40,375	-	-	305,882	-	14,237
Total governmental activities	867,991	676,289	760,807	666,093	672,147	558,191	799,670	1,051,807	734,362	615,874
Business-type activities:										
Charges for services-Water and Sewer	6,488,820	6,870,509	6,857,883	6,677,523	7,072,445	7,972,746	8,186,402	8,384,249	8,380,928	8,434,290
Charges for services-Electric	5,817,435	6,041,584	6,226,419	6,197,694	6,186,496	6,457,194	6,681,363	7,204,066	7,677,848	7,943,099
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	1,243,195	8,200	766,778	533,700	-	-	-	-	1,674,563	-
Total business-type activities	13,549,450	12,920,293	13,851,080	13,408,917	13,258,941	14,429,940	14,867,765	15,588,315	17,733,339	16,377,389
Total program revenues	\$14,417,441	\$13,596,582	\$14,611,887	\$14,075,010	\$13,931,088	\$14,988,131	\$15,667,435	\$16,640,122	\$18,467,701	\$16,993,263

CITY OF LINCOLNTON, NORTH CAROLINA

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Net revenue (expense)										
Governmental activities	\$ (7,253,973)	\$ (7,559,219)	\$ (8,509,998)	\$ (9,392,642)	\$ (9,458,855)	\$ (9,537,677)	\$ (9,577,850)	\$ (9,311,458)	\$ (9,732,360)	\$ (9,307,794)
Business-type activities	<u>1,074,550</u>	<u>(125,169)</u>	<u>351,599</u>	<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>
Total net expense	<u>\$ (6,179,423)</u>	<u>\$ (7,684,388)</u>	<u>\$ (8,158,399)</u>	<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>
General Revenues										
Governmental activities:										
Ad valorem taxes	\$ 3,668,548	\$ 3,553,859	\$ 4,057,630	\$ 4,740,285	\$ 4,715,808	\$ 4,697,996	\$ 4,563,151	\$ 4,724,967	\$ 4,849,278	\$ 4,761,205
Other taxes and licenses	3,267,832	3,595,591	3,685,879	3,492,339	3,295,628	3,331,733	3,311,700	3,292,144	3,349,868	3,573,901
Unrestricted investment earnings	275,595	256,453	253,311	94,982	18,895	20,384	6,830	3,990	1,916	3,477
Other	51,336	109,211	67,288	64,875	18,759	126,607	71,951	11,235	320,657	56,808
Transfers	4,277	-	372,500	375,000	381,600	-	387,800	390,700	394,105	394,135
Extraordinary item	-	-	-	-	950,000	-	-	-	-	-
Total governmental activities	<u>7,267,588</u>	<u>7,515,114</u>	<u>8,436,608</u>	<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>
Business-type activities:										
Unrestricted investment earnings	322,033	476,632	403,737	170,312	41,539	38,791	21,211	14,743	9,233	10,869
Other	-	4,888	-	-	11,100	(852)	-	(906)	236	(405,084)
Transfers	<u>(4,277)</u>	<u>-</u>	<u>(372,500)</u>	<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>
Total business-type activities	<u>317,756</u>	<u>481,520</u>	<u>31,237</u>	<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>
Total primary government	<u>\$ 7,585,344</u>	<u>\$ 7,996,634</u>	<u>\$ 8,467,845</u>	<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>
Change in Net Position:										
Governmental activities	\$ 13,616	\$ (44,106)	\$ (73,392)	\$ (625,160)	\$ (78,165)	\$ (1,360,957)	\$ (1,236,418)	\$ (888,422)	\$ (816,535)	\$ (518,268)
Business-type activities	<u>1,392,307</u>	<u>356,352</u>	<u>382,836</u>	<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>
Total primary government	<u>\$ 1,405,923</u>	<u>\$ 312,245</u>	<u>\$ 309,444</u>	<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>

CITY OF LINCOLN, 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
2006	\$3,668,548	\$ 14,553	\$2,193,438	\$ 771,097	\$ 19,702	\$ -	\$ 46,073	\$ -	\$6,713,411
2007	3,553,859	15,106	2,404,911	888,067	16,287	-	47,817	-	6,926,047
2008	4,057,630	13,373	2,444,284	948,544	18,154	372,500	49,708	-	7,904,193
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

