

# CITY OF LOWELL

Lowell, North Carolina

Report of Certified Public Accountants

Financial Statements and Schedules

Year Ended June 30, 2019

## City Council Members

Sandy Railey, Mayor  
Candy Funderburk, Mayor Pro Tem  
Ken Ervin  
Thomas Gillespie  
Sam Mitchem, Jr.  
Shane Robinson

## Administrative and Financial Staff

Kevin Krouse, City Manager  
Kevin Haney, Finance Officer

**City of Lowell, North Carolina**  
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**June 30, 2019**

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## **FINANCIAL SECTION**

**COLLIS AND ASSOCIATES, CPAs, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**103 EAST THIRD AVENUE  
GASTONIA, NORTH CAROLINA 28052  
704 / 867-0201**

**Independent Auditor's Report**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lowell, 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'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.

***Auditor's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lowell, North Carolina as of June 30, 2019, and the respective changes in financial position and cash flows, where appropriate, 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 on pages iv through xiii, the Other Postemployment Benefits Schedule of Changes in the Total OPEB Liability and Related Ratios on page 41, the Local Governmental Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 37 and 38, respectively, 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 39 and 40 be presented to supplement the basic financial statements. Such information, although not a required 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.

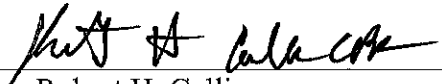
#### ***Supplementary and Other Information***

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

The individual fund statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing

procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, the individual fund financial statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

COLLIS AND ASSOCIATES

By   
Robert H. Collis

Gastonia, North Carolina  
July 31, 2020

## **Management's Discussion and Analysis**

## **\*\*CITY OF LOWELL\*\***

### **Management's Discussion and Analysis**

As management of the City of Lowell, we offer readers of the City of Lowell's financial statements this narrative overview and analysis of the financial activities of the City of Lowell 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**

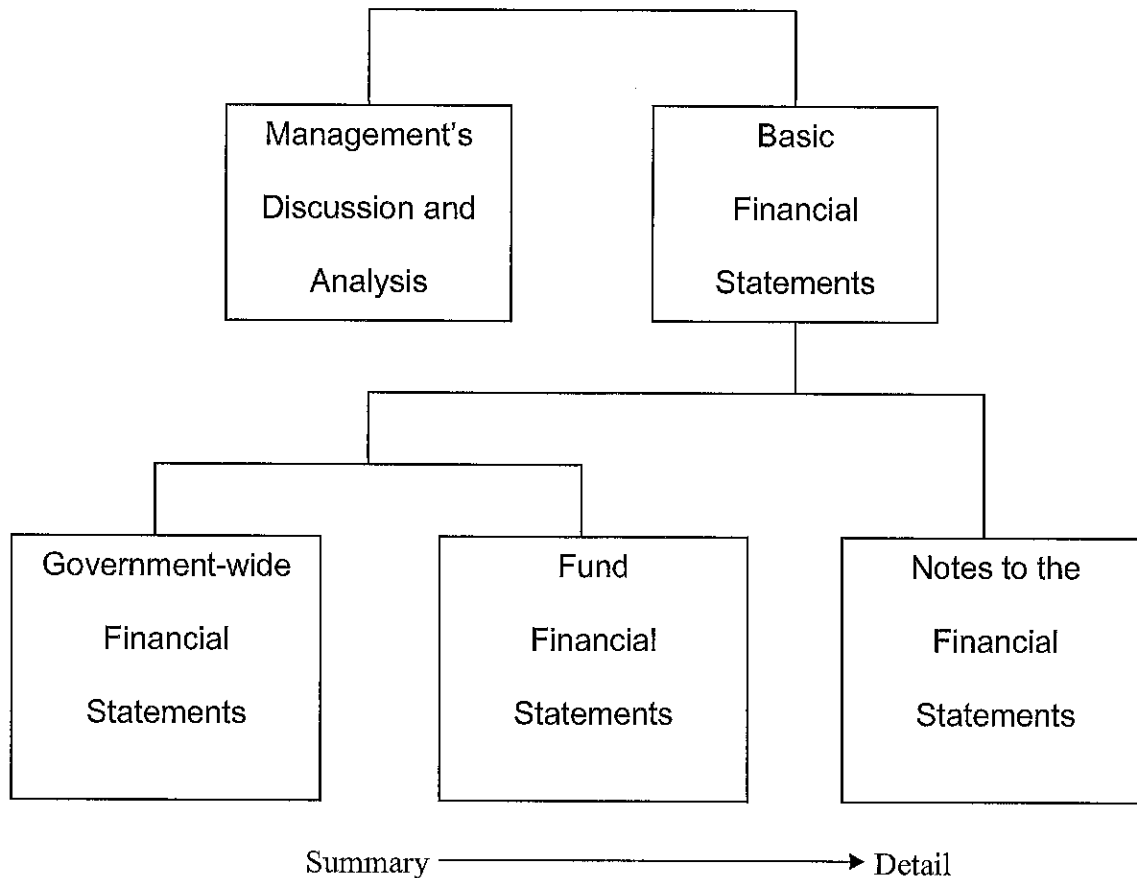
- The assets and deferred outflows of resources of the City of Lowell exceeded its liabilities and deferred inflows at the close of the fiscal year by \$5,470,243 (*net position*).
- The government's total net position increased by \$313,176, due to increases in governmental activities net position and business-type activities net position of \$259,061 and \$54,115, respectively.
- As of the close of the current fiscal year, the City of Lowell's governmental funds reported combined ending fund balances of \$1,840,830, an increase of \$328,653 in comparison with the prior year. Approximately 48.1 percent of this total amount, or \$885,538, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$955,292, or 46.6 percent, of total general fund expenditures for the fiscal year.
- The City of Lowell's total debt decreased by \$10,525 (6.2 percent) during the current fiscal year.

#### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to City of Lowell'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 Lowell.

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City 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.

## Management's Discussion and Analysis City of Lowell

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

### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of 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 two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the City's basic services such as public safety, sanitation, streets, recreation, and general administration. Property taxes and unrestricted intergovernmental revenues finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer services offered by the City of Lowell.

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

### **Fund Financial Statements**

The fund financial statements (see Figure 2) 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 Lowell, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of City of Lowell 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.

## Management's Discussion and Analysis

### City of Lowell

The City of Lowell 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 Lowell has one kind 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 Lowell uses an enterprise fund to account for its water and sewer activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 10 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 Lowell's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 37 of this report.

Management's Discussion and Analysis  
City of Lowell

Government-Wide Financial Analysis

City of Lowell's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$1,904,859	\$1,568,032	\$834,491	\$668,374	\$2,739,350	\$2,236,406
Capital assets	1,390,406	1,382,647	2,393,227	2,526,525	3,783,633	3,909,172
Net pension asset	-	-	-	-	-	-
Deferred outflows of resources	274,430	204,063	57,638	33,929	\$332,068	237,992
Total assets and deferred outflows of resources	\$3,569,695	\$3,154,742	\$3,285,356	\$3,228,828	\$6,855,051	\$6,383,570
Long-term liabilities outstanding	909,916	779,479	195,409	213,727	1,105,325	993,206
Other liabilities	47,469	43,257	184,147	164,884	231,616	208,141
Deferred inflows of resources	42,746	21,503	5,121	3,653	47,867	25,156
Total liabilities and deferred inflows of resources	1,000,131	844,239	384,677	382,264	1,384,808	1,226,503
Net position:						
Net investment in capital assets	1,284,204	1,321,098	2,339,867	2,417,986	3,624,071	3,739,084
Restricted	885,538	726,044	-	84,089	885,538	810,133
Unrestricted	399,822	263,361	560,812	344,489	960,634	607,850
Total net position	\$ 2,569,564	\$ 2,310,503	\$ 2,900,679	\$ 2,846,564	\$ 5,470,243	\$ 5,157,067

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 Lowell exceeded liabilities and deferred inflows by \$5,470,243 as of June 30, 2019. The City's net position increased by \$313,176 for the fiscal year ended June 30, 2019. The primary reason for this increase is the growth of revenues of the governmental activities. The largest portion (66.3 percent) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City of Lowell uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Lowell'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 Lowell's net position, \$885,538, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$960,634 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.72%.
- A \$2.00 per can increase to the solid waste sanitation fee.
- Elimination of a vacant position in the Streets Department.
- Conservative spending
- Continued increase in Gross Receipts tax from new Rental Car facility.

