

City of Lumberton, North Carolina

Report of Independent Certified Public Accountants

Financial Statements and Schedules

For the Fiscal Year Ended

June 30, 2019

Bruce Davis, Mayor

Council Members

Leroy Rising

John Cantey, Jr., Mayor Pro Tempore

Melissa Robinson

Chris Howard

John Carroll

Eric Chavis

Karen Higley

Owen Thomas

City Manager

T. Wayne Horne

Financial Statements and Schedules Prepared by:

Finance Director

Alisha B. Thompson, CPA

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June 30, 2019

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I. Introductory Section

- **Letter of Transmittal**
- **GFOA Certificate of Achievement**
- **City of Lumberton Organizational Chart**

City of



Lumberton

April 30, 2020

The Honorable Mayor, City Council and Citizens
City of Lumberton, North Carolina

The Comprehensive Annual Financial Report for the fiscal year ending June 30, 2019, for the City of Lumberton is hereby submitted. State law requires that a complete set of financial statements be presented in conformity with generally accepted accounting principles and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants to be published promptly after the close of the fiscal year.

This report consists of management's responsibility for establishing and maintaining an internal control system to ensure that the City's assets are protected from loss, theft or misuse and those adequate accounting records are compiled to facilitate the preparation of financial statements in compliance with generally accepted accounting principles. Internal accounting controls are designed to provide reasonable, but not absolute, assurance that objectives have been met. The concept of reasonable assurance recognizes that: (1) the cost of control should not outweigh the benefits; and (2) the valuation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. To the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

State statutes require an annual audit by an independent certified firm of public accountants. The City selected the firm of Patterson & Associates, PLLC. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Lumberton for the fiscal year ending June 30, 2019, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. An unmodified opinion of the City of Lumberton's financial statements has been issued. The independent auditor's report is presented as the first component of the financial section of this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

**Letter of Transmittal
For the Year Ending
June 30, 2019**

Profile of the Government

Lumberton is located on the Lumber River in Robeson County in southeastern North Carolina, 75 miles from the Atlantic beaches and 245 miles from the Great Smoky Mountains. It is 175 miles north of Charleston, SC, and 350 miles south of Washington, DC. Major highways intersecting the city are I-95, US 301, US 74, NC 211 and NC 41. Lumberton serves as the seat of government for Robeson County and functions as the commercial center for the region. Lumberton provides medical services, education, tourism, agriculture and livestock production, textiles, manufacturing, and service industries that contribute positively to the City's economic growth.

The City has operated under the Council-Manager form of government since 1949. The City Council is responsible for the legislative affairs of the City and is comprised of eight council members who are elected by precincts for four year staggered terms. The Mayor is elected at large for a four-year term. The Council makes appointments to various citizen boards and commissions to obtain advisory input. The City Manager is employed by the City Council as the Chief Executive Officer and is responsible for enforcement of laws and ordinances, delivery of services, planning and development, and budgetary management. The City provides a full range of services which include police, fire protection, emergency management, construction and maintenance of streets, infrastructure, sanitation services, community development, planning, recreation, and environmental protection. Additionally, the City operates an electric distribution system along with a water and sewer system to enhance quality of life.

Lumberton Airport Commission, Lumberton Tourism Development Authority, and Lumberton Alcoholic Beverage Control Board are legally separate entities within the City's financial structure and are reported as separate component units. Additional information on these entities can be found in the notes to the financial statements. The annual budget serves as the foundation for the City of Lumberton's financial planning and control. A budget calendar is included in the North Carolina General Statutes that prescribes the dates upon which certain required steps of the budget procedures are to be performed. The following schedule lists the tasks to be performed and the date by which they are required to be completed:

April 30 - Each department head shall submit to the budget officer a budget request with estimated revenues for their department for the budget year.

June 1 - The budget and a budget message shall be submitted to the governing board. A public hearing on the proposed budget shall be set at this time.

July 1 - The governing board shall adopt the budget ordinance.

The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g. police). The City Manager, as budget officer, is authorized by the governing board to make interdepartmental budget transfers. Transfer of appropriations between departments and capital codes shall be upon the recommendation of the budget officer and approval of the governing board. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is represented in the governmental fund subsection of the report. Also included in this section are project length budget-to-actual comparisons for each governmental fund for which a project length budget has been adopted (i.e. CDBG revitalization projects and capital projects funds).

Local economy. The City of Lumberton serves as the economic, cultural and service hub for Robeson County. The economy of the City is characterized by a high degree of public sector activity, plus office,

**Letter of Transmittal
For the Year Ending
June 30, 2019**

commercial and service-oriented businesses. Southeastern Regional Medical Center is the largest employer in our town, providing about 2,150 jobs.

The unemployment rate as of June 30, 2019, was 6.10%. This is due to the fact that manufacturing has undergone intensive restructuring over the last ten years. The profound effect has been the loss of jobs which provided stability for individuals, as well as our community. This scenario is not entirely hopeless. The county as a whole has some wonderful selling points including Robeson County Community College, UNC-Pembroke, Lumberton Regional Airport, a countywide water system, available land, the Lumber River, the future Interstate 74 and residents with a strong work ethic. With continued support from our local leaders and their goals in attracting prospective industry to our community, Lumberton will once again become the jewel of the community. The people, small business owners and workers have withstood the major shifts in economic policy throughout U.S. history and remain the bedrock of our economy. The diversity and strength of the community is our best investment.