(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 2006 through 2010
(Modified Accrual Basis of Accounting)
(Unaudited)**

	Fiscal Year				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Fund:					
Reserved	\$ 763,217	\$ 2,111,368	\$ 2,235,855	\$ 2,177,926	\$ 2,340,260
Unreserved:					
Designated	1,404,250	1,179,588	1,174,269	1,321,355	1,724,750
Undesignated	<u>2,010,267</u>	<u>1,962,986</u>	<u>2,591,581</u>	<u>2,342,762</u>	<u>2,418,046</u>
Total general fund	<u>\$ 4,177,734</u>	<u>\$ 5,253,943</u>	<u>\$ 6,001,705</u>	<u>\$ 5,842,043</u>	<u>\$ 6,483,056</u>
All Other Governmental Funds:					
Reserved	\$ 1,084,279	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	175,625	245,876	310,725	354,768	400,207
Capital projects funds	<u>(52,250)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 1,207,654</u>	<u>\$ 245,876</u>	<u>\$ 310,725</u>	<u>\$ 354,768</u>	<u>\$ 400,207</u>

The increase in reserved fund balance in the General Fund and decrease in reserved fund balance in All Other Governmental Funds for the fiscal year 2007 is due to the Powell Bill fund becoming a part of the General Fund.

The increase in unreserved fund balance in the General Fund for the fiscal year 2008 is due to the transfer of the Recreation Commission (a prior year component unit) to the City of Lincolnton.

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 LINCOLN, NORTH CAROLINA

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

	Fiscal Year				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Fund:					
Nonspendable:					
Inventories	\$ 184,545	\$ 149,779	\$ 144,390	\$ 134,268	\$ 22,880
Prepaid expenditures	53,192	57,049	53,022	55,321	58,524
Restricted:					
Stabilization by State Statute	580,149	644,443	635,842	686,430	633,776
Streets - Powell Bill	894,846	917,139	905,325	833,430	849,755
Public safety - Police	-	-	-	-	7,000
Assigned:					
Subsequent year's expenditures	1,617,555	1,784,060	1,443,059	1,547,057	1,405,541
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>
Total general fund	<u><u>\$5,515,190</u></u>	<u><u>\$5,289,900</u></u>	<u><u>\$4,799,831</u></u>	<u><u>\$4,621,242</u></u>	<u><u>\$4,692,437</u></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>
Total all other governmental funds	<u><u>\$ 437,278</u></u>	<u><u>\$ 394,837</u></u>	<u><u>\$ 379,698</u></u>	<u><u>\$ 383,388</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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues:										
Ad valorem taxes	\$3,663,714	\$3,563,728	\$4,010,196	\$4,689,312	\$4,754,810	\$4,714,523	\$4,573,099	\$4,680,104	\$4,905,832	\$4,734,705
Other taxes and licenses	14,553	15,106	13,373	16,667	20,831	21,614	23,774	27,210	25,521	27,986
Unrestricted intergovernmental	3,309,480	3,642,057	3,672,505	3,475,672	3,325,324	3,351,667	3,397,305	3,398,765	3,379,348	3,601,858
Restricted intergovernmental	755,583	507,968	542,492	447,063	444,202	393,331	534,113	768,655	418,009	391,822
Permits and fees	24,588	26,537	30,536	28,371	24,532	15,355	15,638	13,014	25,768	27,756
Sales and services	31,620	45,211	121,552	127,344	152,886	107,957	139,310	115,676	166,235	142,760
Investment earnings	275,595	256,452	245,488	93,334	18,895	20,384	8,060	4,618	1,916	3,477
Miscellaneous	53,467	167,673	77,180	86,514	40,759	126,607	71,951	92,549	304,501	54,519
Total revenues	<u>8,128,601</u>	<u>8,224,733</u>	<u>8,713,322</u>	<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>
Expenditures:										
General government	1,474,039	1,467,509	1,361,069	1,318,593	1,400,247	1,188,057	1,165,808	1,248,570	1,392,411	1,355,882
Public safety	3,960,987	4,339,712	3,805,788	4,008,254	4,191,610	4,332,145	4,485,885	4,487,544	4,599,355	4,902,029
Public works	1,139,767	956,444	1,577,621	1,582,187	1,404,132	1,800,117	1,359,972	1,566,676	1,553,660	1,234,560
Economic and physical development	991,086	937,086	440,533	479,530	457,145	473,906	565,131	902,831	409,460	346,769
Environmental protection	944,643	956,462	940,604	1,203,912	1,171,102	1,098,170	1,102,472	1,065,771	980,682	1,099,891
Cultural and recreational	-	8,423	738,143	718,722	593,233	638,588	593,648	610,871	781,570	632,441
Debt service:										
Principal	4,680	83,717	140,690	145,982	151,474	151,540	94,126	97,658	67,134	89,200
Interest	23,452	38,151	46,994	39,451	31,710	23,762	16,973	11,190	5,428	5,662
Total expenditures	<u>8,538,654</u>	<u>8,787,504</u>	<u>9,051,441</u>	<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>
Revenues over (under) expenditures	<u>(410,053)</u>	<u>(562,771)</u>	<u>(338,119)</u>	<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>

