

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**PREPARED BY  
CITY OF LINCOLNTON FINANCE DEPARTMENT**

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# CITY OF LINCOLNTON, NORTH CAROLINA

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



**CITY MANAGER**  
Steve Zickefoose, MBA  
[szickefoose@lincolntonnc.org](mailto:szickefoose@lincolntonnc.org)  
**CITY CLERK**  
Donna C. Flowers, MMC, NCCMC  
[donnaflowers@ci.lincolnton.nc.us](mailto:donnaflowers@ci.lincolnton.nc.us)  
**CITY ATTORNEY**  
Thomas J. Wilson, Jr.

## **Letter of Transmittal**

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

The Comprehensive Annual Financial Report of the City of Lincolnton, North Carolina is submitted for your review and use. The City, like other local governments in the State, is required by State law to publish a complete set of financial statements within four months of the close of each fiscal year. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report is published to fulfill that requirement for the fiscal year ended June 30, 2019, and to provide complete and further accountability to citizens and other interested parties by providing a comprehensive report in lieu of the minimum basic financial statement requirements.

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

Lowdermilk Church & Co., L.L.P., Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of Lincolnton's financial statements for the fiscal year ended June 30, 2019. 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 10,945. Lincolnton is empowered by State statute to extend its corporate limits by annexation, which it has done from time to time.

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

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

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

## **Local Economy**

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

During the past ten years, the unemployment rate rose from an initial low of 5.1 percent (2007) to a decade high of 14.8 percent (2009), only to descend to the current rate of 4.1 percent. This rate is lower than the State's rate of 4.2 percent and higher than the national rate of 3.7 percent. Lincolnton has followed the same pattern as the State during the economic cycles.

Numerous small businesses opened in Lincolnton, including: Chic-fil-a, Untapped Territory, Crafted - A Southern Speakeasy, Alki Outfitters, Jersey Mike's Subs, CBD East Main, Bloom Market and Petsmart.

Texture Plus announced their corporate and manufacturing relocation from Long Island, New York to Lincolnton, North Carolina. Producing polymer-based building materials for over three decades, Texture Plus is a family-owned and operated business serving contractors, DIY'ers and corporate customers in multiple industries globally. Lincoln Economic Development Association has been working with Texture Plus for over a year in the recruitment effort, which culminated on Monday night, August 6<sup>th</sup>, when the Lincoln County Board of Commissioners' approved an Industrial Incentive Grant request on behalf of the company. Having purchased a building off Roseland Drive in Lincolnton, Texture Plus will be investing in facility improvements and creating over 30 new jobs for county residents.

Blum executives, along with Lincoln County officials, ceremonially broke ground Thursday, February 14, 2019, on a 62,000 square-foot expansion to their U. S. headquarters. The facility's two-part expansion, which is estimated to cost \$22.5 million in infrastructure, state-of-the-art technology and personnel, was announced last year. The added space will increase warehouse capacity by 70%, creating approximately 30 new jobs. The company currently employs 431 full-time employees.

A recently announced project by the Lincoln Economic Development Association is breaking ground in Denver, N. C., Airlie Business Park. Wastewater equipment manufacturer HUBER Technology, Inc. will begin construction on a new facility, which will serve as both the headquarters and manufacturing center for the North American arm of the business. To be completed by the end of the year, the new facility will be able to house a growing staff, as well as support a multi-million dollar manufacturing operation.

Lincoln County existing industry, Race City Steel, is planning to invest over \$3,700,000 in equipment and building facility in Denver, N. C. Race City Steel, based out of Denver, North Carolina, is a family-owned business that prides itself on quality steel, aluminum and plastic products and on superior customer service. Race City Steel was started in 2007, with more than 20 years' experience in the racing industry and over 30 years' experience in the construction industry. They currently have just over 30 employees at their Denver facility and will add over 30 additional jobs to their head count.

Cataler North America, located in the Lincoln County Industrial Park, is a manufacturer of catalysts used in automotive catalytic converters. Cataler will make an investment of \$14,806,881 in new equipment and building expansion.

Dellinger Precast, located in Denver, N. C., produces precast concrete products. Dellinger Precast will make an investment of \$3,079,255 in equipment and building expansion. They will be adding a line to produce pre-stressed concrete bridge beams.

During the past five years, the government's expenses related to public safety have remained fairly constant with only a slight increase in amount, and also increased as a percentage of total expense (a five-year increase of 4.79 percent). The increase reflects increases in salary and benefits and capital outlay.

During this same five-year period, charges for services continue to increase in amount and have increased slightly as a percentage of total revenue (a five-year increase of 0.08 percent). The reason for this relatively small increase is the relative increase in expenses related to services that are not supported by fees and charges (e.g., public safety); thus, as taxes have increased to support these services, so has the proportion of total revenue generated by taxes.

## **Long-Term Financial Planning and Major Initiatives**

Unassigned fund balance in the general fund is 30.92 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 \$3,455,634.

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:

Construction of a River Launch and Fishing Deck at Betty Ross Park.

Construction of two flag football fields, including lighting and irrigation system, at Betty Ross Park.

Renovation of a building purchased for the purpose of relocation of the Police Department.

Implementation of a smart meter project for all utilities provided by the City.

Installation of new software for all accounting functions, including utility billing and collections.

Purchase of property for creation of a dog park.

Purchase of property for providing downtown public restrooms.

## **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 pays 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, 2018. This was the twenty-ninth consecutive year that Lincolnton has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

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

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

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

Respectfully submitted,

*Steven B. Zickefoose*

Steven B. Zickefoose, MBA  
City Manager/Finance Director

December 11, 2019

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Government Finance Officers Association

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

Presented to

**City of Lincolnton  
North Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

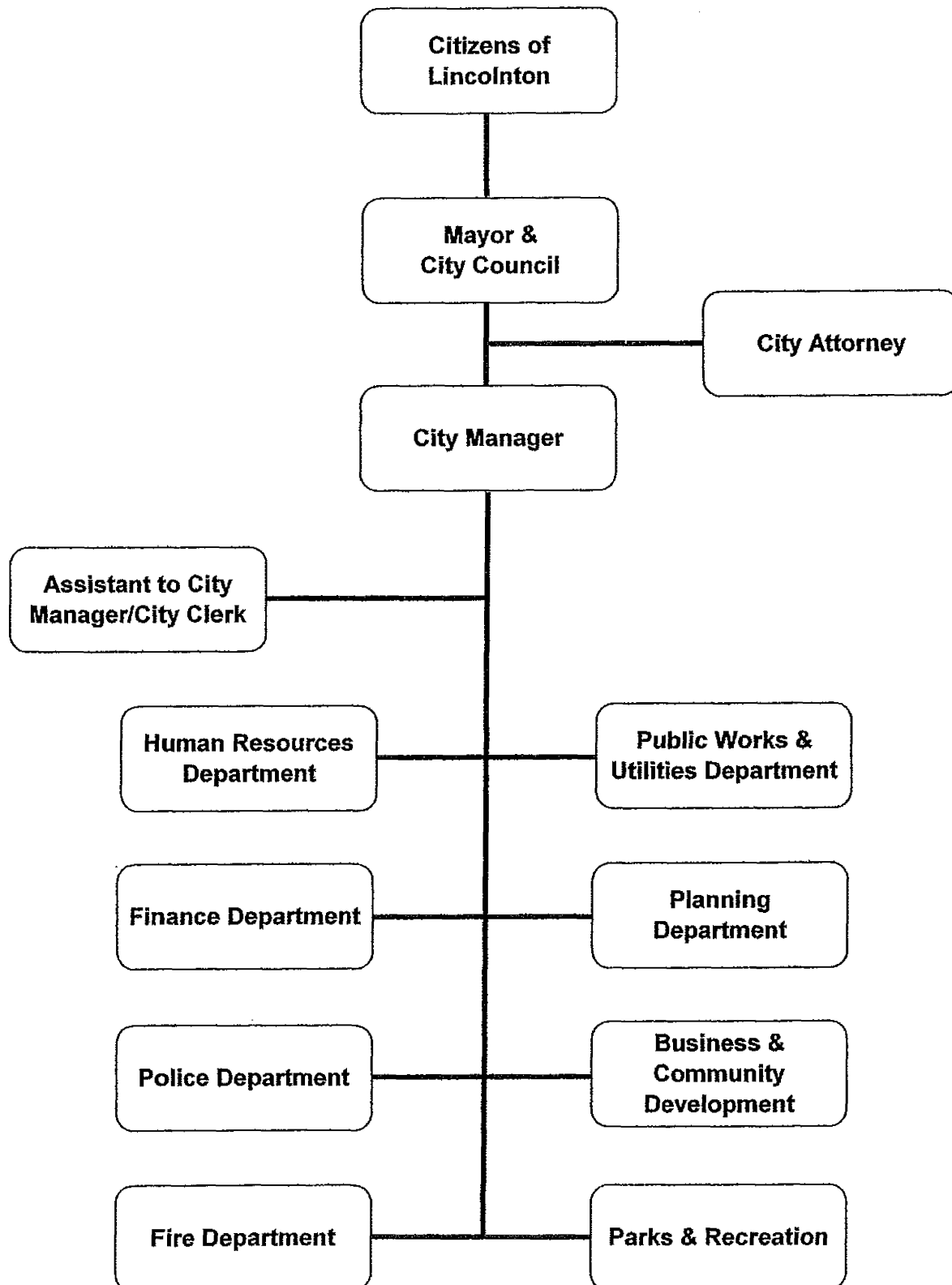
**June 30, 2018**

*Christopher P. Morill*

Executive Director/CEO

# City of Lincolnton

## Department Organizational Chart



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## **CITY OF LINCOLNTON, NORTH CAROLINA**

### **LIST OF PRINCIPAL OFFICIALS**

**June 30, 2019**

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#### **Mayor & City Council**

|                           |                       |
|---------------------------|-----------------------|
| Mayor                     | Edward L. Hatley, Jr. |
| Ward I                    | Mary Frances White    |
| Ward II                   | Jim Watson            |
| Ward III<br>Mayor Pro-Tem | Martin Eaddy          |
| Ward IV                   | Rob D. Jetton         |

#### **City Administration**

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

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## **FINANCIAL SECTION**

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

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

**Independent Auditors' Report**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lincolnton, North Carolina as of and for the year ended June 30, 2019, 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 the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lincolnton, North Carolina, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lincolnton, North Carolina's basic financial statements. The introductory section individual fund financial statements, budgetary schedules and other schedules and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and State awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The individual fund financial statements, budgetary schedules and other schedules and the schedule of expenditures of federal and State awards 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, the individual fund financial statements, budgetary schedules and other schedules and the schedule of expenditures of federal and State awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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



### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated December 11, 2019, on our consideration of the City of Lincolnton, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the City of Lincolnton, North Carolina's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Lincolnton, North Carolina's internal control over financial reporting and compliance.

*Lowmick Church & Co., L.L.P.*

Morganton, North Carolina  
December 11, 2019

## **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, 2019. 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**

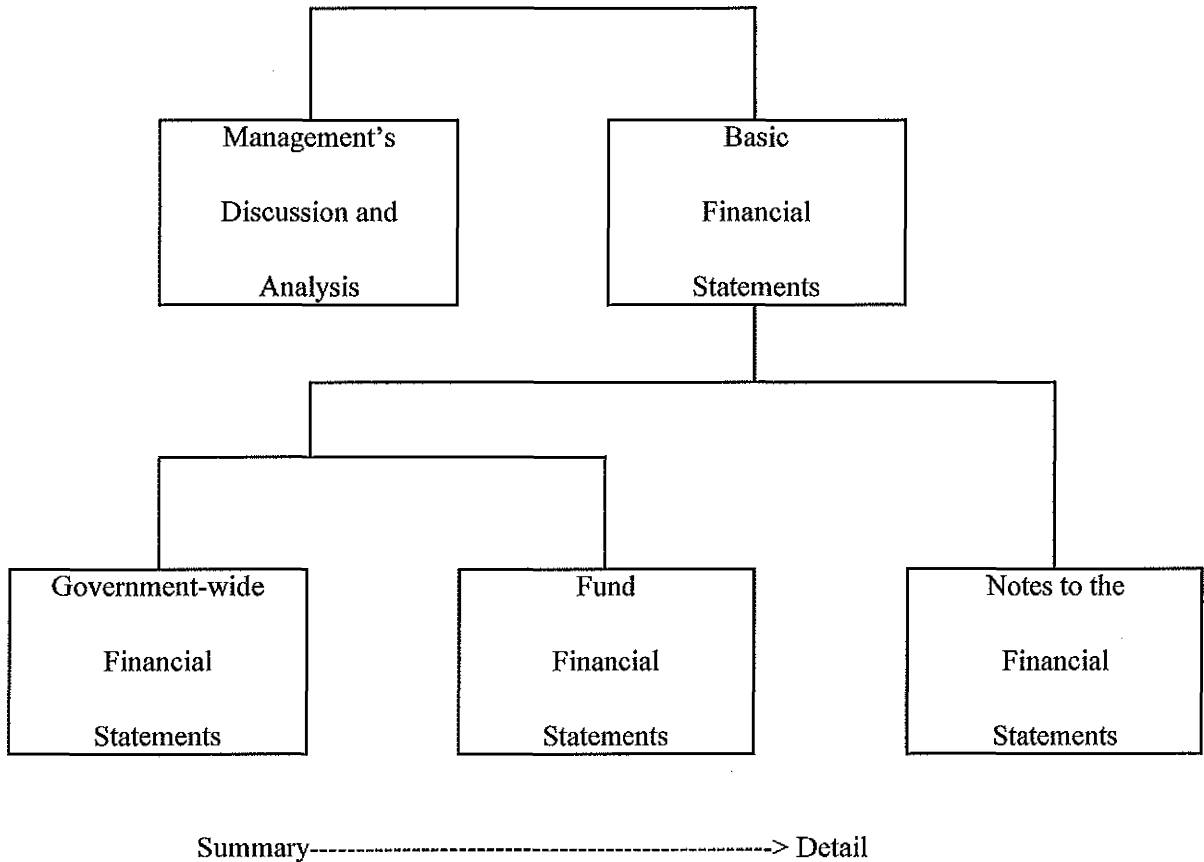
- The assets and deferred outflows of resources of the City of Lincoln exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$45,618,881 (net position).
- The City's total net position increased by \$2,422,291, primarily due to additional grant funding.
- As of the close of the current fiscal year, the City of Lincoln's governmental funds reported combined ending fund balances of \$5,200,341, with a net increase of \$404,357 in fund balance. Approximately 28.99 percent of this total amount, or \$1,507,707, is non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,455,634, or 30.92 percent, of total General Fund expenditures for the fiscal year.
- The City of Lincoln's total debt increased by \$548,792 (2.28%) during the current fiscal year. The key factor in this change was the issuance of debt and an increase in pension related debt.
- The City's last bond rating was Aaa and AAA.
- The City's total capital assets decreased by \$352,103 (0.73%) 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



### Basic Financial Statements

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

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

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

### Government-wide Financial Statements

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

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

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

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

### **Fund Financial Statements**

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

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

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

**Proprietary Funds** - The City of 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. The 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 35 of this report.

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

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

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

## Government-Wide Financial Analysis

| The City of Lincolnton, Net Position |                            |                      |                             |                     |                     |                     |
|--------------------------------------|----------------------------|----------------------|-----------------------------|---------------------|---------------------|---------------------|
|                                      | Governmental<br>Activities |                      | Business-type<br>Activities |                     | Total               |                     |
|                                      | 2019                       | 2018                 | 2019                        | 2018                | 2019                | 2018                |
|                                      |                            |                      |                             |                     |                     |                     |
| Current and other assets             | \$ 5,735,141               | \$ 5,383,264         | \$16,652,394                | \$14,198,068        | \$22,387,535        | \$19,581,332        |
| Capital assets                       | <u>18,960,568</u>          | <u>19,215,388</u>    | <u>29,205,902</u>           | <u>29,303,184</u>   | <u>48,166,470</u>   | <u>48,518,572</u>   |
| Total assets                         | <u>24,695,709</u>          | <u>24,598,651</u>    | <u>45,858,296</u>           | <u>43,501,252</u>   | <u>\$70,554,006</u> | <u>\$68,099,904</u> |
| Deferred outflows of resources       | <u>1,610,302</u>           | <u>1,086,748</u>     | <u>493,918</u>              | <u>304,192</u>      | <u>2,104,220</u>    | <u>1,390,940</u>    |
| Long-term liabilities outstanding    | 12,048,644                 | 11,841,844           | 9,268,602                   | 9,288,490           | 21,317,247          | 21,130,334          |
| Other liabilities                    | <u>956,661</u>             | <u>956,979</u>       | <u>4,012,855</u>            | <u>3,610,291</u>    | <u>4,969,516</u>    | <u>4,567,270</u>    |
| Total liabilities                    | <u>13,005,305</u>          | <u>12,798,822</u>    | <u>13,281,457</u>           | <u>12,898,781</u>   | <u>26,286,763</u>   | <u>25,697,604</u>   |
| Deferred inflows of resources        | <u>581,548</u>             | <u>459,495</u>       | <u>171,034</u>              | <u>137,154</u>      | <u>752,582</u>      | <u>596,649</u>      |
| Net position:                        |                            |                      |                             |                     |                     |                     |
| Net investment in capital assets     | 18,180,889                 | 18,078,633           | 20,641,887                  | 20,899,184          | 38,822,777          | 38,977,817          |
| Restricted                           | 1,446,522                  | 1,721,261            | -                           | -                   | 1,446,522           | 1,721,261           |
| Unrestricted                         | <u>(6,908,253)</u>         | <u>(7,372,812)</u>   | <u>12,257,836</u>           | <u>9,870,326</u>    | <u>5,349,583</u>    | <u>2,497,514</u>    |
| Total net position                   | <u>\$12,719,158</u>        | <u>\$ 12,427,082</u> | <u>\$32,899,723</u>         | <u>\$30,769,510</u> | <u>\$45,618,881</u> | <u>\$43,196,592</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 \$45,618,881 as of June 30, 2019. The City's net position increased by \$2,422,291 for the fiscal year ended June 30, 2019. However, the largest portion of net position (85.10%) 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, \$1,446,522, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,349,583 is unrestricted.

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

- Increase in capital grants and contributions and an increase in general revenues in the governmental activities.
- Slight increase in overall governmental expenses.
- Slight decrease in overall expenses in the business-type activities.
- Slight decrease in charges for services in the Water and Sewer Fund.

| City of Lincoln, Changes in Net Position |                         |                   |                          |                   |                   |                   |
|--|-------------------------|-------------------|--------------------------|-------------------|-------------------|-------------------|
|  | Governmental Activities |                   | Business-type Activities |                   | Total             |                   |
|  | 2019                    | 2018              | 2019                     | 2018              | 2019              | 2018              |
| Revenues:                                |                         |                   |                          |                   |                   |                   |
| Program revenues:                        |                         |                   |                          |                   |                   |                   |
| Charges for services                     | \$ 198,419              | \$ 232,657        | \$ 15,823,446            | \$15,969,934      | \$ 16,021,865     | \$16,202,591      |
| Operating grants and contributions       | 592,248                 | 545,794           | -                        | -                 | 592,248           | 545,794           |
| Capital grants and contributions         | 646,462                 | 156,106           | -                        | -                 | 646,462           | 156,106           |
| General revenues:                        |                         |                   |                          |                   |                   |                   |
| Property taxes                           | 4,855,114               | 4,737,848         | -                        | -                 | 4,855,114         | 4,737,848         |
| Other taxes                              | 4,662,966               | 4,466,390         | -                        | -                 | 4,662,966         | 4,466,390         |
| Unrestricted investment earnings         | 95,717                  | 49,932            | 255,617                  | 136,764           | 351,333           | 186,695           |
| Other                                    | <u>87,525</u>           | <u>8,048</u>      | <u>13,641</u>            | <u>(12,133)</u>   | <u>101,166</u>    | <u>(4,085)</u>    |
| Total revenues                           | <u>11,138,451</u>       | <u>10,196,775</u> | <u>16,092,704</u>        | <u>16,094,565</u> | <u>27,231,154</u> | <u>26,291,339</u> |
| Expenses:                                |                         |                   |                          |                   |                   |                   |
| General government                       | 2,061,727               | 2,121,703         | -                        | -                 | 2,061,727         | 2,121,703         |
| Public safety                            | 5,711,498               | 5,397,252         | -                        | -                 | 5,711,498         | 5,397,252         |
| Public works                             | 1,245,261               | 1,420,115         | -                        | -                 | 1,245,261         | 1,420,115         |
| Economic and physical development        | 489,183                 | 378,549           | -                        | -                 | 489,183           | 378,549           |
| Environmental protection                 | 750,577                 | 759,807           | -                        | -                 | 750,577           | 759,807           |
| Cultural and recreational                | 956,697                 | 991,094           | -                        | -                 | 956,697           | 991,094           |
| Interest on long-term debt               | 36,502                  | 37,729            | 158,795                  | 200,965           | 195,297           | 238,694           |
| Water and sewer                          | -                       | -                 | 5,995,286                | 6,158,427         | 5,995,286         | 6,158,427         |
| Electric                                 | -                       | -                 | <u>7,403,339</u>         | <u>7,561,454</u>  | <u>7,403,339</u>  | <u>7,561,454</u>  |
| Total expenses                           | <u>11,251,446</u>       | <u>11,106,249</u> | <u>13,557,420</u>        | <u>13,920,846</u> | <u>24,808,865</u> | <u>25,027,095</u> |

| City of Lincolnton, Changes in Net Position                                 |                         |                      |                          |                      |                      |                     |
|---|-------------------------|----------------------|--------------------------|----------------------|----------------------|---------------------|
|   | Governmental Activities |                      | Business-type Activities |                      | Total                |                     |
|   | 2019                    | 2018                 | 2019                     | 2018                 | 2019                 | 2018                |
| Increase (decrease) in net position before transfers and extraordinary item | \$ (112,995)            | \$ (909,474)         | \$ 2,535,284             | \$ 2,173,719         | \$ 2,422,289         | \$ 1,264,245        |
| Transfers   | <u>405,071</u>          | <u>405,071</u>       | <u>(405,071)</u>         | <u>(405,071)</u>     | <u>-</u>             | <u>-</u>            |
| Increase (decrease) in net position   | <u>\$ 292,076</u>       | <u>\$ (504,403)</u>  | <u>\$ 2,130,213</u>      | <u>\$ 1,768,648</u>  | <u>\$ 2,422,291</u>  | <u>\$ 1,264,245</u> |
| Net position, July 1, as previously reported                                | \$ 12,427,082           | \$ 19,492,689        | \$ 30,769,510            | \$ 31,022,006        | \$ 43,196,592        | \$ 50,514,695       |
| Restatement   | <u>-</u>                | <u>(6,561,204)</u>   | <u>-</u>                 | <u>(2,021,145)</u>   | <u>-</u>             | <u>(8,582,349)</u>  |
| Net position, July 1, restated  | 12,427,082              | 12,931,485           | 30,769,510               | 29,000,861           | 43,196,592           | 41,932,346          |
| Increase (decrease) in net position   | <u>292,076</u>          | <u>(504,403)</u>     | <u>2,130,213</u>         | <u>1,768,648</u>     | <u>2,422,291</u>     | <u>1,264,246</u>    |
| Net position, June 30   | <u>\$ 12,719,158</u>    | <u>\$ 12,427,082</u> | <u>\$ 32,899,724</u>     | <u>\$ 30,769,510</u> | <u>\$ 45,618,881</u> | <u>\$43,196,592</u> |

**Governmental Activities.** Governmental activities increased the City's net position by \$292,076. Key elements of this increase are as follows:

- \$490 increase in capital grants and contributions.
- \$196,576 increase in other taxes.
- Expenses increased only slightly.

**Business-type Activities.** Business-type activities increased the City of Lincolnton's net position by \$2,130,213. Key elements of this change are as follows:

- Charges for services decreased approximately \$146,500.
- Investment earnings increased \$118,853.
- \$405,071 transfers out, in the current year.
- The Water and Sewer Fund rates did not increase.
- Electric Fund rates did not increase.
- Administrative expenditures to the General Fund were \$500,000 for the Water and Sewer Fund and \$600,000 for the Electric Fund.
- Purchase for power decreased approximately \$484,300.
- Expenses decreased in both the Water and Sewer Fund and the Electric Fund.

### 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 \$4,132,754, while total fund balance reached \$5,200,341. The City currently has an available fund balance of 36.98 percent of General Fund expenditures, while total fund balance represents 46.54 percent of that same amount.

**General Fund Budgetary Highlights.** During the year, there was a \$1,358,703 increase in appropriations between the original and final budget. Following are the main components of the increase:

- \$300,000 Brownfields Grant.
- \$325,000 State Grant - Betty Ross Park Flag Football Fields.
- \$150,000 State Grant - Betty Ross Park River Launch/Fishing Deck.
- \$61,600 LTDA Grant - Betty Ross Park River Launch/Fishing Deck.
- \$203,000 Federal Grant - Fire Department Equipment.
- \$99,103 Federal Grant - Firefighters.

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

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

- Total governmental expenditures were approximately \$1,800,348 less than budgeted due to an overall controlling of costs in all departments and capital projects not completed by year end.
- Public safety was less than budgeted due to vacancies and lower operating costs of \$84,155.
- Public works was less than budgeted due to lower operating costs for administration \$133,348, the delay of capital projects for Highway 321 Sidewalk \$414,720, paving \$26,790 and street repairs \$55,057.
- Parks and recreation was less than budgeted due to lower operating costs of \$37,293 and the progress of a major capital project for \$266,998.
- Economic and Physical Development was less than budgeted due to the delay of implementation of adding building inspections \$246,222 and operation costs \$14,531.
- Environmental Protection was less than budgeted due to lower operation costs \$7,409 and the delay of purchasing capital equipment \$253,406.
- General government expenditures were less than budgeted due to lower operating costs of \$188,953.
- Debt Service expenditures were less than budgeted due to the delay of purchase of a garbage truck \$71,465.

**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 \$8,170,227, and unrestricted net position for the Electric Fund amounted to \$4,087,609. The total change in net position for both funds was \$1,317,599 and \$812,615, respectively. The change in net position in the Water and Sewer Fund is a result of decreased operating expenses and interest expense and an increase in investment income. The increase in the Electric Fund is a result of an increase in operating revenues and investment income and a decrease in purchase for power.



## 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, 2019, totals \$48,166,470 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following:

- Major additions in the General Fund included vehicles and equipment of approximately \$510,500, construction in progress of \$49,400 and improvements of \$256,300.
- The Electric Fund had approximately \$393,000 of construction in progress and \$120,800 of vehicles and equipment in current year additions.
- The Water and Sewer Fund had approximately \$538,800 of new additions for vehicles and equipment and \$589,800 for construction in progress.

| <b>City of Lincoln Capital Assets</b> |                                    |                     |                                     |                     |                      |                     |
|---------------------------------------|------------------------------------|---------------------|-------------------------------------|---------------------|----------------------|---------------------|
| <b>Figure 4</b>                       |                                    |                     |                                     |                     |                      |                     |
|                                       | <b>Governmental<br/>Activities</b> |                     | <b>Business-type<br/>Activities</b> |                     | <b>Total</b>         |                     |
|                                       | <b>2019</b>                        | <b>2018</b>         | <b>2019</b>                         | <b>2018</b>         | <b>2019</b>          | <b>2018</b>         |
| Land                                  | \$ 8,669,355                       | \$ 8,669,355        | \$ 132,820                          | \$ 105,820          | \$ 8,802,175         | \$ 8,775,175        |
| Buildings and improvements            | 5,968,695                          | 6,054,297           | 7,662,177                           | 8,016,311           | 13,630,872           | 14,070,608          |
| Distribution systems                  | 161,606                            | 170,824             | 18,973,271                          | 20,134,370          | 19,134,877           | 20,305,194          |
| Infrastructure                        | 2,406,542                          | 2,563,402           | -                                   | -                   | 2,406,542            | 2,563,402           |
| Vehicles and equipment                | 1,646,491                          | 1,699,017           | 1,454,905                           | 1,046,683           | 3,101,396            | 2,745,700           |
| Construction in progress              | <u>107,878</u>                     | <u>58,494</u>       | <u>982,729</u>                      | <u>-</u>            | <u>1,090,607</u>     | <u>58,494</u>       |
| Total                                 | <u>\$18,960,568</u>                | <u>\$19,215,388</u> | <u>\$29,205,902</u>                 | <u>\$29,303,184</u> | <u>\$ 48,166,470</u> | <u>\$48,518,573</u> |

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

**Long-Term Debt.** As of June 30, 2019, the City of Lincolnton had total bonded debt outstanding of \$3,265,000 and \$6,078,693 of direct placement installment purchases. The direct placement installment purchases are backed by security interest in the property for which it was issued. The remainder of the City's debt represents bonds secured solely by specified revenue sources (e.g., revenue bonds).

| <b>City of Lincolnton Outstanding Debt</b> |                            |                            |                            |                            |                            |                            |
|--|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
|  | <b>Governmental</b>        |                            | <b>Business-type</b>       |                            | <b>Total</b>               |                            |
|  | <b>Activities</b>          |                            | <b>Activities</b>          |                            |                            |                            |
|  | <b><u>2019</u></b>         | <b><u>2018</u></b>         | <b><u>2019</u></b>         | <b><u>2018</u></b>         | <b><u>2019</u></b>         | <b><u>2018</u></b>         |
| Direct placement installment purchases     | \$ 779,678                 | \$ 1,136,755               | \$ 5,299,015               | \$ 3,543,000               | \$ 6,078,693               | \$ 4,679,755               |
| Revenue bonds                              | -                          | -                          | 3,265,000                  | 4,861,000                  | 3,265,000                  | 4,861,000                  |
| Compensated absences                       | 346,451                    | 351,526                    | 126,037                    | 131,960                    | 472,488                    | 483,486                    |
| OPEB                                       | 8,798,896                  | 8,824,552                  | 2,747,972                  | 2,772,008                  | 11,546,868                 | 11,596,560                 |
| Pension related debt (LGERS)               | 1,689,053                  | 1,125,134                  | 572,738                    | 363,785                    | 2,261,791                  | 1,488,919                  |
| Pension related debt (LEO)                 | <u>1,014,141</u>           | <u>980,468</u>             | <u>-</u>                   | <u>-</u>                   | <u>1,014,141</u>           | <u>980,468</u>             |
| <b>Total</b>                               | <b><u>\$12,628,219</u></b> | <b><u>\$12,418,435</u></b> | <b><u>\$12,010,762</u></b> | <b><u>\$11,671,753</u></b> | <b><u>\$24,638,981</u></b> | <b><u>\$24,090,188</u></b> |

The City of Lincolnton's total debt increased by \$548,792 (2.28%) during the fiscal year, primarily due to the issuance of debt and an increase in pension obligations.

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

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within the government's boundaries. The legal debt margin for the City of Lincolnton is \$70,292,100. The City has no bonds authorized, but un-issued, at June 30, 2019.

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

### **Economic Factors and Next Year's Budgets and Rates**

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

- The City is continuing to evaluate its infrastructure assets and, as part of that ongoing evaluation, will prioritize any necessary capital improvements.
- Two industrial parks in Lincoln County are located within close proximity of our corporate limits and their continuous growth benefits the City economically.
- The City replaced 5 aging vehicles through a lease program with Enterprise.
- The City completed a \$211,000 project for a river launch, fishing deck and pickleball courts at Betty Ross Park.
- The City approved a \$350,000 project for flag football fields and a softball field at Betty Ross Park.

- The 2019-20 budget includes a \$2,800,000 project to install smart meters for all water and electric users.
- Numerous small businesses opened in Lincolnton, including: Chic-fil-a, Untapped Territory, Crafted - A Southern Speakeasy, Alki Outfitters, Jersey Mike's Subs, CDB East Main, Bloom Market and Petsmart.

### **Budget Highlights for the Fiscal Year Ending June 30, 2020**

**Governmental Activities:** Property taxes are expected to increase eleven percent from amounts budgeted in the prior year due to revaluation. The City's general fund budgeted revenues are approximately \$11,818,700, which reflects a decrease from the prior year.

The City was able to balance the budget without the use of fund balance.

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

Budgeted expenditures compared with the 2019 actual expenditures are expected to increase 10%.

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

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

The City does anticipate an increase of five or more percent in water and sewer revenues due to the installation of smart meters.