Management's Discussion and Analysis  
City of Lowell

City of Lowell's Changes in Net Position  
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 196,650	\$ 137,606	\$ 1,311,904	\$ 1,201,205	\$ 1,508,554	\$ 1,338,811
Operating grants and contributions	93,753	99,795	20,762	2,074	114,515	101,869
Capital grants and contributions	-	-	-	-	-	20,500
General revenues:						
Property taxes	1,221,719	1,206,202	-	-	1,221,719	1,206,202
Other taxes	114,547	41,456	-	-	114,547	41,456
Grants and contributions not restricted to specific programs	684,365	655,265	-	418,000	684,365	1,073,265
Other	71,170	49,677	5	25	71,175	49,702
Total revenues	2,382,204	2,190,001	1,332,671	1,621,304	3,714,875	3,831,805
Expenses:						
General government	757,238	691,231	-	-	757,238	691,231
Public safety	670,739	647,438	-	-	670,739	647,438
Highways/streets	299,914	397,668	-	-	299,914	397,668
Sanitation	260,715	215,903	-	-	260,715	215,903
Recreation	130,949	85,792	-	-	130,949	85,792
Interest on long-term debt	3,588	2,337	-	-	3,588	2,337
Water and sewer	-	-	1,278,556	1,316,024	1,278,556	1,316,024
Total expenses	2,123,143	2,040,369	1,278,556	1,316,024	3,401,699	3,356,393
Increase (decrease) in net position	259,061	149,632	54,115	305,280	313,176	(207,003)
Net position, beginning, previously reported	2,310,503	2,242,085	2,846,564	2,557,401	5,157,067	4,799,486
Prior Period Adjustment	-	(81,214)	-	(16,117)	-	(97,331)
Net position, beginning, restated	2,310,503	2,160,871	2,846,564	2,541,284	5,157,067	4,702,155
Net position, ending						
Net position, June 30	\$ 2,569,564	\$ 2,310,503	\$ 2,900,679	\$ 2,846,564	\$ 5,470,243	\$ 5,157,067

## Management's Discussion and Analysis

### City of Lowell

**Governmental activities.** Governmental activities increased the City's net position by \$259,061. Contributing factors to this increase was the elimination of a position in the public works department and a \$2.00 increase per can for solid waste pick up. This resulted in an approximate net increase of \$79,000. General revenues increased approximately \$118,000 from the prior year.

**Business-type activities:** Business-type activities increased the City of Lowell's net position by \$54,115. Two main factors contributed to this increase. The city, by following the recommendation from the Capital Improvement Plan, raised water and sewer rates across the board by 6%. The water meter replacement project was postponed until July 2020 therefore budgeted money was not expended on the project.

### Financial Analysis of the City's Funds

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

**Governmental Funds.** The focus of the City of Lowell'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 Lowell's financing requirements.

The General Fund is the chief operating fund of the City of Lowell. At the end of the current fiscal year, City of Lowell's fund balance available in the General Fund was \$955,292, while total fund balance was \$1,735,988. The City currently has an available fund balance of 46.6 percent of General Fund expenditures, while total fund balance represents 84.7 percent of the same amount.

At June 30, 2019, the governmental funds of the City of Lowell reported a combined fund balance of \$1,840,830 with a net increase in fund balance of \$328,653.

**General Fund Budgetary Highlights:** Revenues were higher than the budgeted amounts, caused mainly by a growing Gross Receipts Tax. The Streets department saw a decrease in expenses due to the elimination of a position. Sanitation costs for service increased by \$2.00 per can. The Parks and Recreation Department filled the vacant director position but also saw a \$21,000 increase in revenue due to fundraising efforts for the annual festival. A new recycling drop-off center began mid budget year. The additional cost was a contributing factor of the \$2.00 fee increase.

**Proprietary Funds.** The City'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 \$560,812. The total increase in net position for the fund was \$54,115. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

Management's Discussion and Analysis  
**City of Lowell**

**Capital Asset and Debt Administration**

**Capital assets.** The City of Lowell's investment in capital assets for its governmental and business-type activities as of June 30, 2019 totals \$3,783,633 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

**City of Lowell's Capital Assets  
(net of depreciation)**

**Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$112,430	\$112,430	\$15,000	\$15,000	\$ 127,430	\$ 127,430
Buildings and systems	113,942	93,976	309,580	349,628	423,522	443,604
Improvements other than buildings	33,550	35,423	20,028	20,028	53,578	55,451
Machinery and equipment	93,357	66,583	31,280	36,399	124,637	102,982
Infrastructure	924,112	976,493	2,017,339	2,105,470	2,941,451	3,081,963
Vehicles and motorized equipment	113,015	97,742	-	-	113,015	97,742
Total	\$ 1,390,406	\$ 1,382,647	\$ 2,393,227	\$ 2,526,525	\$ 3,783,633	\$ 3,909,172

Additional information on the City's capital assets can be found in note II.A.4, of the Basic Financial Statements

## Management's Discussion and Analysis

### City of Lowell

**Long-term Debt.** The City of Lowell's total debt decreased from \$170,088 to \$159,563, a decrease of \$10,525 during the past fiscal year.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Lowell is \$22,402,879.

Additional information regarding City of Lowell's long-term debt can be found in Note II.B.5 of this report.

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

The following key economic indicators and circumstances reflect the City's current situation:

- The City's General Fund unobligated fund balance has trended upward since 2016. The City Council has agreed upon 50% or six-months of the annual general fund budget to maintain as reserve. This goal is expected to be achieved at the end of Fiscal Year 2021.
- Commercial and high density residential growth opportunities remain at exit 22 that will provide needed revenue. The unknowns that exist regarding the widening of I-85 have slowed development opportunities. The City is taking this opportunity to master plan the site to take full advantage of the opportunities.
- The City is also continuing to partner with the City of Gastonia on a Build Grant application that would provide access to 4.7 million square feet of prime industrial space adjacent to I-85.

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

**Governmental Activities:** This year will see a property revaluation and the City Council is expected to maintain the current tax rate at \$0.43/\$100. This should result in approximately \$140,000 in additional revenue. Several capital purchases are planned in the Police Department with new Laptops, Radios, Vests, and Vehicles. The City will also explore a Stormwater Fee to provide needed revenue to implement the Stormwater Phase II permit requirements.

**Business – type Activities:** The City will be installing new remote read AMI water meters. This project will improve efficiency, billing accuracy, and lost revenue from slow meters. The City will also be administering two grants. (1) A \$1.9 million-dollar CDBG sewer line replacement projects and, (2) A \$150,000 Asset Inventory and Assessment grant from NCDEQ. The City will also work with a Financial Firm, First Tryon, to develop a cash flow spreadsheet to accompany our existing CIP. Lastly, a current assessment of our Wastewater Treatment Plant will be conducted to make plans for future needs.

### **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 information found in this report or requests for additional information should be directed to the City Manager, Kevin Krouse, 101 West First

Management's Discussion and Analysis  
**City of Lowell**

Street, Lowell, NC 28098, (704) 824-3518 (TEL), or email [kkrouse@lowellnc.com](mailto:kkrouse@lowellnc.com).