cont.

CITY OF LINCOLNTON, NORTH CAROLINA

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Other Financing Sources (Uses):										
Transfers in	\$ 322,675	\$ 454,861	\$ 372,500	\$ 375,000	\$ 381,600	\$ -	\$ 387,800	\$ 390,700	\$ 394,105	\$ 394,135
Transfers out	(318,398)	(454,861)	-	-	-	-	-	-	-	-
Proceeds from borrowing	308,000	629,000	-	-	-	-	-	-	-	470,000
Extraordinary item	-	-	-	-	950,000	-	-	-	-	-
Total other financing sources (uses)	<u>312,277</u>	<u>629,000</u>	<u>372,500</u>	<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>
Net change in fund balances	<u>\$ (97,776)</u>	<u>\$ 66,229</u>	<u>\$ 34,381</u>	<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>
Debt service as a percentage of non-capital project expenditures	0.3%	1.7%	2.3%	2.1%	2.1%	2.0%	1.2%	1.2%	0.8%	1.0%

CITY OF LINCOLNTON, NORTH CAROLINA

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

Fiscal Year	Assessed Value (1)				Property Tax Rate (Per \$100 Assessed Value)	Percent Increase in Value	Estimated Actual Taxable Value (4)	Assessed Value as a Percentage of Actual Value
	Real Property	Personal Value(3)	Public Service Companies	Total				
2006	\$ 543,859,597	\$147,186,231	\$ 23,622,777	\$ 714,668,605	0.56	(2.5)%	\$ 744,756,779	95.96%
2007	551,411,731	142,286,755	18,614,222	712,312,708	0.56	(0.3)%	790,843,464	90.07%
2008	558,464,883	144,861,332	19,266,237	722,592,452	0.56	1.4%	859,512,849	84.07%
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%