### **Requests for Information**

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

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## **BASIC FINANCIAL STATEMENTS**

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**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 LINCOLNTON, NORTH CAROLINA**

Page 1 of 2

**Statement of Net Position  
June 30, 2019**

|  | Primary Government         |                                  |                   | Component Units                                  |                                    |
|--|----------------------------|----------------------------------|-------------------|--|------------------------------------|
|  | Governmental<br>Activities | Business -<br>type<br>Activities | Total             | Lincolnton<br>Tourism Develop-<br>ment Authority | City of<br>Lincolnton<br>ABC Board |
| <b><u>Assets</u></b>                                     |                            |                                  |                   |  |                                    |
| Current assets:  |                            |                                  |                   |  |                                    |
| Cash and cash equivalents                                | \$ 5,085,737               | \$ 13,686,902                    | \$ 18,772,639     | \$ 381,099                                       | \$ 288,801                         |
| Taxes receivable, net                                    | 114,021                    | -                                | 114,021           | -  | -                                  |
| Accounts receivable, net                                 | 732,627                    | 1,400,872                        | 2,133,499         | -  | -                                  |
| Note receivable  | 43,125                     | -                                | 43,125            | -  | -                                  |
| Due from other government agencies                       | 273,774                    | -                                | 273,774           | 5,299  | -                                  |
| Internal balances  | (1,015,000)                | 1,015,000                        | -                 | -  | -                                  |
| Inventories  | 10,598                     | 99,298                           | 109,897           | -  | 238,148                            |
| Prepaid items  | 50,587                     | 60,828                           | 111,415           | -  | 13,677                             |
| Total current assets                                     | <u>5,295,469</u>           | <u>16,262,900</u>                | <u>21,558,369</u> | <u>386,397</u>                                   | <u>540,627</u>                     |
| Noncurrent assets:                                       |                            |                                  |                   |  |                                    |
| Restricted cash  | <u>439,672</u>             | <u>389,494</u>                   | <u>829,166</u>    | <u>-</u>   | <u>-</u>                           |
| Capital assets:  |                            |                                  |                   |  |                                    |
| Land and nondepreciable assets                           | 8,777,233                  | 1,115,550                        | 9,892,783         | -  | 425,000                            |
| Other capital assets, net of<br>accumulated depreciation | <u>10,183,334</u>          | <u>28,090,353</u>                | <u>38,273,687</u> | <u>54,387</u>                                    | <u>1,088,067</u>                   |
| Total capital assets                                     | <u>18,960,568</u>          | <u>29,205,902</u>                | <u>48,166,470</u> | <u>54,387</u>                                    | <u>1,513,067</u>                   |
| Total assets   | <u>24,695,709</u>          | <u>45,858,296</u>                | <u>70,554,006</u> | <u>440,785</u>                                   | <u>2,053,694</u>                   |
| <b><u>Deferred Outflows of Resources</u></b>             |                            |                                  |                   |  |                                    |
| Pension deferrals  | 1,541,238                  | 472,348                          | 2,013,586         | -  | 47,645                             |
| OPEB deferrals   | <u>69,064</u>              | <u>21,570</u>                    | <u>90,634</u>     | <u>-</u>   | <u>-</u>                           |
| Total deferred outflows of resources                     | <u>1,610,302</u>           | <u>493,918</u>                   | <u>2,104,220</u>  | <u>-</u>   | <u>47,645</u>                      |

cont.

# CITY OF LINCOLNTON, NORTH CAROLINA

Page 2 of 2

## Statement of Net Position June 30, 2019

|   | Primary Government         |                                  |              | Component Units                                  |                                    |
|---|----------------------------|----------------------------------|--------------|--|------------------------------------|
|   | Governmental<br>Activities | Business -<br>type<br>Activities | Total        | Lincolnton<br>Tourism Develop-<br>ment Authority | City of<br>Lincolnton<br>ABC Board |
| <b><u>Liabilities</u></b>                   |                            |                                  |              |  |                                    |
| Accounts payable and accrued liabilities    | \$ 377,076                 | \$ 881,202                       | \$ 1,258,278 | \$ -   | \$ 239,443                         |
| Customer deposits -restricted               | -                          | 389,494                          | 389,494      | -  | -                                  |
| Unearned revenues                           | 10                         | -                                | 10           | -  | -                                  |
| Current portion of long-term liabilities    | 579,575                    | 2,742,159                        | 3,321,734    | -  | -                                  |
| Total current liabilities                   | 956,661                    | 4,012,855                        | 4,969,515    | -  | 239,443                            |
| Long-term liabilities                       |                            |                                  |              |  |                                    |
| Net pension liability                       | 1,689,053                  | 572,738                          | 2,261,791    | -  | 44,600                             |
| Total pension liability                     | 1,014,141                  | -                                | 1,014,141    | -  | -                                  |
| Total OPEB liability                        | 8,798,896                  | 2,747,972                        | 11,546,868   | -  | -                                  |
| Due in more than one year                   | 546,555                    | 5,947,893                        | 6,494,447    | -  | -                                  |
| Total liabilities                           | 13,005,305                 | 13,281,457                       | 26,286,763   | -  | 284,043                            |
| <b><u>Deferred Inflows of Resources</u></b> |                            |                                  |              |  |                                    |
| Prepaid taxes                               | 2,680                      | -                                | 2,680        | -  | -                                  |
| Pension deferrals                           | 66,986                     | 11,169                           | 78,155       | -  | 2,787                              |
| OPEB deferrals                              | 511,882                    | 159,865                          | 671,747      | -  | -                                  |
| Total deferred inflows of resources         | 581,548                    | 171,034                          | 752,582      | -  | 2,787                              |
| <b><u>Net Position</u></b>                  |                            |                                  |              |  |                                    |
| Net investment in capital assets            | 18,180,889                 | 20,641,887                       | 38,822,777   | -  | 1,513,067                          |
| Restricted for:                             |                            |                                  |              |  |                                    |
| Working capital                             | -                          | -                                | -            | -  | 92,795                             |
| Stabilization by State Statute              | 1,006,402                  | -                                | 1,006,402    | -  | -                                  |
| Streets                                     | 440,115                    | -                                | 440,115      | -  | -                                  |
| Public safety                               | 5                          | -                                | 5            | -  | -                                  |
| Economic development                        | -                          | -                                | -            | 440,785  | -                                  |
| Unrestricted                                | (6,908,253)                | 12,257,836                       | 5,349,583    | -  | 208,646                            |
| Total net position                          | \$ 12,719,158              | \$32,899,723                     | \$45,618,881 | \$ 440,785                                       | \$ 1,814,508                       |

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



**CITY OF LINCOLNTON, NORTH CAROLINA**

Page 1 of 2

**Statement of Activities  
For the Year Ended June 30, 2019**

| <u>Functions/Programs</u>                | <u>Expenses</u>     | <u>Program Revenues</u>         |   |   | <u>Net (Expense) Revenue and Changes in Net Position</u> |                                     |                    |   |   |
|--|---------------------|---------------------------------|---|---|--|-------------------------------------|--------------------|---|---|
|  |                     | <u>Charges for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Capital<br/>Grants and<br/>Contributions</u> | <u>Primary Government</u>                                |                                     |                    | <u>Component Units</u>                                    |   |
|  |                     |                                 |   |   | <u>Governmental<br/>Activities</u>                       | <u>Business-type<br/>Activities</u> | <u>Total</u>       | <u>Lincolnton<br/>Tourism Develop-<br/>ment Authority</u> | <u>City of<br/>Lincolnton<br/>ABC Board</u> |
| <b>Primary Government:</b>               |                     |                                 |   |   |  |                                     |                    |   |   |
| Governmental activities:                 |                     |                                 |   |   |  |                                     |                    |   |   |
| General government                       | \$ 2,061,727        | \$ -                            | \$ -  | \$ -  | \$ (2,061,727)   | \$ -                                | \$ (2,061,727)     | \$ -  | \$ -  |
| Public safety                            | 5,711,498           | 13,908                          | 183,170   | 221,828   | (5,292,593)  | -                                   | (5,292,593)        | -   | -   |
| Public works                             | 1,245,261           | -                               | 318,068   | 26,534  | (900,660)  | -                                   | (900,660)          | -   | -   |
| Economic and physical development        | 489,183             | 8,000                           | -   | -   | (481,183)  | -                                   | (481,183)          | -   | -   |
| Environmental protection                 | 750,577             | 49,377                          | 91,011  | -   | (610,189)  | -                                   | (610,189)          | -   | -   |
| Cultural and recreational                | 956,697             | 127,134                         | -   | 398,100   | (431,463)  | -                                   | (431,463)          | -   | -   |
| Interest on long-term debt               | 36,502              | -                               | -   | -   | (36,502)   | -                                   | (36,502)           | -   | -   |
| Total governmental activities            | <u>11,251,446</u>   | <u>198,419</u>                  | <u>592,248</u>                                    | <u>646,462</u>                                  | <u>(9,814,317)</u>                                       | <u>-</u>                            | <u>(9,814,317)</u> | <u>-</u>  | <u>-</u>                                    |
| Business-type activities:                |                     |                                 |   |   |  |                                     |                    |   |   |
| Water and sewer                          | 6,154,081           | 7,660,499                       | -   | -   | -  | 1,506,418                           | 1,506,418          | -   | -   |
| Electric                                 | 7,403,339           | 8,162,947                       | -   | -   | -  | 759,608                             | 759,608            | -   | -   |
| Total business-type activities           | <u>13,557,420</u>   | <u>15,823,446</u>               | <u>-</u>  | <u>-</u>  | <u>-</u>   | <u>2,266,026</u>                    | <u>2,266,026</u>   | <u>-</u>  | <u>-</u>                                    |
| Total primary government                 | <u>\$24,808,865</u> | <u>\$16,021,865</u>             | <u>\$ 592,248</u>                                 | <u>\$ 646,462</u>                               | <u>(9,814,317)</u>                                       | <u>2,266,026</u>                    | <u>(7,548,290)</u> | <u>-</u>  | <u>-</u>                                    |
| <b>Component Unit:</b>                   |                     |                                 |   |   |  |                                     |                    |   |   |
| Lincolnton Tourism Development Authority | \$ 91,043           | \$ -                            | \$ 136,798  | \$ -  | -  | -                                   | -                  | 45,755  | -   |
| City of Lincolnton ABC Board             | 2,411,571           | 2,412,680                       | -   | -   | -  | -                                   | -                  | -   | 1,109                                       |
| Total component unit                     | <u>\$ 2,502,614</u> | <u>\$ 2,412,680</u>             | <u>\$ 136,798</u>                                 | <u>\$ -</u>                                     | <u>-</u>   | <u>-</u>                            | <u>-</u>           | <u>45,755</u>   | <u>1,109</u>                                |

cont.

**CITY OF LINCOLNTON, NORTH CAROLINA**

Page 2 of 2, cont.

**Statement of Activities  
For the Year Ended June 30, 2019**

|                                      | Net (Expense) Revenue and Changes in Net Position |                             |                      |  |                                    |
|--------------------------------------|---|-----------------------------|----------------------|--|------------------------------------|
|                                      | Primary Government                                |                             |                      | Component Units                                  |                                    |
|                                      | Governmental<br>Activities                        | Business-type<br>Activities | Total                | Lincolnton<br>Tourism Develop-<br>ment Authority | City of<br>Lincolnton<br>ABC Board |
|                                      |   |                             |                      |  |                                    |
| General revenues:                    |   |                             |                      |  |                                    |
| Ad valorem taxes                     | \$ 4,855,114                                      | \$ -                        | \$ 4,855,114         | \$ -   | \$ -                               |
| Local option sales tax               | 3,357,639   | -                           | 3,357,639            | -  | -                                  |
| Franchise tax                        | 897,284   | -                           | 897,284              | -  | -                                  |
| Other taxes and licenses             | 408,045   | -                           | 408,045              | -  | -                                  |
| Unrestricted investment earnings     | 95,717  | 255,617                     | 351,334              | 5,192  | 545                                |
| Miscellaneous                        | 87,525  | -                           | 87,525               | -  | 1,729                              |
| Gain(loss) on sale of capital assets | -   | 13,641                      | 13,641               | -  | (3,383)                            |
| Transfers                            | 405,071   | (405,071)                   | -                    | -  | -                                  |
| Total general revenues and transfers | <u>10,106,394</u>                                 | <u>(135,813)</u>            | <u>9,970,581</u>     | <u>5,192</u>                                     | <u>(1,109)</u>                     |
| Changes in net position              | <u>\$ 292,076</u>                                 | <u>\$ 2,130,213</u>         | <u>\$ 2,422,291</u>  | <u>\$ 50,947</u>                                 | <u>\$ -</u>                        |
| Net position - beginning             | \$ 12,427,082                                     | \$ 30,769,510               | \$ 43,196,592        | \$ 389,837                                       | \$ 1,814,508                       |
| Changes in net position              | <u>292,076</u>                                    | <u>2,130,213</u>            | <u>2,422,291</u>     | <u>50,947</u>                                    | <u>-</u>                           |
| Net position - ending                | <u>\$ 12,719,158</u>                              | <u>\$ 32,899,723</u>        | <u>\$ 45,618,881</u> | <u>\$ 440,785</u>                                | <u>\$ 1,814,508</u>                |

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

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**CITY OF LINCOLNTON, NORTH CAROLINA**

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**Balance Sheet  
Governmental Funds  
June 30, 2019**

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|   | <b><u>Major Fund</u></b> |
|---|--------------------------|
|   | <b><u>General</u></b>    |
| <b><u>Assets</u></b>  | <b><u>Fund</u></b>       |
| Cash and cash equivalents   | \$ 5,085,737             |
| Taxes receivable, net   | 114,021                  |
| Accounts receivable, net  | 732,627                  |
| Due from government agencies  | 273,774                  |
| Inventories   | 10,598                   |
| Prepaid items   | 50,587                   |
| Restricted cash   | <u>439,672</u>           |
| Total assets  | <u>\$ 6,707,017</u>      |
| <b><u>Liabilities</u></b>   |                          |
| Accounts payable and accrued liabilities                              | \$ 374,965               |
| Advance from other funds  | 1,015,000                |
| Unearned revenues   | <u>10</u>                |
| Total liabilities   | <u>1,389,975</u>         |
| <b><u>Deferred Inflows of Resources</u></b>                           |                          |
| Property taxes receivable   | 114,021                  |
| Prepaid taxes   | <u>2,680</u>             |
| Total deferred inflows of resources                                   | <u>116,701</u>           |
| <b><u>Fund Balances</u></b>   |                          |
| Nonspendable:   |                          |
| Inventories   | 10,598                   |
| Prepaid expenditures  | 50,587                   |
| Restricted:   |                          |
| Stabilization by State Statute  | 1,006,402                |
| Streets - Powell Bill   | 440,115                  |
| Public safety - police  | 5                        |
| Assigned:   |                          |
| Subsequent year's expenditures  | 237,000                  |
| Unassigned  | <u>3,455,634</u>         |
| Total fund balances   | <u>5,200,341</u>         |
| Total liabilities, deferred inflows of resources<br>and fund balances | <u>\$ 6,707,017</u>      |

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

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**CITY OF LINCOLNTON, NORTH CAROLINA**

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**Reconciliation of the Governmental Funds Balance Sheet  
To the Statement of Net Position  
June 30, 2019**

---

Total Fund Balance, Governmental Funds \$ 5,200,341

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

Note receivable used in governmental activities is not a financial  
resources and, therefore, is not reported in the funds. 43,125

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

|   |                     |            |
|---|---------------------|------------|
| Gross capital assets at historical cost | \$ 42,529,927       |            |
| Accumulated depreciation                | <u>(23,569,360)</u> | 18,960,568 |

Deferred outflows of resources related to the following are not  
reported in the funds:

|          |  |           |
|----------|--|-----------|
| Pensions |  | 1,541,238 |
| OPEB     |  | 69,064    |

Earned revenues considered deferred inflows of  
resources in the fund statements.

|                           |  |         |
|---------------------------|--|---------|
| Property taxes receivable |  | 114,021 |
|---------------------------|--|---------|

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

|                                    |  |             |
|------------------------------------|--|-------------|
| Accrued interest on long-term debt |  | (2,111)     |
| Long-term debt                     |  | (779,678)   |
| Compensated absences               |  | (346,451)   |
| Net pension liability              |  | (1,689,053) |
| Total pension liability            |  | (1,014,141) |
| OPEB liability                     |  | (8,798,896) |

Deferred inflows of resources related to the following are  
not reported in the funds:

|          |  |                  |
|----------|--|------------------|
| Pensions |  | (66,986)         |
| OPEB     |  | <u>(511,882)</u> |

|   |  |                             |
|---|--|-----------------------------|
| Net position of governmental activities |  | <u><u>\$ 12,719,158</u></u> |
|---|--|-----------------------------|

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

---

**CITY OF LINCOLNTON, NORTH CAROLINA****Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds****For the Year Ended June 30, 2019**

---

|   | <b>Major Fund<br/>General<br/>Fund</b> |
|---|--|
| <b>Revenues:</b>                        |  |
| Ad valorem taxes                        | \$ 4,879,429                           |
| Other taxes and licenses                | 207,745                                |
| Unrestricted intergovernmental revenues | 4,584,284                              |
| Restricted intergovernmental revenues   | 1,109,648                              |
| Permits and fees                        | 45,786                                 |
| Sales and services                      | 179,758                                |
| Investment earnings                     | 95,717                                 |
| Miscellaneous                           | 60,400                                 |
| Total revenues                          | <u>11,162,766</u>                      |
| <b>Expenditures:</b>                    |  |
| General government                      | 1,607,558                              |
| Public safety                           | 5,534,104                              |
| Public works                            | 1,301,877                              |
| Economic and physical development       | 484,657                                |
| Environmental protection                | 593,203                                |
| Cultural and recreational               | 1,258,794                              |
| Debt service:                           |  |
| Principal retirement                    | 357,078                                |
| Interest and other charges              | 37,410                                 |
| Total expenditures                      | <u>11,174,683</u>                      |
| Revenues over (under) expenditures      | <u>(11,916)</u>                        |
| <b>Other Financing Sources (Uses):</b>  |  |
| Principal received                      | 15,000                                 |
| Transfers - in                          | 405,071                                |
| Total other financing sources (uses)    | <u>420,071</u>                         |
| <br>Net changes in fund balances        | <br>408,155                            |
| <br>Fund balances, July 1               | <br>4,795,984                          |
| Increase (decrease) in inventory        | <u>(3,798)</u>                         |
| <br>Fund balances, June 30              | <br><u>\$ 5,200,341</u>                |

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

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## 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, 2019

---

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

|   |    |         |
|---|----|---------|
| Net change in fund balances - total governmental funds        | \$ | 408,155 |
| Change in fund balance due to change in reserve for inventory |    | (3,798) |

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                     | 878,831     |
| Depreciation expense               | (1,133,652) |
| Gain (loss) on sale of assets      | 4,357       |
| Proceeds from sale of fixed assets | (4,357)     |

|  |         |
|--|---------|
| Contributions to the pension plan in the current year fiscal year are not<br>included on the Statement of Activities | 416,345 |
|--|---------|

|   |        |
|---|--------|
| Benefit payments paid and administrative expenses for the LEOSSA are<br>not included in the Statement of Activities | 84,046 |
|---|--------|

|   |         |
|---|---------|
| OPEB benefit payments and administrative costs made in the current<br>fiscal year are not included in the Statement of Activities | 548,103 |
|---|---------|

|   |          |
|---|----------|
| Revenues in the statement of activities that do not provide current<br>financial resources are not reported as revenues in the funds. |          |
| Change in deferred revenue for tax purposes   | (24,314) |

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.

|                                      |          |
|--------------------------------------|----------|
| Principal payments on long-term debt | 357,078  |
| Accrued interest payable             | 908      |
| Principal payments received          | (15,000) |

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

|   |                   |
|---|-------------------|
| Compensated absences                              | 5,075             |
| Pension expense                                   | (608,860)         |
| OPEB plan expense                                 | (620,840)         |
| Change in net position of governmental activities | <u>\$ 292,076</u> |

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

**CITY OF LINCOLNTON, NORTH CAROLINA**

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual - General Fund  
For the Year Ended June 30, 2019**

|  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>       | <u>Variance With<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|--|----------------------------|-------------------------|---------------------|---|
| <b>Revenues:</b>                             |                            |                         |                     |   |
| Ad valorem taxes                             | \$ 4,818,000               | \$ 4,818,000            | \$ 4,879,429        | \$ 61,429   |
| Other taxes and licenses                     | 172,000                    | 172,000                 | 207,745             | 35,745  |
| Unrestricted intergovernmental revenues      | 3,958,270                  | 3,958,270               | 4,584,284           | 626,014   |
| Restricted intergovernmental revenues        | 794,700                    | 1,783,703               | 1,109,648           | (674,055)   |
| Permits and fees                             | 102,500                    | 102,500                 | 45,786              | (56,714)  |
| Sales and services                           | 137,800                    | 137,800                 | 179,758             | 41,958  |
| Investment earnings                          | 20,300                     | 20,000                  | 95,717              | 75,717  |
| Miscellaneous                                | 63,600                     | 63,600                  | 60,400              | (3,200)   |
| Total revenues                               | <u>10,067,170</u>          | <u>11,055,873</u>       | <u>11,162,766</u>   | <u>106,893</u>  |
| <b>Expenditures:</b>                         |                            |                         |                     |   |
| General government                           | 1,804,430                  | 1,795,510               | 1,607,558           | 187,952   |
| Public safety                                | 5,157,620                  | 5,609,533               | 5,534,104           | 75,429  |
| Public works                                 | 1,766,554                  | 1,936,594               | 1,301,877           | 634,717   |
| Economic and physical development            | 514,060                    | 745,410                 | 484,657             | 260,753   |
| Environmental protection                     | 854,228                    | 854,018                 | 593,203             | 260,815   |
| Cultural and recreational                    | 957,520                    | 1,534,620               | 1,258,794           | 275,826   |
| Debt service:                                |                            |                         |                     |   |
| Principal retirement                         | 464,270                    | 401,700                 | 357,078             | 44,622  |
| Interest and other charges                   | 49,254                     | 49,254                  | 37,410              | 11,844  |
| Total expenditures                           | <u>11,567,936</u>          | <u>12,926,639</u>       | <u>11,174,683</u>   | <u>1,751,956</u>  |
| Revenues over (under) expenditures           | <u>(1,500,766)</u>         | <u>(1,870,766)</u>      | <u>(11,916)</u>     | <u>1,858,850</u>  |
| <b>Other Financing Sources (Uses):</b>       |                            |                         |                     |   |
| Issuance of debt                             | 275,000                    | 275,000                 | -                   | (275,000)   |
| Principal received                           | 55,000                     | 55,000                  | 15,000              | (40,000)  |
| Appropriated fund balance                    | 765,470                    | 1,135,470               | -                   | (1,135,470)   |
| Transfers in                                 | 405,296                    | 405,296                 | 405,071             | (225)   |
| Total other financing sources (uses)         | <u>1,500,766</u>           | <u>1,870,766</u>        | <u>420,071</u>      | <u>(1,450,695)</u>  |
| Net change in fund balance                   | <u>\$ -</u>                | <u>\$ -</u>             | 408,155             | <u>\$ 408,155</u>   |
| Fund balance, July 1                         |                            |                         | 4,795,984           |   |
| Increase (decrease) in reserve for inventory |                            |                         | (3,798)             |   |
| Fund balance, June 30                        |                            |                         | <u>\$ 5,200,341</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, 2019**

|   | <b>Business-type Activities<br/>Enterprise Funds</b> |                          |                      |
|---|--|--------------------------|----------------------|
|   | <b>Water and Sewer<br/>Fund</b>                      | <b>Electric<br/>Fund</b> | <b>Total</b>         |
| <b><u>Assets</u></b>                            |  |                          |                      |
| Current assets:                                 |  |                          |                      |
| Cash and cash equivalents                       | \$ 10,216,824  | \$ 3,470,078             | \$ 13,686,902        |
| Accounts receivable                             | 736,825  | 664,046                  | 1,400,872            |
| Advance to other funds                          | -  | 74,944                   | 74,944               |
| Inventories                                     | 72,379   | 26,919                   | 99,298               |
| Prepaid expenses                                | 20,454   | 40,375                   | 60,828               |
| Total current assets                            | <u>11,046,482</u>                                    | <u>4,276,362</u>         | <u>15,322,844</u>    |
| Noncurrent assets:                              |  |                          |                      |
| Restricted cash and cash equivalents            | 115,839  | 273,655                  | 389,494              |
| Advance to other funds                          | -  | 940,056                  | 940,056              |
| Capital assets, net of accumulated depreciation | 27,415,237   | 1,790,665                | 29,205,902           |
| Total noncurrent assets                         | <u>27,531,076</u>                                    | <u>3,004,376</u>         | <u>30,535,452</u>    |
| Total assets                                    | <u>38,577,558</u>                                    | <u>7,280,738</u>         | <u>45,858,296</u>    |
| <b><u>Deferred Outflows of Resources</u></b>    |  |                          |                      |
| Pension deferrals                               | 344,025  | 128,323                  | 472,348              |
| OPEB deferrals                                  | 19,041   | 2,529                    | 21,570               |
| Total deferred outflows of resources            | <u>363,066</u>                                       | <u>130,852</u>           | <u>493,918</u>       |
| <b><u>Liabilities</u></b>                       |  |                          |                      |
| Current liabilities:                            |  |                          |                      |
| Accounts payable and accrued liabilities        | 150,346  | 730,856                  | 881,202              |
| Customer deposits - restricted                  | 115,839  | 273,655                  | 389,494              |
| Bonds payable - current                         | 1,618,000  | -                        | 1,618,000            |
| Loans payable - current                         | 1,049,785  | -                        | 1,049,785            |
| Accrued compensated absences                    | 61,111   | 13,263                   | 74,373               |
| Total current liabilities                       | <u>2,995,081</u>                                     | <u>1,017,774</u>         | <u>4,012,855</u>     |
| Noncurrent liabilities:                         |  |                          |                      |
| Bonds payable                                   | 1,647,000  | -                        | 1,647,000            |
| Loans payable                                   | 4,249,230  | -                        | 4,249,230            |
| Total OPEB liability                            | 2,425,809  | 322,163                  | 2,747,972            |
| Accrued compensated absences                    | 35,656   | 16,007                   | 51,663               |
| Net pension liability                           | 417,142  | 155,596                  | 572,738              |
| Total noncurrent liabilities                    | <u>8,774,836</u>                                     | <u>493,766</u>           | <u>9,268,603</u>     |
| Total liabilities                               | <u>11,769,917</u>                                    | <u>1,511,540</u>         | <u>13,281,457</u>    |
| <b><u>Deferred Inflows of Resources</u></b>     |  |                          |                      |
| Pension deferrals                               | 8,135  | 3,034                    | 11,169               |
| OPEB deferrals                                  | 141,123  | 18,742                   | 159,865              |
|   | <u>149,258</u>                                       | <u>21,776</u>            | <u>171,034</u>       |
| <b><u>Net Position</u></b>                      |  |                          |                      |
| Net investment in capital assets                | 18,851,222   | 1,790,665                | 20,641,887           |
| Unrestricted                                    | 8,170,227  | 4,087,609                | 12,257,836           |
| Total net position                              | <u>\$ 27,021,449</u>                                 | <u>\$ 5,878,274</u>      | <u>\$ 32,899,723</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, 2019**

|  | <b>Business-type Activities<br/>Enterprise Funds</b> |                          |                      |
|--|--|--------------------------|----------------------|
|  | <b>Water and<br/>Sewer<br/>Fund</b>                  | <b>Electric<br/>Fund</b> | <b>Total</b>         |
| <b>Operating Revenues:</b>                               |  |                          |                      |
| Electricity sales  | \$ -   | \$ 7,008,624             | \$ 7,008,624         |
| Water sales  | 3,260,078  | -                        | 3,260,078            |
| Sewer charges  | 4,202,589  | -                        | 4,202,589            |
| Water and sewer taps                                     | 69,201   | -                        | 69,201               |
| Electricity - municipal operations                       | -  | 681,544                  | 681,544              |
| Other operating revenues                                 | 128,630  | 472,779                  | 601,409              |
| Total operating revenues                                 | <u>7,660,499</u>                                     | <u>8,162,947</u>         | <u>15,823,446</u>    |
| <b>Operating Expenses:</b>                               |  |                          |                      |
| Electrical operations                                    | -  | 1,360,872                | 1,360,872            |
| Electrical power purchases                               | -  | 5,288,257                | 5,288,257            |
| Water treatment plant                                    | 1,401,786  | -                        | 1,401,786            |
| Water and sewer distribution maintenance                 | 1,400,500  | -                        | 1,400,500            |
| Waste treatment plant                                    | 1,535,743  | -                        | 1,535,743            |
| Administrative   | -  | 600,000                  | 600,000              |
| Depreciation   | 1,657,257  | 154,209                  | 1,811,466            |
| Total operating expenses                                 | <u>5,995,286</u>                                     | <u>7,403,339</u>         | <u>13,398,625</u>    |
| Operating income (loss)                                  | <u>1,665,213</u>                                     | <u>759,608</u>           | <u>2,424,821</u>     |
| <b>Nonoperating Revenues (Expenses):</b>                 |  |                          |                      |
| Investment earnings                                      | 176,636  | 78,981                   | 255,617              |
| Gain (loss) on disposal of capital assets                | 13,641   | -                        | 13,641               |
| Interest on long-term debt                               | (158,795)  | -                        | (158,795)            |
| Total nonoperating revenues (expenses)                   | <u>31,481</u>  | <u>78,981</u>            | <u>110,463</u>       |
| Income (loss) before transfers and capital contributions | 1,696,695  | 838,590                  | 2,535,284            |
| Transfers (to) from other funds                          |  |                          |                      |
| General Fund-payment in lieu of taxes                    | <u>(379,096)</u>                                     | <u>(25,975)</u>          | <u>(405,071)</u>     |
| Changes in net position                                  | <u>\$ 1,317,599</u>                                  | <u>\$ 812,615</u>        | <u>\$ 2,130,213</u>  |
| Total net position - beginning                           | \$ 25,703,851  | \$ 5,065,659             | \$ 30,769,510        |
| Changes in net position                                  | 1,317,599  | 812,615                  | 2,130,213            |
| Total net position - ending                              | <u>\$ 27,021,449</u>                                 | <u>\$ 5,878,274</u>      | <u>\$ 32,899,723</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, 2019**

|   | <b>Business-type Activities<br/>Enterprise Funds</b> |                           |                             |
|---|--|---------------------------|-----------------------------|
|   | <b>Water and<br/>Sewer<br/>Fund</b>                  | <b>Electric<br/>Fund</b>  | <b>Total</b>                |
| <b>Cash Flows From Operating Activities:</b>                            |  |                           |                             |
| Cash received from customers  | \$ 7,474,359   | \$ 8,200,245              | \$ 15,674,604               |
| Customer deposits received  | 9,630  | 6,930                     | 16,560                      |
| Cash paid for goods and services  | (2,453,573)  | (6,539,451)               | (8,993,024)                 |
| Cash paid to or on behalf of employees for services                     | (1,916,041)  | (642,198)                 | (2,558,239)                 |
| Net cash provided (used) by operating activities                        | <u>3,114,375</u>                                     | <u>1,025,526</u>          | <u>4,139,901</u>            |
| <b>Cash Flows From Non-Capital Financing Activities:</b>                |  |                           |                             |
| Transfers - in (out)  | (379,096)  | (25,975)                  | (405,071)                   |
| Net cash provided (used) by non-capital financing activities            | <u>(379,096)</u>                                     | <u>(25,975)</u>           | <u>(405,071)</u>            |
| <b>Cash Flows From Capital and Related<br/>Financing Activities:</b>    |  |                           |                             |
| Acquisition and construction of capital assets                          | (577,823)  | (547,345)                 | (1,125,168)                 |
| Proceeds from sale of capital assets                                    | 14,411   | -                         | 14,411                      |
| Proceeds from borrowing   | 1,880,229  | -                         | 1,880,229                   |
| Principal paid on long-term debt  | (2,310,000)  | -                         | (2,310,000)                 |
| Interest paid on long-term debt   | (155,067)  | -                         | (155,067)                   |
| Net cash provided (used) by capital and<br>related financing activities | <u>(1,148,250)</u>                                   | <u>(547,345)</u>          | <u>(1,695,595)</u>          |
| <b>Cash Flows From Investing Activities:</b>                            |  |                           |                             |
| Investment earnings   | 176,636  | 78,981                    | 255,617                     |
| Net cash provided (used) by investing activities                        | <u>176,636</u>                                       | <u>78,981</u>             | <u>255,617</u>              |
| Net increase (decrease) in cash and cash equivalents                    | 1,763,665  | 531,187                   | 2,294,852                   |
| Cash and cash equivalents at beginning of year                          | <u>8,568,998</u>                                     | <u>3,212,546</u>          | <u>11,781,544</u>           |
| Cash and cash equivalents at end of year                                | <u><u>\$10,332,663</u></u>                           | <u><u>\$3,743,733</u></u> | <u><u>\$ 14,076,395</u></u> |

cont.