## **Basic Financial Statements**

City of Lowell, North Carolina  
Statement of Net Position  
June 30, 2019

Exhibit 1

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,002,447	534,929	1,537,376
Restricted cash and cash equivalents	706,244	90,938	797,182
Taxes receivables (net)	15,767	-	15,767
Accrued interest receivable on taxes	1,607	-	1,607
Accounts receivable (net)	6,178	180,881	187,059
Due from other governments	172,616	-	172,616
Inventories	-	27,743	27,743
Total current assets	<u>1,904,859</u>	<u>834,491</u>	<u>2,739,350</u>
Non-current assets:			
Capital assets (Note 1):			
Land, non-depreciable improvements, and construction in progress	139,760	15,000	154,760
Other capital assets, net of depreciation	1,250,646	2,378,227	3,628,873
Total capital assets	<u>1,390,406</u>	<u>2,393,227</u>	<u>3,783,633</u>
Total assets	<u>3,295,265</u>	<u>3,227,718</u>	<u>6,522,983</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	270,433	56,543	326,976
OPEB deferrals	3,997	1,095	5,092
Total deferred outflows of resources	<u>274,430</u>	<u>57,638</u>	<u>332,068</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	47,004	61,932	108,936
Fee refunds payable	-	47,000	47,000
Accrued interest payable	465	16	481
Payable from restricted assets - customer deposits	-	75,199	75,199
Current portion of long-term liabilities	30,908	53,360	84,268
Total current liabilities	<u>78,377</u>	<u>237,507</u>	<u>315,884</u>
Long-term liabilities:			
Net pension liability	273,196	69,605	342,801
LEO pension liability	209,305	-	209,305
OPEB liability	270,813	55,036	325,849
Compensated absences	50,399	17,408	67,807
Installment obligations due in more than one year	75,295	-	75,295
Total liabilities	<u>957,385</u>	<u>379,556</u>	<u>1,336,941</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue-other	94	-	94
Pension deferrals	22,962	-	22,962
OPEB deferrals	19,690	5,121	24,811
Total deferred inflows of resources	<u>42,746</u>	<u>5,121</u>	<u>47,867</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,284,204	2,339,867	3,624,071
Restricted for:			
Cemetery Perpetual Care	49,941	-	49,941
Stabilization by State Statute	179,294	-	179,294
Other functions	656,303	15,739	672,042
Unrestricted	399,822	545,073	944,895
Total net position	<u>\$ 2,569,564</u>	<u>2,900,679</u>	<u>5,470,243</u>

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

**City of Lowell, North Carolina**  
**Statement of Activities**  
**For the Year Ended June 30, 2019**

Functions/Programs	Expenses	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Primary Government	
<b>Primary government:</b>								
Governmental Activities:								
General government	\$ 757,238	9,778	-	-	(747,460)	-		(747,460)
Public safety	670,739	837	-	-	(669,902)	-		(669,902)
Streets	284,170	-	-	-	(284,170)	-		(284,170)
Powell Bill	15,744	-	93,753	-	78,009	-		78,009
Sanitation	260,715	144,161	-	-	(116,554)	-		(116,554)
Recreation	130,949	41,874	-	-	(89,075)	-		(89,075)
Interest on long-term debt	3,588	-	-	-	(3,588)	-		(3,588)
Total governmental activities (See Note 1)	2,123,143	196,650	93,753	-	(1,832,740)	-		(1,832,740)
<b>Business-type activities:</b>								
Water and sewer	1,278,556	1,311,904	20,762	-	-	54,110		54,110
Total business-type activities	1,278,556	1,311,904	20,762	-	-	54,110		54,110
Total primary government	\$ 3,401,699	1,508,554	114,515	-	(1,832,740)	54,110		(1,778,630)
General revenues:								
Taxes:								
Property taxes, levied for general purpose		1,221,719						
Other taxes		114,547						
Grants and contributions not restricted to specific programs		684,365						
Unrestricted investment earnings		15,815						
Miscellaneous		55,355						
Total general revenues		2,091,801						
Change in net position		259,061						
Net position, beginning		2,310,503						
Net position, ending		\$ 2,569,564						

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

**City of Lowell, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2019**

	<u>Major Fund</u>		
	<u>General</u>	<u>Total Non-Major Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,002,446	-	1,002,446
Restricted cash and cash equivalents	601,402	104,842	706,244
Receivables, net:			
Taxes	15,267	-	15,267
Accounts	6,678	-	6,678
Due from other governments	172,616	-	172,616
Total assets	<u>1,798,409</u>	<u>104,842</u>	<u>1,903,251</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	47,060	-	47,060
Total liabilities	<u>47,060</u>	<u>-</u>	<u>47,060</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes receivable	15,267	-	15,267
Deferred revenue-other	94	-	94
Total deferred inflows of resources	<u>15,361</u>	<u>-</u>	<u>15,361</u>
<b>FUND BALANCES</b>			
Non Spendable			
Perpetual maintenance	-	37,791	37,791
Restricted			
Stabilization by State Statute	179,294	-	179,294
Streets	601,402	54,901	656,303
Public safety	-	-	-
Other	-	12,150	12,150
Assigned			
Subsequent year's expenditures	-	-	-
Unassigned	955,292	-	955,292
Total fund balances	<u>1,735,988</u>	<u>104,842</u>	<u>1,840,830</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,798,409</u>	<u>\$ 104,842</u>	

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,390,406
Deferred outflows of resources related to pensions are not reported in the funds.	270,433
Deferred outflows of resources related to OPEB are not reported in the funds.	3,997
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current period expenditures and therefore are inflows of resources in the funds.	1,607
Earned revenues considered deferred inflows of resources in fund statements	15,267
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds:	
Gross long-term debt	(156,602)
Net pension liability	(273,196)
Total pension liability	(209,305)
OPEB liability	<u>(270,813)</u>
Deferred inflows of resources related to pensions are not reported in the funds.	(22,962)
Deferred inflows of resources related to OPEB are not reported in the funds.	(19,690)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.	(408)
Net position of governmental activities	<u>\$ 2,569,564</u>

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

**City of Lowell, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2019**

	<u>Major Fund</u>		
	<u>General Fund</u>	<u>Total Non-Major Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Ad valorem taxes	\$ 1,217,775	-	1,217,775
Other taxes and licenses	114,547	-	114,547
Unrestricted intergovernmental	685,202	-	685,202
Restricted intergovernmental	96,389	-	96,389
Permits and fees	8,240	-	8,240
Sales and services	199,279	-	199,279
Investment earnings	15,811	5	15,816
Miscellaneous	21,542	-	21,542
Total revenues	<u>2,358,785</u>	<u>5</u>	<u>2,358,790</u>
<b>EXPENDITURES</b>			
Current:			
General government	681,500	-	681,500
Public safety	666,829	-	666,829
Streets	232,588	-	232,588
Powell Bill	15,744	-	15,744
Sanitation	236,873	-	236,873
Recreation	167,501	-	167,501
Debt service	48,571	-	48,571
Total expenditures	<u>2,049,606</u>	<u>-</u>	<u>2,049,606</u>
Revenues over expenditures	<u>309,179</u>	<u>5</u>	<u>309,184</u>
<b>OTHER FINANCING SOURCES</b>			
Insurance recovery	19,469	-	19,469
Loan proceeds	-	-	-
Total other financing sources	<u>19,469</u>	<u>-</u>	<u>19,469</u>
Net change in fund balances	<u>328,648</u>	<u>5</u>	<u>328,653</u>
Fund balances, beginning	<u>1,407,340</u>	<u>104,837</u>	<u>1,512,177</u>
Fund balances, ending	<u>\$ 1,735,988</u>	<u>104,842</u>	<u>1,840,830</u>

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

**City of Lowell, 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 changes in fund balances - total governmental funds		\$ 328,653
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Capital outlay expenditures which were capitalized	155,706	
Depreciation expense for governmental assets	<u>(147,946)</u>	7,760
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.		57,802
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities.		-
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue for tax revenues		3,945
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
New long-term debt issued	(89,671)	
Principal payments on long-term debt	45,017	
Increase in accrued interest payable	<u>(34)</u>	(44,688)
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	4,630	
Pension expense	(86,846)	
OPEB plan expense	<u>(12,195)</u>	(94,411)
Total changes in net position of governmental activities		<u>\$ 259,061</u>