Long-term financial planning. Undesignated fund balance in the general fund is an important reserve to provide cash flow during periods of declining revenues and an important reserve for unforeseen emergencies; fund balance in the general fund should never be below eight percent of expenditures. Maintaining a fund balance of approximately forty-two percent of expenditures would enable the city to reduce the need of borrowing to finance future projects. The city has started in that direction by increasing fees, reducing capital purchases and operating costs, and continuing to look at ways to increase fund balance.

Effective forecasting of cash requirements and progressive cash management has allowed the maximum use of all available cash resources. The City uses the pooled cash and investment concept in investing excess cash for all funds. The goal of the City's investment policy is to minimize credit and market risk while receiving high returns on investments. The investment policy of the City is guided by NCGS 159-30, which stipulates that the City can only invest in certificates of deposit, repurchase agreements, secured time deposits, banker's acceptances, commercial paper and United States government and agency securities.

Relevant financial policies. Management and staff continued to carefully monitor revenues this year to make sure that collections met or exceeded budget estimates. When our revenues continued to stay flat or decreased during this fiscal year due to the economy, the City reacted by implementing several changes.

The City has been diligent in its efforts to reduce operating costs during these difficult economic times. In addition, extra effort was made to improve the collection of outstanding revenues. The City also continues to look for grant opportunities that may be available to meet the capital and operating needs of the City. We received several grants this fiscal year and have several applications under review by various state and federal agencies.

Major initiatives:

- **Lambeth Street** – Sanitary Sewer Rehabilitation Project funded by a State grant of \$1.0M with 50% principle forgiveness. Phase I and II are under contract. Phase I includes the gravity sewer line rehabilitation around Lambeth Street, Cracker Barrel, Tractor Supply and the 18” SS Line under I-95 at this location. Phase II includes the Rehabilitation of Ramada Inn Pump Station and the replacement of the force main that extends across Roberts Avenue and down Rowland Avenue to 35th Street. The contractor, Prism Contractors of Virginia, is approximately 85% complete on this project.

**Letter of Transmittal
For the Year Ending
June 30, 2019**

- **Tanglewood Drainage** – This project was funded with a \$3.0M Golden Leaf Grant, to help improve drainage around the Southeastern Regional Medical Center. The engineering design on Phase I, which extends the project from the river to 23rd Street is complete and is projected to be bid in August. The Phase II section, which extends the project to the Southeastern Regional Medical Center, will be completed and bid in January 2020, while Phase I is under construction.
- **Water Plant Berm** – This project was approved for a \$1.25M FEMA Mitigation Grant. This project includes construction of a protective berm with flood gates around the water treatment plant. Construction on this project is expected to start around the end of June. A supplemental request for additional funding for this project is being submitted to FEMA. Council awarded the bid for this project to T2 Contracting, Inc. of Fuquay-Varina for \$1,246,221.06.
- **Flood Gates** – A \$1.0M CDBG-DR grant from NC Emergency Management and a \$1.25M grant from Golden Leaf Foundation are funding the installation of flood gates under I-95 at VFW Road. Contracts for engineering and administrative services were approved by Council in May 2019. Staff has submitted a request for additional funds to NCEM. The engineering design contract was awarded to Atkins, a London based engineering firm, and the administrative contract was approved for McGill and Associates.
- **J.C. Hut** – This project was funded with a \$500,000 grant from Golden Leaf Foundation. Council, after reviewing several sites, approved the relocation of the West Lumberton Resource Center to a corner lot on W. 5th Street and Branch Street. The construction cost for the new facility based on construction estimates is expected to exceed the approved grant amount. A supplemental request for additional funding for this project has been submitted to The Golden Leaf Foundation. The design contract for this project was awarded to The Becker Morgan Group.
- **Matthew Housing Program** – The HMGP Program, which is anticipated to cost approximately \$12.8M, is moving forward. This program had 101 homes approved by FEMA for buy-out, elevation and demolition/rebuild. The Adam's Company has completed and closed on the purchase of 16 homes, 4 additional offers are complete and expected to close this month. Site inspections on 14 properties scheduled for elevation have been completed and six are scheduled to be bid in May. Specification on one property scheduled for demolition/rebuild has been completed and approved by Council; work on this property is scheduled to start in June. Six properties in the buy-out program have been approved for demolition.
- **CDBG Scattered Sites** – The City received a CDBG Scattered Site Grant for \$750,000. This grant provided assistance for the renovation of 6 homes and the acquisition of two. Grant conditions are designed to benefit low and moderate income families in the impacted areas. The grant also provides for relocation assistance, demolition and the clearing of the property.
- **Fuller Sanitary Sewer** – State Emergency Management has approved a \$426,000 CDBG Grant to extend sewer on NC211 to serve Fuller's new location. Staff will advertise this project for engineering services once a site has been selected and the City has a firm commitment from the owners to proceed with the project.
- **Plaza Renovation/Alleyway Enhancement/Riverwalk** – The Council approved \$782,209 for the Plaza Renovation/Alleyway Enhancement Project and Riverwalk. This project includes a State grant of \$344,340; a local match of \$433,869 and a \$15,000 ElectriCities Grant. RDL contributed \$4,000 toward the project cost. The project budget included; 1) way finding signs

**Letter of Transmittal
For the Year Ending
June 30, 2019**

\$14,000, 2) Alley & Plaza Renovation \$563,129, 3) Riverwalk \$205,080, Engineering & Architectural cost of \$35,150, City In-Kind Services totaling \$46,200.