**CITY OF LINCOLNTON, NORTH CAROLINA**

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**Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2019**

|   | <b>Business-type Activities<br/>Enterprise Funds</b> |                          |                     |
|---|--|--------------------------|---------------------|
|   | <b>Water and<br/>Sewer<br/>Fund</b>                  | <b>Electric<br/>Fund</b> | <b>Total</b>        |
| <b>Reconciliation of Operating Income (Loss) to Net Cash<br/>Provided (Used) by Operating Activities:</b> |  |                          |                     |
| Operating income (loss)   | \$ 1,665,213   | \$ 759,608               | \$ 2,424,822        |
| Adjustments to reconcile operating income (loss) to net<br>cash provided (used) by operating activities:  |  |                          |                     |
| Depreciation  | 1,657,257  | 154,209                  | 1,811,466           |
| Change in assets and liabilities:   |  |                          |                     |
| (Increase) decrease in accounts receivable  | (186,140)  | 37,298                   | (148,842)           |
| (Increase) decrease in inventory  | (9,199)  | 9,549                    | 350                 |
| (Increase) decrease in prepaid expense  | (8,496)  | (2,488)                  | (10,984)            |
| Increase (decrease) in accounts payable and<br>other accrued liabilities                                  | (8,062)  | 31,444                   | 23,382              |
| Increase (decrease) in accrued vacation pay   | (1,977)  | (3,946)                  | (5,923)             |
| Increase (decrease) in OPEB liability   | (40,972)   | 16,936                   | (24,036)            |
| Increase (decrease) in deferred outflows of<br>resources - OPEB   | (13,772)   | (1,877)                  | (15,649)            |
| Increase (decrease) in deferred inflows of<br>resources - OPEB  | 39,575   | 6,177                    | 45,752              |
| Increase (decrease) in deferred outflows of<br>resources - pensions                                       | (108,474)  | (65,603)                 | (174,077)           |
| Increase (decrease) in net pension liability  | 129,853  | 79,100                   | 208,953             |
| Increase (decrease) in deferred inflows of<br>resources - pensions  | (10,061)   | (1,811)                  | (11,872)            |
| Increase (decrease) in customer deposits  | 9,630  | 6,930                    | 16,560              |
| Net cash provided (used) by operating activities  | <u>\$ 3,114,375</u>                                  | <u>\$ 1,025,526</u>      | <u>\$ 4,139,901</u> |
| <b>Supplemental Schedule of Non Cash Financing Activities:</b>  |  |                          |                     |
| Acquisition of capital assets through issuance of debt  | <u>\$ 589,786</u>                                    | <u>\$ -</u>              | <u>\$ 589,786</u>   |

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

## **NOTES TO THE FINANCIAL STATEMENTS**

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**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, 2019

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#### I. Summary of Significant Accounting Policies

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

##### A. Reporting Entity

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

##### **City of Lincolnton ABC Board**

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

##### **Lincolnton Tourism Development Authority**

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

##### B. Basis of Presentation - Fund Accounting

**Government-wide Statements.** The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole, or in part, by fees charged to external parties.

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## CITY OF LINCOLNTON, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2019

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The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include: (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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

The City reports the following major governmental fund:

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

The City reports the following major enterprise funds:

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

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

#### C. Measurement Focus and Basis of Accounting

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

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## CITY OF LINCOLNTON, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2019

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

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

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

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

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



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## CITY OF LINCOLNTON, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2019

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

#### **D. Budgetary Data**

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

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

##### **1. Deposits and Investments**

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

State law [G.S. 159-30(c)] authorizes the City, the ABC Board and LTDA to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The investments of the City, the ABC Board and LTDA are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT-Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2019, the Term Portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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## CITY OF LINCOLNTON, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2019

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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 and considers all cash and investments cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of twelve months or less when purchased to be cash and cash equivalents. The LTDA cash and investments are essentially demand deposits and are considered cash and cash equivalents.

#### 3. Restricted Assets

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

|                                    |                  |
|------------------------------------|------------------|
| City of Lincolnton Restricted Cash |                  |
| Governmental activities            |                  |
| General Fund                       |                  |
| Streets                            | \$439,667        |
| Public safety                      | 5                |
|                                    | <u>439,672</u>   |
| Business-type activities           |                  |
| Water and Sewer Fund               |                  |
| Customer deposits                  | 115,839          |
| Electric Fund                      |                  |
| Customer deposits                  | <u>273,655</u>   |
| Total business-type activities     | <u>389,494</u>   |
| Total restricted cash              | <u>\$829,166</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, 2018. 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.

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## CITY OF LINCOLNTON, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2019

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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 are expensed as the items are used. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

#### 7. Capital Assets

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

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

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

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## CITY OF LINCOLNTON, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2019

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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 expenditure until then. The City has two items that meet this criterion, pension and other post-employment deferrals for the 2019 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has only four items that meet the criterion for this category - prepaid taxes, property taxes receivable, pension and other post-employment deferrals.

#### 9. Long-Term Obligations

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

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

#### 10. Compensated Absences

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

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## CITY OF LINCOLNTON, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2019

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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:

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

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

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

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## CITY OF LINCOLNTON, NORTH CAROLINA

### Notes to the Financial Statements

June 30, 2019

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**Restricted Fund Balance** - This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State Statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State Statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments, minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as non-spendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net Position and Restricted Fund Balance on the face of the balance sheet.

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

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

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

**Committed Fund Balance** - the portion of fund balance that can only be used for specific purposes imposed by a majority vote by quorum of City of 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** - the 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 (the Council) has the authority to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

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

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## **CITY OF LINCOLNTON, NORTH CAROLINA**

### **Notes to the Financial Statements**

**June 30, 2019**

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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.

#### **12. Defined Benefit Cost-Sharing Plans**

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

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

#### **F. Other**

##### **Management Estimates**

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

## **II. Stewardship, Compliance, and Accountability**

### **A. Noncompliance with North Carolina General Statutes**

The City spent Powell Bill Funds that were not in compliance with N. C. G.S. 136-41.3 and 136-41.4. Non-allowable expenses in the amount of \$57,631 were spent from the Powell Bill Funds. The City will review all Powell Bill expenditures to ensure that they are in compliance with North Carolina General Statutes.

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## CITY OF LINCOLNTON, NORTH CAROLINA

### Notes to the Financial Statements

June 30, 2019

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#### Noncompliance with Federal Wage/Compensation Laws

The City is not in compliance with the IRS reporting of compensation to individuals. Several of the City's employees are paid travel allowances. However, these amounts are not being reported as income and the employees are not being reimbursed under an accountable plan. These amounts should be reported as W-2 wages and are subject to payroll taxes. The City will report compensation not under an accountable plan as W-2 wages.

### III. Detail Notes on All Funds

#### A. Assets

##### 1. Deposits

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

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

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

At June 30, 2019, the City's deposits had a carrying amount of \$12,738,164 and a bank balance of \$13,208,695. Of the bank balance, \$250,000 was covered by federal depository insurance, and the remainder was covered by collateral held under the Pooling Method. At June 30, 2019, the City's petty cash fund totaled \$1,350.

At June 30, 2019, the ABC Board had a carrying amount of \$284,101 and a bank balance of \$292,301. Of the bank balance, \$250,000 was covered by federal depository insurance. At June 30, 2019, the ABC Board had cash on hand of \$4,700.

At June 30, 2019, the LTDA had a carrying amount of \$381,099 and a bank balance of \$381,099. Of the bank balance \$250,000 was covered by federal depository insurance.



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**CITY OF LINCOLNTON, NORTH CAROLINA**

**Notes to the Financial Statements  
June 30, 2019**

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**2. Investments**

| <u>Investment by Type</u>                                | <u>Valuation<br/>Measurement<br/>Method</u> | <u>Book Value<br/>at 6/30/19</u> | <u>Maturity</u> | <u>Rating</u> |
|--|---|----------------------------------|-----------------|---------------|
| N. C. Capital Management Trust -<br>Government Portfolio | Fair Value<br>Level 1                       | \$474,124                        | N/A             | AAAm          |
| N. C. Capital Management Trust -<br>Term Portfolio       | Fair Value<br>Level 1                       | <u>6,388,167</u>                 | .11 years (a)   | Unrated       |
| Total  |   | <u>\$6,862,291</u>               |                 |               |

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

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

*(a) This is the duration for the Term Portfolio.*

**Interest Rate Risk.** The City does not have a 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 investment in the N. C. Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard and Poor's as of June 30, 2019. The City's investment in the N. C. Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U. S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

# CITY OF LINCOLNTON, NORTH CAROLINA

## Notes to the Financial Statements

June 30, 2019

### 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>\$116,000</u>        |
| Enterprise Funds:      |                         |
| Water and Sewer Fund   | 105,845                 |
| Electric Fund          | <u>121,386</u>          |
| Total enterprise funds | <u>227,231</u>          |
| Total                  | <u><u>\$343,231</u></u> |

### 4. Capital Assets

Primary Government

Capital asset activity for the primary government for the year ended June 30, 2019 was as follows:

|   | <u>Beginning<br/>Balances</u> | <u>Increases</u>   | <u>Decreases</u>  | <u>Ending<br/>Balances</u> |
|---|-------------------------------|--------------------|-------------------|----------------------------|
| <b>Governmental Activities:</b>             |                               |                    |                   |                            |
| Capital assets not being depreciated:       |                               |                    |                   |                            |
| Land  | \$ 8,669,355                  | \$ -               | \$ -              | \$ 8,669,355               |
| Construction in progress                    | <u>58,494</u>                 | <u>294,109</u>     | <u>244,724</u>    | <u>107,879</u>             |
| Total capital assets not being depreciated  | <u>8,727,849</u>              | <u>\$ 294,109</u>  | <u>\$ 244,724</u> | <u>8,777,233</u>           |
| Capital assets being depreciated:           |                               |                    |                   |                            |
| Building                                    | 8,495,421                     | \$ 38,713          | \$ -              | 8,534,134                  |
| Other improvements                          | 2,766,928                     | 256,270            | -                 | 3,023,198                  |
| Plant and distribution systems              | 239,075                       | -                  | -                 | 239,075                    |
| Furniture and equipment                     | 2,232,471                     | 410,463            | -                 | 2,642,934                  |
| Vehicles and motorized equipment            | 5,730,646                     | 100,000            | 24,262            | 5,806,384                  |
| Infrastructure                              | <u>13,482,969</u>             | <u>24,000</u>      | <u>-</u>          | <u>13,506,969</u>          |
| Total capital assets being depreciated      | <u>32,947,510</u>             | <u>\$ 829,446</u>  | <u>\$ 24,262</u>  | <u>33,752,694</u>          |
| Less accumulated depreciation for:          |                               |                    |                   |                            |
| Building                                    | 3,739,619                     | \$ 249,139         | \$ -              | 3,988,758                  |
| Other improvements                          | 1,468,433                     | 131,446            | -                 | 1,599,879                  |
| Plant and distribution systems              | 68,251                        | 9,218              | -                 | 77,469                     |
| Furniture and equipment                     | 1,581,050                     | 143,667            | -                 | 1,724,717                  |
| Vehicles and motorized equipment            | 4,683,050                     | 419,322            | 24,262            | 5,078,110                  |
| Infrastructure                              | <u>10,919,567</u>             | <u>180,860</u>     | <u>-</u>          | <u>11,100,427</u>          |
| Total accumulated depreciation              | <u>22,459,970</u>             | <u>\$1,133,652</u> | <u>\$ 24,262</u>  | <u>23,569,360</u>          |
| Total capital assets being depreciated, net | <u>10,487,540</u>             |                    |                   | <u>10,183,334</u>          |
| Governmental activity capital assets, net   | <u><u>\$19,215,389</u></u>    |                    |                   | <u><u>\$18,960,568</u></u> |

# CITY OF LINCOLNTON, NORTH CAROLINA

## Notes to the Financial Statements June 30, 2019

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

|                                   |                    |
|-----------------------------------|--------------------|
| General government                | \$ 461,444         |
| Public safety                     | 352,084            |
| Public works                      | 112,254            |
| Economic and physical development | -                  |
| Environmental protection          | 144,717            |
| Cultural and recreational         | 63,154             |
| Total depreciation expense        | <u>\$1,133,652</u> |

|   | <u>Beginning<br/>Balances</u> | <u>Increases</u>   | <u>Decreases</u> | <u>Ending<br/>Balances</u> |
|---|-------------------------------|--------------------|------------------|----------------------------|
| <b>Business-type Activities:</b>            |                               |                    |                  |                            |
| Water and Sewer Fund:                       |                               |                    |                  |                            |
| Capital assets, not being depreciated:      |                               |                    |                  |                            |
| Land  | \$ 95,600                     | \$ 27,000          | \$ -             | \$ 122,600                 |
| Construction in progress                    | <u>-</u>                      | <u>589,786</u>     | <u>-</u>         | <u>589,786</u>             |
| Total capital assets not being depreciated  | <u>95,600</u>                 | <u>\$ 616,786</u>  | <u>\$ -</u>      | <u>712,386</u>             |
| Capital assets being depreciated:           |                               |                    |                  |                            |
| Building and improvements                   | 14,215,117                    | \$ -               | \$ -             | 14,215,117                 |
| Plant and distribution systems              | 46,922,926                    | 12,000             | -                | 46,934,926                 |
| Furniture and equipment                     | 7,924,609                     | 196,201            | -                | 8,120,810                  |
| Vehicles                                    | <u>441,202</u>                | <u>342,622</u>     | <u>64,308</u>    | <u>719,516</u>             |
| Total capital assets being depreciated      | <u>69,503,854</u>             | <u>\$ 550,823</u>  | <u>\$ 64,308</u> | <u>69,990,369</u>          |
| Less accumulated depreciation for:          |                               |                    |                  |                            |
| Building and improvements                   | 6,568,027                     | \$ 350,385         | \$ -             | 6,918,412                  |
| Plant and distribution systems              | 27,671,687                    | 1,104,115          | -                | 28,775,802                 |
| Furniture and equipment                     | 7,096,156                     | 151,942            | -                | 7,248,098                  |
| Vehicles                                    | <u>357,929</u>                | <u>50,815</u>      | <u>63,538</u>    | <u>345,206</u>             |
| Total accumulated depreciation              | <u>41,693,799</u>             | <u>\$1,657,257</u> | <u>\$ 63,538</u> | <u>43,287,518</u>          |
| Total capital assets being depreciated, net | <u>27,810,055</u>             |                    |                  | <u>26,702,851</u>          |
| Water and Sewer Fund capital assets, net    | <u>27,905,655</u>             |                    |                  | <u>27,415,237</u>          |
| Electric Fund:                              |                               |                    |                  |                            |
| Capital assets not being depreciated:       |                               |                    |                  |                            |
| Land  | 10,220                        | \$ -               | \$ -             | 10,220                     |
| Construction in progress                    | <u>-</u>                      | <u>392,943</u>     | <u>-</u>         | <u>392,943</u>             |
| Total capital assets not being depreciated  | <u>10,220</u>                 | <u>\$ 392,943</u>  | <u>\$ -</u>      | <u>403,163</u>             |
| Capital assets being depreciated:           |                               |                    |                  |                            |
| Building and improvements                   | 775,989                       | \$ 33,589          | \$ -             | 809,578                    |
| Plant and distribution systems              | 3,869,942                     | -                  | -                | 3,869,942                  |
| Furniture and equipment                     | 133,855                       | 120,813            | -                | 254,668                    |
| Vehicles                                    | <u>660,347</u>                | <u>-</u>           | <u>-</u>         | <u>660,347</u>             |
| Total capital assets being depreciated      | <u>5,440,133</u>              | <u>\$ 154,402</u>  | <u>\$ -</u>      | <u>5,594,535</u>           |

# CITY OF LINCOLNTON, NORTH CAROLINA

## Notes to the Financial Statements June 30, 2019

|  | <u>Beginning<br/>Balances</u> | <u>Increases</u>  | <u>Decreases</u> | <u>Ending<br/>Balances</u> |
|--|-------------------------------|-------------------|------------------|----------------------------|
| <b>Business-type Activities:</b>             |                               |                   |                  |                            |
| Less accumulated depreciation for:           |                               |                   |                  |                            |
| Building and improvements                    | \$ 406,768                    | \$ 37,338         | \$ -             | \$ 444,106                 |
| Plant and distribution systems               | 2,986,811                     | 68,984            | -                | 3,055,795                  |
| Furniture and equipment                      | 88,747                        | 10,459            | -                | 99,206                     |
| Vehicles                                     | 570,498                       | 37,428            | -                | 607,926                    |
| Total accumulated depreciation               | <u>4,052,824</u>              | <u>\$ 154,209</u> | <u>\$ -</u>      | <u>4,207,033</u>           |
| Total capital assets being depreciated, net  | <u>1,387,309</u>              |                   |                  | <u>1,387,502</u>           |
| Electric Fund capital assets, net            | <u>1,397,529</u>              |                   |                  | <u>1,790,665</u>           |
| Business-type activities capital assets, net | <u>\$29,303,184</u>           |                   |                  | <u>\$29,205,902</u>        |

The City has active construction projects as of June 30, 2019. At year-end, the City's commitments with contractors are as follows:

| <u>Project</u>                     | <u>Spent-to-date</u> | <u>Remaining<br/>Commitment</u> |
|------------------------------------|----------------------|---------------------------------|
| River Launch Project               | \$ 154,028           | \$ -                            |
| Tennis/Pickleball Court Renovation | 46,400               | -                               |
| Flag Football/Softball Fields      | 105,878              | 244,122                         |
| 321 Sidewalk Project               | 51,308               | 322,793                         |
| Police Building Renovation         | 799,408              | 1,350,000                       |
| Total                              | <u>\$1,157,022</u>   | <u>\$1,916,915</u>              |

### Discretely Presented Component Units:

Activity for the City of Lincolnton ABC Board for the year ended June 30, 2019 was as follows:

|   | <u>Beginning<br/>Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending<br/>Balances</u> |
|---|-------------------------------|------------------|------------------|----------------------------|
| Capital assets not being depreciated:       |                               |                  |                  |                            |
| Land  | \$ 425,000                    | \$ -             | \$ -             | \$ 425,000                 |
| Capital assets being depreciated:           |                               |                  |                  |                            |
| Building and improvements                   | 1,346,853                     | -                | -                | 1,346,853                  |
| Equipment                                   | 173,664                       | 66,612           | 20,543           | 219,733                    |
| Total capital assets being depreciated      | <u>1,520,517</u>              | <u>66,612</u>    | <u>20,543</u>    | <u>1,566,586</u>           |
| Less accumulated depreciation for:          |                               |                  |                  |                            |
| Building and improvements                   | 295,072                       | 35,861           | -                | 330,933                    |
| Equipment                                   | 155,223                       | 9,523            | 17,160           | 147,586                    |
| Total accumulated depreciation              | <u>450,295</u>                | <u>45,384</u>    | <u>17,160</u>    | <u>478,519</u>             |
| Total capital assets being depreciated, net | <u>1,070,222</u>              | <u>21,228</u>    | <u>3,383</u>     | <u>1,088,067</u>           |
| Capital assets, net                         | <u>\$1,495,222</u>            | <u>\$21,228</u>  | <u>\$ 3,383</u>  | <u>\$1,513,067</u>         |

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**CITY OF LINCOLNTON, NORTH CAROLINA**

**Notes to the Financial Statements**  
**June 30, 2019**

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Activity for the Lincolnton Tourism Development Authority for the year ended June 30, 2019 was as follows:

|   | <u><b>Beginning<br/>Balances</b></u> | <u><b>Increases</b></u> | <u><b>Decreases</b></u> | <u><b>Ending<br/>Balances</b></u> |
|---|--------------------------------------|-------------------------|-------------------------|-----------------------------------|
| Capital assets not being depreciated:       |                                      |                         |                         |                                   |
| Construction in progress                    | <u>\$ 23,484</u>                     | <u>\$ -</u>             | <u>\$23,484</u>         | <u>\$ -</u>                       |
| Capital assets being depreciated:           |                                      |                         |                         |                                   |
| Equipment                                   | <u>\$ 17,955</u>                     | <u>\$39,294</u>         | <u>\$ -</u>             | <u>57,249</u>                     |
| Less accumulated depreciation for:          |                                      |                         |                         |                                   |
| Equipment                                   | <u>-</u>                             | <u>\$ 2,862</u>         | <u>\$ -</u>             | <u>2,862</u>                      |
| Total capital assets being depreciated, net | <u>41,439</u>                        |                         |                         | <u>54,387</u>                     |
| Capital assets, net                         | <u>\$ 41,439</u>                     |                         |                         | <u>\$ 54,387</u>                  |

**B. Liabilities**

**1. Accounts Payable and Accrued Liabilities**

Payables at the government-wide level at June 30, 2019 were as follows:

|                                | <u><b>Vendors</b></u> | <u><b>Salaries and<br/>Benefits</b></u> | <u><b>Accrued<br/>Interest</b></u> | <u><b>Other</b></u> | <u><b>Total</b></u> |
|--------------------------------|-----------------------|---|------------------------------------|---------------------|---------------------|
| Governmental activities:       |                       |   |                                    |                     |                     |
| General                        | \$187,040             | \$187,925                               | \$ 2,111                           | \$ -                | \$ 377,076          |
| Other governmental             | <u>-</u>              | <u>-</u>                                | <u>-</u>                           | <u>-</u>            | <u>-</u>            |
| Total governmental activities  | <u>187,040</u>        | <u>187,925</u>                          | <u>2,111</u>                       | <u>-</u>            | <u>377,076</u>      |
| Business-type activities:      |                       |   |                                    |                     |                     |
| Water and Sewer                | 70,898                | 50,542                                  | 28,906                             | -                   | 150,346             |
| Electric                       | <u>683,425</u>        | <u>17,784</u>                           | <u>-</u>                           | <u>29,647</u>       | <u>730,856</u>      |
| Total business-type activities | <u>754,323</u>        | <u>68,326</u>                           | <u>28,906</u>                      | <u>29,647</u>       | <u>881,202</u>      |
| Total                          | <u>\$941,363</u>      | <u>\$256,251</u>                        | <u>\$ 31,017</u>                   | <u>\$ 29,647</u>    | <u>\$1,258,278</u>  |

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## CITY OF LINCOLNTON, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2019

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#### 2. Pension Plan and Post-employment Obligations

##### a. Local Governmental Employees' Retirement System

**Plan Description** - The City of Lincolnton is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, and 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](http://www.osc.nc.gov).

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

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

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## CITY OF LINCOLNTON, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2019

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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, 2019 was 8.50% of compensation for law enforcement officers and 7.83% 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 \$557,523 for the year ended June 30, 2019.

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

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

At June 30, 2019, the City reported a liability of \$2,261,791 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018 (measurement date), the City's proportion was 0.09534%, which was a decrease of 0.00212% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$635,640. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|--|---|--|
| Differences between expected and actual experience   | \$ 348,941                                | \$11,709                                 |
| Changes of assumptions   | 600,192                                   | -  |
| Net difference between projected and actual earnings<br>on pension plan investments                            | 310,477                                   | -  |
| Changes in proportion, and differences between, City<br>contributions and proportionate share of contributions | 48,211                                    | 32,399                                   |
| City contributions subsequent to the measurement date  | <u>557,523</u>                            | <u>-</u>                                 |
| Total  | <u>\$1,865,344</u>                        | <u>\$44,108</u>                          |

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## CITY OF LINCOLNTON, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2019

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\$557,523, reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date, will be recognized as a decrease of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ending June 30:**

|            |           |
|------------|-----------|
| 2019       | \$598,271 |
| 2020       | 394,211   |
| 2021       | 86,201    |
| 2022       | 185,030   |
| 2023       | -         |
| Thereafter | -         |

Actuarial Assumptions - The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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



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## CITY OF LINCOLNTON, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2019

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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, 2018 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate - The discount rate used to measure the total pension liability was 7.00%. 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.

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## CITY OF LINCOLNTON, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2019

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Sensitivity of the City's proportionate share of the net pension asset to changes in the discount rate - The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.00 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 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

|   | 1%<br>Decrease<br>(6.00%) | Discount<br>Rate<br>(7.00%) | 1%<br>Increase<br>(8.00%) |
|---|---------------------------|-----------------------------|---------------------------|
| City's proportionate share of the net pension liability (asset) | <u>\$5,433,018</u>        | <u>\$2,261,791</u>          | <u>\$(388,136)</u>        |

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

#### b. Law Enforcement Officers Special Separation Allowance

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

All full-time City law enforcement officers are covered by the Separation Allowance. At December 31, 2017 the Separation Allowance's membership consisted of:

|  |           |
|--|-----------|
| Retirees receiving benefits                                      | 8         |
| Terminated plan members entitled to, but not receiving, benefits | -         |
| Active plan members  | <u>31</u> |
| Total  | <u>39</u> |

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## CITY OF LINCOLNTON, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2019

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#### Summary of Significant Accounting Policies

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

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

#### Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                  |   |
|------------------|---|
| Inflation        | 2.5 percent   |
| Salary increases | 3.50 to 7.35 percent, including inflation and productivity factor |
| Discount rate    | 3.64 percent  |

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

Mortality rates are based on the RP-2014 Mortality Tables with adjustments for mortality improvements based on Scale AA.

#### Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established, and may be amended by, the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$88,619 as benefits came due for the reporting period.

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**CITY OF LINCOLNTON, NORTH CAROLINA****Notes to the Financial Statements  
June 30, 2019**

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

At June 30, 2019, the City reported a total pension liability of \$1,014,141. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the City recognized pension expense of \$90,386.

|  | <b><u>Deferred Outflows<br/>of Resources</u></b> | <b><u>Deferred Inflows<br/>of Resources</u></b> |
|--|--|---|
| Differences between expected and actual experience   | \$ 78,421  | \$ -  |
| Changes of assumptions   | 28,572   | 34,047  |
| City benefit payments and plan administrative<br>expense made subsequent to the measurement date | <u>41,249</u>                                    | <u>-</u>  |
| Total  | <u><u>\$148,242</u></u>                          | <u><u>\$34,047</u></u>                          |

\$41,249 paid as benefits came due, and \$-0- of administrative expenses subsequent to the measurement date, have been reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ending June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

**Year ending June 30:**

|            |          |
|------------|----------|
| 2020       | \$20,962 |
| 2021       | 20,962   |
| 2022       | 21,314   |
| 2023       | 9,708    |
| 2024       | -        |
| Thereafter | -        |

*Sensitivity of the City's total pension liability to changes in the discount rate.* The following presents the City's total pension liability calculated using the discount rate of 3.64 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

|                         | <b><u>1% Decrease<br/>(2.64%)</u></b> | <b><u>Discount Rate<br/>(3.64%)</u></b> | <b><u>1% Increase<br/>(4.64%)</u></b> |
|-------------------------|---------------------------------------|---|---------------------------------------|
| Total pension liability | <u><u>\$1,083,301</u></u>             | <u><u>\$1,014,141</u></u>               | <u><u>\$950,345</u></u>               |

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**CITY OF LINCOLNTON, NORTH CAROLINA**

**Notes to the Financial Statements**  
**June 30, 2019**

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**Law Enforcement Officers' Special Separation Allowance**

|  |                    |
|--|--------------------|
| Beginning balance  | \$ 980,468         |
| Service cost   | 39,841             |
| Interest on the total pension liability  | 29,583             |
| Changes of benefit terms   | -                  |
| Differences between expected and actual experience in the measurement of total pension liability | 85,376             |
| Changes of assumptions or other inputs   | (32,508)           |
| Benefit payments   | (88,619)           |
| Other changes  | -                  |
| Ending balance of the total pension liability  | <u>\$1,014,141</u> |

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

|  | <u><b>LGERS</b></u> | <u><b>LEOSSA</b></u> | <u><b>Total</b></u> |
|--|---------------------|----------------------|---------------------|
| Pension expense  | \$ 635,640          | \$ 90,386            | \$ 726,026          |
| Pension liability  | 2,261,791           | 1,014,141            | 3,275,932           |
| Proportionate share of the net pension liability   | 0.09534%            | n/a                  |                     |
| <b>Deferred Outflows of Resources</b>  |                     |                      |                     |
| Differences between expected and actual experience   | 348,941             | 78,421               | 427,362             |
| Changes of assumptions   | 600,192             | 28,572               | 628,764             |
| Net difference between projected and actual earnings on plan investments                               | 310,477             | -                    | 310,477             |
| Changes in proportion, and differences between, contributions and proportionate share of contributions | 48,211              | -                    | 48,211              |
| Benefit payments and administrative costs paid subsequent to the measurement date                      | 557,523             | 41,249               | 598,772             |
| <b>Deferred Inflows of Resources</b>   |                     |                      |                     |
| Differences between expected and actual experience   | 11,709              | -                    | 11,709              |
| Changes of assumptions   | -                   | 34,047               | 34,047              |
| Net difference between projected and actual earnings on plan investments                               | -                   | -                    | -                   |
| Changes in proportion, and differences between, contributions and proportionate share of contributions | 32,399              | -                    | 32,399              |

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## CITY OF LINCOLNTON, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2019

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#### **c. Supplemental Retirement Income Plan for Law Enforcement Officers**

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

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

The City made contributions of \$84,062 for the reporting year. No amounts were forfeited.

#### **d. Firefighters' and Rescue Squad Workers' Pension Fund**

Plan Description - The State of North Carolina contributes, on behalf of the City of Lincolnton, to the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing, multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire and rescue squad workers who have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members -- nine appointed by the Governor, one appointed by the State Senate, and 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](http://www.osc.nc.gov).

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## CITY OF LINCOLNTON, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2019

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

**Contributions** - Plan members are required to contribute \$10 per month to the plan, which is paid by the City. The State, a non-employer contributor, funds the plan through appropriations. Contribution provisions are established by General Statute 58 - 86 and may be amended only by the North Carolina General Assembly. For the fiscal year ended June 30, 2018, the State contributed \$17,952,000 to the plan. The City of Lincolnton's proportionate share of the State's contribution is \$11,278.

**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, 2019, 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 \$30,683. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2018 and at June 30, 2017 was 0%.

For the year ended June 30, 2019, the City recognized pension expense of \$8,726 and revenue of \$8,726 for support provided by the State. At June 30, 2019, the City reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

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## CITY OF LINCOLNTON, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2019

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Actuarial Assumptions - The total pension liability in the December 31, 2017 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 | 7.00 percent, net of pension plan investment expense, including inflation |

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

Discount rate - The discount rate used to measure the total pension liability was 7.00%. 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.



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## CITY OF LINCOLNTON, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2019

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#### e. Other Post-employment Benefits

##### Healthcare Benefits

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

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

The City pays the full cost of coverage for these benefits. Also, the City's retirees can purchase coverage for their dependents. Currently, thirty-two (32) retirees are eligible for post-employment health benefits. As of February 1, 2018, the City participates in the North Carolina State Health Plan which is a division of the North Carolina Department of the State Treasury.

Membership of the HCB Plan consisted of the following at June 30, 2018, the date of the latest actuarial valuation:

|  |            |
|--|------------|
| Retirees and dependents receiving benefits                           | 32         |
| Terminated plan members entitled to, but not yet receiving, benefits | -          |
| Active plan members  | 114        |
| Active employees-Law Enforcement Officers                            | <u>31</u>  |
| Total  | <u>177</u> |

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

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## CITY OF LINCOLNTON, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2019

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#### Total OPEB Liability

The City's total OPEB liability of \$11,546,868 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

*Actuarial assumptions and other inputs.* The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, and other inputs, applied to all periods included in the measurement unless otherwise specified:

|                             |  |
|-----------------------------|--|
| Inflation                   | 2.5 percent  |
| Salary increases            | 3.50 to 7.75 percent, average, including inflation                             |
| Discount Rate               | 3.89 percent   |
| Healthcare cost trend rates | Pre-Medicare - 7.50% for 2017, decreasing to an ultimate rate of 5.00% by 2023 |

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

#### Changes in the Total OPEB Liability

|  | <b>Total OPEB Liability</b> |
|--|-----------------------------|
| Balance at July 1, 2018                            | <u>\$ 11,596,560</u>        |
| Changes for the year                               |                             |
| Service cost                                       | 433,171                     |
| Interest   | 401,537                     |
| Changes of benefit terms                           | -                           |
| Differences between expected and actual experience | 82,464                      |
| Changes in assumptions or other inputs             | (326,388)                   |
| Benefit payments                                   | <u>(640,476)</u>            |
| Net changes  | <u>(49,692)</u>             |
| Balance at June 30, 2019                           | <u><u>\$ 11,546,868</u></u> |

Changes in assumptions and other inputs reflect a change in the discount rate from 3.56% to 3.89%.