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

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

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 1,151,000	1,186,517	1,217,775	31,258
Other taxes and licenses	15,000	20,000	114,547	94,547
Unrestricted intergovernmental	611,696	605,496	685,202	79,706
Restricted intergovernmental	97,700	284,140	96,389	(187,751)
Permits and fees	2,500	3,100	8,240	5,140
Sales and services	141,500	164,719	199,279	34,560
Investment earnings	2,000	3,500	15,811	12,311
Miscellaneous	2,600	6,500	21,542	15,042
Total revenues	<u>2,023,996</u>	<u>2,273,972</u>	<u>2,358,785</u>	<u>84,813</u>
Expenditures:				
Current:				
General government	642,378	739,377	681,500	57,877
Public safety	651,352	731,760	666,829	64,931
Streets	280,407	327,478	232,588	94,890
Powell Bill	93,000	151,828	15,744	136,084
Sanitation	194,253	238,807	236,873	1,934
Recreation	97,620	222,564	167,501	55,063
Debt service	61,086	41,882	48,571	(6,689)
Total expenditures	<u>2,020,096</u>	<u>2,453,696</u>	<u>2,049,606</u>	<u>404,090</u>
Revenues over (under) expenditures	<u>3,900</u>	<u>(179,724)</u>	<u>309,179</u>	<u>488,903</u>
Other financing sources:				
Insurance recovery	-	19,469	19,469	-
Loan proceeds	(3,900)	-	-	-
Total other financing sources	<u>(3,900)</u>	<u>19,469</u>	<u>19,469</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(160,255)</u>	<u>328,648</u>	<u>488,903</u>
Fund balance, beginning			1,407,340	
Fund balances, ending			<u>\$ 1,735,988</u>	

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

City of Lowell, North Carolina  
Statement of Fund Net Position  
Proprietary Fund  
June 30, 2019

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 534,929
Restricted cash and cash equivalents	90,938
Accounts receivable (net) - billed	116,381
Accounts receivable (net) - unbilled	64,500
Inventories	27,743
Total current assets	<u>834,491</u>
Noncurrent assets:	
Capital assets:	
Land and other non-depreciable assets	15,000
Other capital assets, net of depreciation	2,378,227
Capital assets (net)	<u>2,393,227</u>
Total noncurrent assets	<u>2,393,227</u>
Total assets	<u>\$ 3,227,718</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension deferrals	\$ 56,543
OPEB deferrals	1,095
Total deferred outflows of resources	<u>57,638</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 61,948
Fee refunds payable	47,000
Payable from restricted assets - customer deposits	75,199
Loans payable-current	53,360
Total current liabilities	<u>237,507</u>
Noncurrent liabilities:	
Compensated absences	17,408
Net pension liability	69,605
Total OPEB liability	55,036
Loans payable-noncurrent	-
Total noncurrent liabilities	<u>142,049</u>
Total liabilities	<u>379,556</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension deferrals	-
OPEB deferrals	5,121
Total deferred inflows of resources	<u>5,121</u>
<b>NET POSITION</b>	
Net investment in capital assets	2,339,867
Restricted	15,739
Unrestricted	545,073
Total net position	<u>\$ 2,900,679</u>

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

City of Lowell, North Carolina  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Fund  
For the Year Ended June 30, 2019

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
<b>OPERATING REVENUES</b>	
Water sales and sewer charges	\$ 1,216,159
Water and sewer system development and tap fees	95,745
Other operating revenues	20,762
<b>Total operating revenues</b>	<u>1,332,666</u>
<b>OPERATING EXPENSES</b>	
Cost of water purchased	385,169
Other operating expenses	756,177
Depreciation	135,054
<b>Total operating expenses</b>	<u>1,276,400</u>
<b>Operating income</b>	<u>56,266</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	5
Interest and other charges	(2,156)
<b>Total nonoperating revenues (expenses)</b>	<u>(2,151)</u>
<b>Change in net position</b>	54,115
<b>Total net position, beginning</b>	<u>2,846,564</u>
<b>Total net position, ending</b>	<u>\$ 2,900,679</u>

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

City of Lowell, North Carolina  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2019

	Water and Sewer Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 1,293,864
Cash paid for goods and services	(797,652)
Cash paid to or on behalf of employees for services	(314,607)
Customer deposits received (net)	3,836
Other operating revenues	20,762
Net cash provided by operating activities	<u>206,203</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal paid on equipment loans	(55,179)
Interest paid on equipment loans	(2,173)
Acquisition of capital assets	(1,756)
Grant funds	-
Net cash used by capital and related financing activities	<u>(59,108)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends	5
Net increase in cash and cash equivalents	147,100
Balances, beginning	478,767
Balances, ending	<u>\$ 625,867</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 56,266</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	135,054
Changes in assets, deferred outflow of resources, and liabilities:	
(Increase) decrease in accounts receivable	(18,040)
Increase (decrease) in allowance for doubtful accounts	-
(Increase) decrease in inventory	(977)
(Increase) decrease in deferred outflows of resources for pensions	(23,378)
(Increase) decrease in deferred outflows of resources for OPEB	(331)
Increase (decrease) in net pension liability	29,675
Increase (decrease) in accounts payable	15,444
Increase (decrease) in accrued OPEB liability	1,951
Increase (decrease) in compensated absences payable	5,235
Increase (decrease) in customer deposits	3,836
Increase (decrease) in deferred inflows of resources for pensions	(192)
Increase (decrease) in deferred inflows of resources for OPEB	1,660
Total adjustments	<u>149,937</u>
Net cash used by operating activities	<u>\$ 206,203</u>

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

**City of Lowell, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

**I. Summary of Significant Accounting Policies**

The accounting policies of the City of Lowell 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 Lowell is a municipal corporation that is governed by an elected mayor and a five-member council.

**B. Basis of Presentation**

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government. 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.

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. The remaining governmental fund is reported as a non-major fund.

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.

**City of Lowell, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

The City reports the following major governmental funds:

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

**Sidewalk Construction Capital Projects Fund.** This fund is used to account for the construction of sidewalks in the City.

The City reports the following non-major governmental fund:

**Cemetery Permanent Fund.** This fund is used to account for perpetual care of the municipal cemetery.

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.

**Water and Sewer Capital Projects Funds.** This fund is used to account for improvements to the City's wastewater treatment plant and to study inflows to the wastewater treatment plant.

**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.

*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

**City of Lowell, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City 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. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Sales taxes and certain intergovernmental revenues, such as the 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 Lowell because the tax is levied by Gaston 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 is 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 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 and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances were adopted for the Sidewalk Construction Capital Projects Fund and the

**City of Lowell, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

Water and Sewer Capital Projects Fund. The water and sewer fund project is consolidated with the Water and Sewer Fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for the multi-year funds. The Budget Officer is authorized to transfer appropriations within a department; however, any revisions that alter total expenditures of any department or fund must be approved by the governing council. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted. The Cemetery Permanent Fund is not required to be budgeted.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the City 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). Investments are reported at cost.

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 to be cash and cash equivalents.

3. Restricted Assets

The unexpended bond proceeds of the General Fund serial bond issued by the City is classified as a restricted asset for the governmental fund because its use is completely restricted to the purpose for which the bond was originally issued. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4.

**City of Lowell, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

City of Lowell Restricted Cash

Governmental Activities:

General Fund		
	Streets	\$ 601,402
Sidewalk Construction Fund		
	Streets	54,901
Cemetery Fund		
	Cemetery care	49,941
Total governmental activities		<u>\$ 706,244</u>
Business-type Activities:		
Water and Sewer Fund		
	Customer deposits	\$ 75,199
	Capital project	15,739
Total business-type activities		<u>\$ 90,938</u>
Total Restricted Cash		<u>\$ 797,182</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 1st, 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.