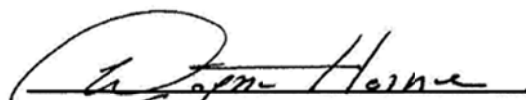
- **Rosewood Mobile Home Park Sewer** – This project provides for 3,300 LF of 8” gravity sewer, 3,000 LF of 4” force main and construction of a new lift station. Also included is funding for the installation of 80 sewer taps and the paving of streets. The City secured a \$2,003,040 CDBG-1 grant from the NCDEQ- Division of Water Infrastructure for this project. The engineering contract for the phase design was awarded to The Wooten Company.
- **Electrical System Upgrade** - Volt Power LLC of Kinston, NC has started working on the distribution circuit upgrade. This project includes replacing 80 poles, fiberglass cross arms, new transformers, insulators and new primary wire. The larger 477 wire will carry approximately 600 amps while the existing 4/0 wire is designed for 300 amp load. The system upgrade will improve system operating efficiency and allows EUD to transfer the electrical load between substations. Volt Power is working on the Carthage Road circuit, across from Velcord Ballpark and is changing the lines on 19th Street from Carthage Road to Barker Street. After completion of the Carthage Road and 19th Street lines, the contractor will move to Fayetteville Road. The second phase of this project is to upgrade the lines from the Fayetteville Road substation following Wesley Pines Road to Fayetteville Road then to I-95. The estimated completion time for this project is 6 – 8 months. This project is approximately 50% complete.
- **Airport Terminal** – The new building footprint will increase in size from 3,000 SF to 5,400 SF with an additional 1,500 SF on the second floor for future expansion. The project cost of \$3.5M is funded with 56% NCDOT Aviation Grant and local match of 44%, shared by the City and County. The City’s cost for this project is estimated at \$370,000. Other funding sources included a Federal Grant of \$1,200,000 of Non-Primary Entitlement Funding. The contract for the Airport Terminal was awarded to Simeon Building and Construction Solution of Mount Airy, NC.
- **Rempac Berm** – The City has been awarded a \$1.2M Infrastructure Grant through the NC Department of Commerce, to construct a protective berm around the Rempac Facilities. The project will protect the facility from future flooding and will help preserve 200 manufacturing jobs in the community. Contract for engineering services has been awarded to Catlin Engineering and Scientists of Wilmington on this project. City staff will be working with surveyors to establish a City owned easement around the facility while the project is under design.
- **Godwin Heights and Sunset Heights Sewer Rehab Project** – This project was funded with \$1.0M from the State Revolving Loan Fund (SRF). This project will slip line and rehab approximately 2,000 linear feet of concrete sewer lines in the Sunset Heights neighborhood around Nevada Street. In addition approximately 5,000 linear feet of pipe in the Godwin Heights area will be rehabbed including 7th Street from Cedar Street to Norwood Avenue, 8th, 9th, 10th and 11th Streets from Godwin Avenue to Linwood Avenue and 13th Street from Godwin Avenue to Godwin Heights Park. While the project has been funded, the loan portion of \$500,000 is subject to LGC review and approval.
- **East Lumberton Affordable Housing Project** – The City has been awarded a grant to help develop affordable housing outside of the 100 year flood plain. The NC Office of State Budget and Management has approved a grant award of \$400,000 for lot acquisitions and non-profit support and an additional \$100,000 for appraisal services and other soft costs. A second grant award of \$2,843,500 has been approved for Phase II, housing construction. Staff is currently updating property inventory records and identifying vacant lots in the East Lumberton area.

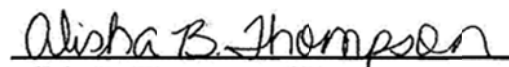
**Letter of Transmittal
For the Year Ending
June 30, 2019**

- **DSI/SOG Senior Apartments** – The Development Finance Initiative (DFI) at the School of Government partners with local governments in NC to attract private investment for transformative projects by providing specialized financing and development expertise. They are currently working with the City to construct approximately 50-60 units of elderly apartments in Lumberton on a site furnished by the City. The City Attorney has secured an option on the property approved by Council for this project. Staff is currently working on a Phase I Environmental Study for this site. The estimated cost for this project is \$6.0M.
- **Old Whiteville Road Culvert** – This culvert washed out during both Hurricanes Matthew and Florence. FEMA required that a hydraulic study be conducted as part of the approval process for an enhanced project. Koonce Nobles and Associates completed the study and are currently working on the design for the culvert replacement project. This project cost will be funded by FEMA: \$17,000 for the hydraulic study, \$52,900 for engineering and construction administration. The project construction cost is estimated at \$360,000. This project is currently under design; specifications should be complete and ready for bid in July.
- **Canal Debris Clearing Project** – The scope of work includes clearing of storm related debris from the Five Mile Branch from its upper reach, downstream to the Lumber River. The project also includes clearing a short reach of the Ivey’s Branch, Pole Cat Branch and clearing of select points on the Meadow Branch. Public Works also received approval to clean the Gum Branch and Cotton Mill Branch that are under the control of Robeson county Drainage District 1. The section of Saddletree Swamp from NC 211 to the back side of Mayfair was worked, but beavers must be trapped before work can be completed. The estimated cost for FEMA reimbursement is \$1,525,000; monitoring cost for this project is estimated at \$425,000.