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

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

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**CITY OF LINCOLNTON, NORTH CAROLINA**

**Notes to the Financial Statements**  
**June 30, 2019**

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*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89 percent) or 1-percentage-point higher (4.89 percent) than the current rate:

|                      | <b>1% Decrease<br/>(2.89%)</b> | <b>Discount Rate<br/>(3.89%)</b> | <b>1% Increase<br/>(4.89%)</b> |
|----------------------|--------------------------------|----------------------------------|--------------------------------|
| Total OPEB liability | <u>\$12,570,166</u>            | <u>\$11,546,868</u>              | <u>\$10,622,574</u>            |

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

|                      | <b>(Medical - 6.5%<br/>Prescription - 6.5%)</b> | <b>Discount Rate (Medical - 7.5%<br/>Prescription - 7.50%)</b> | <b>(Medical - 7.5%<br/>Prescription - 8.5%)</b> |
|----------------------|---|--|---|
| Total OPEB liability | <u>\$10,347,977</u>                             | <u>\$11,546,868</u>  | <u>\$12,943,285</u>                             |

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$719,280. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|--|---|--|
| Differences between expected and actual experience | \$ 90,634                                 | \$ -                                     |
| Changes of assumptions                             | -   | <u>671,747</u>                           |
| Total  | <u>\$ 90,634</u>                          | <u>\$ 671,747</u>                        |

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## CITY OF LINCOLNTON, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2019

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\$-0- reported as deferred outflows of resources related to pensions resulting from benefit payments made, and administrative expenses incurred subsequent to the measurement date, will be recognized as a decrease of the total pension liability in the year ending June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ending June 30:**

|            |              |
|------------|--------------|
| 2019       | \$ (115,428) |
| 2020       | (115,428)    |
| 2021       | (115,428)    |
| 2022       | (115,428)    |
| 2023       | (93,272)     |
| Thereafter | (26,130)     |

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

**f. Other Employment Benefits**

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

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**CITY OF LINCOLNTON, NORTH CAROLINA**

**Notes to the Financial Statements**  
**June 30, 2019**

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**3. Deferred Outflows and Inflows of Resources**

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

**Source**

|   |                    |
|---|--------------------|
| Contributions to pension plan in current fiscal year  | \$ 557,523         |
| Benefit payments and administrative expenses for LEOSA made subsequent to the measurement date                  | 41,249             |
| Benefit payments and administrative expenses for OPEB made subsequent to the measurement date                   | -                  |
| Differences between expected and actual experience  | 517,996            |
| Changes of assumptions  | 628,764            |
| Net difference between projected and actual   | 310,477            |
| Changes in proportion, and differences between, employer contributions and proportionate share of contributions | 48,211             |
| Charge on refunding   | -                  |
| Total   | <u>\$2,104,220</u> |

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

|   | <b><u>Statement of Net<br/>Position</u></b> | <b><u>General Fund<br/>Balance Sheet</u></b> |
|---|---|--|
| Prepaid taxes (General Fund)  | \$ 2,680                                    | \$ 2,680                                     |
| Taxes Receivable, less penalties (General Fund)   | -   | 114,021                                      |
| Changes in assumptions  | 705,794                                     | -  |
| Differences between expected and actual experience  | 11,709                                      | -  |
| Changes in proportion, and differences between, employer contributions and proportionate share of contributions | <u>32,399</u>                               | <u>-</u>                                     |
| Total   | <u>\$752,582</u>                            | <u>\$116,701</u>                             |

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## CITY OF LINCOLNTON, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2019

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#### 4. Risk Management

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

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

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

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

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

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

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## CITY OF LINCOLNTON, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2019

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#### 5. Long-Term Obligations

##### a. Installment Purchases

The City has entered into various direct placement installment purchases to finance the following:

Serviced by the General Fund:

|  |                |
|--|----------------|
| \$120,000, 2015, 4.5% installment purchase payable to an individual bank in monthly installments of \$1,244, due in 2025, secured by land.               | \$ 76,311      |
| \$175,000, 2017, 1.5% installment purchase payable to bank in semi-annual installments of \$22,550, due in 2019, secured by vehicles.                    | 19,061         |
| \$1,025,000, 2017, 1.65% installment purchase payable to bank in annual installments of \$154,395 to \$153,492, due in 2022, secured by vehicles.        | 447,000        |
| \$391,186, 2018, 1.40% installment purchase payable to bank in annual installments of \$100,537, due in 2020, secured by various vehicles and equipment. | 99,148         |
| \$275,589, 2019, 2.68% installment purchase payable to bank in annual installments of \$71,868, due in 2021, secured by equipment.                       | <u>138,158</u> |
|  | 779,678        |

Serviced by the Water and Sewer Fund:

|   |                    |
|---|--------------------|
| \$2,470,515, 2019, 3.00% installment purchase payable in annual installments of \$397,121, due in 2026, secured by equipment. | <u>2,470,015</u>   |
| Total   | <u>\$3,249,693</u> |

##### b. Revolving Loans

In June 2000, a grant of \$269,425 was received from the State of North Carolina Department of Environment and Natural Resources, and in December 2001, a State revolving loan was received in conjunction to finance water supply projects pursuant to the North Carolina Clean Water Revolving Loan and Grant Act of 1987. In July 2003, an additional revolving loan was received to finance a wastewater treatment facility upgrade. Both of these loans were refunded in June 2018 for \$4,240,000. The loans are reported as long-term debt in the Water and Sewer Fund. The loans are collateralized by water and sewer fee collections. Principal and interest requirements are appropriated when due.

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

# CITY OF LINCOLNTON, NORTH CAROLINA

## Notes to the Financial Statements June 30, 2019

Revolving loans payable consist of the following individual issue at June 30, 2019:

\$4,240,000 Water and Sewer revenue loan, with principal installments due annually in May with semiannual interest payments due in May and November, at an annual interest rate of 2.00% through 2023 \$ 2,829,000

### c. Revenue Bond

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

Bonds payable consists of the following individual issue at June 30, 2019:

\$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% \$3,265,000

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

|                           | Direct Placement     |                 | Revolving Loans    |                  | Revenue Bonds      |                  | Total Debt Due      |                   |
|---------------------------|----------------------|-----------------|--------------------|------------------|--------------------|------------------|---------------------|-------------------|
|                           | Installment Purchase |                 | Principal          | Interest         | Principal          | Interest         | Principal           | Interest          |
|                           | Principal            | Interest        |                    |                  |                    |                  |                     |                   |
| Governmental activities:  |                      |                 |                    |                  |                    |                  |                     |                   |
| 2020                      | \$ 345,105           | \$15,803        | \$ -               | \$ -             | \$ -               | \$ -             | \$ 345,105          | \$ 15,803         |
| 2021                      | 231,262              | 9,481           | -                  | -                | -                  | -                | 231,262             | 9,481             |
| 2022                      | 163,832              | 4,583           | -                  | -                | -                  | -                | 163,832             | 4,583             |
| 2023                      | 13,422               | 1,502           | -                  | -                | -                  | -                | 13,422              | 1,502             |
| 2024                      | 14,039               | 885             | -                  | -                | -                  | -                | 14,039              | 885               |
| 2025                      | <u>12,019</u>        | <u>246</u>      | -                  | -                | -                  | -                | <u>12,019</u>       | <u>246</u>        |
| Total governmental        | <u>779,678</u>       | <u>32,501</u>   | -                  | -                | -                  | -                | <u>779,678</u>      | <u>32,501</u>     |
| Business-type activities: |                      |                 |                    |                  |                    |                  |                     |                   |
| 2020                      | 321,785              | -               | 728,000            | 56,580           | 1,618,000          | 53,873           | 2,667,785           | 110,453           |
| 2021                      | 331,779              | -               | 743,000            | 42,020           | 1,647,000          | 27,176           | 2,721,779           | 69,196            |
| 2022                      | 341,871              | -               | 672,000            | 27,160           | -                  | -                | 1,013,871           | 27,160            |
| 2023                      | 352,269              | -               | 686,000            | 13,720           | -                  | -                | 1,038,269           | 13,720            |
| 2024                      | 362,891              | -               | -                  | -                | -                  | -                | 362,891             | -                 |
| 2025-2026                 | <u>759,420</u>       | -               | -                  | -                | -                  | -                | <u>759,420</u>      | -                 |
| Total business-type       | <u>2,470,015</u>     | -               | <u>2,829,000</u>   | <u>139,480</u>   | <u>3,265,000</u>   | <u>81,048</u>    | <u>8,564,016</u>    | <u>220,528</u>    |
| Total                     | <u>\$3,249,693</u>   | <u>\$32,501</u> | <u>\$2,829,000</u> | <u>\$139,480</u> | <u>\$3,265,000</u> | <u>\$ 81,048</u> | <u>\$ 9,343,694</u> | <u>\$ 253,029</u> |



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## CITY OF LINCOLNTON, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2019

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The City is in compliance with the covenants as to rates, fees, rentals, and charges in Section 704 of the Bond Order, authorizing the issuance of the Water and Sewer Revenue Bonds, Series 2005. Section 704(a) of the Bond Order requires the debt service coverage ratio for Parity Indebtedness to be no less than 120%, including 15% of water and sewer unrestricted net assets as of the last day of the proceeding fiscal year, and no less than 100% for Parity Indebtedness and Subordinated Indebtedness. The debt service coverage ratio calculation for the year ended June 30, 2019, is as follows:

|   | <b>Revenue Bond<br/>Only</b> | <b>All<br/>Debt</b> |
|---|------------------------------|---------------------|
| Operating revenues                        | \$7,660,499                  | \$7,660,499         |
| Operating expenses*                       | <u>4,338,029</u>             | <u>4,338,029</u>    |
| Operating income                          | 3,322,470                    | 3,322,470           |
| Nonoperating revenues (expenses)**        | 190,277                      | 190,277             |
| 15% of prior year unrestricted net assets | <u>930,329</u>               | <u>-</u>            |
| Income available for debt                 | <u>\$4,443,076</u>           | <u>\$3,512,747</u>  |
| Debt service, principal and interest paid | \$1,676,207                  | \$2,465,067         |
| Debt service coverage                     | 265%                         | 143%                |

\*Per rate covenants, this does not include the depreciation expense of \$1,657,257.

\*\*Per rate covenants, this does not include interest payments of \$158,795.

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

At June 30, 2019, the City of Lincolnton had no bonds authorized but un-issued and a legal debt margin of \$70,292,100.

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$9,479,000 in water and sewer system revenue bonds issued in April 2015. Proceeds from the bonds provided financing for the construction of facilities utilized in the operations of water and sewer. The bonds are payable solely from water and sewer customer net revenues and are payable through 2021. Annual principal and interest payments on the bonds are appropriated when due. The total principal and interest remaining to be paid on the bonds is \$3,346,048. Principal and interest paid for the current year was \$1,676,207.

# CITY OF LINCOLNTON, NORTH CAROLINA

## Notes to the Financial Statements June 30, 2019

### Changes in Long-Term Liabilities

|  | <u>Balance<br/>July 1, 2018</u> | <u>Increases</u>   | <u>Decreases</u>   | <u>Balance<br/>June 30, 2019</u> | <u>Current<br/>Portion of<br/>Balance</u> |
|--|---------------------------------|--------------------|--------------------|----------------------------------|---|
| Governmental activities:                       |                                 |                    |                    |                                  |   |
| Compensated absences                           | \$ 351,526                      | \$ 241,706         | \$ 246,781         | \$ 346,451                       | \$ 234,470                                |
| Total pension liability (LEO)                  | 980,468                         | 122,292            | 88,619             | 1,014,141                        | -   |
| Total OPEB liability                           | 8,824,552                       | -                  | 25,656             | 8,798,896                        | -   |
| Net pension liability (LGERS)                  | 1,125,134                       | 563,919            | -                  | 1,689,053                        | -   |
| Direct placement installment purchase          | <u>1,136,755</u>                | <u>-</u>           | <u>357,077</u>     | <u>779,678</u>                   | <u>345,105</u>                            |
| Governmental activities long-term liabilities  | <u>\$12,418,435</u>             | <u>\$ 927,917</u>  | <u>\$ 718,133</u>  | <u>\$12,628,219</u>              | <u>\$ 579,575</u>                         |
| Business-type activities:                      |                                 |                    |                    |                                  |   |
| Water and Sewer Fund:                          |                                 |                    |                    |                                  |   |
| Compensated absences                           | \$ 98,744                       | \$ 52,269          | \$ 54,246          | \$ 96,767                        | \$ 61,111                                 |
| Total OPEB liability                           | 2,466,781                       | -                  | 40,972             | 2,425,809                        | -   |
| Net pension liability (LGERS)                  | 287,289                         | 129,853            | -                  | 417,142                          | -   |
| Revenue bonds                                  | 4,861,000                       | -                  | 1,596,000          | 3,265,000                        | 1,618,000                                 |
| Revolving loans                                | 3,543,000                       | -                  | 714,000            | 2,829,000                        | 728,000                                   |
| Direct placement installment purchase          | <u>-</u>                        | <u>2,470,015</u>   | <u>-</u>           | <u>2,470,015</u>                 | <u>321,785</u>                            |
| Water and Sewer Fund Long-term liabilities     | <u>11,256,814</u>               | <u>2,652,137</u>   | <u>2,405,218</u>   | <u>11,503,733</u>                | <u>2,728,896</u>                          |
| Electric Fund:                                 |                                 |                    |                    |                                  |   |
| Compensated absences                           | 33,216                          | 18,300             | 22,246             | 29,270                           | 13,263                                    |
| Total OPEB liability                           | 305,227                         | 16,936             | -                  | 322,163                          | -   |
| Net pension liability (LGERS)                  | <u>76,496</u>                   | <u>79,099</u>      | <u>-</u>           | <u>155,595</u>                   | <u>-</u>                                  |
| Electric Fund long-term liabilities            | <u>414,939</u>                  | <u>114,335</u>     | <u>22,246</u>      | <u>507,028</u>                   | <u>13,263</u>                             |
| Business-type activities long-term liabilities | <u>\$11,671,752</u>             | <u>\$2,766,472</u> | <u>\$2,427,464</u> | <u>\$12,010,761</u>              | <u>\$ 2,742,159</u>                       |

### C. Interfund Balances and Activity

Interfund Loan - On June 30, 2019, the General Fund borrowed \$1,000,000 from the Electric Fund to fund a new police building. The terms of the arrangement require the General Fund to repay the Electric Fund over fifteen years with an interest rate of 1.5%. In the Electric Fund, \$74,944 (principal \$59,444 and \$15,500 accrued interest) that will be due within the next year is presented as an advance to the other funds; the remaining \$940,056 is presented as an advance to other funds.

#### Transfers To/From Other Funds

The composition of transfers as of June 30, 2019 is as follows:

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

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## CITY OF LINCOLNTON, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2019

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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, 2019, 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.

#### **D. On-Behalf Payments for Fringe Benefits and Salaries**

For the fiscal year ended June 30, 2019, the City of Lincolnton has recognized on-behalf payments for pension contributions made by the State as a revenue and an expenditure of \$8,726 for the 24 employed firemen who perform firefighting duties for the City's fire department. The employees elected to be members of the Firemen and Rescue Workers' Pension Fund, a cost sharing, multiple-employer, public employee retirement system established, and administered, by the State of North Carolina. The Plan is funded by a \$120 annual contribution paid by the City, investment income, and a State appropriation.

Also, the City has recognized as a revenue and an expenditure, on-behalf payments for fringe benefits and salaries of \$-0- for the low interest loans provided to eligible firemen by the local board of trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2019. Under State law the local board of trustees for the Fund receives an amount each year, which the board may use at its own discretion for eligible firemen or their departments.

#### **E. Net Investment in Capital Assets**

|                      | <u><b>Governmental</b></u> | <u><b>Business-type</b></u> |
|----------------------|----------------------------|-----------------------------|
| Capital assets       | \$18,960,568               | \$ 29,205,902               |
| Less: long-term debt | <u>(779,679)</u>           | <u>(8,564,015)</u>          |
|                      | <u><b>\$18,180,889</b></u> | <u><b>\$ 20,641,887</b></u> |

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## CITY OF LINCOLNTON, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2019

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#### F. Fund Balance

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

|  |             |
|--|-------------|
| Total fund balance-General Fund          | \$5,200,341 |
| Less:                                    |             |
| Inventories                              | 10,598      |
| Prepaid                                  | 50,587      |
| Stabilization by State Statute           | 1,006,402   |
| Streets-Powell Bill                      | 440,115     |
| Police                                   | 5           |
| Appropriated Fund Balance in 2020 budget | 237,000     |
| Remaining Fund Balance                   | 3,455,634   |

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

#### Encumbrances

#### General Fund

\$-0-

#### Non-Major Funds

\$-0-

#### III. Jointly Governed Organizations

The City, in conjunction with eighteen other local governments, is a member of the North Carolina Municipal Power Agency Number 1 (NCMPA#1). The Electric Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Electric Agency's governing board. The nineteen members, which receive power from the Electric Agency, have signed power sales agreements to purchase a specified share of the power generated by the Electric Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The City's purchases of power for the fiscal year ended June 30, 2019 were \$5,288,257.

The City, in conjunction with nine counties and seventy-four other municipalities, established the Centralina Council of Governments (the Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The City paid membership fees of \$2,553 to the Council during the fiscal year ended June 30, 2019.

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## **CITY OF LINCOLNTON, NORTH CAROLINA**

### **Notes to the Financial Statements June 30, 2019**

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#### **IV. Joint Venture**

The City, in conjunction with Lincoln County, participates in a general aviation airport. The Airport Authority's board shall be reconstructed as a five-member board, with one member appointed by the City and four members by the County; however, one of the four members selected by the County shall reside within the City of Lincolnton, and the other three shall reside within the County. The members on the Authority's board shall have staggered 3-year terms, and a two-term limit, with a chairman to be designated by the County. The Airport has been in existence since 1986, but it is not yet self-sustaining. The City has a pro-rata shared ongoing financial responsibility in proportion to the rate at which received sales taxes are allocated 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 \$1,200 to the Airport during the fiscal year ended June 30, 2019. 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, 2019. Complete financial statements for the Airport can be obtained from Lincoln County Administrative Offices at 115 West Main Street, Lincolnton, N. C. 28092.

The City and the members of the City's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightening insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. The City obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the City's fire department by the board of trustees. During the fiscal year ended June 30, 2019, the City reported revenues and expenditures for the payments of \$-0- made through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2019. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina, 27603.

#### **V. Related Organization**

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

#### **VI. Summary Disclosure of Significant Contingencies**

##### **Federal and State Assisted Programs**

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

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## CITY OF LINCOLNTON, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2019

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#### **VII. Significant Effects of Subsequent Events**

Management has evaluated subsequent events through December 11, 2019, 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 will be completing the smart meter project at a cost of \$1,705,000.

The City will be renovating a building to relocate the police department at a cost of \$1,350,000.

#### **VIII. Change in Accounting Principle**

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, in the fiscal year ended June 30, 2019. The implementation of the statement required the Town to make changes to note disclosures related to debt.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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

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

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

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|   | <u><b>2019</b></u> | <u><b>2018</b></u> | <u><b>2017</b></u> | <u><b>2016</b></u> | <u><b>2015</b></u> | <u><b>2014</b></u> |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| City of Lincolnton's proportion of the net pension liability (asset)(%)   | 0.09534%           | 0.09746%           | 0.09605%           | 0.10989%           | 0.11119%           | 0.10930%           |
| City of Lincolnton's proportion of the net pension liability (asset)(\$)  | 2,261,791          | \$1,488,919        | \$2,038,503        | \$ 493,180         | \$ (655,739)       | \$1,317,485        |
| City of Lincolnton's covered payroll  | 6,673,226          | \$6,563,566        | \$6,145,468        | \$6,170,108        | \$ 6,230,371       | \$6,051,103        |
| City of Lincolnton's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 33.89%             | 22.68%             | 33.17%             | 7.99%              | (10.52%)           | 21.75%             |
| Plan fiduciary net pension as a percentage of the total pension liability**   | 91.63%             | 94.18%             | 91.47%             | 98.09%             | 102.64 %           | 94.35%             |

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

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

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

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**CITY OF LINCOLNTON, NORTH CAROLINA****City of Lincolnton's Contributions  
Required Supplementary Information  
Last Six Fiscal Years  
Local Government Employees' Retirement System**

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|  | <u>2019</u>    | <u>2018</u>    | <u>2017</u>    | <u>2016</u>    | <u>2015</u>    | <u>2014</u>    |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| Contractually required contributions                                     | 557,523        | \$ 516,612     | \$ 491,998     | \$ 437,201     | \$ 440,567     | \$ 443,242     |
| Contributions in relation to the contractually<br>required contributions | <u>557,523</u> | <u>516,612</u> | <u>491,998</u> | <u>437,201</u> | <u>440,567</u> | <u>443,242</u> |
| Contributions deficiency (excess)  | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    |
| City of Lincolnton's covered payroll                                     | 6,976,386      | \$6,673,226    | \$6,563,566    | \$6,145,468    | \$6,170,108    | \$6,230,371    |
| Contributions as a percentage of covered payroll                         | 7.99%          | 7.74%          | 7.50%          | 7.11%          | 7.15%          | 7.11%          |

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

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**CITY OF LINCOLNTON, NORTH CAROLINA**

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

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|   | <u>2019</u>      | <u>2018</u>      | <u>2017</u>      | <u>2016</u>      | <u>2015</u>      |
|---|------------------|------------------|------------------|------------------|------------------|
| City of Lincolnton's proportionate share of the net pension liability (%)                                       | 0.0000%          | 0.0000%          | 0.0000%          | 0.0000%          | 0.0000%          |
| City of Lincolnton's proportionate share of the net pension liability (\$)                                      | \$ -             | \$ -             | \$ -             | \$ -             | \$ -             |
| State's proportionate share of the net pension liability associated with<br>City of Lincolnton                  | <u>30,683</u>    | <u>22,859</u>    | <u>16,133</u>    | <u>20,230</u>    | <u>11,033</u>    |
| Total   | <u>\$ 30,683</u> | <u>\$ 22,859</u> | <u>\$ 16,133</u> | <u>\$ 20,230</u> | <u>\$ 11,033</u> |
| City of Lincolnton's covered payroll  | \$1,082,484      | \$1,061,834      | \$936,500        | \$744,636        | \$824,108        |
| City of Lincolnton's proportionate share of the net pension liability<br>as a percentage of its covered payroll | 2.83%            | 2.15%            | 1.72%            | 2.72%            | 1.33%            |
| Plan fiduciary net position as a percentage of the total pension liability                                      | 89.69%           | 89.35%           | 84.94%           | 91.40%           | 93.42%           |

\*The amounts are presented for the prior fiscal year.

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

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**CITY OF LINCOLNTON, NORTH CAROLINA**

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

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|  | <u>2019</u>        | <u>2018</u>      | <u>2017</u>       |
|--|--------------------|------------------|-------------------|
| Beginning balance  | \$ 980,468         | \$943,092        | \$ 976,259        |
| Service cost   | 39,841             | 32,657           | 37,675            |
| Interest on the total pension liability  | 29,583             | 34,553           | 33,318            |
| Changes of benefit terms   | -                  | -                | -                 |
| Differences between expected and actual experience in the measurement of the total pension liability | 85,376             | 17,713           | -                 |
| Changes of assumptions or other inputs   | (32,508)           | 48,344           | (18,181)          |
| Benefit payments   | (88,619)           | (95,891)         | (85,979)          |
| Other changes  | <u>-</u>           | <u>-</u>         | <u>-</u>          |
| Ending balance of the total pension liability  | <u>\$1,014,141</u> | <u>\$980,468</u> | <u>\$ 943,092</u> |

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

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

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**CITY OF LINCOLNTON, NORTH CAROLINA**

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

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|  | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|-------------|-------------|-------------|
| Total Pension liability                                    | \$1,014,141 | \$ 980,468  | \$ 943,092  |
| Covered payroll  | 1,502,102   | 1,493,025   | 1,545,187   |
| Total pension liability as a percentage of covered payroll | 67.51%      | 65.67%      | 61.03%      |

Notes to the schedules:

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

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

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**CITY OF LINCOLN, NORTH CAROLINA**

**Schedule of Changes in the Total OPEB Liability and Related Ratios**  
**June 30, 2019**

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| <b>Total OPEB Liability</b>                             | <b><u>2019</u></b>         | <b><u>2018</u></b>         |
|---|----------------------------|----------------------------|
| Service cost  | \$ 433,171                 | \$ 469,911                 |
| Interest  | 401,537                    | 348,745                    |
| Changes of benefit terms                                | -                          | -                          |
| Differences between expected and actual experience      | 82,464                     | 29,100                     |
| Changes of assumptions                                  | (326,388)                  | (560,847)                  |
| Benefit payments  | <u>(640,476)</u>           | <u>(549,082)</u>           |
| Net change in total OPEB liability                      | (49,692)                   | (262,173)                  |
| Total OPEB liability - beginning                        | <u>11,596,560</u>          | <u>11,858,733</u>          |
| Total OPEB liability - ending                           | <u><u>\$11,546,868</u></u> | <u><u>\$11,596,560</u></u> |
| <br>Covered payroll                                     | <br>\$ 5,935,441           | <br>\$ 5,935,441           |
| Total OPEB liability as a percentage of covered payroll | 194.54%                    | 195.38%                    |

**Notes to Schedule**

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

| <b><u>Fiscal year</u></b> | <b><u>Rate</u></b> |
|---------------------------|--------------------|
| 2019                      | 3.89%              |
| 2018                      | 3.56%              |

## **GOVERNMENTAL ACTIVITIES**

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### **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**

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**General Fund  
Balance Sheets  
June 30, 2019 and 2018**

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|  | <u>2019</u>         | <u>2018</u>         |
|--|---------------------|---------------------|
| <b><u>Assets</u></b>   |                     |                     |
| Cash and cash equivalents  | \$ 5,085,737        | \$ 4,586,802        |
| Taxes receivable, net  | 114,021             | 138,336             |
| Accounts receivable, net   | 732,627             | 683,741             |
| Due from governmental agencies                                     | 273,774             | 192,630             |
| Inventories  | 10,598              | 14,396              |
| Prepaid items  | 50,587              | 33,207              |
| Restricted cash  | 439,672             | 676,028             |
| Total assets   | <u>\$ 6,707,017</u> | <u>\$ 6,325,140</u> |
| <b><u>Liabilities</u></b>  |                     |                     |
| Accounts payable and other accrued liabilities                     | \$ 374,965          | \$ 377,359          |
| Advance from other funds   | 1,015,000           | 1,000,000           |
| Unearned revenues  | 10                  | 10                  |
| Total liabilities  | <u>1,389,975</u>    | <u>1,377,369</u>    |
| <b><u>Deferred Inflows of Resources</u></b>                        |                     |                     |
| Property taxes receivable  | 114,021             | 138,336             |
| Prepaid taxes  | 2,680               | 13,450              |
| Total deferred inflows of resources                                | <u>116,701</u>      | <u>151,786</u>      |
| <b><u>Fund Balances</u></b>  |                     |                     |
| Non Spendable:   |                     |                     |
| Inventories  | 10,598              | 14,396              |
| Prepaid expenditures   | 50,587              | 33,207              |
| Restricted:  |                     |                     |
| Stabilization by State statute                                     | 1,006,402           | 1,045,057           |
| Streets  | 440,115             | 676,199             |
| Public safety - police   | 5                   | 5                   |
| Assigned:  |                     |                     |
| Subsequent year's expenditures                                     | 237,000             | 765,470             |
| Unassigned   | 3,455,634           | 2,261,650           |
| Total fund balances  | <u>5,200,341</u>    | <u>4,795,984</u>    |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 6,707,017</u> | <u>\$ 6,325,140</u> |

**CITY OF LINCOLNTON, NORTH CAROLINA**

Page 1 of 6

**General Fund  
Schedule of Revenues, Expenditures and Changes  
In Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2019**

**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)**

|  | <b>2019</b>          |                      | <b>Variance<br/>Positive<br/>(Negative)</b> | <b>2018<br/>Actual</b> |
|--|----------------------|----------------------|---|------------------------|
|  | <b><u>Budget</u></b> | <b><u>Actual</u></b> |   |                        |
| <b>Revenues:</b>                         |                      |                      |   |                        |
| Ad valorem taxes:                        |                      |                      |   |                        |
| Current year                             | \$ 4,723,000         | \$4,784,213          | \$ 61,213                                   | \$4,667,984            |
| Prior years                              | 70,000               | 67,479               | (2,521)                                     | 102,272                |
| Interest and penalties                   | 25,000               | 27,736               | 2,736                                       | 30,418                 |
| Total                                    | <u>4,818,000</u>     | <u>4,879,429</u>     | <u>61,429</u>                               | <u>4,800,673</u>       |
| Other taxes and licenses:                |                      |                      |   |                        |
| Other taxes                              | <u>172,000</u>       | <u>207,745</u>       | <u>35,745</u>                               | <u>203,572</u>         |
| Unrestricted intergovernmental revenues: |                      |                      |   |                        |
| Local option sales tax                   | 2,900,000            | 3,357,639            | 457,639                                     | 3,155,789              |
| Payment in lieu of taxes                 | 22,470               | 28,669               | 6,199                                       | 28,545                 |
| Utility franchise tax                    | 850,000              | 897,284              | 47,284                                      | 895,540                |
| Beer and wine tax                        | 44,000               | 45,706               | 1,706                                       | 46,076                 |
| ABC profit distribution                  | 30,000               | 124,228              | 94,228                                      | 132,044                |
| Other                                    | 111,800              | 130,758              | 18,958                                      | 129,046                |
| Total                                    | <u>3,958,270</u>     | <u>4,584,284</u>     | <u>626,014</u>                              | <u>4,387,039</u>       |
| Restricted intergovernmental revenues:   |                      |                      |   |                        |
| Powell Bill street aid allocation        | 311,000              | 304,284              | (6,716)                                     | 309,837                |
| Powell Bill investment earnings          | 300                  | 13,323               | 13,023                                      | 9,176                  |
| Other Powell Bill receipts               | -                    | 461                  | 461   | 9,700                  |
| Controlled substance tax                 | 4,500                | 5,382                | 882   | 4,108                  |
| ABC revenue for law enforcement          | 30,000               | 40,000               | 10,000                                      | 40,000                 |
| On-behalf of payments-Fire and Rescue    | 5,200                | 8,726                | 3,526                                       | 5,002                  |
| Federal, state and local grants          | 1,432,703            | 737,473              | (695,230)                                   | 199,856                |
| Total                                    | <u>1,783,703</u>     | <u>1,109,648</u>     | <u>(674,055)</u>                            | <u>577,679</u>         |

cont.

**CITY OF LINCOLNTON, NORTH CAROLINA**

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**General Fund  
Schedule of Revenues, Expenditures and Changes  
In Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2019  
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)**

|                                 | <u>2019</u>       |                   | <u>Variance<br/>Positive<br/>(Negative)</u> | <u>2018<br/>Actual</u> |
|---------------------------------|-------------------|-------------------|---|------------------------|
|                                 | <u>Budget</u>     | <u>Actual</u>     |   |                        |
| <b>Revenues (continued):</b>    |                   |                   |   |                        |
| Permits and fees:               |                   |                   |   |                        |
| Zoning fees                     | \$ 10,000         | \$ 8,000          | \$ (2,000)                                  | \$ 12,221              |
| P&Z inspections                 | 64,000            | -                 | (64,000)                                    | -                      |
| Online convenience fees         | 25,000            | 33,341            | 8,341                                       | 28,787                 |
| Other fees                      | 3,500             | 4,445             | 945   | 3,624                  |
| Total                           | <u>102,500</u>    | <u>45,786</u>     | <u>(56,714)</u>                             | <u>44,632</u>          |
| <br>Sales and services:         |                   |                   |   |                        |
| Cemetery lot sales              | 20,000            | 49,377            | 29,377                                      | 30,634                 |
| Recreation fees and concessions | 114,800           | 127,134           | 12,334                                      | 177,133                |
| Other                           | 3,000             | 3,247             | 247   | 3,145                  |
| Total                           | <u>137,800</u>    | <u>179,758</u>    | <u>41,958</u>                               | <u>210,912</u>         |
| <br>Investment earnings         | <u>20,000</u>     | <u>95,717</u>     | <u>75,717</u>                               | <u>49,932</u>          |
| <br>Miscellaneous:              |                   |                   |   |                        |
| Sale of property                | 12,600            | 13,434            | 834   | 8,878                  |
| Other                           | 51,000            | 46,966            | (4,034)                                     | 50,924                 |
| Total                           | <u>63,600</u>     | <u>60,400</u>     | <u>(3,200)</u>                              | <u>59,802</u>          |
| <br>Total revenues              | <u>11,055,873</u> | <u>11,162,766</u> | <u>106,893</u>                              | <u>10,334,241</u>      |

cont.