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 ended 2012.
- (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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
City of Lincolnton	0.51	0.51	0.56	0.56	0.56	0.56	0.56	0.56	0.56	0.56
Special Revenue Recreation Fund (1)	0.05	0.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	<u>0.56</u>									
Lincoln County	<u>0.61</u>	<u>0.61</u>	<u>0.61</u>	<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>
Special District:										
East Lincoln Water and Sewer District	<u>0.1100</u>	<u>0.1100</u>	<u>0.0750</u>	<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>
Fire Districts:										
Alexis	0.0650	0.0850	0.1450	0.1142	0.1050	0.1100	0.1100	0.1100	0.1100	0.1100
Boger City	0.0500	0.0500	0.0700	0.0700	0.0700	0.0750	0.0925	0.0925	0.0925	0.0925
Crouse	0.0500	0.0600	0.0600	0.0600	0.0600	0.0600	0.0609	0.0609	0.0609	0.0609
Denver	0.0500	0.0790	0.1150	0.0981	0.0968	0.0968	0.1099	0.1099	0.1099	0.1099
East Lincoln	0.0600	0.0650	0.0650	0.0606	0.0606	0.0606	0.0680	0.0785	0.0850	0.0850
Howards Creek	0.0500	0.0500	0.0500	0.0700	0.1000	0.1000	0.1050	0.1050	0.1150	0.1150
North Brook	0.0500	0.0500	0.0600	0.0600	0.0600	0.0600	0.0600	0.0600	0.0800	0.0800
North 321	0.0350	0.0350	0.0350	0.0350	0.0350	0.0350	0.0350	0.0350	0.0400	0.0400
Pumpkin Center	0.0500	0.0650	0.1000	0.0951	0.0951	0.0951	0.0951	0.0951	0.1242	0.1242
South Fork	0.0500	0.0500	0.0500	0.0776	0.0910	0.0910	0.0910	0.0910	0.1236	0.1236
Union	0.0500	0.0650	0.0650	0.0750	0.0750	0.0750	0.0750	0.0900	0.0900	0.0900
	<u>0.56</u>	<u>0.65</u>	<u>0.81</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>

Other Tax Data:

(1) Effective July 1, 2007, Parks and Recreation became a department of the City of Lincolnton.

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>2015</u>			<u>2006</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	\$ 16,743,890	1	2.00	\$ -	-	-
Ingles Markets	Retail	13,395,550	2	1.60	8,087,663	6.00	1.13
T & T Investments	Real Estate	11,580,318	3	1.40	8,966,536	5	1.25
Lowes Home Centers, Inc.	Retail	10,765,666	4	1.30	15,228,046	1	2.13
Bell South Telephone Company	Utility	8,357,923	6	1.00	-	-	-
Colonial Village of Linc, LLC	Apts/Real Estate	6,917,983	6	0.80	-	-	-
The Oaks Apartments	Apts/Real Estate	6,009,178	7	0.72	-	-	-
Lincoln General, LLC	Real Estate	5,891,548	8	0.70	-	-	-
SMV Lincolnton, LLC	Real Estate	5,467,597	9	0.65	-	-	-
Duke Energy Corp	Utility	4,655,695	10	0.56	-	-	-
Cochrane Furniture Co.	Manufacturing	-	-	-	10,862,512	2	1.52
Mohican Mills, Inc.	Textile	-	-	-	5,758,392	9	0.81
Robert Bosch Tool	Manufacturing	-	-	-	9,795,578	3	1.37
McMurray Fabrics	Textile	-	-	-	7,456,968	7	1.04
Inland Mart Limited Partnership	Real Estate	-	-	-	6,302,566	8	0.88
RSI	Manufacturing	-	-	-	9,035,052	4	1.26
Edens & Avant Financing	Real Estate	-	-	-	5,330,856	10	0.75
Totals		<u>\$ 89,785,348</u>		<u>10.73</u>	<u>\$ 86,824,169</u>		<u>12.14</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)
2006	\$ 4,021,005	\$ 3,901,452	97.0	\$ 105,690	\$ 4,007,142	99.7	\$ 13,863
2007	4,002,140	3,900,388	97.5	85,323	3,985,711	99.6	16,429
2008	4,053,489	3,945,454	97.3	91,419	4,036,873	99.6	16,616
2009	4,771,612	4,632,981	97.1	122,947	4,755,928	99.7	15,684
2010	4,752,808	4,649,531	97.8	88,795	4,738,326	99.7	14,482
2011	4,751,351	4,636,451	97.6	97,533	4,733,984	99.6	17,367
2012	4,609,731	4,483,921	97.3	102,020	4,585,941	99.5	23,790
2013	4,756,670	4,619,621	97.1	98,041	4,717,662	99.2	39,008
2014	4,941,052	4,819,616	97.5	58,073	4,877,689	98.7	63,363
2015	4,817,056	4,688,416	97.3	-	4,688,416	97.3	128,640

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			
2006	\$ 303,320	\$ 19,705,000	\$ 10,060,873	\$ 30,069,193	11.51%	\$ 2,842
2007	848,603	18,740,000	9,810,873	29,399,476	10.17%	2,724
2008	707,913	17,745,000	9,460,873	27,913,786	8.79%	2,524
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