The preparation of this report could not have been accomplished without the professional, efficient, and dedicated efforts of the entire staff of the finance department, the various department heads and employees who assisted and contributed to its preparation, and our independent auditor, Patterson & Associates, PLLC. Each of them has our sincere thanks. In closing, our appreciation is extended to the Mayor and City Council for the encouragement, assistance, and stewardship they have provided. It is a distinct pleasure to be associated with a governing board who appreciates and respects the principles of financial and budgetary restraint that prevail in the City of Lumberton.

Respectfully submitted,


T. Wayne Horne
City Manager


Alisha B. Thompson, CPA
Finance Director



Government Finance Officers Association

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

Presented to

**City of Lumberton
North Carolina**

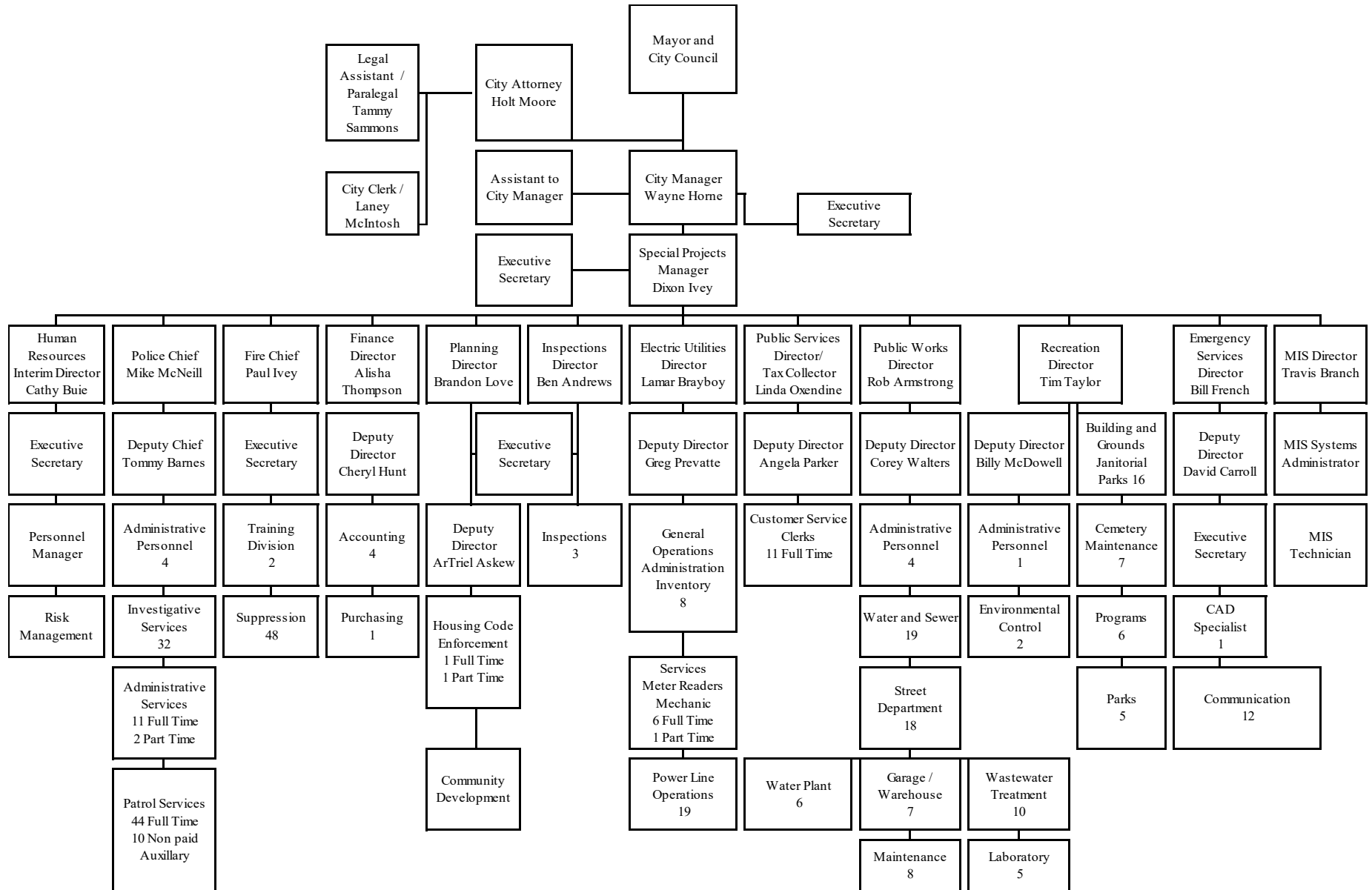
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO

City of Lumberton Organizational Chart



II. Financial Section

- **Independent Auditor's Report**
- **Management's Discussion and Analysis**
- **Basic Financial Statements**
- **Non-Major Governmental Funds**
- **Internal Service Funds**
- **Enterprise Funds**



Patterson & Associates, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
American Institute of CPAs
NC Association of CPAs

Independent Auditor's Report

April 30, 2020

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lumberton, 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 did not audit the financial statements of the City of Lumberton ABC Board or Lumberton Tourism Development Authority. Those statements were audited by another auditor whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Lumberton ABC Board or Lumberton Tourism Development Authority, is based solely on the reports of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the City of Lumberton ABC Board and Lumberton Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

**Independent Auditor's Report
For the Year Ending
June 30, 2019
Page 2 of 3**

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 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 financial statement 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 and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lumberton, 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 12 through 22, the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, on page 85, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on page 83, 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 page 84, 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 and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Independent Auditor's Report
For the Year Ending
June 30, 2019
Page 3 of 3**

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 Lumberton, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, *Audits of State and Local Governments and Non-Profit Organizations* and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2020, on our consideration of City of Lumberton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Lumberton's internal control over financial reporting and compliance.