## CITY OF LINCOLNTON, NORTH CAROLINA

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**General Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**In Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)**

|                                | 2019             |                  | Variance                       | 2018             |
|--------------------------------|------------------|------------------|--------------------------------|------------------|
|                                | <u>Budget</u>    | <u>Actual</u>    | <u>Positive<br/>(Negative)</u> | <u>Actual</u>    |
| <b>Expenditures:</b>           |                  |                  |                                |                  |
| General government:            |                  |                  |                                |                  |
| Governing body                 |                  |                  |                                |                  |
| Salaries and employee benefits | \$ 111,850       | \$ 106,606       | \$ 5,244                       | \$ 92,812        |
| Other operating expenditures   | 868,943          | 755,937          | 113,006                        | 734,208          |
| Tax collection fees            | 160,027          | 157,867          | 2,160                          | 154,866          |
| Interdepartmental charges      | (185,080)        | (185,080)        | -                              | (185,080)        |
|                                | <u>955,740</u>   | <u>835,330</u>   | <u>120,410</u>                 | <u>796,806</u>   |
| Administrative                 |                  |                  |                                |                  |
| Salaries and employee benefits | 624,050          | 600,831          | 23,219                         | 618,538          |
| Other operating expenditures   | 95,610           | 71,554           | 24,056                         | 75,124           |
| Capital outlay                 | 2,000            | -                | 2,000                          | -                |
| Interdepartmental charges      | (159,980)        | (159,980)        | -                              | (159,980)        |
|                                | <u>561,680</u>   | <u>512,406</u>   | <u>49,274</u>                  | <u>533,681</u>   |
| Finance                        |                  |                  |                                |                  |
| Salaries and employee benefits | 521,800          | 515,795          | 6,005                          | 537,400          |
| Other operating expenditures   | 151,940          | 141,033          | 10,907                         | 102,473          |
| Capital outlay                 | 10,410           | 9,055            | 1,355                          | 8,455            |
| Interdepartmental charges      | (406,060)        | (406,060)        | -                              | (406,060)        |
|                                | <u>278,090</u>   | <u>259,823</u>   | <u>18,267</u>                  | <u>242,267</u>   |
| Total general government       | <u>1,795,510</u> | <u>1,607,558</u> | <u>187,952</u>                 | <u>1,572,754</u> |
| Public safety:                 |                  |                  |                                |                  |
| Police                         |                  |                  |                                |                  |
| Salaries and employee benefits | 2,861,955        | 2,827,743        | 34,212                         | 2,583,152        |
| Other operating expenditures   | 280,580          | 293,972          | (13,392)                       | 364,110          |
| Capital outlay                 | 115,445          | 84,047           | 31,398                         | 1,025,930        |
|                                | <u>3,257,980</u> | <u>3,205,761</u> | <u>52,219</u>                  | <u>3,973,192</u> |

cont.

## CITY OF LINCOLNTON, NORTH CAROLINA

Page 4 of 6

**General Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**In Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)**

|                                  | 2019             |                  | Variance                             | 2018             |
|----------------------------------|------------------|------------------|--------------------------------------|------------------|
|                                  | <u>Budget</u>    | <u>Actual</u>    | <u>Positive</u><br><u>(Negative)</u> | <u>Actual</u>    |
| <b>Expenditures (continued):</b> |                  |                  |                                      |                  |
| Fire                             |                  |                  |                                      |                  |
| Salaries and employee benefits   | \$ 1,880,053     | \$ 1,859,452     | \$ 20,601                            | \$ 1,744,221     |
| Other operating expenditures     | 220,600          | 226,678          | (6,078)                              | 197,886          |
| Capital outlay                   | 250,900          | 242,214          | 8,686                                | 114,367          |
|                                  | <u>2,351,553</u> | <u>2,328,343</u> | <u>23,210</u>                        | <u>2,056,475</u> |
| Total public safety              | <u>5,609,533</u> | <u>5,534,104</u> | <u>75,429</u>                        | <u>6,029,667</u> |
| Public works:                    |                  |                  |                                      |                  |
| General and administrative       |                  |                  |                                      |                  |
| Salaries and employee benefits   | 127,100          | 71,262           | 55,838                               | 192,229          |
| Operating expenditures           | 59,816           | 50,729           | 9,087                                | 59,248           |
| Interdepartmental charges        | (146,800)        | (146,800)        | -                                    | (146,800)        |
|                                  | <u>40,116</u>    | <u>(24,810)</u>  | <u>64,926</u>                        | <u>104,677</u>   |
| Street maintenance               |                  |                  |                                      |                  |
| Salaries and employee benefits   | 564,900          | 575,625          | (10,725)                             | 579,055          |
| Operating expenditures           | 267,968          | 171,844          | 96,124                               | 171,410          |
| Capital outlay                   | 444,000          | 56,251           | 387,749                              | 52,345           |
| Interdepartmental charges        | (151,060)        | (151,060)        | -                                    | (151,060)        |
|                                  | <u>1,125,808</u> | <u>652,660</u>   | <u>473,148</u>                       | <u>651,750</u>   |
| Powell Bill assistance           |                  |                  |                                      |                  |
| Operating expenditures           | 507,300          | 430,152          | 77,148                               | 347,571          |
| Capital outlay                   | 128,700          | 124,000          | 4,700                                | -                |
|                                  | <u>636,000</u>   | <u>554,152</u>   | <u>81,848</u>                        | <u>347,571</u>   |
| Fleet maintenance                |                  |                  |                                      |                  |
| Salaries and employee benefits   | 137,466          | 134,515          | 2,951                                | 138,813          |
| Operating expenditures           | 31,384           | 24,340           | 7,044                                | 33,407           |
| Interdepartmental charges        | (40,180)         | (40,180)         | -                                    | (40,180)         |
|                                  | <u>128,670</u>   | <u>118,675</u>   | <u>9,995</u>                         | <u>132,040</u>   |
| Airport operation                | <u>6,000</u>     | <u>1,200</u>     | <u>4,800</u>                         | <u>30,000</u>    |
| Total public works               | <u>1,936,594</u> | <u>1,301,877</u> | <u>634,717</u>                       | <u>1,266,038</u> |
|                                  |                  |                  |                                      | cont.            |

**General Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**In Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)**

|   | <b>2019</b>          |                      | <b>Variance</b>          | <b>2018</b>          |
|---|----------------------|----------------------|--------------------------|----------------------|
| <b>Expenditures (continued):</b>        | <b><u>Budget</u></b> | <b><u>Actual</u></b> | <b><u>Positive</u></b>   | <b><u>Actual</u></b> |
|   |                      |                      | <b><u>(Negative)</u></b> |                      |
| Economic and physical development:      |                      |                      |                          |                      |
| Business and community development      |                      |                      |                          |                      |
| Salaries and employee benefits          | \$ -                 | \$ -                 | \$ -                     | \$ 360               |
| Operating expenditures                  | 135,000              | 120,470              | 14,530                   | 156,494              |
|   | <u>135,000</u>       | <u>120,470</u>       | <u>14,530</u>            | <u>156,854</u>       |
| Planning and zoning                     |                      |                      |                          |                      |
| Salaries and employee benefits          | 237,900              | 229,327              | 8,573                    | 229,487              |
| Operating expenditures                  | 382,780              | 145,701              | 237,079                  | 46,551               |
| Interdepartmental charges               | (10,270)             | (10,840)             | 570                      | (10,840)             |
|   | <u>610,410</u>       | <u>364,188</u>       | <u>246,222</u>           | <u>265,199</u>       |
| Total economic and physical development | <u>745,410</u>       | <u>484,657</u>       | <u>260,753</u>           | <u>422,053</u>       |
| Environmental protection:               |                      |                      |                          |                      |
| Solid waste                             |                      |                      |                          |                      |
| Salaries and employee benefits          | 397,365              | 392,196              | 5,169                    | 424,501              |
| Operating expenditures                  | 203,248              | 201,007              | 2,241                    | 156,301              |
| Capital outlay                          | 253,405              | -                    | 253,405                  | -                    |
|   | <u>854,018</u>       | <u>593,203</u>       | <u>260,815</u>           | <u>580,802</u>       |
| Total environmental protection          | <u>854,018</u>       | <u>593,203</u>       | <u>260,815</u>           | <u>580,802</u>       |
| Cultural and recreational:              |                      |                      |                          |                      |
| Salaries and employee benefits          | 684,450              | 665,519              | 18,931                   | 647,678              |
| Operating expenditures                  | 259,070              | 230,012              | 29,058                   | 227,806              |
| Capital outlay                          | 591,100              | 363,264              | 227,836                  | 160,903              |
| Total cultural and recreational         | <u>1,534,620</u>     | <u>1,258,794</u>     | <u>275,826</u>           | <u>1,036,387</u>     |
|   |                      |                      |                          | cont.                |

## CITY OF LINCOLNTON, NORTH CAROLINA

Page 6 of 6, cont.

**General Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**In Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)**

|  | <b>2019</b>          |                      | <b>Variance</b>          |                      |
|--|----------------------|----------------------|--------------------------|----------------------|
|  | <b><u>Budget</u></b> | <b><u>Actual</u></b> | <b><u>Positive</u></b>   | <b>2018</b>          |
|  |                      |                      | <b><u>(Negative)</u></b> | <b><u>Actual</u></b> |
| <b>Expenditures (continued):</b>   |                      |                      |                          |                      |
| Debt service:  |                      |                      |                          |                      |
| Principal retirement   | \$ 401,700           | \$ 357,078           | \$ 44,622                | \$ 435,016           |
| Interest and other charges   | <u>49,254</u>        | <u>37,410</u>        | <u>11,844</u>            | <u>38,714</u>        |
| Total debt service   | <u>450,954</u>       | <u>394,488</u>       | <u>56,466</u>            | <u>473,729</u>       |
| Total expenditures   | <u>12,926,639</u>    | <u>11,174,683</u>    | <u>1,751,956</u>         | <u>11,381,430</u>    |
| Revenues over (under) expenditures   | <u>(1,870,766)</u>   | <u>(11,916)</u>      | <u>1,858,850</u>         | <u>(1,047,189)</u>   |
| <b>Other Financing Sources (Uses):</b>   |                      |                      |                          |                      |
| Issuance of debt   | 275,000              | -                    | (275,000)                | 275,589              |
| Principal received   | 55,000               | 15,000               | (40,000)                 | 1,875                |
| Appropriated fund balance  | 1,135,470            | -                    | (1,135,470)              | -                    |
| Transfers (to) from other funds  |                      |                      |                          |                      |
| Water and Sewer Fund   | 379,096              | 379,096              | -                        | 379,096              |
| Electric Fund  | <u>26,200</u>        | <u>25,975</u>        | <u>(225)</u>             | <u>25,975</u>        |
| Total other financing sources (uses)   | <u>1,870,766</u>     | <u>420,071</u>       | <u>(1,450,695)</u>       | <u>682,535</u>       |
| Revenues and other financing sources<br>over (under) expenditures and other<br>financing uses and extraordinary item | <u>\$ -</u>          | 408,155              | <u>\$ 408,155</u>        | (364,654)            |
| Fund balances, July 1  |                      | 4,795,984            |                          | 5,152,070            |
| Increase (decrease) in reserve for inventory   |                      | <u>(3,798)</u>       |                          | <u>8,568</u>         |
| Fund balances, June 30   |                      | <u>\$5,200,341</u>   |                          | <u>\$4,795,984</u>   |



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**GOVERNMENTAL ACTIVITIES  
COMPONENT UNIT**

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***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 LINCOLNTON, 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, 2019**

**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)**

|  | <b>2019</b>          |                      | <b>Variance<br/>Positive<br/>(Negative)</b> | <b>2018<br/>Actual</b> |
|--|----------------------|----------------------|---|------------------------|
|  | <b><u>Budget</u></b> | <b><u>Actual</u></b> |   |                        |
| <b>Revenues:</b>   |                      |                      |   |                        |
| Unrestricted intergovernmental:  |                      |                      |   |                        |
| Local occupancy tax  | \$ 107,000           | \$ 136,798           | \$ 29,798                                   | \$ 118,060             |
| Investment earnings  | <u>2,000</u>         | <u>5,192</u>         | <u>3,192</u>                                | <u>3,459</u>           |
| Total revenues   | <u>109,000</u>       | <u>141,991</u>       | <u>32,991</u>                               | <u>121,518</u>         |
| <b>Expenditures:</b>   |                      |                      |   |                        |
| Supplies   | 500                  | -                    | 500   | -                      |
| Advertising  | 62,717               | 17,690               | 45,027                                      | 4,218                  |
| Training   | 4,000                | 325                  | 3,675                                       | -                      |
| Other operating expenditures   | 101,684              | 70,166               | 31,518                                      | 37,617                 |
| Capital outlay   | <u>20,427</u>        | <u>15,811</u>        | <u>4,616</u>                                | <u>41,439</u>          |
| Total expenditures   | <u>189,328</u>       | <u>103,992</u>       | <u>85,336</u>                               | <u>83,273</u>          |
| Revenues over (under) expenditures   | (80,328)             | 37,999               | 118,327                                     | 38,245                 |
| <b>Other Financing Sources (Uses):</b>   |                      |                      |   |                        |
| Appropriated fund balance  | <u>80,328</u>        | <u>-</u>             | <u>(80,328)</u>                             | <u>-</u>               |
| Revenues and other financing sources over<br>(under) expenditures and other financing uses | <u>\$ -</u>          | 37,999               | <u>\$ 37,999</u>                            | 38,245                 |
| <b>Reconciliation From Budgetary Basis (Modified Accrual)<br/>To Full Accrual:</b>         |                      |                      |   |                        |
| Depreciation expense   |                      | (2,862)              |   | -                      |
| Cost of expenditures that were capitalized   |                      | <u>15,811</u>        |   | <u>41,439</u>          |
| Revenues over (under) expenditures   |                      | 50,947               |   | 79,684                 |
| Fund balance, July 1   |                      | <u>389,837</u>       |   | <u>310,154</u>         |
| Fund balance, June 30  |                      | <u>\$ 440,785</u>    |   | <u>\$ 389,837</u>      |

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## **BUSINESS - TYPE ACTIVITIES**

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### **ENTERPRISE FUNDS**

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

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

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

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

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**CITY OF LINCOLNTON, NORTH CAROLINA**

**Statements of Net Position  
Water and Sewer Fund  
June 30, 2019 and 2018**

| <b><u>Assets</u></b>                            | <b><u>2019</u></b> | <b><u>2018</u></b> |
|---|--------------------|--------------------|
| Current assets:                                 |                    |                    |
| Cash and cash equivalents                       | \$ 10,216,824      | \$ 8,462,789       |
| Accounts receivable                             | 736,825            | 550,687            |
| Inventories                                     | 72,379             | 63,180             |
| Prepaid expenses                                | 20,454             | 11,958             |
| Total current assets                            | 11,046,482         | 9,088,615          |
| Noncurrent assets:                              |                    |                    |
| Restricted cash and cash equivalents            | 115,839            | 106,209            |
| Capital assets, net of accumulated depreciation | 27,415,237         | 27,905,655         |
| Total assets                                    | 38,577,558         | 37,100,478         |
| <b><u>Deferred Outflows of Resources</u></b>    |                    |                    |
| Pension deferrals                               | 344,025            | 235,551            |
| OPEB deferrals                                  | 19,041             | 5,269              |
| Total deferred outflows of resources            | 363,066            | 240,820            |
| <b><u>Liabilities</u></b>                       |                    |                    |
| Current liabilities:                            |                    |                    |
| Accounts payable and accrued liabilities        | 150,346            | 154,680            |
| Customer deposits - restricted                  | 115,839            | 106,209            |
| Bonds payable - current                         | 1,618,000          | 1,596,000          |
| Loans payable - current                         | 1,049,785          | 714,000            |
| Accrued compensated absences                    | 61,111             | 64,673             |
| Total current liabilities                       | 2,995,081          | 2,635,562          |
| Noncurrent liabilities:                         |                    |                    |
| Bonds payable                                   | 1,647,000          | 3,265,000          |
| Loans payable                                   | 4,249,230          | 2,829,000          |
| Total OPEB liability                            | 2,425,809          | 2,466,781          |
| Accrued compensated absences                    | 35,656             | 34,071             |
| Net pension liability                           | 417,142            | 287,289            |
| Total noncurrent liabilities                    | 8,774,836          | 8,882,141          |
| Total liabilities                               | 11,769,917         | 11,517,704         |
| <b><u>Deferred Infows of Resources</u></b>      |                    |                    |
| Pension deferrals                               | 8,135              | 18,196             |
| OPEB deferrals                                  | 141,123            | 101,548            |
| Total deferred inflows of resourses             | 149,258            | 119,744            |
| <b><u>Net Position</u></b>                      |                    |                    |
| Net investment in capital assets                | 18,851,222         | 19,501,655         |
| Unrestricted                                    | 8,170,227          | 6,202,196          |
| Total net position                              | \$ 27,021,449      | \$ 25,703,851      |



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**CITY OF LINCOLNTON, NORTH CAROLINA**

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**Statements of Revenues, Expenses and Changes in Net Position  
Water and Sewer Fund  
For the Years Ended June 30, 2019 and 2018**

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|  | <u>2019</u>          | <u>2018</u>          |
|--|----------------------|----------------------|
| <b>Operating Revenues:</b>                               |                      |                      |
| Water charges  | \$ 3,260,078         | \$ 3,311,272         |
| Sewer charges  | 4,202,589            | 4,228,192            |
| Water and sewer taps                                     | 69,201               | 260,500              |
| Other operating revenues                                 | <u>128,630</u>       | <u>256,222</u>       |
| Total operating revenues                                 | <u>7,660,499</u>     | <u>8,056,185</u>     |
| <b>Operating Expenses:</b>                               |                      |                      |
| Water treatment plant                                    | 1,401,786            | 1,591,252            |
| Water and sewer distribution maintenance                 | 1,400,500            | 1,374,223            |
| Waste treatment plant                                    | 1,535,743            | 1,572,142            |
| Depreciation   | <u>1,657,257</u>     | <u>1,620,810</u>     |
| Total operating expenses                                 | <u>5,995,286</u>     | <u>6,158,426</u>     |
| Operating income (loss)                                  | <u>1,665,213</u>     | <u>1,897,758</u>     |
| <b>Nonoperating Revenues (Expenses):</b>                 |                      |                      |
| Investment earnings                                      | 176,636              | 98,133               |
| Gain (loss) on disposition of capital assets             | 13,641               | 6,753                |
| Interest on long-term debt                               | <u>(158,795)</u>     | <u>(200,965)</u>     |
| Total nonoperating revenues (expenses)                   | <u>31,481</u>        | <u>(96,079)</u>      |
| Income (loss) before transfers and capital contributions | 1,696,695            | 1,801,679            |
| Transfer to General Fund-payment in lieu of taxes        | <u>(379,096)</u>     | <u>(379,096)</u>     |
| Change in net position                                   | <u>\$ 1,317,599</u>  | <u>\$ 1,422,583</u>  |
| Total net position -beginning                            | \$ 25,703,851        | \$ 24,281,268        |
| Change in net position                                   | <u>1,317,599</u>     | <u>1,422,583</u>     |
| Total net position - ending                              | <u>\$ 27,021,449</u> | <u>\$ 25,703,851</u> |

**CITY OF LINCOLNTON, NORTH CAROLINA**

Page 1 of 2

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

**Water and Sewer Fund**

**For the Year Ended June 30, 2019**

**(With Comparative Actual Amounts for the Year Ended June 30, 2018)**

|  | <b>2019</b>      |                  | <b>Variance<br/>Positive<br/>(Negative)</b> | <b>2018<br/>Actual</b> |
|--|------------------|------------------|---|------------------------|
|  | <b>Budget</b>    | <b>Actual</b>    |   |                        |
| <b>Revenues:</b>                         |                  |                  |   |                        |
| Operating revenues:                      |                  |                  |   |                        |
| Water charges                            | \$ 3,290,000     | \$ 3,260,078     | \$ (29,922)                                 | \$ 3,311,272           |
| Sewer charges                            | 4,150,000        | 4,202,589        | 52,589                                      | 4,228,192              |
| Water and sewer taps                     | 27,000           | 69,201           | 42,201                                      | 260,500                |
| Other                                    | 201,950          | 128,630          | (73,320)                                    | 256,222                |
| Total operating revenues                 | <u>7,668,950</u> | <u>7,660,499</u> | <u>(8,451)</u>                              | <u>8,056,185</u>       |
| Nonoperating revenues:                   |                  |                  |   |                        |
| Investment earnings                      | 45,000           | 176,636          | 131,636                                     | 98,133                 |
| Total nonoperating revenues              | <u>45,000</u>    | <u>176,636</u>   | <u>131,636</u>                              | <u>98,133</u>          |
| Total revenues                           | <u>7,713,950</u> | <u>7,837,134</u> | <u>123,184</u>                              | <u>8,154,318</u>       |
| <b>Expenditures:</b>                     |                  |                  |   |                        |
| Operating expenditures:                  |                  |                  |   |                        |
| Water treatment plant                    |                  |                  |   |                        |
| Salaries and employee benefits           | 704,400          | 661,682          | 42,718                                      | 651,073                |
| Chemicals                                | 123,000          | 108,990          | 14,010                                      | 89,870                 |
| Electricity                              | 266,800          | 265,374          | 1,426                                       | 263,158                |
| Water service contract                   | 130,000          | 113,271          | 16,729                                      | 127,827                |
| Administrative                           | 153,410          | 153,410          | -   | 153,410                |
| Repairs and maintenance                  | 42,300           | 40,997           | 1,303                                       | 21,902                 |
| Other operating expenditures             | 207,400          | 70,794           | 136,606                                     | 218,026                |
|  | <u>1,627,310</u> | <u>1,414,517</u> | <u>212,793</u>                              | <u>1,525,264</u>       |
| Water and sewer distribution maintenance |                  |                  |   |                        |
| Salaries and employee benefits           | 712,488          | 656,917          | 55,571                                      | 652,538                |
| Supplies                                 | 219,740          | 203,237          | 16,503                                      | 206,788                |
| Administrative                           | 193,180          | 193,180          | -   | 193,180                |
| Repairs and maintenance                  | 199,575          | 172,038          | 27,537                                      | 133,529                |
| Other operating expenditures             | 169,147          | 177,009          | (7,862)                                     | 140,218                |
|  | <u>1,494,130</u> | <u>1,402,381</u> | <u>91,749</u>                               | <u>1,326,254</u>       |
| Waste treatment plant                    |                  |                  |   |                        |
| Salaries and employee benefits           | 668,400          | 591,614          | 76,786                                      | 614,418                |
| Sludge removal                           | 177,500          | 167,071          | 10,429                                      | 219,601                |
| Electricity                              | 278,000          | 278,000          | -   | 278,000                |
| Administrative                           | 153,410          | 153,410          | -   | 153,410                |
| Repairs and maintenance                  | 95,600           | 86,014           | 9,586                                       | 55,393                 |
| Other operating expenditures             | 337,900          | 260,050          | 77,850                                      | 203,086                |
|  | <u>1,710,810</u> | <u>1,536,159</u> | <u>174,651</u>                              | <u>1,523,909</u>       |

cont.

**CITY OF LINCOLNTON, NORTH CAROLINA**

Page 2 of 2, cont.

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

**Water and Sewer Fund**

**For the Year Ended June 30, 2019**

**(With Comparative Actual Amounts for the Year Ended June 30, 2018)**

|  | <b>2019</b>   |               | <b>Variance<br/>Positive<br/>(Negative)</b> | <b>2018<br/>Actual</b> |
|--|---------------|---------------|---|------------------------|
|  | <b>Budget</b> | <b>Actual</b> |   |                        |
| Total operating expenditures   | \$ 4,832,250  | \$ 4,353,057  | \$ 479,193                                  | \$ 4,375,427           |
| Debt service:  |               |               |   |                        |
| Principal retirement   | 2,335,545     | 2,310,000     | 25,545                                      | 2,264,000              |
| Interest and fees  | 162,099       | 155,067       | 7,033                                       | 197,469                |
| Total debt service   | 2,497,644     | 2,465,067     | 32,578                                      | 2,461,469              |
| Capital outlay:  |               |               |   |                        |
| Water treatment plant  | 150,150       | 96,014        | 54,136                                      | 99,980                 |
| Water and sewer distribution maintenance                                       | 2,823,615     | 1,036,878     | 1,786,737                                   | 103,972                |
| Waste water treatment plant  | 115,100       | 34,718        | 80,382                                      | 34,700                 |
| Total capital outlay   | 3,088,865     | 1,167,609     | 1,921,256                                   | 238,652                |
| Total expenditures   | 10,418,759    | 7,985,733     | 2,433,026                                   | 7,075,548              |
| Revenues over (under) expenditures   | (2,704,809)   | (148,599)     | 2,556,210                                   | 1,078,770              |
| <b>Other Financing Sources (Uses):</b>   |               |               |   |                        |
| Appropriated fund balance  | 330,890       | -             | (330,890)                                   | -                      |
| Transfer-General Fund-payment in lieu of taxes                                 | (379,096)     | (379,096)     | -   | (379,096)              |
| Gain (loss) on disposition of capital assets                                   | 3,000         | 13,641        | 10,641                                      | 6,753                  |
| Proceeds from borrowing  | 2,750,015     | 2,470,015     | (280,000)                                   | -                      |
| Total other financing sources  | 2,704,809     | 2,104,560     | (600,249)                                   | (372,343)              |
| Revenues and other sources over (under) expenditures and other uses            | \$ -          | 1,955,961     | \$ 1,955,961                                | 706,425                |
| <b>Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual:</b> |               |               |   |                        |
| Increase (decrease) in inventory   |               | 9,199         |   | (11,602)               |
| (Increase) decrease in accrued vacation pay                                    | -             | 1,978         |   | 2,788                  |
| Increase (decrease) in deferred outflows of resources - pensions               |               | 108,474       |   | (117,988)              |
| (Increase) decrease in net pension liability                                   |               | (129,853)     |   | 112,038                |
| (Increase) decrease in deferred infows of resources - pensions                 |               | 10,061        |   | 9,883                  |
| Increase (decrease) in deferred outflows of resources - OPEB                   |               | 13,772        |   | 5,269                  |
| (Increase) decrease in OPEB liability  |               | 40,972        |   | (61,031)               |
| (Increase) decrease in deferred infows of resources - pensions                 |               | (39,575)      |   | (101,548)              |
| Cost of expenditures that were capitalized                                     |               | 1,167,609     |   | 238,652                |
| Payment of debt principal  |               | 2,310,000     |   | 2,264,000              |
| Proceeds from borrowing  |               | (2,470,015)   |   | -                      |
| (Increase) decrease in accrued interest  |               | (3,729)       |   | (3,496)                |
| Depreciation   |               | (1,657,257)   |   | (1,620,810)            |
| Change in net position   | -             | \$ 1,317,599  |   | \$ 1,422,583           |

# CITY OF LINCOLNTON, NORTH CAROLINA

## Statements of Cash Flows Water and Sewer Fund For the Years Ended June 30, 2019 and 2018

|   | <u>2019</u>          | <u>2018</u>         |
|---|----------------------|---------------------|
| <b>Cash Flows From Operating Activities:</b>  |                      |                     |
| Cash received from customers and users  | \$ 7,474,359         | \$ 8,123,870        |
| Customer deposits received  | 9,630                | 3,610               |
| Cash paid for goods and services  | (2,453,573)          | (2,668,319)         |
| Cash paid to or on behalf of employees for services   | (1,916,041)          | (1,767,441)         |
| Net cash provided (used) by operating activities  | <u>3,114,375</u>     | <u>3,691,720</u>    |
| <b>Cash Flows From Non-Capital Financing Activities:</b>  |                      |                     |
| Transfers - in (out)  | <u>(379,096)</u>     | <u>(379,096)</u>    |
| <b>Cash Flows From Capital and Related Financing Activities:</b>                                      |                      |                     |
| Acquisition and construction of capital assets  | (577,823)            | (238,652)           |
| Proceeds from sale of capital assets  | 14,411               | 6,753               |
| Proceeds from borrowing   | 1,880,229            | -                   |
| Principal paid on long-term debt  | (2,310,000)          | (2,264,000)         |
| Interest paid on long-term debt   | (155,067)            | (197,469)           |
| Net cash provided (used) by capital and related financing activities                                  | <u>(1,148,250)</u>   | <u>(2,693,368)</u>  |
| <b>Cash Flows From Investing Activities:</b>  |                      |                     |
| Investment earnings   | <u>176,636</u>       | <u>98,133</u>       |
| Net cash provided (used) by investing activities  | <u>176,636</u>       | <u>98,133</u>       |
| Net increase (decrease) in cash and cash equivalents  | 1,763,665            | 717,389             |
| Cash and cash equivalents at beginning of year  | <u>8,568,998</u>     | <u>7,851,609</u>    |
| Cash and cash equivalents at end of year  | <u>\$ 10,332,663</u> | <u>\$ 8,568,998</u> |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b> |                      |                     |
| Operating income (loss)   | \$ 1,665,213         | \$ 1,897,758        |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: |                      |                     |
| Depreciation  | 1,657,257            | 1,620,810           |
| Changes in assets and liabilities:  |                      |                     |
| (Increase) decrease in accounts receivable  | (186,140)            | 67,685              |
| (Increase) decrease in inventory  | (9,199)              | 11,602              |
| (Increase) decrease in prepaid expense  | (8,496)              | 6,189               |
| Increase (decrease) in accounts payable and other accrued liabilities                                 | (8,062)              | (66,522)            |
| Increase (decrease) in accrued vacation pay   | (1,977)              | (2,789)             |
| Increase (decrease) in OPEB liability   | (40,972)             | 61,031              |
| (Increase) decrease in deferred outflows of resources-OPEB  | (13,772)             | (5,269)             |
| Increase (decrease) in deferred inflows of resources-OPEB   | 39,575               | 101,548             |
| (Increase) decrease in deferred outflows of resources-pensions  | (108,474)            | 117,988             |
| Increase (decrease) in net pension liability  | 129,853              | (112,038)           |
| Increase (decrease) in deferred inflows of resources-pensions   | (10,061)             | (9,883)             |
| Increase (decrease) in customer deposits  | 9,630                | 3,610               |
| Net cash provided (used) by operating activities  | <u>\$ 3,114,375</u>  | <u>\$ 3,691,720</u> |
| <b>Supplemental Schedule of Non Cash Financing Activities:</b>  |                      |                     |
| Purchase of fixed assets with the issuance of debt  | <u>\$ 589,786</u>    | <u>\$ -</u>         |

**CITY OF LINCOLNTON, NORTH CAROLINA**

**Statements of Net Position**

**Electric Fund**

**June 30, 2019 and 2018**

|   | <u>2019</u>         | <u>2018</u>         |
|---|---------------------|---------------------|
| <b><u>Assets</u></b>                            |                     |                     |
| Current assets:                                 |                     |                     |
| Cash and cash equivalents                       | \$ 3,470,078        | \$ 2,945,821        |
| Accounts receivable                             | 664,046             | 716,344             |
| Advance to other funds                          | 74,944              | 59,944              |
| Inventories                                     | 26,919              | 36,468              |
| Prepaid expenses                                | 40,375              | 37,887              |
| Total current assets                            | <u>4,276,362</u>    | <u>3,796,464</u>    |
| Noncurrent assets:                              |                     |                     |
| Restricted cash and cash equivalents            | 273,655             | 266,725             |
| Advance to other funds                          | 940,056             | 940,056             |
| Capital assets, net of accumulated depreciation | <u>1,790,665</u>    | <u>1,397,529</u>    |
| Total assets                                    | <u>7,280,738</u>    | <u>6,400,774</u>    |
| <b><u>Deferred Outflows of Resources</u></b>    |                     |                     |
| Pension deferrals                               | 128,323             | 62,720              |
| OPEB deferrals                                  | <u>2,529</u>        | <u>652</u>          |
| Total deferred outflows of resources            | <u>130,852</u>      | <u>63,372</u>       |
| <b><u>Liabilities</u></b>                       |                     |                     |
| Current liabilities:                            |                     |                     |
| Accounts payable and accrued liabilities        | 730,856             | 699,413             |
| Customer deposits - restricted                  | 273,655             | 266,725             |
| Accrued compensated absences                    | <u>13,263</u>       | <u>8,591</u>        |
| Total current liabilities                       | <u>1,017,774</u>    | <u>974,729</u>      |
| Noncurrent liabilities:                         |                     |                     |
| Total OPEB liability                            | 322,163             | 305,227             |
| Accrued compensated absences                    | 16,007              | 24,625              |
| Net pension liability                           | <u>155,596</u>      | <u>76,496</u>       |
| Total noncurrent liabilities                    | <u>493,766</u>      | <u>406,348</u>      |
| Total liabilities                               | <u>1,511,540</u>    | <u>1,381,077</u>    |
| <b><u>Deferred Inflows of Resources</u></b>     |                     |                     |
| Pension deferrals                               | 3,034               | 4,845               |
| OPEB deferrals                                  | <u>18,742</u>       | <u>12,565</u>       |
| Total deferred inflows of resources             | <u>21,776</u>       | <u>17,410</u>       |
| <b><u>Net Position</u></b>                      |                     |                     |
| Net investment in capital assets                | 1,790,665           | 1,397,529           |
| Unrestricted                                    | <u>4,087,609</u>    | <u>3,668,130</u>    |
| Total net position                              | <u>\$ 5,878,274</u> | <u>\$ 5,065,659</u> |

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**CITY OF LINCOLNTON, NORTH CAROLINA**

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**Statements of Revenues, Expenses and Changes in Net Position****Electric Fund****For the Years Ended June 30, 2019 and 2018**

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|   | <u>2019</u>         | <u>2018</u>         |
|---|---------------------|---------------------|
| <b>Operating Revenues:</b>                            |                     |                     |
| Electric sales  | \$ 7,008,624        | \$ 6,925,175        |
| Electricity - municipal operations                    | 681,544             | 697,326             |
| Other operating revenues                              | <u>472,779</u>      | <u>291,248</u>      |
| Total operating revenues                              | <u>8,162,947</u>    | <u>7,913,749</u>    |
| <b>Operating Expenses:</b>                            |                     |                     |
| Electrical operations                                 | 1,360,872           | 1,043,319           |
| Electrical power purchases                            | 5,288,257           | 5,772,554           |
| Administrative  | 600,000             | 600,000             |
| Depreciation  | <u>154,209</u>      | <u>145,580</u>      |
| Total operating expenses                              | <u>7,403,339</u>    | <u>7,561,454</u>    |
| Operating income (loss)                               | <u>759,608</u>      | <u>352,295</u>      |
| <b>Nonoperating Revenues (Expenses);</b>              |                     |                     |
| Investment earnings                                   | 78,981              | 38,631              |
| Gain (loss) on disposition of capital assets          | <u>-</u>            | <u>(18,886)</u>     |
| Total nonoperating revenues (expenses)                | <u>78,981</u>       | <u>19,745</u>       |
| Income (loss) before transfers                        | 838,590             | 372,040             |
| Transfer to the General Fund-payment in lieu of taxes | <u>(25,975)</u>     | <u>(25,975)</u>     |
| Change in net position                                | <u>\$ 812,615</u>   | <u>\$ 346,065</u>   |
| Total net position - beginning                        | \$ 5,065,659        | \$ 4,719,594        |
| Change in net position                                | <u>812,615</u>      | <u>346,065</u>      |
| Total net position - ending                           | <u>\$ 5,878,274</u> | <u>\$ 5,065,659</u> |

**CITY OF LINCOLNTON, NORTH CAROLINA**

Page 1 of 2

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

**Electric Fund**

**For the Year Ended June 30, 2019**

**(With Comparative Actual Amounts for the Year Ended June 30, 2018)**

|  | <b>2019</b>          |                      | <b>Variance<br/>Positive<br/>(Negative)</b> | <b>2018<br/>Actual</b> |
|--|----------------------|----------------------|---|------------------------|
|  | <b><u>Budget</u></b> | <b><u>Actual</u></b> |   |                        |
| <b>Revenues:</b>                       |                      |                      |   |                        |
| Operating revenues:                    |                      |                      |   |                        |
| Electricity sales                      | \$6,641,000          | \$7,008,624          | \$ 367,624                                  | \$6,925,175            |
| Electricity - municipal operations     | 776,914              | 681,544              | (95,370)                                    | 697,326                |
| Other operating revenues               | <u>236,350</u>       | <u>472,779</u>       | <u>236,429</u>                              | <u>291,248</u>         |
| Total operating revenues               | 7,654,264            | 8,162,947            | 508,683                                     | 7,913,749              |
| Nonoperating revenues:                 |                      |                      |   |                        |
| Investment earnings                    | <u>15,000</u>        | <u>78,981</u>        | <u>63,981</u>                               | <u>38,631</u>          |
| Total revenues                         | <u>7,669,264</u>     | <u>8,241,929</u>     | <u>572,665</u>                              | <u>7,952,380</u>       |
| <b>Expenditures:</b>                   |                      |                      |   |                        |
| Salaries and employee benefits         | 708,135              | 671,174              | 36,961                                      | 483,793                |
| Electrical power purchases             | 5,289,000            | 5,288,257            | 743   | 5,772,554              |
| Administrative                         | 600,000              | 600,000              | -   | 600,000                |
| Repairs and maintenance                | 161,158              | 134,924              | 26,234                                      | 158,120                |
| Other operating expenditures           | 847,996              | 516,249              | 331,747                                     | 372,101                |
| Capital outlay                         | <u>578,000</u>       | <u>547,345</u>       | <u>30,655</u>                               | <u>343,144</u>         |
| Total operating expenditures           | <u>8,184,289</u>     | <u>7,757,950</u>     | <u>426,339</u>                              | <u>7,729,712</u>       |
| Revenues over (under) expenditures     | <u>(515,025)</u>     | <u>483,979</u>       | <u>999,004</u>                              | <u>222,668</u>         |
| <b>Other Financing Sources (Uses):</b> |                      |                      |   |                        |
| Appropriated fund balance              | 841,000              | -                    | (841,000)                                   | -                      |
| Loan to General Fund                   | (300,000)            | -                    | 300,000                                     | -                      |
| Transfers from (to):                   |                      |                      |   |                        |
| General Fund-payment in lieu of taxes  | (25,975)             | (25,975)             | -   | (25,975)               |
| Rate Stabilization Fund                | <u>-</u>             | <u>-</u>             | <u>-</u>                                    | <u>(25,000)</u>        |
| Total other financing sources (uses)   | <u>515,025</u>       | <u>(25,975)</u>      | <u>(541,000)</u>                            | <u>(50,975)</u>        |

cont.