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
2006	10,582	\$ 714,668,605	\$ 19,705,000	\$ 19,705,000	\$ -	-	\$ -
2007	10,791	712,312,708	18,740,000	18,740,000	-	-	-
2008	11,061	722,592,452	17,745,000	17,745,000	-	-	-
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	-	-	-

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

CITY OF LINCOLN, NORTH CAROLINA

Direct and Overlapping Government Activities Debt

June 30, 2015

(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	\$ 75,085,000	10.08%	\$ <u>7,568,568</u>
Subtotal, overlapping debt			<u>7,568,568</u>
City of Lincoln direct debt			<u>380,800</u>
Total direct and overlapping debt			<u>\$ 7,949,368</u>

Note: The percentage of overlapping debt is based on the June 30, 2015 assessed valuation of the County of Lincoln of \$8,533,139,410 as compared to the June 30, 2015 assessed valuation for the City of Lincoln of \$860,188,624.

CITY OF LINCOLNTON, NORTH CAROLINA

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Assessed value of taxable property	<u>\$714,668,605</u>	<u>\$712,312,708</u>	<u>\$722,592,452</u>	<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>
Debt limit, 8% of assessed value (statutory limitation)	<u>\$ 57,173,488</u>	<u>\$ 56,985,017</u>	<u>\$ 57,807,396</u>	<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>
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>\$ 57,173,488</u>	<u>\$ 56,985,017</u>	<u>\$ 57,807,396</u>	<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>
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
2006	\$ 6,653,827	\$ 4,159,472	\$ 2,494,355	\$ 1,805,355	\$ 1,105,000	\$ 700,355	1.38
2007	6,870,509	3,815,781	3,054,728	2,347,733	1,215,000	1,132,733	1.30
2008	6,857,883	4,003,776	2,854,107	2,430,429	1,345,000	1,085,429	1.17
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

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

CITY OF LINCOLNTON, NORTH CAROLINA

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

Fiscal Year	Population(1)	Personal Income (Amounts Expressed in Thousands)	Per Capita Personal Income(2)	Median Age(1)	School Enrollment(3)	Unemployment Rate (%) (4)
2006	10,582	\$ 261,291	\$ 24,692	37.6	11,738	5.3
2007	10,791	289,037	26,785	37.8	11,963	5.1
2008	11,061	317,661	28,719	38.2	12,012	7.1
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

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

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>2015</u>			<u>2006</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	1,582	1	4.00%	1,750	1	4.77%
Lincoln County Government	751	2	1.90%	551	5	1.50%
Wal-Mart Stores, Inc.	730	3	1.84%	-	-	0.00%
Carolina Medical Center	652	4	1.65%	680	4	1.85%
RSI Home Products	625	5	1.58%	990	2	2.70%
The Timken Company	531	6	1.34%	790	3	2.15%
Julius Blum, Inc.	372	7	0.94%	410	7	1.12%
Actavis Corp	330	8	0.83%	-	-	-
Lowe's	270	9	0.68%	-	-	-
Cataler North America	264	10	0.67%	-	-	-
Robert Bosch Tool Company	162	14	0.41%	512	6	1.40%
Mohican Mills	157	15	0.40%	350	10	0.95%
Cochrane Furniture	-	-	-	400	8	1.09%
R-Anell Housing Group	-	-	-	350	9	0.95%
Total	<u>6,426</u>		<u>16.24%</u>	<u>6,783</u>		<u>18.48%</u>
Total Civilian Labor Force	<u>39,584</u>			<u>36,689</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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Government										
City Manager	3	3	3	3	3	3	3	3	3	3
Human resources	3	4	4	4	4	4	4	4	4	4
Finance	9	9	9	9	9	9	9	9	9	9
Public Safety										
Police										
Officers	26	31	26	29	31	30	27	30	31	31
Civilians	5	5	5	5	5	5	5	5	5	5
Fire										
Firefighters and officers	19	18	20	21	21	21	24	21	22	21
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	11	11	11	12	12	13	12	12	12	12
Equipment services	3	3	3	3	3	3	3	3	3	3
Environmental Protection										
Solid waste	13	12	10	13	13	13	13	12	12	12
General services-cemetery	3	3	2	3	3	3	3	2	2	2
Economic and Physical Development										
Planning and zoning	3	3	3	3	3	3	3	3	2	2
Business and community development	2	2	2	2	2	2	2	2	2	2
Cultural and Recreational (1)										
Parks and recreation	-	-	5	5	5	5	5	5	5	5
Water and Sewer										
Water treatment plant	9	9	10	10	10	9	10	9	9	9
Distribution and collection	12	11	11	11	12	12	12	11	13	13
Waste water treatment plant	9	9	9	9	9	9	9	8	8	8
Electric	<u>6</u>	<u>6</u>	<u>7</u>	<u>7</u>	<u>6</u>	<u>6</u>	<u>5</u>	<u>7</u>	<u>7</u>	<u>7</u>
Total	<u>140</u>	<u>143</u>	<u>144</u>	<u>153</u>	<u>155</u>	<u>154</u>	<u>153</u>	<u>150</u>	<u>153</u>	<u>152</u>