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. Inventory

The inventories of the City are valued at cost (first-in, first-out), which approximates market. The inventories of the City's enterprise fund consist of materials and supplies held for subsequent use. The cost of these inventories is expensed 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 costs are as follows: land, \$5,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$10,000; infrastructure, \$5,000; furniture and equipment, \$5,000; vehicles, \$5,000; computer equipment, \$5,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are

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

recorded at acquisition cost. Purchased or constructed capital assets are reported at cost or estimated historical 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:

Asset Class	Estimated Useful Lives
Infrastructure	25-50
Buildings and system	40
Improvements	10-50
Vehicles	5
Furniture and equipment	10
Computer equipment	3

**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 one item that meets this criterion, pension deferrals for the 2018 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has several items that meet the criterion for this category – prepaid taxes, property taxes receivable, and pension 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.

In fund financial statements, the face amount of debt issued is reported as other financing sources.

**10. Compensated Absences**

The vacation policy of the City provides for the accumulation of up to two hundred forty hours 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 is considered to be immaterial; thus no current liability is reflected in the government-wide and proprietary financial statements.

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Sick leave is accumulated at the rate of one day for each calendar month of service. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the City does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

**11. Net Position/Fund Balances**

**Net Position**

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

**Fund Balances**

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

The governmental fund types classify fund balances as follows:

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

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

Perpetual maintenance – Cemetery resources that are required to be retained in perpetuity for maintenance of the City of Lowell Cemetery.

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

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

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

Restricted for Public Safety – portion of fund balance that is restricted by revenue source for the purchase of police vehicles.

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

Assigned Fund Balance -- portion of fund balance that City of Lowell intends to use for specific purposes.

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

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

The City of Lowell has a revenue spending policy that provides guidance for programs with multiple revenue sources. 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 liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local 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 Lowell's employer contributions are recognized when due and the City of Lowell 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.

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**II. Detail Notes on All Funds**

**A. Assets**

**1. Deposits**

All the deposits of the City 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 agent in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agent in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2019, the City's deposits had a carrying amount of \$2,334,058 and a bank balance of \$2,033,814. 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 \$500.

**2. Investments**

The City has no investments other than in money market accounts and certificates of deposit that are included as cash deposits.

**3. Receivables - Allowances for Doubtful Accounts**

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2019 are net of the following allowances for doubtful accounts:

**General Fund:**

Taxes receivable	\$ 28,360
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**Enterprise Fund:**

Accounts receivable	39,330
Total	\$ 67,690

**City of Lowell, North Carolina**  
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**4. Capital Assets**

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 112,430	-	-	112,430
Total capital assets not being depreciated	112,430	-	-	112,430
<b>Capital assets being depreciated:</b>				
City Hall building	125,196	-	-	125,196
Other buildings	327,804	27,330	-	355,134
Other land improvements	163,324	-	-	163,324
Equipment	850,187	38,705	21,500	867,392
Vehicles and motorized equipment	912,495	89,671	82,783	919,383
Streets and sidewalks	2,469,827	-	-	2,469,827
Total capital assets being depreciated	4,848,833	155,706	104,283	4,900,256
<b>Less accumulated depreciation for:</b>				
City Hall building	111,244	548	-	111,792
Other buildings	247,781	6,815	-	254,596
Other land improvements	127,901	1,873	-	129,774
Equipment	783,604	11,931	21,500	774,035
Vehicles and motorized equipment	814,753	74,398	82,783	806,368
Streets and sidewalks	1,493,333	52,382	-	1,545,715
Total accumulated depreciation	3,578,616	147,947	104,283	3,622,280
Total capital assets being depreciated, net	1,270,217			1,277,976
<b>Governmental activity capital assets, net</b>	<u>\$ 1,382,647</u>			<u>1,390,406</u>

Depreciation expense was charged to functions/programs of the General Fund as follows:

General government	\$ 2,988
Public safety	38,377
Sanitation	33,073
Streets	71,349
Recreation	2,160
Total depreciation expense	<u>\$ 147,947</u>

**City of Lowell, North Carolina**  
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	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<i>Water and Sewer Fund</i>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 15,000	-	-	\$ 15,000
Construction in progress	-	-	-	-
Total capital assets not being depreciated	15,000	-	-	15,000
<b>Capital assets being depreciated:</b>				
Buildings	16,683	-	-	16,683
Sewage treatment plant	745,816	-	-	745,816
Rights of way and easements	22,105	-	-	22,105
Equipment, including vehicles	523,585	1,946	2,634	522,897
Water and sewer system	5,936,217	-	-	5,936,217
Total capital assets being depreciated	7,244,406	1,946	2,634	7,243,718
<b>Less accumulated depreciation for:</b>				
Buildings	16,683	-	-	16,683
Sewage treatment plant	396,188	40,048	-	436,236
Rights of way and easements	2,077	-	-	2,077
Equipment, including vehicles	487,186	6,876	2,445	491,617
Water and sewer system	3,830,747	88,131	-	3,918,878
Total accumulated depreciation	4,732,881	135,055	2,445	4,865,491
Total capital assets being depreciated, net	2,511,525			2,378,227
<b>Water and Sewer fund capital assets, net</b>	<b>\$ 2,526,525</b>			<b>\$ 2,393,227</b>

**B. Liabilities**

**1. Pension Plan and Postemployment Obligations**

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

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

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

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Lowell 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 Lowell's contractually required contribution rate for the year ended June 30, 2018, was 8.25% of compensation for law enforcement officers and 7.50% 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 Lowell were \$67,481 for year ended June 30, 2018.

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

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

**City of Lowell, North Carolina**  
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At June 30, 2019, the City reported a liability of \$342,801 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, the City's proportion was 0.01445%, which was an increase of 0.00104% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$102,025. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 52,886	\$ 1,775
Changes of assumptions	90,967	-
Net difference between projected and actual earnings on pension plan investments	47,056	-
Changes in proportion and difference between City contributions and proportionate share of contributions	11,364	-
City contributions subsequent to the measurement date	73,646	-
Total	<u>\$ 275,919</u>	<u>\$ 1,775</u>

\$73,646 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 June 30, 2020. Other amounts reported as deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ 95,922
2020	63,286
2021	12,864
2022	28,426
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:

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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.

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 premiums 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 Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100.0%</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

**City of Lowell, North Carolina**  
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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.

*Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.* The following presents the City's proportionate share of the net pension liability 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 one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	\$ 823,444	\$ 342,801	\$ (58,827)

*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) of the State of North Carolina.

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

*1. Plan Description.*

The City of Lowell administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

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Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	9
Total	<u>10</u>

*2. 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 meets the criteria which are outlined in GASB Statement 73.

*3. 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	2.50 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-2015 Mortality tables with adjustments for mortality improvements based on scale AA.

*4. 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 \$18,930 as benefits came due for the reporting period.

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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 \$209,305. 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 \$17,745.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 34,314	\$ 12,720
Changes of assumptions	7,274	8,467
County benefit payments and plan administrative expenses made subsequent to the measurement date	9,465	-
Total	\$ 51,053	\$ 21,187

\$9,465 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 9,969
2020	9,969
2021	6,677
2022	(4,518)
2023	(1,696)
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 one percentage point lower (2.64 percent) or one percentage point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 225,384	\$ 209,305	\$ 194,461

**City of Lowell, North Carolina**  
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Schedule of Changes in Total Pension Liability  
Law Enforcement Officers' Special Separation Allowance

	2018
Beginning balance	\$ 234,281
Service Cost	10,137
Interest on the total pension liability	7,104
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(15,727)
Changes of assumptions or other inputs	(7,560)
Benefit payments	(18,930)
Other changes	-
Ending balance of the total pension liability	<u>\$ 209,305</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:

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	LGERS	LEOSSA	Total
Pension Expense	\$102,025	\$17,745	\$ 119,770
Pension Liability	342,801	209,305	552,106
Proportionate share of the net pension liability	0.01445%	n/a	
Deferred Outflows of Resources			
Difference between expected and actual experience	52,886	34,314	87,200
Changes in assumptions	90,967	7,274	98,241
Net difference between projected and actual earnings			
on plan investments	47,056	-	47,056
Changes in proportion and differences between contributions			
and proportionate share of contributions	11,364	-	11,364
Benefit payments and administrative costs paid subsequent			
to the measurement date	73,646	18,930	92,576
Deferred Inflows of Resources			
Difference between expected and actual experience	1,775	12,720	14,495
Changes in assumptions	-	8,467	8,467
Net difference between projected and actual earnings			
on plan investments	-	-	-
Changes in proportion and differences between contributions			
and proportionate share of contributions	-	-	-

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

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

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The City made contributions \$18,019 for the reporting year. No amounts were forfeited.