**CITY OF LINCOLNTON, NORTH CAROLINA**

Page 2 of 2, cont.

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

**Electric Fund**

**For the Year Ended June 30, 2019**

**(With Comparative Actual Amounts for the Year Ended June 30, 2018)**

|  | <b>2019</b>          |                      | <b>Variance<br/>Positive<br/>(Negative)</b> | <b>2018<br/>Actual</b> |
|--|----------------------|----------------------|---|------------------------|
|  | <b><u>Budget</u></b> | <b><u>Actual</u></b> |   |                        |
| Revenues and other sources over (under)<br>expenditures and other uses             | \$ <u>-</u>          | \$ 458,004           | \$ <u>458,004</u>                           | \$ 171,693             |
| <b>Reconciliation From Budgetary Basis<br/>(Modified Accrual) to Full Accrual:</b> |                      |                      |   |                        |
| Transfer to Rate Stabilization Fund  |                      | -                    |   | 25,000                 |
| Increase (decrease) in inventory   |                      | (9,549)              |   | (6,940)                |
| (Increase) decrease in accrued vacation pay  |                      | 3,946                |   | (3,248)                |
| Increase (decrease) in deferred outflows of<br>resources - pensions                |                      | 65,603               |   | (28,066)               |
| (Increase) decrease in net penion liability  |                      | (79,100)             |   | 26,048                 |
| (Increase) decrease in deferred inflows of<br>resources - pensions                 |                      | 1,811                |   | 2,366                  |
| (Increase) decrease in OPEB liability  |                      | (16,936)             |   | (7,552)                |
| Increase (decrease) in deferred outflows of<br>resources - OPEB                    |                      | 1,877                |   | 652                    |
| Increase (decrease) in deferred inflows of<br>resources - OPEB                     |                      | (6,177)              |   | (12,565)               |
| Gain (loss) on disposition of assets   |                      | -                    |   | (18,886)               |
| Cost of expenditures that were capitalized   |                      | 547,345              |   | 343,144                |
| Depreciation   |                      | <u>(154,209)</u>     |   | <u>(145,580)</u>       |
| Changes in net position  |                      | \$ <u>812,615</u>    |   | \$ <u>346,065</u>      |



# CITY OF LINCOLNTON, NORTH CAROLINA

## Statements of Cash Flows Electric Fund For the Years Ended June 30, 2019 and 2018

|   | <u>2019</u>         | <u>2018</u>         |
|---|---------------------|---------------------|
| <b>Cash Flows From Operating Activities:</b>  |                     |                     |
| Cash received from customers and users  | \$ 8,200,245        | \$ 7,823,090        |
| Customer deposits received  | 6,930               | 5,877               |
| Cash paid for goods and services  | (6,539,451)         | (6,996,828)         |
| Cash paid to or on behalf of employees for services   | (642,198)           | (483,794)           |
| Net cash provided (used) by operating activities  | <u>1,025,526</u>    | <u>348,345</u>      |
| <b>Cash Flows From Non-Capital Financing Activities:</b>  |                     |                     |
| Advance to other funds  | -                   | (1,000,000)         |
| Transfers - in (out)  | (25,975)            | (25,975)            |
| Net cash provided (used) by non-capital financing activities  | <u>(25,975)</u>     | <u>(1,025,975)</u>  |
| <b>Cash Flows From Capital and Related Financing Activities:</b>                                      |                     |                     |
| Acquisition and construction of capital assets  | (547,345)           | (343,144)           |
| Net cash provided (used) by capital and related financing activities                                  | <u>(547,345)</u>    | <u>(343,144)</u>    |
| <b>Cash Flows From Investing Activities:</b>  |                     |                     |
| Investment earnings   | 78,981              | 38,631              |
| Net cash provided (used) by investing activities  | <u>78,981</u>       | <u>38,631</u>       |
| Net increase (decrease) in cash and cash equivalents  | 531,187             | (982,143)           |
| Cash and cash equivalents at beginning of year  | 3,212,546           | 4,194,689           |
| Cash and cash equivalents at end of year  | <u>\$ 3,743,733</u> | <u>\$ 3,212,546</u> |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b> |                     |                     |
| Operating income (loss)   | \$ 759,608          | \$ 352,295          |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: |                     |                     |
| Depreciation  | 154,209             | 145,580             |
| Changes in assets, deferred outflows of resources and liabilities:                                    |                     |                     |
| (Increase) decrease in accounts receivable  | 37,298              | (90,659)            |
| (Increase) decrease in inventory  | 9,549               | 6,940               |
| (Increase) decrease in prepaid expense  | (2,488)             | 254                 |
| Increase (decrease) in accounts payable and other accrued liabilities                                 | 31,444              | (94,307)            |
| Increase (decrease) in accrued vacation pay   | (3,946)             | 3,248               |
| Increase (decrease) in OPEB liability   | 16,936              | 7,552               |
| (Increase) decrease in deferred outflows of resources-OPEB  | (1,877)             | (652)               |
| (Increase) decrease in deferred outflows of resources-pensions  | (65,603)            | 28,066              |
| Increase (decrease) net pension liability   | 79,100              | (26,048)            |
| Increase (decrease) in deferred inflows of resources-pensions   | (1,811)             | (2,366)             |
| Increase (decrease) in deferred inflows of resources-OPEB   | 6,177               | 12,565              |
| Increase (decrease) in customer deposits  | 6,930               | 5,877               |
| Net cash provided (used) by operating activities  | <u>\$ 1,025,526</u> | <u>\$ 348,345</u>   |

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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, 2019

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

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## **OTHER SCHEDULES**

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**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, 2019**

| <u>Fiscal Year</u>                  | <u>Uncollected<br/>Balance<br/>June 30, 2018</u> | <u>Additions</u>   | <u>Collections<br/>and Credits</u> | <u>Uncollected<br/>Balance<br/>June 30, 2019</u> |
|-------------------------------------|--|--------------------|------------------------------------|--|
| 2018 - 2019                         | \$ -   | \$4,920,447        | \$4,840,432                        | \$ 80,015  |
| 2017 - 2018                         | 90,330   | -                  | 49,778                             | 40,552   |
| 2016 - 2017                         | 25,756   | -                  | 12,680                             | 13,076   |
| 2015 - 2016                         | 14,882   | -                  | 5,502                              | 9,380  |
| 2014 - 2015                         | 11,684   | -                  | 3,000                              | 8,684  |
| 2013 - 2014                         | 25,723   | -                  | 3,337                              | 22,386   |
| 2012 - 2013                         | 18,721   | -                  | 2,202                              | 16,519   |
| 2011 - 2012                         | 16,816   | -                  | 1,431                              | 15,385   |
| 2010 - 2011                         | 14,401   | -                  | 1,940                              | 12,461   |
| 2009 - 2010                         | 13,480   | -                  | 1,916                              | 11,564   |
| 2008 - 2009                         | 14,553   | -                  | 14,553                             | -  |
| Total                               | <u>\$ 246,346</u>                                | <u>\$4,920,447</u> | <u>\$4,936,771</u>                 | 230,021  |
| Less allowance for uncollectibles   |  |                    |                                    | <u>(116,000)</u>                                 |
| Balance                             |  |                    |                                    | <u>\$ 114,021</u>                                |
| <b>Reconciliation With Revenue:</b> |  |                    |                                    |  |
| Taxes - Ad valorem - General Fund   |  |                    |                                    | \$ 4,879,429                                     |
| Adjustments, releases and discounts |  |                    |                                    | 70,525   |
| Taxes written off                   |  |                    |                                    | 14,553   |
| Interest collected                  |  |                    |                                    | <u>(27,736)</u>                                  |
| Total collections and credits       |  |                    |                                    | <u>\$ 4,936,771</u>                              |

# CITY OF LINCOLNTON, NORTH CAROLINA

## Analysis of Current Tax Levy

June 30, 2019

|  | City Wide                    |      |                     | Total Levy   |                                 |
|--|------------------------------|------|---------------------|--|---------------------------------|
|  | Property<br>Valuation        | Rate | Total<br>Levy       | Property<br>Excluding<br>Registered<br>Motor<br>Vehicles | Registered<br>Motor<br>Vehicles |
| Original levy:                               |                              |      |                     |  |                                 |
| Property taxes at current year's rate        | \$ 797,002,679               | 0.56 | \$ 4,463,215        | \$ 4,463,215   | \$ -                            |
| Motor vehicles taxed at current<br>year rate | <u>80,499,464</u>            | 0.56 | <u>450,797</u>      | <u>-</u>   | <u>450,797</u>                  |
| Total  | <u>877,502,143</u>           |      | <u>4,914,012</u>    | <u>4,463,215</u>   | <u>450,797</u>                  |
| Discoveries:                                 |                              |      |                     |  |                                 |
| Current year taxes                           | 2,158,607                    |      | 12,088              | 14,517   | -                               |
| Adjustments                                  | <u>(1,009,500)</u>           |      | <u>(5,653)</u>      | <u>(2,620)</u>   | <u>-</u>                        |
| Total  | <u>1,149,107</u>             |      | <u>6,435</u>        | <u>11,897</u>  | <u>-</u>                        |
| Total property valuation                     | <u><u>\$ 878,651,250</u></u> |      |                     |  |                                 |
| Net levy                                     |                              |      | 4,920,447           | 4,475,112  | 450,797                         |
| Less uncollected taxes at June 30, 2018      |                              |      | <u>(80,015)</u>     | <u>(80,015)</u>  | <u>-</u>                        |
| Current year's taxes collected               |                              |      | <u>\$ 4,840,432</u> | <u>\$ 4,395,097</u>                                      | <u>\$ 450,797</u>               |
| Current levy collection percentage           |                              |      | <u>98.37%</u>       | <u>98.21%</u>  | <u>100.00%</u>                  |

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## **STATISTICAL SECTION**

### **(Unaudited)**

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**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>2010</u>         | <u>2011</u>         | <u>2012</u>         | <u>2013</u>         | <u>2014</u>         | <u>2015</u>         | <u>2016</u>         | <u>2017</u>         | <u>2018</u>         | <u>2019</u>         |
|----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Governmental Activities:</b>  |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Net investment in capital assets | \$20,342,099        | \$20,210,351        | \$19,493,069        | \$19,313,526        | \$18,914,071        | \$18,225,559        | \$17,845,361        | \$17,836,400        | \$18,078,633        | \$18,180,889        |
| Restricted                       | 1,302,773           | 1,864,473           | 1,912,469           | 1,876,915           | 1,903,248           | 1,490,531           | 1,592,074           | 1,522,318           | 1,721,261           | 1,446,522           |
| Unrestricted                     | <u>4,687,937</u>    | <u>2,897,027</u>    | <u>2,329,895</u>    | <u>1,656,570</u>    | <u>1,213,155</u>    | <u>748,673</u>      | <u>857,731</u>      | <u>133,971</u>      | <u>(7,372,812)</u>  | <u>(6,908,253)</u>  |
| Total governmental activities    |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| net position                     | <u>\$26,332,809</u> | <u>\$24,971,852</u> | <u>\$23,735,434</u> | <u>\$22,847,010</u> | <u>\$22,030,474</u> | <u>\$20,464,763</u> | <u>\$20,295,166</u> | <u>\$19,492,689</u> | <u>\$12,427,082</u> | <u>\$12,719,158</u> |
| <b>Business-type Activities:</b> |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Net investment in capital assets | \$15,321,964        | \$15,584,724        | \$15,270,921        | \$15,251,603        | \$17,188,580        | \$17,189,653        | \$18,312,253        | \$19,838,664        | \$20,899,184        | \$20,641,887        |
| Unrestricted                     | <u>9,432,418</u>    | <u>9,310,193</u>    | <u>9,272,685</u>    | <u>9,886,493</u>    | <u>10,465,958</u>   | <u>10,597,432</u>   | <u>11,227,830</u>   | <u>11,183,342</u>   | <u>9,870,326</u>    | <u>12,257,836</u>   |
| Total business-type activities   |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| net position                     | <u>\$24,754,382</u> | <u>\$24,894,916</u> | <u>\$24,543,606</u> | <u>\$25,138,096</u> | <u>\$27,654,538</u> | <u>\$27,787,085</u> | <u>\$29,540,083</u> | <u>\$31,022,006</u> | <u>\$30,769,510</u> | <u>\$32,899,723</u> |
| <b>Primary Government:</b>       |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Net investment in capital assets | \$35,664,063        | \$35,795,075        | \$34,763,990        | \$34,565,129        | \$36,102,650        | \$35,415,211        | \$36,157,613        | \$37,675,063        | \$38,977,817        | \$38,822,776        |
| Restricted                       | 1,302,773           | 1,864,473           | 1,912,469           | 1,876,915           | 1,903,248           | 1,490,531           | 1,592,074           | 1,522,318           | 1,721,261           | 1,446,522           |
| Unrestricted                     | <u>14,120,355</u>   | <u>12,207,220</u>   | <u>11,602,580</u>   | <u>11,543,063</u>   | <u>11,679,114</u>   | <u>11,346,106</u>   | <u>12,085,562</u>   | <u>11,317,314</u>   | <u>2,497,515</u>    | <u>5,349,583</u>    |
| Total primary government         |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| net position                     | <u>\$51,087,192</u> | <u>\$49,866,769</u> | <u>\$48,279,040</u> | <u>\$47,985,106</u> | <u>\$49,685,012</u> | <u>\$48,251,848</u> | <u>\$49,835,249</u> | <u>\$50,514,695</u> | <u>\$43,196,592</u> | <u>\$45,618,881</u> |

## CITY OF LINCOLNTON, NORTH CAROLINA

Page 1 of 2

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

| <b>Expenses:</b>                     | <b>2010</b>          | <b>2011</b>          | <b>2012</b>          | <b>2013</b>          | <b>2014</b>          | <b>2015</b>          | <b>2016</b>          | <b>2017</b>          | <b>2018</b>          | <b>2019</b>          |
|--------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Governmental activities:             |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| General government                   | \$ 2,030,667         | \$ 1,810,131         | \$ 1,880,470         | \$ 1,898,069         | \$ 2,025,069         | \$ 1,864,278         | \$ 1,896,606         | \$ 1,864,038         | \$ 2,121,703         | \$ 2,061,727         |
| Public safety                        | 4,445,229            | 4,510,132            | 4,773,082            | 4,586,096            | 4,663,422            | 4,562,298            | 4,487,641            | 4,808,973            | 5,397,252            | 5,711,498            |
| Public works                         | 1,422,754            | 1,460,931            | 1,312,549            | 1,530,196            | 1,488,646            | 1,315,049            | 1,342,101            | 1,352,039            | 1,420,115            | 1,245,261            |
| Economic and physical development    | 431,472              | 430,681              | 532,931              | 531,028              | 497,450              | 348,274              | 404,448              | 333,749              | 378,549              | 489,183              |
| Environmental protection             | 1,131,470            | 1,198,004            | 1,194,004            | 1,133,471            | 1,067,913            | 1,173,121            | 1,120,857            | 1,010,361            | 759,807              | 750,577              |
| Cultural and recreational            | 637,700              | 662,228              | 667,510              | 673,215              | 718,794              | 654,985              | 683,973              | 688,966              | 991,094              | 956,697              |
| Interest on long-term debt           | 31,710               | 23,762               | 16,973               | 11,190               | 5,428                | 5,662                | 16,458               | 37,365               | 37,729               | 36,502               |
| Total governmental activities        | <u>10,131,001</u>    | <u>10,095,868</u>    | <u>10,377,520</u>    | <u>10,363,265</u>    | <u>10,466,722</u>    | <u>9,923,668</u>     | <u>9,952,085</u>     | <u>10,095,491</u>    | <u>11,106,249</u>    | <u>11,251,446</u>    |
| Business-type activities:            |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Interest on long-term debt           | 1,053,796            | 983,268              | 911,725              | 827,061              | 760,216              | 663,840              | 312,468              | 296,382              | 200,965              | 158,795              |
| Water and sewer                      | 5,998,337            | 6,095,894            | 6,420,997            | 6,438,818            | 6,470,498            | 6,516,275            | 6,220,283            | 6,370,070            | 6,158,426            | 5,995,286            |
| Electric                             | 6,850,392            | 7,248,183            | 7,341,177            | 7,351,083            | 7,601,547            | 8,066,191            | 7,525,821            | 7,445,989            | 7,561,454            | 7,403,339            |
| Total business-type activities       | <u>13,902,524</u>    | <u>14,327,344</u>    | <u>14,673,899</u>    | <u>14,616,961</u>    | <u>14,832,261</u>    | <u>15,246,306</u>    | <u>14,058,572</u>    | <u>14,112,442</u>    | <u>13,920,845</u>    | <u>13,557,420</u>    |
| Total expenses                       | <u>\$ 24,033,525</u> | <u>\$ 24,423,213</u> | <u>\$ 25,051,419</u> | <u>\$ 24,980,226</u> | <u>\$ 25,298,983</u> | <u>\$ 25,169,974</u> | <u>\$ 24,010,658</u> | <u>\$ 24,207,933</u> | <u>\$ 25,027,094</u> | <u>\$ 24,808,865</u> |
| <b>Program Revenues:</b>             |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Governmental activities:             |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Charges for services:                |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Environmental protection             | \$ 63,668            | \$ 14,487            | \$ 40,608            | \$ 19,001            | \$ 71,766            | \$ 8,875             | \$ 29,259            | \$ 27,201            | \$ 12,221            | \$ 49,377            |
| Cultural and recreational            | 89,218               | 93,470               | 98,702               | 96,676               | 91,302               | 120,945              | 116,764              | 169,179              | 177,133              | 127,134              |
| Other                                | 24,533               | 15,355               | 15,638               | 13,014               | 13,860               | 24,052               | 17,187               | 17,427               | 43,303               | 21,908               |
| Operating grants and contributions   | 454,353              | 434,879              | 644,722              | 617,234              | 557,434              | 447,765              | 428,431              | 490,071              | 545,794              | 592,248              |
| Capital grants and contributions     | 40,375               | -                    | -                    | 305,882              | -                    | 14,237               | 364,737              | -                    | 156,106              | 646,462              |
| Total governmental activities        | <u>672,147</u>       | <u>558,191</u>       | <u>799,670</u>       | <u>1,051,807</u>     | <u>734,362</u>       | <u>615,874</u>       | <u>956,378</u>       | <u>703,878</u>       | <u>934,557</u>       | <u>1,437,129</u>     |
| Business-type activities:            |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Charges for services-Water and Sewer | 7,072,445            | 7,972,746            | 8,186,402            | 8,384,249            | 8,380,928            | 8,434,290            | 8,393,729            | 8,011,313            | 8,056,185            | 7,660,499            |
| Charges for services-Electric        | 6,186,496            | 6,457,194            | 6,681,363            | 7,204,066            | 7,677,848            | 7,943,099            | 7,793,578            | 7,918,630            | 7,913,749            | 8,162,947            |
| Operating grants and contributions   | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    |
| Capital grants and contributions     | -                    | -                    | -                    | -                    | 1,674,563            | -                    | -                    | -                    | -                    | -                    |
| Total business-type activities       | <u>13,258,941</u>    | <u>14,429,940</u>    | <u>14,867,765</u>    | <u>15,588,315</u>    | <u>17,733,339</u>    | <u>16,377,389</u>    | <u>16,187,307</u>    | <u>15,929,943</u>    | <u>15,969,934</u>    | <u>15,823,446</u>    |
| Total program revenues               | <u>\$ 13,931,088</u> | <u>\$ 14,988,131</u> | <u>\$ 15,667,435</u> | <u>\$ 16,640,122</u> | <u>\$ 18,467,701</u> | <u>\$ 16,993,263</u> | <u>\$ 17,143,685</u> | <u>\$ 16,633,821</u> | <u>\$ 16,904,491</u> | <u>\$ 17,260,575</u> |

**CITY OF LINCOLNTON, NORTH CAROLINA**

**Page 2 of 2, cont.**

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

|                                  | <u>2010</u>            | <u>2011</u>           | <u>2012</u>           | <u>2013</u>           | <u>2014</u>           | <u>2015</u>           | <u>2016</u>           | <u>2017</u>           | <u>2018</u>           | <u>2019</u>           |
|----------------------------------|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Net revenue (expense)            |                        |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Governmental activities          | \$ (9,458,855)         | \$ (9,537,677)        | \$ (9,577,850)        | \$ (9,311,458)        | \$ (9,732,360)        | \$ (9,307,794)        | \$ (8,995,707)        | \$ (9,391,613)        | \$ (10,171,692)       | \$ (9,814,317)        |
| Business-type activities         | (643,583)              | 102,596               | 193,865               | 971,353               | 2,901,078             | 1,131,083             | 2,128,735             | 1,817,502             | 2,049,089             | 2,266,026             |
| Total net expense                | <u>\$ (10,102,438)</u> | <u>\$ (9,435,081)</u> | <u>\$ (9,383,985)</u> | <u>\$ (8,340,105)</u> | <u>\$ (6,831,281)</u> | <u>\$ (8,176,711)</u> | <u>\$ (6,866,972)</u> | <u>\$ (7,574,112)</u> | <u>\$ (8,122,603)</u> | <u>\$ (7,548,290)</u> |
| <b>General Revenues</b>          |                        |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Governmental activities:         |                        |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Ad valorem taxes                 | \$ 4,715,808           | \$ 4,697,996          | \$ 4,563,151          | \$ 4,724,967          | \$ 4,849,278          | \$ 4,761,205          | \$ 4,641,125          | \$ 4,718,281          | \$ 4,737,848          | \$ 4,855,114          |
| Other taxes and licenses         | 3,295,628              | 3,331,733             | 3,311,700             | 3,292,144             | 3,349,868             | 3,573,901             | 3,682,640             | 4,148,713             | 4,466,391             | 4,662,968             |
| Unrestricted investment earnings | 18,895                 | 20,384                | 6,830                 | 3,990                 | 1,916                 | 3,477                 | 10,321                | 18,979                | 49,932                | 95,717                |
| Other                            | 18,759                 | 126,607               | 71,951                | 11,235                | 320,657               | 56,808                | 86,953                | (3,245)               | 8,048                 | 87,525                |
| Transfers                        | 381,600                | -                     | 387,800               | 390,700               | 394,105               | 394,135               | 405,071               | 405,071               | 405,071               | 405,071               |
| Extraordinary item               | 950,000                | -                     | -                     | -                     | -                     | -                     | -                     | -                     | -                     | -                     |
| Total governmental activities    | <u>9,380,691</u>       | <u>8,176,720</u>      | <u>8,341,432</u>      | <u>8,423,036</u>      | <u>8,915,824</u>      | <u>8,789,526</u>      | <u>8,826,110</u>      | <u>9,287,798</u>      | <u>9,667,289</u>      | <u>10,106,394</u>     |
| Business-type activities:        |                        |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Unrestricted investment earnings | 41,539                 | 38,791                | 21,211                | 14,743                | 9,233                 | 10,869                | 26,421                | 51,748                | 136,764               | 255,617               |
| Other                            | 11,100                 | (852)                 | -                     | (906)                 | 236                   | (405,084)             | 2,914                 | 17,744                | (12,133)              | 13,641                |
| Transfers                        | (381,600)              | -                     | (387,800)             | (390,700)             | (394,105)             | (394,135)             | (405,071)             | (405,071)             | (405,071)             | (405,071)             |
| Total business-type activities   | <u>(328,961)</u>       | <u>37,939</u>         | <u>(366,589)</u>      | <u>(376,863)</u>      | <u>(384,637)</u>      | <u>(788,350)</u>      | <u>(375,736)</u>      | <u>(335,579)</u>      | <u>(280,440)</u>      | <u>(135,813)</u>      |
| Total primary government         | <u>\$ 9,051,730</u>    | <u>\$ 8,214,659</u>   | <u>\$ 7,974,843</u>   | <u>\$ 8,046,172</u>   | <u>\$ 8,531,188</u>   | <u>\$ 8,001,176</u>   | <u>\$ 8,450,374</u>   | <u>\$ 8,952,219</u>   | <u>\$ 9,386,849</u>   | <u>\$ 9,970,581</u>   |
| <b>Change in Net Position:</b>   |                        |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Governmental activities          | \$ (78,165)            | \$ (1,360,957)        | \$ (1,236,418)        | \$ (888,422)          | \$ (816,535)          | \$ (518,268)          | \$ (169,597)          | \$ (103,815)          | \$ (504,403)          | \$ 292,076            |
| Business-type activities         | (972,544)              | 140,534               | (172,724)             | 594,491               | 2,516,442             | 342,733               | 1,752,998             | 1,481,923             | 1,768,648             | 2,130,213             |
| Total primary government         | <u>\$ (1,050,709)</u>  | <u>\$ (1,220,423)</u> | <u>\$ (1,409,142)</u> | <u>\$ (293,933)</u>   | <u>\$ 1,699,906</u>   | <u>\$ (175,535)</u>   | <u>\$ 1,583,401</u>   | <u>\$ 1,378,108</u>   | <u>\$ 1,264,246</u>   | <u>\$ 2,422,291</u>   |

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**CITY OF LINCOLNTON, NORTH CAROLINA**

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

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| <b>Fiscal<br/>Year</b> | <b>Property<br/>Tax</b> | <b>Rental<br/>Vehicle<br/>Tax</b> | <b>Sales<br/>Tax</b> | <b>Franchise<br/>Tax</b> | <b>Payment<br/>in lieu of<br/>Tax (1)</b> | <b>Payment<br/>in lieu of<br/>Tax (2)</b> | <b>Alcoholic<br/>Beverage<br/>Tax</b> | <b>Solid Waste<br/>Disposal<br/>Tax</b> | <b>Total</b> |
|------------------------|-------------------------|-----------------------------------|----------------------|--------------------------|---|---|---------------------------------------|---|--------------|
| 2010                   | \$4,715,808             | \$ 12,519                         | \$2,125,810          | \$ 888,871               | \$ 17,209                                 | \$ 381,600                                | \$ 16,140                             | \$ 7,810                                | 8,165,767    |
| 2011                   | 4,697,996               | 13,743                            | 2,166,206            | 860,398                  | 22,950                                    | -   | 50,919                                | 7,717                                   | 7,819,929    |
| 2012                   | 4,563,151               | 16,399                            | 2,138,139            | 849,492                  | 25,552                                    | 387,800                                   | 45,667                                | 7,375                                   | 8,033,575    |
| 2013                   | 4,724,967               | 20,592                            | 2,173,528            | 868,442                  | 24,732                                    | 390,700                                   | 42,462                                | 6,618                                   | 8,252,041    |
| 2014                   | 4,849,278               | 19,622                            | 2,264,938            | 808,761                  | 22,651                                    | 394,105                                   | 45,873                                | 5,899                                   | 8,411,127    |
| 2015                   | 4,761,205               | 21,270                            | 2,499,885            | 920,256                  | 22,471                                    | 394,135                                   | 50,317                                | 6,717                                   | 8,676,256    |
| 2016                   | 4,641,125               | 16,000                            | 2,644,526            | 873,432                  | 21,216                                    | 405,071                                   | 46,286                                | 5,900                                   | 8,653,556    |
| 2017                   | 4,718,281               | 27,376                            | 2,983,564            | 911,698                  | 23,400                                    | 405,071                                   | 47,787                                | 7,086                                   | 9,124,263    |
| 2018                   | 4,737,848               | 26,362                            | 3,155,789            | 895,540                  | 28,545                                    | 405,071                                   | 46,076                                | 7,250                                   | 9,302,481    |
| 2019                   | 4,855,114               | 29,012                            | 3,357,639            | 897,284                  | 28,669                                    | 405,071                                   | 45,706                                | 7,413                                   | 9,625,908    |

(1) Payment in lieu of tax from the Housing Authority

(2) Payment in lieu of tax from the Enterprise Funds

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**CITY OF LINCOLNTON, NORTH CAROLINA****Fund Balances, Governmental Funds-Pre GASB 54****Fiscal Year 2010****(Modified Accrual Basis of Accounting)****(Unaudited)**

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|  | <u><b>2010</b></u>         |
|--|----------------------------|
| <b>General Fund:</b>                     |                            |
| Reserved                                 | \$ 2,340,260               |
| Unreserved:                              |                            |
| Designated                               | 1,724,750                  |
| Undesignated                             | <u>2,418,046</u>           |
|  | -                          |
| Total general fund                       | <u><u>\$ 6,483,056</u></u> |
| <br><b>All Other Governmental Funds:</b> |                            |
| Unreserved, reported in:                 |                            |
| Special revenue funds                    | \$ 400,207                 |
| Capital projects funds                   | <u>-</u>                   |
|  | -                          |
| Total all other governmental funds       | <u><u>\$ 400,207</u></u>   |

**CITY OF LINCOLNTON, NORTH CAROLINA**

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

|  | <u>2011</u>            | <u>2012</u>            | <u>2013</u>            | <u>2014</u>            | <u>2015</u>            | <u>2016</u>            | <u>2017</u>            | <u>2018</u>            | <u>2019</u>            |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| <b>General Fund:</b>                     |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Nonspendable:                            |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Inventories                              | \$ 184,545             | \$ 149,779             | \$ 144,390             | \$ 134,268             | \$ 22,880              | \$ 14,316              | \$ 5,828               | \$ 14,396              | \$ 10,598              |
| Prepaid expenditures                     | 53,192                 | 57,049                 | 53,022                 | 55,321                 | 58,524                 | 57,490                 | 44,437                 | 33,207                 | 50,587                 |
| Restricted:                              |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Stabilization by State Statute           | 580,149                | 644,443                | 635,842                | 686,430                | 633,776                | 695,340                | 827,256                | 1,045,057              | 1,006,402              |
| Streets - Powell Bill                    | 894,846                | 917,139                | 905,325                | 833,430                | 849,755                | 896,728                | 695,057                | 676,199                | 440,115                |
| Public safety - Police                   | -                      | -                      | -                      | -                      | 7,000                  | 5                      | 5                      | 5                      | 5                      |
| Assigned:                                |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Subsequent year's expenditures           | 1,617,555              | 1,784,060              | 1,443,059              | 1,547,057              | 1,405,541              | 1,050,000              | 785,301                | 765,470                | 237,000                |
| Unassigned                               | <u>2,184,903</u>       | <u>1,737,430</u>       | <u>1,618,193</u>       | <u>1,364,736</u>       | <u>1,714,961</u>       | <u>2,508,579</u>       | <u>2,794,186</u>       | <u>2,261,650</u>       | <u>3,455,634</u>       |
| <br>Total general fund                   | <br><u>\$5,515,190</u> | <br><u>\$5,289,900</u> | <br><u>\$4,799,831</u> | <br><u>\$4,621,242</u> | <br><u>\$4,692,437</u> | <br><u>\$5,222,459</u> | <br><u>\$5,152,070</u> | <br><u>\$4,795,984</u> | <br><u>\$5,200,341</u> |
| <br><b>All Other Governmental Funds:</b> |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Restricted:                              |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Economic development                     | \$ 389,478             | \$ 350,887             | \$ 362,848             | \$ 383,128             | \$ -                   | \$ -                   | \$ -                   | \$ -                   | \$ -                   |
| Assigned:                                |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Subsequent year's expenditures           | <u>47,800</u>          | <u>43,950</u>          | <u>16,850</u>          | <u>260</u>             | <u>-</u>               | <u>-</u>               | <u>-</u>               | <u>-</u>               | <u>-</u>               |
| <br>Total all other governmental funds   | <br><u>\$ 437,278</u>  | <br><u>\$ 394,837</u>  | <br><u>\$ 379,698</u>  | <br><u>\$ 383,388</u>  | <br><u>\$ -</u>        | <br><u>\$ -</u>        | <br><u>\$ -</u>        | <br><u>\$ -</u>        | <br><u>\$ -</u>        |

GASB 54 implemented in 2011.