Patterson & Associates, PLLC
Lumberton, NC

**City of Lumberton, North Carolina
Management’s Discussion and Analysis
June 30, 2019**

As management of the City of Lumberton, we offer readers of the City of Lumberton’s financial statements this narrative overview and analysis of the financial activities of the City of Lumberton 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 Lumberton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$67,212,678 (net position).

The government’s total net position increased by \$3,051,230, primarily due to the City receiving multiple grants due to Hurricane Florence.

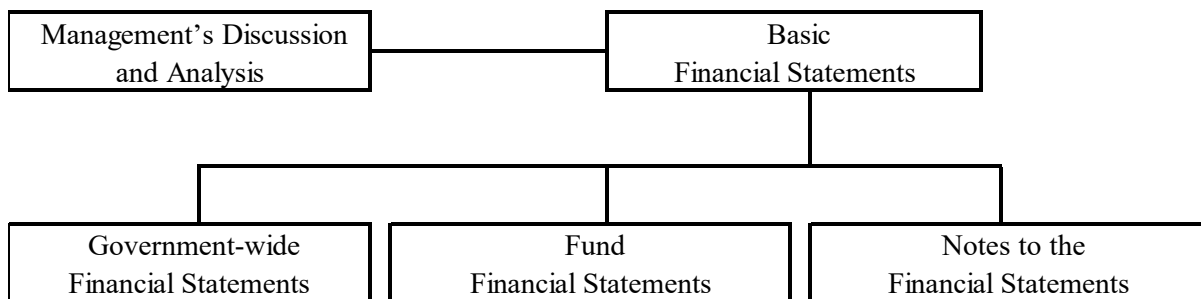
As of the close of the current fiscal year, the City of Lumberton’s governmental funds reported combined ending fund balances of \$5,837,379. Approximately 51.21% percent of this total amount, or \$2,989,605, is available for spending at the government’s discretion, known as unreserved fund balance. This unreserved fund balance represents 11.10% of total general fund expenditures for the fiscal year.

The City of Lumberton’s legal debt limit is \$128,324,205, which is 8.00% of the City’s assessed property tax valuation of \$1,604,052,561. The total legal indebtedness of the City is \$21,180,256, which represents 1.32% of assessed property valuation.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Lumberton’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. 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 Lumberton.

Required Components of the Annual Financial Report



City of Lumberton, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2019

Basic Financial Statements

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

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

Government-wide Financial Statements

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

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

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

Fund Financial Statements

The fund financial statements 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 Lumberton, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City of Lumberton can be divided into two categories: governmental funds and proprietary funds.

City of Lumberton, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2019

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 that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Lumberton 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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds

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

Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the functions of the City of Lumberton. The City uses an internal service fund to account for its fleet maintenance and insurance funds. Because these operations benefit predominantly governmental rather than business-type activities, the internal service fund has been included within the governmental activities in the government-wide financial statements.

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 are on pages 39-82 of this report.

City of Lumberton, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2019

Other Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Lumberton's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 83 of this report.

Government-Wide Financial Analysis

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 resources of the City of Lumberton exceeded liabilities and deferred inflows of resources by \$67,212,678 as of June 30, 2019. The City's Net Position increased by \$3,024,767 for the fiscal year ended June 30, 2019.

However, the largest portion of the City's net position (127.64%) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City of Lumberton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Lumberton's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

The City of Lumberton's Net Position

	Governmental		Business Type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 11,466,786	\$ 10,938,607	\$ 20,217,258	\$ 18,176,650	\$ 31,684,044	\$ 29,115,257
Capital assets	40,771,401	40,604,462	64,465,428	62,890,748	105,236,829	103,495,210
Deferred outflows of resources	8,340,805	5,194,553	3,148,863	1,668,665	11,489,668	6,863,218
Total assets and deferred outflows of resources	60,578,992	56,737,622	87,831,549	82,736,063	148,410,541	139,473,685
Long-term liabilities	49,065,831	47,596,356	18,465,589	15,319,655	67,531,420	62,916,011
Other liabilities	3,647,557	2,760,996	5,452,709	6,140,029	9,100,266	8,901,025
Deferred inflows of resources	3,364,050	2,559,914	1,202,127	935,287	4,566,177	3,495,201
Total liabilities and deferred inflows of resources	56,077,438	52,917,266	25,120,425	22,394,971	81,197,863	75,312,237
Net position						
Net investment in						
capital assets	27,570,935	26,860,627	58,217,534	57,862,770	85,788,469	84,723,397
Restricted	4,057,061	4,542,038	-	-	4,057,061	4,542,038
Undesignated	(27,126,442)	(27,582,309)	4,493,590	2,478,322	(22,632,852)	(25,103,987)
Total net position	\$ 4,501,554	\$ 3,820,356	\$ 62,711,124	\$ 60,341,092	\$ 67,212,678	\$ 64,161,448

The restricted portion of net position, \$4,057,061, represents the City's resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of (\$22,632,852) may be used to meet the City's ongoing obligations to the citizens and creditors.