**City of Lowell, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

d. Supplemental Retirement Income Plan for Employees Other than Law Enforcement Officers

*Plan Description.* All full-time employees of the City other than law enforcement officers participate in the Supplemental Retirement Income Plan, which is a Section 401(k) plan. Participation begins after 90 days of employment.

*Funding Policy.* The City contributes each month an amount equal to five percent of each employee's salary, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan. The City made contributions of \$26,497 for the reporting year. No amounts were forfeited.

e. Other Postemployment Benefit

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). The City Council has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

*Benefits Provided.* At retirement, all employees have the option to purchase basic medical insurance at the City's group rate. The entire cost of this insurance is borne by the employee, except that employees with 20 years of service with the City who qualify under the Local Government Employees' Retirement System's criteria for full retirement and there is no other medical insurance coverage available at no cost to the employee will be furnished coverage on the City's group medical insurance plan at no cost until the employee is eligible for Social Security Medicare benefits. Currently, one employee is eligible for postretirement benefits. A separate report was not issued for the plan.

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

	General Employees:	Law Enforcement Officers:
Retirees receiving benefits	0	1
Terminated plan member entitled to but not yet receiving benefits	0	0
Active plan members	12	9
Total	12	10

*Total OPEB Liability*

The City's total OPEB liability of \$325,849 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

**City of Lowell, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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

Inflation	2.5 percent
Salary increases	3.5 - 7.75 percent, including inflation
Discount rate	3.89 percent
Healthcare cost trend rates	Medical - 7.5%
	Prescription - 7.5%

The discount rate is based on the June average of the Bond Buyer General Obligation 20 Year Municipal bond Index.

*Changes in the Total OPEB Liability*

	Total OPEB Liability
Balance at July 1, 2017	\$ 316,769
Changes for the year:	
Service cost	17,595
Interest	11,114
Changes of benefit terms	-
Differences between expected and actual experience	541
Changes in assumptions or other inputs	(10,949)
Benefit payments	(9,221)
Net changes	9,080
Balance at June 30, 2017	\$ 325,849

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

Mortality tables 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.

*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 discount rate:

	1% Decrease	Discount Rate (3.89%)	1% Increase
Total OPEB liability	\$ 360,205	\$ 325,849	\$ 294,890

**City of Lowell, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

*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:

	(Medical - 6.5%, Prescription - 6.5%)	Discount Rate (Medical - 7.5%, Prescription - 7.5%)	(Medical - 8.5%, Prescription - 8.5%)
Total OPEB liability	\$ 284,692	\$ 325,849	\$ 374,361

*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 \$25,533. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 483	\$ 750
Changes of assumptions	-	24,061
Benefit payments and administrative costs made subsequent of the measurement date	4,609	-
Total	\$ 5,092	\$ 24,811

\$4,609 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ (3,176)
2020	(3,176)
2021	(3,176)
2022	(3,176)
2023	(3,176)
Thereafter	(8,448)

**City of Lowell, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

**2. Other Employment Benefits**

The City has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement 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.

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

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

Contributions to pension plan in current fiscal year	\$ 73,646
Benefit payments and administrative expenses for LEOSA	
made subsequent to measurement date	\$ 9,465
Benefit payments and administrative expenses for OPEB	
made subsequent to measurement date	\$ 4,609
Differences between expected and actual experience	87,687
Changes of assumptions	98,241
Net difference between projected and actual	
earnings on pension plan investments	47,056
Changes in proportion and differences between employer	
contributions and proportionate share of contribution:	11,364
	<u>\$ 332,068</u>

**City of Lowell, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ -	\$ -
Taxes receivable (General Fund)	-	15,267
Deferred revenue-other (General Fund)	94	94
Changes in assumptions	32,528	-
Difference between expected and actual experience	15,245	
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
	\$ 47,867	\$ 15,361

#### 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 three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the North Carolina League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the City upon request.

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 does not carry flood coverage insurance because none of its buildings are located in areas designated by the Federal Emergency Management Agency as flood zones B, C or X (which are the critical 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 \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$15,000.

**City of Lowell, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

5. Long-Term Obligations

a. Installment Purchases

In December 2014, the City entered into an installment purchase contract with a bank in the amount of \$163,002, to finance the purchase of a garbage truck. The financing contract requires eight semi-annual payments of \$21,278, which includes interest at the rate of 1.97%.

In June 2015, the City entered into an installment purchase contract with a bank in the amount of \$270,000, to finance wastewater treatment plant improvements. The financing contract requires ten semi-annual payments of \$28,676, which includes interest at the rate of 2.22%.

In February 2017, the City entered into an installment purchase contract with a bank in the amount of \$56,000, to finance the purchase of police vehicles. The financing contract requires eight semi-annual payments of \$7,461, which includes interest at the rate of 2.88%.

In October 2018, the City entered into an installment purchase contract with a finance company in the amount of \$33,758, to finance the purchase of police vehicles. The financing contract requires sixty monthly payments of \$639, which includes interest at the rate of 5.15%.

In December 2018, the City entered into an installment purchase contract with a finance company in the amount of \$28,698, to finance the purchase of police vehicles. The financing contract requires sixty monthly payments of \$542, which includes interest at the rate of 5.03%.

In December 2018, the City entered into an installment purchase contract with a finance company in the amount of \$27,214, to finance the purchase of police vehicles. The financing contract requires sixty monthly payments of \$515, which includes interest at the rate of 5.24%.

Annual debt service payments of the installment purchases as of June 30, 2019, including \$11,172 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 30,908	4,365	53,360	803
2021	29,891	3,076	-	-
2022	18,448	1,902	-	-
2023	19,419	932	-	-
2024	7,537	94	-	-
	<u>\$ 106,203</u>	<u>10,369</u>	<u>53,360</u>	<u>803</u>

**City of Lowell, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

**b. General Obligation Indebtedness**

At June 30, 2019, the City of Lowell had no bonds authorized but unissued and had a legal debt margin of \$22,402,879.

**c. Changes in Long-Term Liabilities**

Compensated absences for governmental activities have typically been liquidated in the General Fund.

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ 61,549	89,673	45,019	106,203	30,908
Compensated absences	55,029	-	4,630	50,399	-
Total OPEB liability	263,684	7,129	-	270,813	-
Net pension liability (LGERS)	164,936	108,260	-	273,196	-
Total pension liability (LEO)	234,281	-	24,976	209,305	-
Governmental activity long-term liabilities	<u>\$ 779,479</u>	<u>205,062</u>	<u>74,625</u>	<u>909,916</u>	<u>30,908</u>
Business-type activities:					
<u>Water and Sewer Fund</u>					
Notes payable	\$ 108,539	-	55,179	53,360	53,360
Net pension liability (LGERS)	39,930	29,675	-	69,605	-
Total OPEB liability	53,085	1,951	-	55,036	-
Compensated absences	12,173	5,235	-	17,408	-
Business-type activity long-term liabilities	<u>\$ 213,727</u>	<u>36,861</u>	<u>55,179</u>	<u>195,409</u>	<u>53,360</u>

**C. Fund Balance**

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

<i>Total fund balance-General Fund</i>	<i>\$ 1,735,988</i>
Less:	
Stabilization by State Statute	179,294
Streets-Powell Bill	601,402
Public safety	0
Appropriated Fund Balance in 2019-20 Budget	0
Working Capital/Fund Balance Policy	0
Remaining fund balance	<u>955,292</u>

**City of Lowell, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

**III. Jointly Governed Organization**

The City, in conjunction with eight counties and fifty other municipalities established the Centralina Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The City paid membership fees of \$876 to the Council during the fiscal year ended June 30, 2019.