Source: Finance Department's payroll records.
(1) New department effective July 1, 2007

CITY OF LINCOLN, NORTH CAROLINA

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

Function	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Public Safety										
Police										
Physical arrests	710	1,899	1,867	1,986	1,836	1,448	1,580	1,588	1,500	1,505
Parking violations	652	380	150	400	243	82	63	74	68	79
Traffic violations	662	3,066	2,779	1,274	1,339	798	707	1,183	1,366	1,727
Fire										
Number of calls answered	778	839	1,128	1,753	1,802	1,975	1,983	2,013	2,016	2,164
Inspections	417	502	572	312	636	698	615	598	526	597
Public Works - Highways and streets										
Street resurfacing (miles)	1.45	1.49	1.55	1.48	0.92	0.82	0.22	0.95	0.98	0.98
Potholes repaired (1)	-	32	39	30	30	29	37	41	39	42
Environmental Protection										
Refuse collected (tons/day)	37.51	34.06	37.36	32.44	32.39	33.08	29.98	31.13	31.01	30.33
Recyclables collected (tons/day)	1.11	1.21	1.13	0.82	0.95	0.99	2.62	0.82	0.89	1.07
Cultural and Recreational (2)										
Youth sports participants	-	-	191	362	494	584	698	932	1,075	1,228
Youth camps/clinics participants	-	-	182	268	261	301	286	235	170	235
Open gym participants	-	-	5,747	9,738	10,139	12,511	12,703	13,118	4,072	10,099
Swimming pool participants	-	-	12,050	12,268	12,167	12,404	12,467	11,672	6,826	10,825
Other programs participants	-	-	1,324	1,833	4,029	3,440	5,015	5,196	4,125	5,305
Special events	-	-	11	12	16	22	26	26	13	19
Special events participants	-	-	4,568	5,587	6,613	5,992	7,399	7,935	4,456	6,427
Recreation program participants	-	-	24,062	30,056	33,703	35,232	38,568	39,088	20,724	34,109
Facility and ball field rentals	-	-	892	2,142	2,681	2,682	2,848	2,587	727	2,570

CITY OF LINCOLNTON, NORTH CAROLINA

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

Function	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Water										
New connections	39	36	42	32	16	12	20	12	9	18
Water main breaks	25	31	45	33	27	31	42	21	20	20
Average daily consumption (thousands of gallons)	2,880	3,700	3,407	2,868	2,890	3,000	2,810	3,000	3,000	3,000
Wastewater										
New connections	23	32	36	44	19	5	19	9	7	10
Average daily sewage treatment (thousands of gallons)	2,620	3,050	2,711	2,467	2,588	2,390	2,390	2,357	2,650	2,075
Electric										
New connections	8	6	16	16	13	4	6	9	5	15

Sources: Various City departments.

Note: Indicators are not available for general government function.

(1) First year of reporting.

(2) New City department effective July 1, 2007.