City of Lumberton, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2019

Governmental activities

Governmental activities increased the City's net position by \$681,198. Key elements of this increase are as follows:

City of Lumberton Changes in Net Position

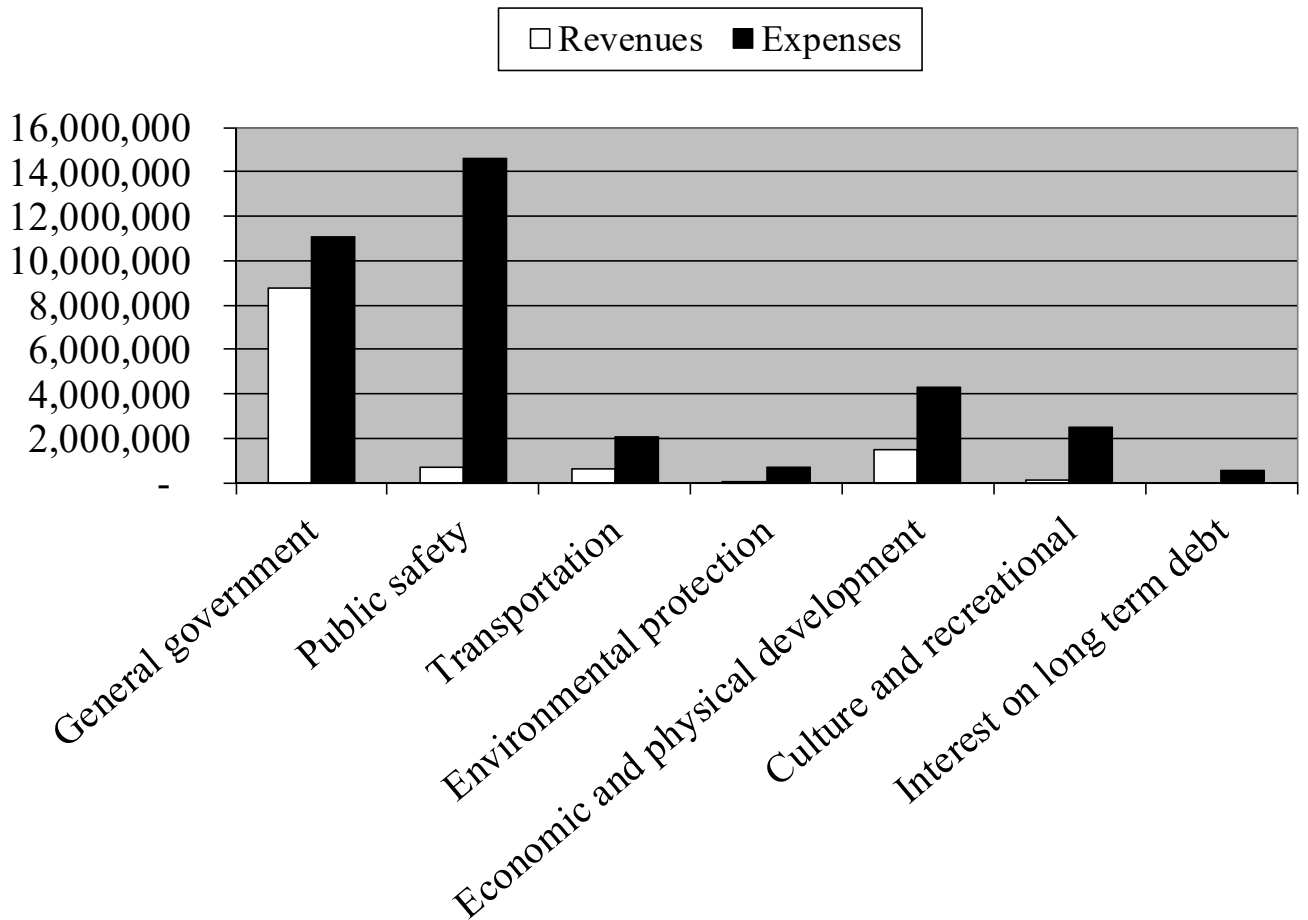
	Governmental Activities		Business Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 8,933,515	\$ 7,985,107	\$ 43,874,283	\$ 42,612,813	\$ 52,807,798	\$ 50,597,920
Operating grants and contributions	1,299,586	2,165,532	-	-	1,299,586	2,165,532
Capital grants and contributions	1,453,868	76,361	-	-	1,453,868	76,361
General revenues:						
Property taxes	11,206,397	10,241,151	-	-	11,206,397	10,241,151
Other taxes and licenses	7,746,000	7,235,886	-	-	7,746,000	7,235,886
Unrestricted	1,804,270	1,800,957	-	-	1,804,270	1,800,957
Other	1,951,363	923,607	87,959	70,531	2,039,322	994,138
Total revenues	34,394,999	30,428,601	43,962,242	42,683,344	78,357,241	73,111,945
Expenses:						
General government	11,029,963	9,577,178	-	-	11,029,963	9,577,178
Public safety	14,620,716	13,400,363	-	-	14,620,716	13,400,363
Transportation	2,069,404	2,221,713	-	-	2,069,404	2,221,713
Environmental protection	716,567	676,091	-	-	716,567	676,091
Economic development	4,315,004	2,144,410	-	-	4,315,004	2,144,410
Culture and recreation	2,483,217	2,365,974	-	-	2,483,217	2,365,974
Interest on long-term debt	552,183	577,049	-	-	552,183	577,049
Light and power	-	-	29,067,607	28,881,508	29,067,607	28,881,508
Water and sewer	-	-	8,578,358	8,287,998	8,578,358	8,287,998
Sanitation	-	-	1,899,455	1,743,257	1,899,455	1,743,257
Total expenses	35,787,054	30,962,778	39,545,420	38,912,763	75,332,474	69,875,541
Increase in net position before transfers	(1,392,055)	(534,177)	4,416,822	3,770,581	3,024,767	3,236,404
Transfers	2,046,790	2,374,542	(2,046,790)	(2,374,542)	-	-
Increase in net position	654,735	1,840,365	2,370,032	1,396,039	3,024,767	3,236,404
Net position, July 1, restated	3,846,819	1,979,991	60,341,092	58,945,053	64,187,911	60,925,044
Net position, June 30	\$ 4,501,554	\$ 3,820,356	\$ 62,711,124	\$ 60,341,092	\$ 67,212,678	\$ 64,161,448