**IV. Commitments**

The City has a written agreement with the Lowell Volunteer Fire Department, Inc. to provide fire service for the citizens of the City of Lowell. The contract calls for payment of \$100,000 each year for ten years, starting with the year beginning July 1, 2000. At the end of the ten years, the contract provides that the contract will continue in force until terminated by either party with proper notice.

**V. 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 moneys 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 moneys.

Required  
Supplementary Financial Data

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

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- Schedule of Proportionate Share of Net Pension Liability for Local Governmental Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- 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

**City of Lowell, North Carolina**  
**City of Lowell's Proportionate Share of Net Pension Liability (Asset)**  
**Required Supplementary Information**  
**Last Five Fiscal Years\***

<b>Local Government Employees' Retirement System</b>					
	2018	2018	2017	2016	2015
Lowell's proportion of the net pension liability (asset) (%)	0.01445%	0.01341%	0.01342%	0.01275%	0.01352%
Lowell's proportion of the net pension liability (asset) (\$)	\$ 342,801	\$ 204,868	\$ 284,817	\$ 57,220	\$ (79,734)
Lowell's covered payroll	\$ 914,859	\$ 896,986	\$ 892,648	\$ 892,648	\$ 867,256
Lowell's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	37.47%	22.84%	31.91%	6.41%	-9.19%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%

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

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

City of Lowell, North Carolina  
City of Lowell's Contributions  
Required Supplementary Information  
Last Five Fiscal Years

Local Government Employees' Retirement System

	2019	2018	2017	2016	2015
Contractually required contribution	\$73,646	\$68,116	\$ 65,997	\$ 61,626	\$ 62,688
Contributions in relation to the contractually required contribution	73,646	68,116	65,997	61,626	62,688
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Lowell's covered payroll	\$ 914,859	\$ 896,986	\$ 892,648	\$ 892,648	\$ 867,256
Contributions as a percentage of covered payroll	8.05%	7.59%	7.39%	6.90%	7.23%

**City of Lowell, North Carolina**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officers' Special Separation Allowance**  
**June 30, 2019**

	2019	2018	2017
Beginning balance	\$ 234,281	\$ 164,777	\$ 155,464
Service Cost	10,137	7,172	7,951
Interest on the total pension liability	7,104	6,066	5,534
Changes of benefit terms	0	0	-
Differences between expected and actual experience in the measurement of the total pension liability	-	-	-
Changes in assumptions or other inputs	(15,727)	59,000	-
Benefit payments	(7,560)	12,508	(3,293)
Other charges	(18,930)	(15,242)	(879)
Ending balance of the total pension liability	<u>\$ 209,305</u>	<u>\$ 234,281</u>	<u>\$ 164,777</u>

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

**City of Lowell, North Carolina**  
**Schedule of Total Pension Liability as a Percentage of Covered Payroll**  
**Law Enforcement Officers' Special Separation Allowance**  
**June 30, 2019**

	2019	2018	2017
Total pension liability	\$ 209,305	\$ 234,281	\$ 164,777
Covered payroll	360,381	352,674	371,247
Total pension liability as a percentage of covered payroll	58.08%	66.43%	44.38%

Notes to the schedule:

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

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

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service cost	17,595	18,999
Interest	11,114	9,316
Changes of benefit terms	-	-
Differences between expected and actual experience	541	(956)
Changes of assumptions	(10,949)	(18,198)
Benefit payments	(9,219)	(3,771)
Net change in total OPEB liability	9,082	5,390
Total OPEB liability - beginning	316,767	311,377
Total OPEB liability - ending	<u>325,849</u>	<u>316,767</u>
 Covered payroll	 \$840,093	 \$840,093
Total OPEB liability as a percentage of covered payroll	38.79%	37.67%

Notes to Schedule

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

<u>Fiscal year</u>	<u>Rate</u>
2019	3.89%
2018	3.18%

## Individual Fund Statements and Schedules

**City of Lowell, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2019**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes	\$ -	1,210,864	-
Interest	-	6,911	-
Total	<u>1,186,517</u>	<u>1,217,775</u>	<u>31,258</u>
Other taxes and licenses:			
Gross receipts tax on short-term rental property	<u>20,000</u>	<u>114,547</u>	<u>94,547</u>
Unrestricted intergovernmental:			
Local option sales taxes	-	466,359	-
Telecommunications sales tax	-	23,254	-
Utilities sales tax	-	138,751	-
Piped natural gas sales tax	-	13,164	-
Video franchise tax	-	26,526	-
Beer and wine tax	-	16,311	-
Court costs and fees	-	837	-
Total	<u>605,496</u>	<u>685,202</u>	<u>79,706</u>
Restricted intergovernmental:			
Powell Bill allocation	-	93,752	-
Grants-MPO and other	-	-	-
Solid waste disposal tax	-	2,637	-
Total	<u>284,140</u>	<u>96,389</u>	<u>(187,751)</u>
Permits and fees:			
Zoning permits	-	7,645	-
Code enforcement	-	595	-
Total	<u>3,100</u>	<u>8,240</u>	<u>5,140</u>
Sales and services:			
Sanitation fees	-	143,061	-
Recreation revenue	-	33,174	-
Community Center revenue	-	8,700	-
Sale of fixed assets	-	14,344	-
Total	<u>164,719</u>	<u>199,279</u>	<u>34,560</u>
Investment earnings	<u>3,500</u>	<u>15,811</u>	<u>12,311</u>
Miscellaneous:			
Miscellaneous	<u>6,500</u>	<u>21,542</u>	<u>15,042</u>
Total revenues	<u>2,273,972</u>	<u>2,358,785</u>	<u>84,813</u>

**City of Lowell, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2019**

	Budget	Actual	Variance Positive (Negative)
<b>Expenditures:</b>			
General government:			
Salaries and employee benefits	-	245,328	-
Professional services	-	40,077	-
Membership dues	-	10,745	-
Fire protection	-	209,700	-
Recreation	-	-	-
Other operating expenditures	-	169,010	-
Capital outlay - equipment	-	6,640	-
Total general government	<u>739,377</u>	<u>681,500</u>	<u>57,877</u>
Public safety:			
Salaries and employee benefits	-	540,133	-
Vehicle maintenance	-	14,041	-
Other operating expenditures	-	103,775	-
Capital outlay - equipment	-	8,880	-
Total public safety	<u>731,760</u>	<u>666,829</u>	<u>64,931</u>
Streets:			
Salaries and employee benefits	-	75,149	-
Vehicle maintenance	-	7,405	-
Contracted services	-	33,714	-
Other operating expenditures	-	103,118	-
Capital outlay - equipment	-	13,202	-
Total streets	<u>327,478</u>	<u>232,588</u>	<u>94,890</u>
Powell Bill:			
Other operating expenditures	<u>151,828</u>	<u>15,744</u>	<u>136,084</u>
Sanitation:			
Salaries and employee benefits	-	148,046	-
Vehicle maintenance	-	5,832	-
Other operating expenditures	-	36,917	-
Garbage disposal	-	43,795	-
Capital outlay - equipment	-	2,283	-
Total sanitation	<u>238,807</u>	<u>236,873</u>	<u>1,934</u>
Recreation:			
Salaries and employee benefits	-	53,530	-
Other operating expenditures	-	113,971	-
Total recreation	<u>222,564</u>	<u>167,501</u>	<u>55,063</u>

City of Lowell, North Carolina  
General Fund  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Debt service:			
Principal retirement	38,200	45,020	(6,820)
Interest and other charges	3,682	3,551	131
Total debt service	41,882	48,571	(6,689)
Total expenditures	2,453,696	2,049,606	404,090
Revenues over (under) expenditures	(179,724)	309,179	488,903
Other financing sources:			
Insurance recovery	19,469	19,469	-
-	-	-	-
Total other financing sources	19,469	19,469	-
Fund balance appropriated	160,255	-	(160,255)
Net change in fund balance	\$ -	328,648	328,648
Fund balance, beginning		1,407,340	
Fund balance, ending		\$ 1,735,988	

City of Lowell, North Carolina  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2019