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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Public Safety										
Police										
Stations	1	2	2	2	2	2	2	2	2	2
Patrol units	22	22	22	22	24	25	25	25	25	34
Fire stations	1	1	1	1	2	2	2	2	2	2
Public Works - Highways and streets										
Streets (miles)	58.80	58.80	58.80	58.80	58.65	60.03	60.03	59.90	59.90	59.90
Streetlights	957	957	957	979	979	979	979	981	981	981
Traffic signals	15	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 (1)										
Number of parks	-	-	3	3	3	3	3	3	3	3
Park acreage	-	-	79.37	79.37	79.37	79.37	79.37	79.37	79.37	79.37
Number of parks with trail systems	-	-	2	2	2	2	2	2	2	2
Park trail mileage	-	-	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
Greenway mileage	-	-	1	1	1	1	1	1.70	1.70	1.70
Number of ball fields	-	-	5	5	5	5	5	5	5	5
Number of soccer fields	-	-	2	2	2	2	2	2	2	2

cont.

CITY OF LINCOLNTON, NORTH CAROLINA

Page 2 of 2, cont.

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

Function	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Water										
Water mains (miles)	261	261	260	260	260	260	260	260	260	260
Fire hydrants	707	707	709	709	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	225	224	225.75	225.75	225.75	225.75	225.75	229.00	229.00
Storm sewers (miles)(2)	-	-	-	-	-	-	-	-	-	-
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	74.5	74.5	74.5	75.0	76.0	76.0	76.0	76.0

Sources: Various city departments.

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

(1) New City department effective July 1, 2007.

(2) 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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Residential	253.1	253.8	252.0	239.6	232.5	222.8	217.1	216.9	210.8	198.1
Industrial	576.0	621.0	598.4	464.6	1.8	2.6	3.7	3.9	4.9	4.0
Industrial/Textile (1)	-	-	-	-	412.4	422.3	418.6	438.6	363.6	308.8
Commerical	230.2	236.9	223.3	157.2	147.1	155.1	148.1	148.0	111.1	108.5
Institutional (3)	-	-	-	-	-	-	-	-	33.2	37.9
Other Local Governments (2)	-	-	-	-	12.2	13.2	77.4	63.6	65.7	19.8
Military Government	- 35.2	- 36.1	- 34.4	- 37.0	- 35.8	- 20.7	- 8.4	- 10.4	- 9.5	0.1 7.3
Total	<u>1,094.5</u>	<u>1,147.8</u>	<u>1,108.1</u>	<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>
Total direct rate per 1,000 gallons	<u>\$ 2.56</u>	<u>\$ 2.59</u>	<u>\$ 2.68</u>	<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>

Source: City of Lincolnton, Utility Billing Office

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

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

(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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Residential	183.9	184.5	182.8	174.6	171.6	163.2	161.3	161.6	158.9	161.6
Industrial	570.7	600.6	587.5	479.1	45.1	52.9	56.4	55.5	54.7	55.2
Industrial/Textile (1)	-	-	-	-	391.8	405.5	380.5	415.5	350.0	267.9
Commerical	139.2	152.4	129.7	127.0	130.8	132.6	125.1	128.5	99.3	94.4
Institutional (2)	-	-	-	-	-	-	-	-	30.0	33.3
Military	-	-	-	-	-	-	-	-	-	0.1
Government	<u>35.2</u>	<u>36.1</u>	<u>32.9</u>	<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>
Total	<u>929.0</u>	<u>973.6</u>	<u>932.9</u>	<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>
Total direct rate per 1,000 gallons	<u>\$ 4.10</u>	<u>\$ 4.14</u>	<u>\$ 4.26</u>	<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>

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>
2006	\$ 8.55	2.30	\$ 12.80	3.81
2007	\$ 8.89	2.39	\$ 13.31	3.96
2008	\$ 9.07	2.44	\$ 13.58	4.04
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

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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Certified Public Accountants

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

To the Honorable Mayor and Members
Of the City Council and the Citizens
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, 2015, 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 November 23, 2015.

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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

Lawrence Smith & Co.

Morganton, North Carolina
November 23, 2015