City of Lumberton, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2019

Ad valorem taxes continue to be the largest revenue contributor of the total governmental activities revenues. Charges for service revenues is the next largest contributor.

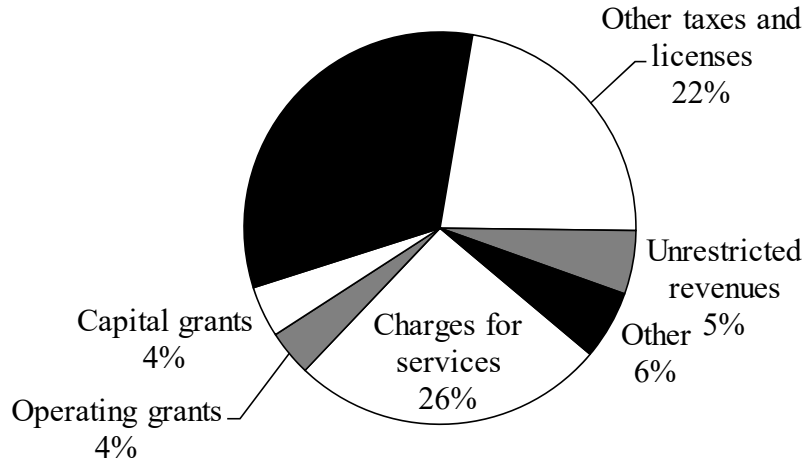
Operating grants for governmental activities furnished resources to support two of the six functions of the City: general governmental, public safety, transportation, environmental protection, economic and physical development, and culture and recreation. The operating grants for governmental activities decreased by \$865,946 due to a sluggish economy and increased competition for grant dollars.

Grants received for operations contributed to economic and physical development. The following graphs show the comparison of expenses and programs revenues within the governmental activities, as well as a breakdown by percentage of governmental revenues.



**City of Lumberton, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2019**

Revenues by Source – Governmental Activities

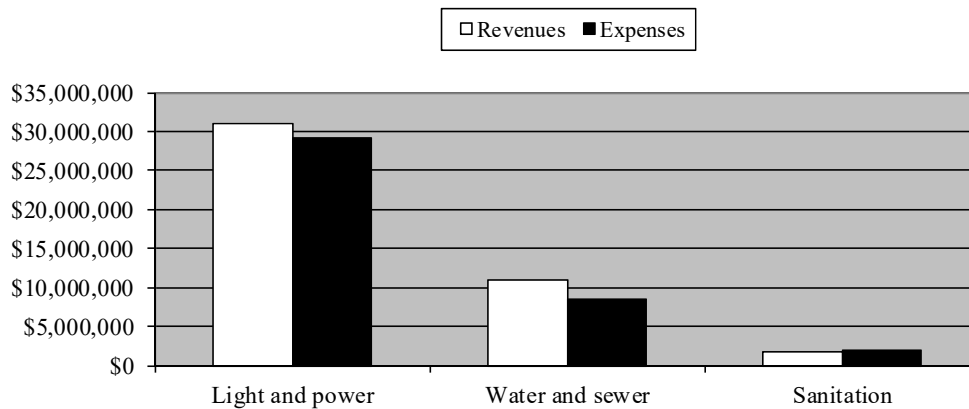


Governmental activities expenses increased from last fiscal year by \$4,824,276, primarily due to decreases in costs of Economic and physical development.