**CITY OF LINCOLNTON, NORTH CAROLINA**

Page 1 of 2

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

|   | <u>2010</u>      | <u>2011</u>      | <u>2012</u>      | <u>2013</u>      | <u>2014</u>      | <u>2015</u>      | <u>2016</u>        | <u>2017</u>       | <u>2018</u>        | <u>2019</u>       |
|---|------------------|------------------|------------------|------------------|------------------|------------------|--------------------|-------------------|--------------------|-------------------|
| <b>Revenues:</b>                          |                  |                  |                  |                  |                  |                  |                    |                   |                    |                   |
| Ad valorem taxes                          | \$ 4,754,810     | \$ 4,714,523     | \$ 4,573,099     | \$ 4,680,104     | \$ 4,905,832     | \$ 4,734,705     | \$ 4,712,610       | \$ 4,704,877      | \$ 4,800,673       | \$ 4,879,429      |
| Other taxes and licenses                  | 20,831           | 21,614           | 23,774           | 27,210           | 25,521           | 27,986           | 32,034             | 167,263           | 203,572            | 207,745           |
| Unrestricted intergovernmental            | 3,325,324        | 3,351,667        | 3,397,305        | 3,398,765        | 3,379,348        | 3,601,858        | 3,709,323          | 4,109,375         | 4,387,039          | 4,584,284         |
| Restricted intergovernmental              | 444,202          | 393,331          | 534,113          | 768,655          | 418,009          | 391,822          | 505,951            | 362,145           | 577,679            | 1,109,648         |
| Permits and fees                          | 24,532           | 15,355           | 15,638           | 13,014           | 25,768           | 27,756           | 32,559             | 35,394            | 44,632             | 45,786            |
| Sales and services                        | 152,886          | 107,957          | 139,310          | 115,676          | 166,235          | 142,760          | 149,132            | 199,336           | 210,912            | 179,758           |
| Investment earnings                       | 18,895           | 20,384           | 8,060            | 4,618            | 1,916            | 3,477            | 10,321             | 18,979            | 49,932             | 95,717            |
| Miscellaneous                             | 40,759           | 126,607          | 71,951           | 92,549           | 304,501          | 54,519           | 296,487            | 120,621           | 59,802             | 60,400            |
| <b>Total revenues</b>                     | <u>8,782,239</u> | <u>8,751,438</u> | <u>8,763,250</u> | <u>9,100,592</u> | <u>9,227,129</u> | <u>8,984,882</u> | <u>9,448,416</u>   | <u>9,717,989</u>  | <u>10,334,241</u>  | <u>11,162,766</u> |
| <b>Expenditures:</b>                      |                  |                  |                  |                  |                  |                  |                    |                   |                    |                   |
| General government                        | 1,400,247        | 1,188,057        | 1,165,808        | 1,248,570        | 1,392,411        | 1,355,882        | 1,327,589          | 1,293,767         | 1,572,754          | 1,607,558         |
| Public safety                             | 4,191,610        | 4,332,145        | 4,485,885        | 4,487,544        | 4,599,355        | 4,902,029        | 5,060,727          | 5,022,088         | 6,029,667          | 5,534,104         |
| Public works                              | 1,404,132        | 1,800,117        | 1,359,972        | 1,566,676        | 1,553,660        | 1,234,560        | 1,241,230          | 1,651,114         | 1,266,038          | 1,301,877         |
| Economic and physical development         | 457,145          | 473,906          | 565,131          | 902,831          | 409,460          | 346,769          | 374,412            | 315,893           | 422,053            | 484,657           |
| Environmental protection                  | 1,171,102        | 1,098,170        | 1,102,472        | 1,065,771        | 980,682          | 1,099,891        | 1,519,010          | 873,584           | 580,802            | 593,203           |
| Cultural and recreational                 | 593,233          | 638,588          | 593,648          | 610,871          | 781,570          | 632,441          | 708,628            | 977,385           | 1,036,387          | 1,258,794         |
| Debt service:                             |                  |                  |                  |                  |                  |                  |                    |                   |                    |                   |
| Principal                                 | 151,474          | 151,540          | 94,126           | 97,658           | 67,134           | 89,200           | 271,078            | 404,726           | 435,016            | 357,078           |
| Interest                                  | 31,710           | 23,762           | 16,973           | 11,190           | 5,428            | 5,662            | 12,229             | 37,591            | 38,714             | 37,410            |
| <b>Total expenditures</b>                 | <u>9,400,652</u> | <u>9,706,284</u> | <u>9,384,015</u> | <u>9,991,112</u> | <u>9,789,700</u> | <u>9,666,434</u> | <u>10,514,903</u>  | <u>10,576,148</u> | <u>11,381,430</u>  | <u>11,174,683</u> |
| <b>Revenues over (under) expenditures</b> | <u>(618,412)</u> | <u>(954,846)</u> | <u>(620,765)</u> | <u>(890,520)</u> | <u>(562,571)</u> | <u>(681,552)</u> | <u>(1,066,487)</u> | <u>(858,158)</u>  | <u>(1,047,189)</u> | <u>(11,916)</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>2010</u>           | <u>2011</u>             | <u>2012</u>             | <u>2013</u>             | <u>2014</u>             | <u>2015</u>           | <u>2016</u>           | <u>2017</u>            | <u>2018</u>             | <u>2019</u>           |
|---|-----------------------|-------------------------|-------------------------|-------------------------|-------------------------|-----------------------|-----------------------|------------------------|-------------------------|-----------------------|
| <b>Other Financing Sources (Uses):</b>                                  |                       |                         |                         |                         |                         |                       |                       |                        |                         |                       |
| Transfers in  | \$ 381,600            | \$ -                    | \$ 387,800              | \$ 390,700              | \$ 394,105              | \$ 394,135            | \$ 405,071            | \$ 405,071             | \$ 405,071              | \$ 405,071            |
| Issuance of debt  | -                     | -                       | -                       | -                       | -                       | 470,000               | 1,200,000             | 391,186                | 275,589                 | -                     |
| Miscellaneous   | -                     | -                       | -                       | -                       | -                       | -                     | -                     | -                      | 1,875                   | 15,000                |
| Extraordinary item  | 950,000               | -                       | -                       | -                       | -                       | -                     | -                     | -                      | -                       | -                     |
| Total other financing sources (uses)                                    | <u>1,331,600</u>      | <u>-</u>                | <u>387,800</u>          | <u>390,700</u>          | <u>394,105</u>          | <u>864,135</u>        | <u>1,605,071</u>      | <u>796,257</u>         | <u>682,535</u>          | <u>420,071</u>        |
| <br>Net change in fund balances   | <br><u>\$ 713,188</u> | <br><u>\$ (954,846)</u> | <br><u>\$ (232,965)</u> | <br><u>\$ (499,820)</u> | <br><u>\$ (168,466)</u> | <br><u>\$ 182,583</u> | <br><u>\$ 538,585</u> | <br><u>\$ (61,901)</u> | <br><u>\$ (364,654)</u> | <br><u>\$ 408,155</u> |
| <br>Debt service as a percentage of<br>non-capital project expenditures | <br>2.1%              | <br>2.0%                | <br>1.2%                | <br>1.2%                | <br>0.8%                | <br>1.0%              | <br>3.1%              | <br>4.7%               | <br>4.7%                | <br>3.8%              |

# CITY OF LINCOLNTON, NORTH CAROLINA

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

| <u>Fiscal<br/>Year</u> | <u>Assessed Value (1)</u> |                              |   |              | <u>Property<br/>Tax Rate<br/>(Per \$100<br/>Assessed Value)</u> | <u>Percent<br/>Increase<br/>in Value</u> | <u>Estimated<br/>Actual<br/>Taxable<br/>Value (4)</u> | <u>Assessed<br/>Value as a<br/>Percentage of<br/>Actual Value</u> |
|------------------------|---------------------------|------------------------------|---|--------------|---|--|---|---|
|                        | <u>Real<br/>Property</u>  | <u>Personal<br/>Value(3)</u> | <u>Public<br/>Service<br/>Companies</u> | <u>Total</u> |   |  |   |   |
| 2010                   | 703,874,050               | \$126,090,395                | \$ 17,329,754                           | 847,294,199  | 0.56  | (0.4)%                                   | \$ 868,663,317  | 97.54%  |
| 2011                   | 704,250,623               | 120,213,019                  | 20,881,247                              | 845,344,889  | 0.56  | (0.2)%                                   | 789,968,124   | 107.01%   |
| 2012 (2)               | 686,864,483               | 114,288,978                  | 21,123,419                              | 822,276,880  | 0.56  | (2.7)%                                   | 833,360,576   | 98.67%  |
| 2013                   | 702,066,213               | 125,389,496                  | 21,180,272                              | 848,635,981  | 0.56  | 3.2%                                     | 812,869,714   | 104.40%   |
| 2014                   | 705,934,770               | 157,621,750                  | 18,774,043                              | 882,330,563  | 0.56  | 4.0%                                     | 845,954,519   | 104.30%   |
| 2015                   | 706,398,383               | 134,664,090                  | 19,126,151                              | 860,188,624  | 0.56  | (2.5)%                                   | 859,243,456   | 100.11%   |
| 2016 (2)               | 685,583,561               | 125,026,097                  | 21,026,134                              | 831,635,792  | 0.56  | (3.3)%                                   | 831,552,837   | 100.01%   |
| 2017                   | 702,208,297               | 125,357,003                  | 23,533,271                              | 851,098,571  | 0.56  | 2.3%                                     | 846,166,992   | 99.42%  |
| 2018                   | 701,648,672               | 132,992,216                  | 24,285,332                              | 858,926,220  | 0.56  | 0.9%                                     | 870,315,305   | 98.41%  |
| 2019                   | 715,613,213               | 137,747,098                  | 25,290,939                              | 878,651,250  | 0.56  | 2.3%                                     | 857,870,168   | 97.63%  |

Notes:

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

**CITY OF LINCOLNTON, NORTH CAROLINA**

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

|                                       | <u>2010</u>   | <u>2011</u>   | <u>2012</u>   | <u>2013</u>   | <u>2014</u>   | <u>2015</u>   | <u>2016</u>   | <u>2017</u>   | <u>2018</u>   | <u>2019</u>   |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| City of Lincolnton                    | <u>0.56</u>   | <u>0.56</u>   | <u>0.56</u>   | <u>0.56</u>   | <u>0.56</u>   | <u>0.56</u>   | <u>0.56</u>   | <u>0.56</u>   | <u>0.56</u>   | <u>0.56</u>   |
| Lincoln County                        | <u>0.57</u>   | <u>0.57</u>   | <u>0.598</u>  | <u>0.598</u>  | <u>0.598</u>  | <u>0.598</u>  | <u>0.611</u>  | <u>0.611</u>  | <u>0.611</u>  | <u>0.611</u>  |
| Special District:                     |               |               |               |               |               |               |               |               |               |               |
| East Lincoln Water and Sewer District | <u>0.0175</u> | <u>0.0175</u> | <u>0.0199</u> | <u>0.0355</u> | <u>0.0342</u> | <u>0.0342</u> | <u>0.0345</u> | <u>0.0000</u> | <u>0.0000</u> | <u>0.0000</u> |
| Fire Districts:                       |               |               |               |               |               |               |               |               |               |               |
| Alexis                                | 0.1050        | 0.1100        | 0.1100        | 0.1100        | 0.1100        | 0.1100        | 0.1165        | 0.1165        | 0.1165        | 0.1165        |
| Boger City                            | 0.0700        | 0.0750        | 0.0925        | 0.0925        | 0.0925        | 0.0925        | 0.0999        | 0.0999        | 0.0999        | 0.0999        |
| Crouse                                | 0.0600        | 0.0600        | 0.0609        | 0.0609        | 0.0609        | 0.0609        | 0.0640        | 0.0640        | 0.0640        | 0.0640        |
| Denver                                | 0.0968        | 0.0968        | 0.1099        | 0.1099        | 0.1099        | 0.1099        | 0.1125        | 0.1125        | 0.1150        | 0.1150        |
| East Lincoln                          | 0.0606        | 0.0606        | 0.0680        | 0.0785        | 0.0850        | 0.0850        | 0.0850        | 0.1125        | 0.0890        | 0.0890        |
| Howards Creek                         | 0.1000        | 0.1000        | 0.1050        | 0.1050        | 0.1150        | 0.1150        | 0.1203        | 0.1223        | 0.1223        | 0.1223        |
| North Brook                           | 0.0600        | 0.0600        | 0.0600        | 0.0600        | 0.0800        | 0.0800        | 0.1000        | 0.1000        | 0.1000        | 0.1000        |
| North 321                             | 0.0350        | 0.0350        | 0.0350        | 0.0350        | 0.0400        | 0.0400        | 0.0400        | 0.0400        | 0.0400        | 0.0400        |
| Pumpkin Center                        | 0.0951        | 0.0951        | 0.0951        | 0.0951        | 0.1242        | 0.1242        | 0.1295        | 0.9700        | 0.9700        | 0.9700        |
| South Fork                            | 0.0910        | 0.0910        | 0.0910        | 0.0910        | 0.1236        | 0.1236        | 0.1250        | 0.1250        | 0.1250        | 0.1250        |
| Union                                 | <u>0.0750</u> | <u>0.0750</u> | <u>0.0750</u> | <u>0.0900</u> | <u>0.0900</u> | <u>0.0900</u> | <u>0.0900</u> | <u>0.0900</u> | <u>0.1250</u> | <u>0.1250</u> |
|                                       | <u>0.85</u>   | <u>0.86</u>   | <u>0.90</u>   | <u>0.93</u>   | <u>1.03</u>   | <u>1.03</u>   | <u>1.08</u>   | <u>1.95</u>   | <u>1.97</u>   | <u>1.97</u>   |

**Other Tax Data:**

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

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

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

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

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

**CITY OF LINCOLNTON, NORTH CAROLINA**

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

| <u><b>Taxpayer</b></u>           | <u><b>Type of Enterprise</b></u> | <b>2019</b>                                    |                    |  | <b>2010</b>                                    |                    |  |
|----------------------------------|----------------------------------|--|--------------------|--|--|--------------------|--|
|                                  |                                  | <u><b>Total<br/>Assessed<br/>Valuation</b></u> | <u><b>Rank</b></u> | <u><b>Percentage<br/>of Total<br/>Assessed<br/>Valuation</b></u> | <u><b>Total<br/>Assessed<br/>Valuation</b></u> | <u><b>Rank</b></u> | <u><b>Percentage<br/>of Total<br/>Assessed<br/>Valuation</b></u> |
| Wal-Mart Real Estate Business    | Real Estate                      | \$ 13,599,830                                  | 1                  | 1.55   | \$ -   | -                  | -  |
| Griffin-American Healthcare REIT | Healthcare                       | 13,288,362                                     | 2                  | 1.51   | -  | -                  | -  |
| Colonial Village of Linc, LLC    | Apts/Real Estate                 | 10,652,042                                     | 3                  | 1.21   | 8,060,421                                      | 3                  | 0.95   |
| Lowes Home Centers, Inc.         | Retail                           | 10,336,115                                     | 4                  | 1.18   | 12,165,482                                     | 2                  | 1.44   |
| Triangle Real Estate             | Apts/Real Estate                 | 9,391,393                                      | 5                  | 1.07   | -  | -                  | -  |
| Ingles Markets                   | Retail                           | 8,693,034                                      | 6                  | 0.99   | -  | -                  | -  |
| The Oaks Apartments              | Apts/Real Estate                 | 6,009,178                                      | 7                  | 0.68   | -  | -                  | -  |
| T & T Investments                | Real Estate                      | 6,008,524                                      | 8                  | 0.68   | 12,769,609                                     | 1                  | 1.51   |
| Archer Central Building, LLC     | Real Estate                      | 5,765,321                                      | 9                  | 0.66   | 5,782,634                                      | 7                  | 0.68   |
| Provest Lincolnton Center, LLC   | Retail                           | 5,732,018                                      | 10                 | 0.65   | -  | -                  | -  |
| Bell South Telephone Company     | Utility                          | -  | -                  | -  | 6,956,462                                      | 5                  | 0.82   |
| Mohican Mills, Inc.              | Textile                          | -  | -                  | -  | 4,394,616                                      | 10                 | 0.52   |
| Robert Bosch Tool                | Manufacturing                    | -  | -                  | -  | 6,074,990                                      | 6                  | 0.72   |
| McMurray Fabrics                 | Textile                          | -  | -                  | -  | 7,733,134                                      | 4                  | 0.91   |
| Leucadia                         | Real Estate                      | -  | -                  | -  | 4,564,581                                      | 9                  | 0.54   |
| Duke Energy                      | Utility                          | -  | -                  | -  | 4,948,192                                      | 8                  | 0.58   |
| Totals                           |                                  | <u><u>\$ 89,475,817</u></u>                    |                    | <u><u>10.18</u></u>  | <u><u>\$ 73,450,121</u></u>                    |                    | <u><u>8.67</u></u>   |

**CITY OF LINCOLNTON, NORTH CAROLINA**

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

| <b>Fiscal<br/>Year</b> | <b>Total tax<br/>Levy for<br/>Fiscal Year</b> | <b>Current Year's<br/>Taxes<br/>Collected/Credited</b> | <b>Percentage<br/>of Levy<br/>Collected</b> | <b>Collections in<br/>Subsequent<br/>Years</b> | <b>Total<br/>Collections<br/>and Credits</b> | <b>Percentage of<br/>Total Tax<br/>Collections<br/>to Net Levy</b> | <b>Taxes Receivable<br/>Balance<br/>June 30 (1)</b> |
|------------------------|---|--|---|--|--|--|---|
| 2010                   | 4,752,808                                     | \$ 4,649,531   | 97.8  | \$ 91,713                                      | 4,741,244                                    | 99.8   | 11,564  |
| 2011                   | 4,751,351                                     | 4,636,451  | 97.6  | 102,439  | 4,738,890                                    | 99.7   | 12,461  |
| 2012                   | 4,609,731                                     | 4,483,921  | 97.3  | 110,425  | 4,594,346                                    | 99.7   | 15,385  |
| 2013                   | 4,756,670                                     | 4,619,621  | 97.1  | 120,530  | 4,740,151                                    | 99.7   | 16,519  |
| 2014                   | 4,941,052                                     | 4,819,616  | 97.5  | 99,050   | 4,918,666                                    | 99.5   | 22,386  |
| 2015                   | 4,817,056                                     | 4,688,416  | 97.3  | 119,956  | 4,808,372                                    | 99.8   | 8,684   |
| 2016                   | 4,657,160                                     | 4,577,654  | 98.3  | 70,126   | 4,647,780                                    | 99.8   | 9,380   |
| 2017                   | 4,766,152                                     | 4,653,457  | 97.6  | 99,619   | 4,753,076                                    | 99.7   | 13,076  |
| 2018                   | 4,813,332                                     | 4,723,012  | 98.1  | 49,768   | 4,772,780                                    | 99.2   | 40,552  |
| 2019                   | 4,920,447                                     | 4,840,432  | 98.4  | -  | 4,840,432                                    | 98.4   | 80,015  |

Notes:

(1) Includes current portion only of taxes receivable.

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**CITY OF LINCOLNTON, NORTH CAROLINA**

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

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| <b>Fiscal<br/>Year</b> | <b>Governmental<br/>Activities</b> | <b>Business-type Activities</b> |                                     |                                  | <b>Total</b>                  | <b>Percentage</b>                | <b>Per</b>       |
|------------------------|------------------------------------|---------------------------------|-------------------------------------|----------------------------------|-------------------------------|----------------------------------|------------------|
|                        | <b>Installment<br/>Financing</b>   | <b>Revenue<br/>Bonds</b>        | <b>State<br/>Revolving<br/>Loan</b> | <b>Installment<br/>Financing</b> | <b>Primary<br/>Government</b> | <b>of Personal<br/>Income(1)</b> | <b>Capita(1)</b> |
| 2010                   | \$ 410,458                         | \$ 15,615,000                   | \$ 8,460,873                        | \$ -                             | \$ 24,486,331                 | 6.44%                            | \$ 2,119         |
| 2011                   | 258,918                            | 14,475,000                      | 7,903,414                           | -                                | 22,637,332                    | 6.44%                            | 2,148            |
| 2012                   | 164,792                            | 13,280,000                      | 7,329,956                           | -                                | 20,774,748                    | 5.98%                            | 1,975            |
| 2013                   | 67,134                             | 12,040,000                      | 6,740,040                           | -                                | 18,847,173                    | 5.24%                            | 1,797            |
| 2014                   | -                                  | 10,750,000                      | 6,133,193                           | -                                | 16,883,192                    | 4.40%                            | 1,608            |
| 2015                   | 380,800                            | 9,479,000                       | 5,508,929                           | -                                | 15,368,728                    | 3.78%                            | 1,461            |
| 2016                   | 1,309,722                          | 7,968,000                       | 4,866,749                           | -                                | 14,144,472                    | 3.34%                            | 1,333            |
| 2017                   | 1,296,182                          | 6,428,000                       | 4,240,000                           | -                                | 11,964,183                    | 2.51%                            | 1,112            |
| 2018                   | 1,136,755                          | 4,861,000                       | 3,543,000                           | -                                | 9,540,756                     | 2.10%                            | 902              |
| 2019                   | 779,678                            | 3,265,000                       | 2,829,000                           | 2,470,015                        | 9,343,693                     | 2.10%                            | 854              |

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.

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**CITY OF LINCOLNTON, NORTH CAROLINA**

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

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| <b>Fiscal<br/>Year</b> | <b>Population(1)</b> | <b>Total<br/>Assessed<br/>Value</b> | <b>Gross<br/>Bonded<br/>Debt</b> | <b>Less: Debt<br/>Payable From<br/>Enterprise<br/>Revenues</b> | <b>Total<br/>General<br/>Bonded<br/>Debt</b> | <b>Percentage of<br/>Estimated<br/>Actual Taxable<br/>Value of<br/>Property</b> | <b>Per<br/>Capita</b> |
|------------------------|----------------------|-------------------------------------|----------------------------------|--|--|---|-----------------------|
| 2010                   | 11,553               | \$ 847,294,199                      | \$ 15,615,000                    | \$ 15,615,000  | -  | -   | -                     |
| 2011                   | 10,540               | 845,344,889                         | 14,475,000                       | 14,475,000   | -  | -   | -                     |
| 2012                   | 10,517               | 822,276,880                         | 13,280,000                       | 13,280,000   | -  | -   | -                     |
| 2013                   | 10,487               | 848,635,981                         | 12,040,000                       | 12,040,000   | -  | -   | -                     |
| 2014                   | 10,498               | 882,330,563                         | 10,750,000                       | 10,750,000   | -  | -   | -                     |
| 2015                   | 10,552               | 860,188,624                         | 9,479,000                        | 9,479,000  | -  | -   | -                     |
| 2016                   | 10,612               | 831,635,792                         | 7,968,000                        | 7,968,000  | -  | -   | -                     |
| 2017                   | 10,754               | 851,098,571                         | 6,428,000                        | 6,428,000  | -  | -   | -                     |
| 2018                   | 10,578               | 858,926,220                         | 4,861,000                        | 4,861,000  | -  | -   | -                     |
| 2019                   | 10,945               | 878,651,250                         | 3,265,000                        | 3,265,000  | -  | -   | -                     |

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



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**CITY OF LINCOLNTON, NORTH CAROLINA****Direct and Overlapping Government Activities Debt  
June 30, 2019  
(Unaudited)**

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| <b><u>Governmental Unit</u></b>   | <b><u>Debt<br/>Outstanding</u></b> | <b><u>Estimated<br/>Percentage<br/>Applicable</u></b> | <b><u>Estimated<br/>Share of<br/>Overlapping<br/>Debt</u></b> |
|-----------------------------------|------------------------------------|---|---|
| Debt repaid with property taxes:  |                                    |   |   |
| County of Lincoln                 | \$ 84,530,114                      | 8.10%   | <u>\$ 6,846,939</u>   |
| Subtotal, overlapping debt        |                                    |   | 6,846,939   |
| City of Lincolnton direct debt    |                                    |   | <u>779,678</u>  |
| Total direct and overlapping debt |                                    |   | <u><u>\$ 7,626,617</u></u>                                    |

Note: The percentage of overlapping debt is based on the June 30, 2019 assessed valuation of the County of Lincoln of \$10,650,000,000 as compared to the June 30, 2019 assessed valuation for the City of Lincolnton of \$878,651,250.

# CITY OF LINCOLNTON, NORTH CAROLINA

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

|   | <u>2010</u>          | <u>2011</u>          | <u>2012</u>          | <u>2013</u>          | <u>2014</u>          | <u>2015</u>          | <u>2016</u>          | <u>2017</u>          | <u>2018</u>          | <u>2019</u>          |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Assessed value of taxable property                                      | <u>\$847,294,199</u> | <u>\$845,344,889</u> | <u>\$822,276,880</u> | <u>\$848,635,981</u> | <u>\$882,330,563</u> | <u>\$860,188,624</u> | <u>\$831,635,792</u> | <u>\$851,098,571</u> | <u>\$858,926,220</u> | <u>\$878,651,250</u> |
| Debt limit, 8% of assessed value<br>(statutory limitation)              | <u>\$ 67,783,536</u> | <u>\$ 67,627,591</u> | <u>\$ 65,782,150</u> | <u>\$ 67,890,878</u> | <u>\$ 70,586,445</u> | <u>\$ 68,815,090</u> | <u>\$ 66,530,863</u> | <u>\$ 68,087,886</u> | <u>\$ 68,714,098</u> | <u>\$ 70,292,100</u> |
| Debt applicable to limit:   |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| General obligation bonds  | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    |
| Less: Amount set aside for repayment<br>of general obligation debt      | <u>-</u>             | <u>-</u>             | <u>-</u>             | <u>-</u>             | <u>-</u>             | <u>-</u>             | <u>-</u>             | <u>-</u>             | <u>-</u>             | <u>-</u>             |
| Total net debt applicable to limit                                      | <u>-</u>             | <u>-</u>             | <u>-</u>             | <u>-</u>             | <u>-</u>             | <u>-</u>             | <u>-</u>             | <u>-</u>             | <u>-</u>             | <u>-</u>             |
| Legal debt margin   | <u>\$ 67,783,536</u> | <u>\$ 67,627,591</u> | <u>\$ 65,782,150</u> | <u>\$ 67,890,878</u> | <u>\$ 70,586,445</u> | <u>\$ 68,815,090</u> | <u>\$ 66,530,863</u> | <u>\$ 68,087,886</u> | <u>\$ 68,714,098</u> | <u>\$ 70,292,100</u> |
| Total net debt applicable to the limit<br>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.

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**CITY OF LINCOLNTON, NORTH CAROLINA**

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

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| <b>Fiscal<br/>Year</b> | <b>Revenue<br/>Available for<br/>Debt Service</b> | <b>Less<br/>Expenses</b> | <b>Income<br/>Available for<br/>Debt Service</b> | <b>Total<br/>Debt Service</b> | <b>Principal</b> | <b>Interest</b> | <b>Coverage</b> |
|------------------------|---|--------------------------|--|-------------------------------|------------------|-----------------|-----------------|
| 2010                   | 7,088,173   | \$ 3,981,988             | \$ 3,106,185                                     | \$ 2,609,438                  | \$ 1,635,000     | \$ 974,438      | 1.19            |
| 2011                   | 7,990,029   | 4,135,944                | 3,854,085  | 2,601,370                     | 1,697,459        | 903,911         | 1.48            |
| 2012                   | 8,194,878   | 4,486,488                | 3,708,390  | 2,600,825                     | 1,768,458        | 832,367         | 1.43            |
| 2013                   | 8,390,074   | 4,583,075                | 3,806,999  | 2,597,647                     | 1,829,916        | 767,731         | 1.47            |
| 2014                   | 10,059,186  | 4,702,685                | 5,356,501  | 2,597,732                     | 1,896,847        | 700,885         | 2.06            |
| 2015                   | 8,445,905   | 4,769,117                | 3,676,788  | 2,485,103                     | 1,895,263        | 589,840         | 1.48            |
| 2016                   | 8,416,097   | 4,485,512                | 3,930,585  | 2,465,652                     | 2,153,184        | 312,468         | 1.59            |
| 2017                   | 8,061,581   | 4,617,328                | 3,444,253  | 6,703,132                     | 6,406,750        | 296,382         | 0.51            |
| 2018                   | 8,161,071   | 4,537,616                | 3,623,455  | 2,464,965                     | 2,264,000        | 200,965         | 1.47            |
| 2019                   | 7,850,776   | 4,338,029                | 3,512,747  | 2,468,796                     | 2,310,000        | 158,796         | 1.42            |

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).

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**CITY OF LINCOLNTON, NORTH CAROLINA**

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

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| <b>Fiscal<br/>Year</b> | <b>Population(1)</b> | <b>Personal<br/>Income<br/>(Amounts Expressed<br/>in Thousands)</b> | <b>Per Capita<br/>Personal<br/>Income(2)</b> | <b>Median<br/>Age(1)</b> | <b>School<br/>Enrollment(3)</b> | <b>Unemployment<br/>Rate (%) (4)</b> |
|------------------------|----------------------|---|--|--------------------------|---------------------------------|--------------------------------------|
| 2010                   | 11,553               | \$ 380,232  | \$ 32,912                                    | 39.3                     | 11,757                          | 12.2                                 |
| 2011                   | 10,540               | 351,773   | 33,375                                       | 38.9                     | 11,571                          | 11.5                                 |
| 2012                   | 10,517               | 347,366   | 33,029                                       | 41.1                     | 11,655                          | 10.4                                 |
| 2013                   | 10,487               | 359,442   | 34,275                                       | 41.5                     | 11,447                          | 9.8                                  |
| 2014                   | 10,498               | 384,016   | 36,580                                       | 42.0                     | 11,589                          | 8.3                                  |
| 2015                   | 10,522               | 406,301   | 38,614                                       | 42.0                     | 11,646                          | 5.9                                  |
| 2016                   | 10,612               | 423,938   | 39,949                                       | 38.5                     | 11,503                          | 4.7                                  |
| 2017                   | 10,754               | 436,515   | 40,591                                       | 42.0                     | 11,503                          | 3.8                                  |
| 2018                   | 10,578               | 475,593   | 44,961                                       | 43.0                     | 11,441                          | 3.5                                  |
| 2019                   | 10,945               | -   | -  | 43.0                     | 11,443                          | 4.1                                  |

**Data Sources**

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

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

(3) School District

(4) North Carolina Employment Security Commission

Information not available for 2019 personal income and per capita personal income.