	Cemetery Fund	Capital Project Fund	Total
<b>Assets</b>			
Cash and cash equivalents	<u>\$ 49,941</u>	<u>54,901</u>	<u>104,842</u>
<b>Liabilities and Fund Balance</b>			
Liabilities:			
Due to other funds	<u>\$ -</u>	<u>-</u>	<u>-</u>
Fund balance:			
Restricted for streets	-	54,901	54,901
Reserved for perpetual maintenance	<u>49,941</u>	<u>-</u>	<u>49,941</u>
Total liabilities and fund balance	<u>\$ 49,941</u>	<u>54,901</u>	<u>104,842</u>

**City of Lowell, North Carolina**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2019**

	Cemetery Fund	Capital Project Fund	Total
Revenues:			
Investment earnings	\$ 5	-	5
Expenditures:			
Miscellaneous	-	-	-
Revenues over expenditures	5	-	5
Fund balance, beginning	49,936	54,901	104,837
Fund balance, ending	<u>\$ 49,941</u>	<u>54,901</u>	<u>104,842</u>

City of Lowell, North Carolina  
Capital Projects Fund - Sidewalk Construction  
Schedule of Revenues, Expenditures,  
and Changes in Fund Balance - Budget and Actual  
From Inception and For the Year Ended June 30, 2019

	Project Author- ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Capital outlay:					
Engineering	\$ 70,110	\$ 33,671	\$ -	\$ 33,671	\$ 36,439
Construction	179,234	160,770	-	160,770	18,464
Total expenditures	<u>249,344</u>	<u>194,441</u>	<u>-</u>	<u>194,441</u>	<u>54,903</u>
Other financing sources:					
Transfers from other funds:					
General Fund	<u>249,344</u>	<u>249,342</u>	<u>-</u>	<u>249,342</u>	<u>(2)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 54,901</u>	<u>-</u>	<u>\$ 54,901</u>	<u>\$ 54,901</u>
Fund balance, beginning			54,901		
Fund balance, ending			<u>\$ 54,901</u>		

**City of Lowell, North Carolina**  
**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Year Ended June 30, 2019**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services:			
Water and sewer fees	\$ -	\$ 1,201,643	\$ -
Water and sewer taps	-	4,600	-
Development fees		91,145	
Activation fees		14,900	
Reconnection fees and late charges		1,847	
Total operating revenues	1,206,760	1,314,135	107,375
Nonoperating revenues:			
Miscellaneous	-	4,200	4,200
Interest earnings	-	5	5
Total nonoperating revenues	-	4,205	4,205
Total revenues	1,206,760	1,318,340	111,580
Expenditures:			
Water and sewer operations:			
Salaries and employee benefits	-	316,284	-
Professional services	-	2,750	-
Telephone and postage	-	11,332	-
Utilities	-	17,820	-
Maintenance and repairs	-	4,358	-
Vehicle maintenance	-	1,728	-
Departmental supplies	-	24,616	-
Contracted services	-	48,379	-
Water purchases	-	385,169	-
Other operating expenditures	-	20,616	-
Insurance		11,173	
Capital outlay		1,946	-
Total water and sewer operations	884,163	846,171	37,992
Wastewater treatment:			
Telephone and postage	-	808	-
Utilities	-	31,417	-
Maintenance and repairs	-	6,683	-
Departmental supplies	-	36,124	-
Contracted services	-	113,549	-
Sewer treatment	-	74,972	-
Other operating expenditures	-	19,921	-
Debt service	-	57,351	-
Total wastewater treatment	363,106	340,825	22,281
Total expenditures	1,247,269	1,186,996	60,273
Revenues over expenditures	(40,509)	131,344	171,853

**City of Lowell, North Carolina**  
**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing sources:			
Fund balance appropriated	<u>40,509</u>	<u>-</u>	<u>(40,509)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>131,344</u>	<u>131,344</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Revenues and other sources over (under) expenditures and other uses		\$ 131,344	
Reconciling items:			
Principal retirements		55,178	
Increase (decrease) in accrued revenues		14,330	
(Increase) decrease in interest accrued		17	
(Increase) decrease in accrued vacation pay		(5,235)	
Increase (decrease) in deferred outflows of resources-pensions		-	
(Increase) decrease in net pension liability		(29,675)	
Increase (decrease) in deferred outflows of resources-pensions		23,570	
(Increase) decrease in deferred inflows of resources-pensions		-	
Increase (decrease) in deferred outflows of resources-OPEB		332	
(Increase) decrease in deferred inflows of resources-OPEB		(1,660)	
(Increase) decrease in OPEB liability		(1,954)	
(Increase) decrease in accrued OPEB liability		-	
Depreciation		(135,054)	
Increase (decrease) in inventories		976	
Capital outlay		<u>1,946</u>	
Total reconciling items		<u>(77,229)</u>	
Change in net position		<u>\$ 54,115</u>	

**City of Lowell, North Carolina**  
**Water and Sewer Capital Projects Funds**  
**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**  
**From Inception and For the Year Ended June 30, 2019**

	Project Author- ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues - Wastewater Plant Improvements:</b>					
Investment earnings	\$ -	\$ 57	\$ -	\$ 57	\$ 57
<b>Revenues - Technical Assistance Grant:</b>					
State grant	50,000	50,000	-	50,000	-
Total revenues	50,000	50,057	-	50,057	57
<b>Expenditures - Wastewater Plant Improvements:</b>					
Capital outlay:					
Improvements	400,000	384,320	-	384,320	15,680
<b>Expenditures - Technical Assistance Grant:</b>					
Professional services	50,000	50,000	-	50,000	-
Total expenditures	450,000	434,320	-	434,320	15,680
<b>Other financing sources:</b>					
Transfers from other funds:					
Water and Sewer Fund	130,000	130,000	-	130,000	-
Loan proceeds	270,000	270,000	-	270,000	-
Total other financing sources	400,000	400,000	-	400,000	-
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ 15,737	-	\$ 15,737	\$ 15,737
Fund balance, beginning			15,737		
Fund balance, ending			\$ 15,737		

## Other Schedules

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This section contains additional information required on property taxes.

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- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

**City of Lowell, North Carolina**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2019**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2018</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2018-2019	\$ -	1,212,457	1,196,932	15,525
2017-2018	11,178	-	5,547	5,631
2016-2017	4,458	-	1,868	2,590
2015-2016	4,751	-	1,273	3,478
2014-2015	3,961	-	1,165	2,796
2013-2014	3,757	-	1,090	2,667
2012-2013	4,202	-	537	3,665
2011-2012	3,530	-	669	2,861
2010-2011	2,562	-	550	2,012
2009-2010	2,552	-	362	2,190
2008-2009	2,025	-	1,813	212
2007-2008	57	-	57	0
2006-2007	88	-	88	0
	<u>\$ 43,121</u>	<u>1,212,457</u>	<u>1,211,951</u>	<u>43,627</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>28,360</u>
Ad valorem taxes receivable - net				<u>\$ 15,267</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				\$ 1,217,775
Reconciling items:				
Interest collected				(6,911)
Abatements and adjustments				999
Taxes written off				<u>88</u>
Subtotal				<u>(5,824)</u>
Total collections and credits				<u>\$ 1,211,951</u>

**City of Lowell, North Carolina**  
**Analysis of Current Tax Levy**  
**City - Wide Levy**  
**June 30, 2019**

	City - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 282,470,751	\$ .43	\$ 1,214,624	\$ 1,081,932	\$ 132,692
Discoveries - current and prior years	123,660	.43	322	322	-
Releases	(563,902)	.43	(2,489)	(2,489)	-
Total property valuation	<u>\$ 282,030,509</u>				
Net levy			1,212,457	1,079,765	132,692
Unpaid (by taxpayer) taxes at June 30, 2019			(15,525)	(15,525)	-
Current year's taxes collected			<u>\$1,196,932</u>	<u>\$1,064,240</u>	<u>\$132,692</u>
Current levy collection percentage			<u>98.72%</u>	<u>98.56%</u>	<u>100.00%</u>