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

# CITY OF LINCOLNTON, NORTH CAROLINA

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

| <u>Employer</u>               | 2019             |             |  | 2010             |             |  |
|-------------------------------|------------------|-------------|--|------------------|-------------|--|
|                               | <u>Employees</u> | <u>Rank</u> | Percentage<br>of Total County<br><u>Employment</u> | <u>Employees</u> | <u>Rank</u> | Percentage<br>of Total County<br><u>Employment</u> |
| Lincoln County Schools        | 1,525            | 1           | 3.52%  | 1,570            | 1           | 3.91%  |
| Atrium Health                 | 830              | 2           | 1.91%  | 717              | 3           | 1.79%  |
| RSI Home Products             | 773              | 3           | 1.78%  | 570              | 6           | 1.42%  |
| Wal-Mart Stores, Inc.         | 750              | 4           | 1.73%  | 637              | 5           | 1.59%  |
| Lincoln County Government     | 725              | 5           | 1.67%  | 753              | 2           | 1.88%  |
| The Timken Company            | 641              | 6           | 1.48%  | 650              | 4           | 1.62%  |
| Julius Blum, Inc.             | 428              | 7           | 0.99%  | 370              | 7           | 0.92%  |
| Robert Bosch Tool Corporation | 396              | 8           | 0.91%  | 183              | 15          | 0.46%  |
| Cataler North America         | 383              | 9           | 0.88%  | 200              | 12          | 0.50%  |
| VT LeeBoy, Inc.               | 304              | 10          | 0.70%  | 190              | 13          | 0.47%  |
| Medline                       | 275              | 11          | 0.63%  | 174              | 16          | 0.43%  |
| United Technologies           | 237              | 12          | 0.55%  | 310              | 8           | 0.77%  |
| G & W                         | 235              | 13          | 0.54%  |                  |             |  |
| State of North Carolina       | 130              | 14          | 0.30%  | 189              | 14          | 0.47%  |
| Total                         | <u>7,632</u>     |             | <u>17.59%</u>                                      | <u>6,513</u>     |             | <u>16.23%</u>                                      |
| Total Civilian Labor Force    | <u>43,368</u>    |             |  | <u>40,156</u>    |             |  |

Sources: Lincoln Economic Development Association

North Carolina Department of Commerce Division of Employment Security

Telephone survey by Lincoln County Finance Department

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

# CITY OF LINCOLNTON, NORTH CAROLINA

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

|                                    | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Function</b>                    |             |             |             |             |             |             |             |             |             |             |
| General Government                 |             |             |             |             |             |             |             |             |             |             |
| City Manager                       | 3           | 3           | 3           | 3           | 3           | 3           | 3           | 4           | 3           | 3           |
| Human resources                    | 4           | 4           | 4           | 4           | 4           | 4           | 4           | 4           | 4           | 2           |
| Finance                            | 9           | 9           | 9           | 9           | 9           | 9           | 9           | 8           | 8           | 8           |
| Public Safety                      |             |             |             |             |             |             |             |             |             |             |
| Police                             |             |             |             |             |             |             |             |             |             |             |
| Officers                           | 31          | 30          | 27          | 30          | 31          | 31          | 31          | 33          | 33          | 33          |
| Civilians                          | 5           | 5           | 5           | 5           | 5           | 5           | 5           | 5           | 5           | 5           |
| Fire                               |             |             |             |             |             |             |             |             |             |             |
| Firefighters and officers          | 21          | 21          | 24          | 21          | 22          | 21          | 21          | 22          | 23          | 26          |
| Civilians                          | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| Public Works                       |             |             |             |             |             |             |             |             |             |             |
| Public works                       | 3           | 3           | 3           | 3           | 3           | 3           | 3           | 3           | 3           | 3           |
| Street                             | 12          | 13          | 12          | 12          | 12          | 12          | 12          | 12          | 11          | 11          |
| Equipment services                 | 3           | 3           | 3           | 3           | 3           | 3           | 2           | 2           | -           | -           |
| Environmental Protection           |             |             |             |             |             |             |             |             |             |             |
| Solid waste                        | 13          | 13          | 13          | 12          | 12          | 12          | 13          | 13          | 11          | 11          |
| General services-cemetery          | 3           | 3           | 3           | 2           | 2           | 2           | 2           | 2           | -           | -           |
| Economic and Physical Development  |             |             |             |             |             |             |             |             |             |             |
| Planning and zoning                | 3           | 3           | 3           | 3           | 2           | 2           | 2           | 2           | 3           | 3           |
| Business and community development | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 1           | 1           | 1           |
| Cultural and Recreational          |             |             |             |             |             |             |             |             |             |             |
| Parks and recreation               | 5           | 5           | 5           | 5           | 5           | 5           | 5           | 5           | 7           | 7           |
| Water and Sewer                    |             |             |             |             |             |             |             |             |             |             |
| Water treatment plant              | 10          | 9           | 10          | 9           | 9           | 9           | 10          | 10          | 10          | 10          |
| Distribution and collection        | 12          | 12          | 12          | 11          | 13          | 13          | 11          | 11          | 11          | 11          |
| Waste water treatment plant        | 9           | 9           | 9           | 8           | 8           | 8           | 9           | 9           | 9           | 9           |
| Electric                           | <u>6</u>    | <u>6</u>    | <u>5</u>    | <u>7</u>    | <u>7</u>    | <u>7</u>    | <u>8</u>    | <u>8</u>    | <u>8</u>    | <u>8</u>    |
| Total                              | <u>155</u>  | <u>154</u>  | <u>153</u>  | <u>150</u>  | <u>153</u>  | <u>152</u>  | <u>153</u>  | <u>155</u>  | <u>151</u>  | <u>152</u>  |

Source: Finance Department's payroll record

**CITY OF LINCOLNTON, NORTH CAROLINA**

Page 1 of 2

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

| <b>Function</b>                     | <b><u>2010</u></b> | <b><u>2011</u></b> | <b><u>2012</u></b> | <b><u>2013</u></b> | <b><u>2014</u></b> | <b><u>2015</u></b> | <b><u>2016</u></b> | <b><u>2017</u></b> | <b><u>2018</u></b> | <b><u>2019</u></b> |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Public Safety                       |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Police                              |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Physical arrests                    | 1,836              | 1,448              | 1,580              | 1,588              | 1,500              | 1,505              | 1,330              | 1,243              | 1,308              | 652                |
| Parking violations                  | 243                | 82                 | 63                 | 74                 | 68                 | 79                 | 61                 | 150                | 843                | 477                |
| Traffic violations                  | 1,339              | 798                | 707                | 1,183              | 1,366              | 1,727              | 2,359              | 1,830              | 1,667              | 1,357              |
| Fire                                |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Number of calls answered            | 1,802              | 1,975              | 1,983              | 2,013              | 2,016              | 2,164              | 2,185              | 2,212              | 2,294              | 2,259              |
| Inspections                         | 636                | 698                | 615                | 598                | 526                | 597                | 344                | 301                | 297                | 243                |
| Public Works - Highways and streets |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Street resurfacing (miles)          | 0.92               | 0.82               | 0.22               | 0.95               | 0.98               | 0.98               | 1.03               | 2.24               | 1.57               | 1.80               |
| Potholes repaired                   | 30                 | 29                 | 37                 | 41                 | 39                 | 42                 | 39                 | 83                 | 83                 | 196                |
| Environmental Protection            |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Refuse collected (tons/day)         | 32.39              | 33.08              | 29.98              | 31.13              | 31.01              | 30.33              | 27.88              | 26.56              | 22.82              | 18.91              |
| Recyclables collected (tons/day)    | 0.95               | 0.99               | 2.62               | 0.82               | 0.89               | 1.07               | 1.04               | 1.10               | 1.03               | 0.69               |
| Cultural and Recreational (1)       |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Youth sports participants           | 494                | 584                | 698                | 932                | 1,075              | 1,228              | 1,209              | 1,157              | 1,281              | 1,396              |
| Youth camps/clinics participants    | 261                | 301                | 286                | 235                | 170                | 235                | 179                | 199                | 2,121              | 1,634              |
| Open gym participants               | 10,139             | 12,511             | 12,703             | 13,118             | 4,072              | 10,099             | 7,827              | 9,846              | 15,219             | 15,229             |
| Swimming pool participants          | 12,167             | 12,404             | 12,467             | 11,672             | 6,826              | 10,825             | 11,045             | 7,767              | 9,686              | 8,101              |
| Other programs participants         | 4,029              | 3,440              | 5,015              | 5,196              | 4,125              | 5,305              | 3,992              | 3,435              | 3,885              | 5,531              |
| Special events                      | 16                 | 22                 | 26                 | 26                 | 13                 | 19                 | 23                 | 23                 | 27                 | 25                 |
| Special events participants         | 6,613              | 5,992              | 7,399              | 7,935              | 4,456              | 6,427              | 6,971              | 3,435              | 6,750              | 6,101              |
| Recreation program participants     | 33,703             | 35,232             | 38,568             | 39,088             | 20,724             | 34,109             | 34,223             | 28,791             | 38,942             | 37,992             |
| Facility and ball field rentals     | 2,681              | 2,682              | 2,848              | 2,587              | 727                | 2,570              | 2,911              | 2,952              | 2,843              | 1,862              |

cont.

**CITY OF LINCOLNTON, NORTH CAROLINA**

Page 2 of 2, cont.

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

| <b>Function</b>  | <b><u>2010</u></b> | <b><u>2011</u></b> | <b><u>2012</u></b> | <b><u>2013</u></b> | <b><u>2014</u></b> | <b><u>2015</u></b> | <b><u>2016</u></b> | <b><u>2017</u></b> | <b><u>2018</u></b> | <b><u>2019</u></b> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Water  |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| New connections  | 16                 | 12                 | 20                 | 12                 | 9                  | 18                 | 12                 | 14                 | 12                 | 34                 |
| Water main breaks  | 27                 | 31                 | 42                 | 21                 | 20                 | 20                 | 31                 | 18                 | 23                 | 22                 |
| Average daily consumption<br>(thousands of gallons)      | 2,890              | 3,000              | 2,810              | 3,000              | 3,000              | 3,000              | 3,000              | 2,689              | 2,424              | 2,295              |
| Wastewater   |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| New connections  | 19                 | 5                  | 19                 | 9                  | 7                  | 10                 | 5                  | 14                 | 9                  | 25                 |
| Average daily sewage treatment<br>(thousands of gallons) | 2,588              | 2,390              | 2,390              | 2,357              | 2,650              | 2,075              | 2,390              | 1,760              | 1,700              | 1,760              |
| Electric   |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| New connections  | 13                 | 4                  | 6                  | 9                  | 5                  | 15                 | 4                  | 23                 | 9                  | 6                  |

Sources: Various City departments.

Note: Indicators are not available for general government function.

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



**CITY OF LINCOLNTON, NORTH CAROLINA**

Page 1 of 2

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

|                                     | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Function</b>                     |             |             |             |             |             |             |             |             |             |             |
| Public Safety                       |             |             |             |             |             |             |             |             |             |             |
| Police                              |             |             |             |             |             |             |             |             |             |             |
| Stations                            | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           |
| Patrol units                        | 24          | 25          | 25          | 25          | 25          | 34          | 37          | 38          | 38          | 38          |
| Fire stations                       | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           |
| Public Works - Highways and streets |             |             |             |             |             |             |             |             |             |             |
| Streets (miles)                     | 58.65       | 60.03       | 60.03       | 59.90       | 59.90       | 59.90       | 59.90       | 60.15       | 60.15       | 60.15       |
| Streetlights                        | 979         | 979         | 979         | 981         | 981         | 981         | 981         | 981         | 981         | 981         |
| Traffic signals                     | 11          | 11          | 11          | 11          | 11          | 11          | 11          | 11          | 11          | 11          |
| Environmental Protection            |             |             |             |             |             |             |             |             |             |             |
| Refuse collection trucks            | 5           | 5           | 5           | 5           | 5           | 5           | 5           | 5           | 5           | 5           |
| Cultural and Recreational           |             |             |             |             |             |             |             |             |             |             |
| Number of parks                     | 3           | 3           | 3           | 3           | 3           | 3           | 3           | 3           | 4           | 4           |
| Park acreage                        | 79.37       | 79.37       | 79.37       | 79.37       | 79.37       | 79.37       | 79.37       | 79.37       | 89.37       | 89.37       |
| Number of parks with trail systems  | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 3           | 3           |
| Park trail mileage                  | 1.75        | 1.75        | 1.75        | 1.75        | 1.75        | 1.75        | 1.75        | 1.75        | 1.75        | 1.75        |
| Number of greenways                 | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| Greenway mileage                    | 1           | 1           | 1           | 1.70        | 1.70        | 1.70        | 1.70        | 1.70        | 1.70        | 1.70        |
| Number of ball fields               | 5           | 5           | 5           | 5           | 5           | 5           | 5           | 5           | 5           | 5           |
| Number of soccer fields             | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           |

cont.

**CITY OF LINCOLNTON, NORTH CAROLINA**

Page 2 of 2, cont.

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

| <b>Function</b>  | <b><u>2010</u></b> | <b><u>2011</u></b> | <b><u>2012</u></b> | <b><u>2013</u></b> | <b><u>2014</u></b> | <b><u>2015</u></b> | <b><u>2016</u></b> | <b><u>2017</u></b> | <b><u>2018</u></b> | <b><u>2019</u></b> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Water</b>   |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Water mains (miles)  | 260                | 260                | 260                | 260                | 260                | 260                | 260                | 260                | 260                | 260                |
| Fire hydrants  | 717                | 717                | 717                | 717                | 717                | 717                | 717                | 717                | 717                | 717                |
| Maximum daily capacity<br>(thousands of gallons)           | 9,000              | 9,000              | 9,000              | 9,000              | 9,000              | 9,000              | 9,000              | 9,000              | 9,000              | 9,000              |
| <b>Sewer</b>   |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Sanitary sewers (miles)                                    | 225.75             | 225.75             | 225.75             | 225.75             | 229.00             | 229.00             | 229.00             | 229.00             | 229.00             | 229.00             |
| Storm sewers (miles)(1)                                    | -                  | -                  | -                  | -                  | -                  | -                  | -                  | -                  | -                  | -                  |
| Maximum daily treatment<br>capacity (thousands of gallons) | 6,000              | 6,000              | 6,000              | 6,000              | 6,000              | 6,000              | 6,000              | 6,000              | 6,000              | 6,000              |
| <b>Electric</b>  |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Number of distribution stations                            | 1                  | 1                  | 1                  | 1                  | 1                  | 1                  | 1                  | 1                  | 1                  | 1                  |
| Miles of services lines                                    | 74.5               | 75.0               | 76.0               | 76.0               | 76.0               | 76.0               | 76.0               | 76.0               | 76.0               | 76.0               |

Sources: Various city departments.

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

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

**CITY OF LINCOLNTON, NORTH CAROLINA**

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

| <b>Type of Customer</b>             | <b><u>2010</u></b>  | <b><u>2011</u></b>  | <b><u>2012</u></b>  | <b><u>2013</u></b>  | <b><u>2014</u></b>  | <b><u>2015</u></b>  | <b><u>2016</u></b>  | <b><u>2017</u></b>  | <b><u>2018</u></b>  | <b><u>2019</u></b>  |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Residential                         | 232.5               | 222.8               | 217.1               | 216.9               | 210.8               | 198.1               | 214.7               | 215.9               | 213.5               | 228.8               |
| Industrial                          | 1.8                 | 2.6                 | 3.7                 | 3.9                 | 4.9                 | 4.0                 | 18.2                | 20.2                | 18.3                | 82.6                |
| Industrial/Textile (1)              | 412.4               | 422.3               | 418.6               | 438.6               | 363.6               | 308.8               | 227.1               | 167.7               | 132.0               | 67.5                |
| Commerical                          | 147.1               | 155.1               | 148.1               | 148.0               | 111.1               | 108.5               | 107.7               | 106.4               | 107.6               | 124.9               |
| Institutional (3)                   | -                   | -                   | -                   | -                   | 33.2                | 37.9                | 38.7                | 38.0                | 39.1                | 37.4                |
| Other Local Governments (2)         | 12.2                | 13.2                | 77.4                | 63.6                | 65.7                | 19.8                | 116.3               | 187.7               | 194.3               | 193.3               |
| Military                            | -                   | -                   | -                   | -                   | -                   | 0.1                 | 0.1                 | 0.1                 | 0.1                 | 0.1                 |
| Government                          | <u>35.8</u>         | <u>20.7</u>         | <u>8.4</u>          | <u>10.4</u>         | <u>9.5</u>          | <u>7.3</u>          | <u>7.6</u>          | <u>8.7</u>          | <u>8.5</u>          | <u>7.5</u>          |
| <b>Total</b>                        | <b><u>841.8</u></b> | <b><u>836.7</u></b> | <b><u>873.3</u></b> | <b><u>881.4</u></b> | <b><u>798.8</u></b> | <b><u>684.5</u></b> | <b><u>730.4</u></b> | <b><u>744.7</u></b> | <b><u>713.4</u></b> | <b><u>742.1</u></b> |
| Total direct rate per 1,000 gallons | <u>\$ 3.59</u>      | <u>\$ 3.92</u>      | <u>\$ 3.88</u>      | <u>\$ 3.99</u>      | <u>\$ 4.31</u>      | <u>\$ 4.99</u>      | <u>\$ 5.00</u>      | <u>\$ 4.81</u>      | <u>\$ 4.90</u>      | <u>\$ 4.90</u>      |

Source: City of Lincolnton, Utility Billing Office

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

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

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

**CITY OF LINCOLNTON, NORTH CAROLINA**

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

| <b>Type of Customer</b>             | <b><u>2010</u></b>    | <b><u>2011</u></b>    | <b><u>2012</u></b>    | <b><u>2013</u></b>    | <b><u>2014</u></b>    | <b><u>2015</u></b>    | <b><u>2016</u></b>    | <b><u>2017</u></b>    | <b><u>2018</u></b>    | <b><u>2019</u></b>    |
|-------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Residential                         | 171.6                 | 163.2                 | 161.3                 | 161.6                 | 158.9                 | 161.6                 | 157.6                 | 158.9                 | 158.7                 | 175.2                 |
| Industrial                          | 45.1                  | 52.9                  | 56.4                  | 55.5                  | 54.7                  | 55.2                  | 63.8                  | 58.8                  | 52.9                  | 125.1                 |
| Industrial/Textile (1)              | 391.8                 | 405.5                 | 380.5                 | 415.5                 | 350.0                 | 267.9                 | 195.2                 | 137.7                 | 116.4                 | 67.5                  |
| Commerical                          | 130.8                 | 132.6                 | 125.1                 | 128.5                 | 99.3                  | 94.4                  | 91.8                  | 93.1                  | 97.2                  | 116.2                 |
| Institutional (2)                   | -                     | -                     | -                     | -                     | 30.0                  | 33.3                  | 28.9                  | 30.5                  | 32.8                  | 31.7                  |
| Military                            | -                     | -                     | -                     | -                     | -                     | 0.1                   | 0.1                   | 0.1                   | 0.1                   | 0.1                   |
| Government                          | <u>34.7</u>           | <u>19.6</u>           | <u>7.8</u>            | <u>9.3</u>            | <u>8.7</u>            | <u>7.0</u>            | <u>7.3</u>            | <u>8.3</u>            | <u>8.5</u>            | <u>7.6</u>            |
| <b>Total</b>                        | <b><u>774.0</u></b>   | <b><u>773.8</u></b>   | <b><u>731.1</u></b>   | <b><u>770.4</u></b>   | <b><u>701.6</u></b>   | <b><u>619.5</u></b>   | <b><u>544.7</u></b>   | <b><u>487.4</u></b>   | <b><u>466.6</u></b>   | <b><u>523.4</u></b>   |
| Total direct rate per 1,000 gallons | <b><u>\$ 5.47</u></b> | <b><u>\$ 5.96</u></b> | <b><u>\$ 6.25</u></b> | <b><u>\$ 6.33</u></b> | <b><u>\$ 6.87</u></b> | <b><u>\$ 7.57</u></b> | <b><u>\$ 8.60</u></b> | <b><u>\$ 9.00</u></b> | <b><u>\$ 9.00</u></b> | <b><u>\$ 9.00</u></b> |

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.

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**CITY OF LINCOLNTON, NORTH CAROLINA**

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**Water and Sewer Rates  
Last Ten Fiscal Years  
(Unaudited)**

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| <b><u>Fiscal<br/>Year</u></b> | <b><u>Water</u></b>                     |  | <b><u>Sewer</u></b>                     |  |
|-------------------------------|---|--|---|--|
|                               | <b><u>Monthly<br/>Base<br/>Rate</u></b> | <b><u>Rate per<br/>1,000<br/>Gallons</u></b> | <b><u>Monthly<br/>Base<br/>Rate</u></b> | <b><u>Rate per<br/>1,000<br/>Gallons</u></b> |
| 2010                          | 11.74                                   | 3.16   | 17.58                                   | 5.23   |
| 2011                          | 13.09                                   | 3.52   | 19.60                                   | 5.83   |
| 2012                          | 13.62                                   | 3.67   | 20.39                                   | 6.07   |
| 2013                          | 14.16                                   | 3.82   | 21.21                                   | 6.31   |
| 2014                          | 14.73                                   | 3.97   | 22.06                                   | 6.56   |
| 2015                          | 15.32                                   | 4.57   | 22.94                                   | 6.82   |
| 2016                          | 16.71                                   | 4.52   | 22.94                                   | 7.47   |
| 2017                          | 16.55                                   | 4.48   | 24.77                                   | 7.40   |
| 2018                          | 16.55                                   | 4.48   | 24.77                                   | 7.40   |
| 2019                          | 16.55                                   | 4.48   | 24.77                                   | 7.40   |

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

## **COMPLIANCE SECTION**

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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**

**Independent Auditors' Report On Compliance For Each Major  
State Program And On Internal Control Over Compliance  
Required By The Uniform Guidance And The State Single  
Audit Implementation Act**

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

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lincolnton, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Lincolnton, North Carolina's basic financial statements and have issued our report thereon dated December 11, 2019. The financial statements of the Lincolnton Tourism Development Authority and the City of Lincolnton ABC Board were not audited in accordance with Government Auditing Standards.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. Items 2019-001 and 2019-002.



## **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.

## **City of Lincolnton North Carolina's Response to Findings**

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

## **Purpose of this Report**

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



Morganton, North Carolina  
December 11, 2019

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

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

**Independent Auditors' Report On Compliance For Each Major State Program  
And On Internal Control Over Compliance Required By The Uniform Guidance  
And The State Single Audit Implementation Act**

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

**Report on Compliance for Each Major State Program**

We have audited the City of Lincolnton, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Lincolnton's major State programs for the year ended June 30, 2019. The City of Lincolnton's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses.

**Management's Responsibility**

Management is responsible for compliance with State statutes, regulations, and the terms and conditions of its State awards applicable to its State programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Lincolnton's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as described in the *Audit Manual for Governmental Auditors in North Carolina* and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the City of Lincolnton's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State program. However, our audit does not provide a legal determination of the City of Lincolnton's compliance.

## **Opinion on Each Major State Program**

In our opinion, the City of Lincolnton complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2019.

## **Other Matters**

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with applicable sections of the Uniform Guidance as described in the *Audit Manual for Governmental Auditors in North Carolina*, and which is described in the accompanying schedule of findings and responses as items, 2019-002. Our opinion on each major State program is not modified with respect to these matters.

The City of Lincolnton's response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. The City of Lincolnton's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Report on Internal Control Over Compliance**

Management of the City of Lincolnton is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Lincolnton's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program, and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Lincolnton's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. However, we did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and response as item 2019-002 that we consider to be significant deficiencies.

The City of Lincolnton's response to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. The City of Lincolnton's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance, and the results of that testing, based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Lowfennick Church & Co., L.L.P.*

Morganton, North Carolina  
December 11, 2019

**Schedule of Findings and Responses  
For the Year Ended June 30, 2019**

**Section I. Summary of Auditors' Results****Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

|   |                    |                     |
|---|--------------------|---------------------|
| Material weakness(es) identified?       | _____ yes          | _____ <u>X</u> no   |
| Significant deficiency(ies) identified? | _____ <u>X</u> yes | _____ none reported |

|  |           |                   |
|--|-----------|-------------------|
| Noncompliance material to financial statements noted | _____ yes | _____ <u>X</u> no |
|--|-----------|-------------------|

**Federal Awards**

Internal control over major federal programs:

|   |           |                              |
|---|-----------|------------------------------|
| Material weakness(es) identified?       | _____ yes | _____ <u>X</u> no            |
| Significant deficiency(ies) identified? | _____ yes | _____ <u>X</u> none reported |

Type of auditors' report issued on compliance for major federal programs: Unmodified

|  |           |                   |
|--|-----------|-------------------|
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | _____ yes | _____ <u>X</u> no |
|--|-----------|-------------------|

Identification of major federal programs:

None

|   |           |
|---|-----------|
| Dollar threshold used to distinguish between Type A and Type B Programs | \$750,000 |
|---|-----------|

|  |           |                   |
|--|-----------|-------------------|
| Auditee qualified as low-risk auditee? | _____ yes | _____ <u>X</u> no |
|--|-----------|-------------------|

cont.

**Schedule of Findings and Responses  
For the Year Ended June 30, 2019**

**State Awards**

Internal control over major State programs:

Material weakness(es) identified?

    X        X     no

Significant deficiency(ies) identified?

           none reported

Type of auditors' report issued on compliance for major State programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act?

    X               no

Identification of major State programs:

**Program Name**

N. C. Department of Transportation - Non-State System Street Aid Allocation "Powell Bill"

**Section II. Financial Statement Findings****Finding : 2019-001**

Significant Deficiency

Compensation Not Being Reported

Criteria: Compensation needs to be reported in accordance with IRS regulations.

Condition: The City is providing a travel allowance to some employees under a non-accountable plan and not being reported as compensation.

Effect: The City is not in compliance with the IRS reporting of compensation to individuals.

Recommendation: Amounts received under a non-accountable plan should be included in the employee's W-2 wages and are subject to payroll taxes.

Views of responsible officials and planned corrective action: The City agrees with this finding. Please refer to corrective action plan on page 138.

**Section III. Federal Award Findings and Responses**

None reported.

cont.

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Schedule of Findings and Responses  
For the Year Ended June 30, 2019

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**Section IV. State Award Findings and Responses.**

**N. C. Department of Transportation**

Program Names: Non-State System Street-Aid Allocation Powell Bill

**Finding: 2019-002**

Significant Deficiency

Activities Allowed or Unallowed

Criteria: N. C. G. S. 136-41.3 and 136-41.4 provide the purposes for which the Powell Bill funds may be expended.

Condition: Powell Bill funds were expended for two non-allowable expenses.

Effect: The City was not in compliance with N. C. G. S. 136-41.3 and 136-41.4. However, the City had additional allowable expenses paid with non Powell Bill funds. The City used these additional allowable expenses to offset the non-allowable expenses. Therefore, there was no effect on the total amount of Powell Bill expenses. The Powell Bill report was amended after year end to reflect these changes.

Cause: Non-allowable expenses were spent in error.

Recommendation: We recommend that the City review the activities allowed or unallowed under N. C. G. S. 136-41.3 and 136-41.4 before expending Powell Bill funds.

View of responsible officials  
and planned corrective action: The City agrees with this finding. Please refer to corrective action plan on page 138.

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



**CITY MANAGER**  
Steve Zickefoose, MBA  
[szickefoose@lincolntonnc.org](mailto:szickefoose@lincolntonnc.org)  
**CITY CLERK**  
Donna C. Flowers, MMC, NCCMC  
[donnaflowers@ci.lincolnton.nc.us](mailto:donnaflowers@ci.lincolnton.nc.us)  
**CITY ATTORNEY**  
Thomas J. Wilson, Jr..

**Corrective Action Plan  
For the Year Ended June 30, 2019**

**Section II. Financial Statement Findings**

**Finding 2019-001:**

Name of contact person: Steve Zickefoose, City Manager

Corrective action: Effective December, 2019, the City will give employees that are receiving a travel allowance two options for reimbursement. Employees will be issued a 1099 for 2019 for travel allowance that cannot be substantiated.

Option 1 - Receive the monthly travel allowance through payroll. Federal and State taxes would be deducted. No mileage logs are required. Allowance can be included as part of miscellaneous itemized deductions for tax purposes.

Option 2 - Receive the monthly travel allowance through accounts payable. Federal and State taxes would not be deducted. Employee must submit a mileage log for business travel to substantiate the allowance. Miles driven X 58 cents per mile must equal the allowance, or the difference will be included as W-2 wages.

Proposed completion date: December 2019

**Section III. State Award Findings**

**Finding 2019-002:**

Name of contact person: Steve Zickefoose, City Manager

Corrective action: The City will review future activities allowed and unallowed under N. C. G. S. 136-41.3 and 136-41.4 before expending Powell Bill funds.

Proposed completion date: December 2019.



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**CITY OF LINCOLNTON, NORTH CAROLINA**

**Summary Schedule of Prior Year Audit Findings  
For the Year Ended June 30, 2019**

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**Finding: 2018-001**

Status: Corrected

**Schedule of Expenditures of Federal and State Awards  
For the Year Ended June 30, 2019**

| <u>Grantor/Passthrough<br/>Grantor/Program Title</u>       | <u>Federal<br/>CFDA<br/>Number</u> | <u>State/<br/>Pass-through<br/>Grantor's<br/>Number</u> | <u>Federal (Direct &amp;<br/>Pass-through)<br/>Expenditures</u> | <u>State<br/>Expenditures</u> | <u>Local<br/>Expenditures</u> |
|--|------------------------------------|---|---|-------------------------------|-------------------------------|
| <b>Federal Grants:</b>                                     |                                    |   |   |                               |                               |
| <b>Cash Programs:</b>                                      |                                    |   |   |                               |                               |
| <u>U. S. Environmental Protection Agency</u>               |                                    |   |   |                               |                               |
| Brownfield Assessment and Cleanup                          |                                    |   |   |                               |                               |
| Cooperative Agreements                                     | 66.818                             |   | \$ 91,011   | \$ -                          | \$ -                          |
| <br><u>U. S. Department of Transportation</u>              |                                    |   |   |                               |                               |
| Passed-through the N. C. Department of Transportation      |                                    |   |   |                               |                               |
| Highway Research and Planning Program                      | 20.205                             | C-56061   | 26,534  | -                             | 6,634                         |
| <br><u>U. S. Department of Homeland Security</u>           |                                    |   |   |                               |                               |
| Staffing for Adequate Fire and Emergency Response (SAFER)  | 97.083                             |   | <u>18,912</u>   | <u>-</u>                      | <u>6,304</u>                  |
| Total assistance - federal programs                        |                                    |   | <u>136,456</u>  | <u>-</u>                      | <u>\$12,938</u>               |
| <br><b>State Grants:</b>                                   |                                    |   |   |                               |                               |
| <b>Cash Assistance:</b>                                    |                                    |   |   |                               |                               |
| <u>N. C. Department of Natural and Cultural Resources</u>  |                                    |   |   |                               |                               |
| Legislatively Directed Programs - Special Appropriation    |                                    |   | -   | 255,878                       | -                             |
| <br><u>N. C. Office of the State Budget and Management</u> |                                    |   |   |                               |                               |
| Special Appropriation                                      |                                    | 5765-Q  | -   | 202,917                       | -                             |
| <br>N. C. Department of Transportation                     |                                    |   |   |                               |                               |
| Powell Bill  |                                    |   | <u>-</u>  | <u>554,152</u>                | <u>-</u>                      |
| Total assistance - state programs                          |                                    |   | <u>-</u>  | <u>1,012,947</u>              | <u>-</u>                      |
| Total assistance   |                                    |   | <u>\$136,456</u>  | <u>\$1,012,947</u>            | <u>\$12,938</u>               |

cont.

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**Schedule of Expenditures of Federal and State Awards  
For the Year Ended June 30, 2019**

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**Notes to the Schedule of Expenditures of Federal and State Awards:****Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the City of Lincolnton under the programs of the federal government and the State of North Carolina for the year ended June 30, 2019. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Lincolnton, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of the City of Lincolnton.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable, or are limited, as to reimbursement.

**Note 3. Indirect Cost Rate**

The City of Lincolnton has elected not to use the 10-percent de minimus indirect cost as allowed under the Uniform Guidance.