Business type activities

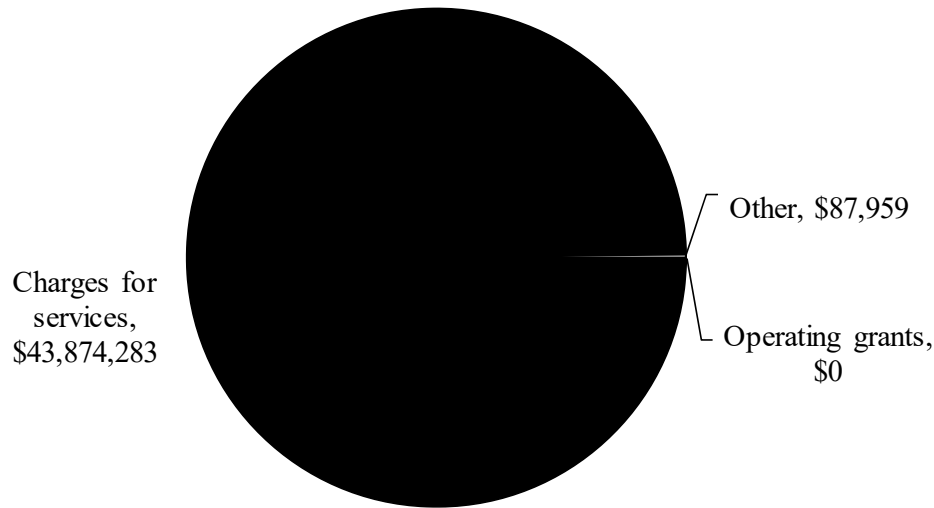
Business type activities' operating revenues increased by \$1,261,470 and operating expenses increased by \$632,657, respectively. Key elements of this change are as follows:

Program Revenues and Expenses – Business Type Activities



City of Lumberton, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2019

Revenues by Source – Business Type Activities



Charges for services for business type activities are always the largest source of revenues for light and power, water and sewer, and sanitation. An increase of \$1,261,470 (2.96%) over prior year charges for services is a result of less usage and lowered rates.

Expenses have increased by \$632,657 (1.63%) for the business type activities compared to prior year. These decreases are mainly in the amount of purchased power.

Financial Analysis of the City of Lumberton's Funds

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

Governmental Funds

The focus of the City'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 Lumberton's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City of Lumberton. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$2,989,605, while total fund balance reached \$5,908,816. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 11.10% of total General Fund expenditures.

At June 30, 2019, the governmental funds of the City of Lumberton reported a combined fund balance of \$5,837,379, a decrease of \$1,383,326 from last year. Included in this change in fund balance are decreases in fund balance in the General Fund, Community Development Fund, Capital Reserve Fund, Grant Loan Fund and decreases in the Capital Projects Funds and Emergency Telephone System Fund.

City of Lumberton, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2019

Proprietary Funds

The City's proprietary funds provide the same type of information found in the governmental wide financial statements, but in more detail.

Unrestricted Net Position in the Light and Power Fund increased by \$716,629 (4.26%) from the prior fiscal year. This was consistent with prior year results. Unrestricted net position in the Water and Sewer Fund increased by \$1,809,058 (4.19%) from the prior fiscal year. This was due mainly to state disaster grants. Unrestricted net position in the Sanitation Fund decreased by \$155,655 (51.10%) from the prior fiscal year. This was due mainly to increase in curbside service fees.

General Fund Budgetary Highlights

During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Revenues were less than the budgeted amounts primarily because privilege licenses revenue was lower than expected. Expenditures decreased primarily due to budget cuts. See pages 30-32 for a detailed comparison of original budgeted amounts to final budgeted amounts.

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 Light and Power Fund at the end of the fiscal year amounted to \$5,613,402 . Unrestricted Net Position of the Water and Sewer Fund at the end of the fiscal year amounted to -\$1,231,629. Unrestricted Net Position of the Sanitation Fund at the end of the fiscal year amounted to \$111,817 . The total change in net position for the three funds was \$716,629 , \$1,809,058 , and (\$155,655), respectively. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's business-type activities.

Capital Asset and Debt Administration

Capital assets. The City of Lumberton's investment in capital assets for its governmental and business-type activities as of June 30, 2019, is summarized below. These assets include buildings, streets, land, machinery and equipment, park facilities, and vehicles.

City of Lumberton, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2019

Capital Asset and Debt Administration (continued)

Capital Assets (net of depreciation)

	Governmental		Business Type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
Land	\$ 16,562,693	\$ 16,331,348	\$ 1,409,018	\$ 1,409,018	\$ 17,971,711	\$ 17,740,366
Buildings	10,242,686	10,389,618	10,402,829	10,679,957	20,645,515	21,069,575
Improvements	3,413,405	3,547,543	-	-	3,413,405	3,547,543
Furniture and equipment	2,130,556	2,540,273	3,098,711	2,332,967	5,229,267	4,873,240
Infrastructure	2,521,366	2,751,859	-	-	2,521,366	2,751,859
Distribution system	-	-	47,402,048	46,353,374	47,402,048	46,353,374
Work in progress	5,900,695	5,043,821	2,152,822	2,115,432	8,053,517	7,159,253
Total	\$ 40,771,401	\$ 40,604,462	\$ 64,465,428	\$ 62,890,748	\$ 105,236,829	\$ 103,495,210

Major capital asset transactions during the year included the following additions:

Land purchase	\$ 249,288
Construction in progress	856,874
Buildings	20,952
Improvements	11,466
Roadways and streets	-
Furniture and equipment	317,868
Total	\$ 1,456,448

Additional information on the City's capital assets can be found starting on page 52 in the Notes to the Financial Statements.

Long-term Debt

As of June 30, 2019, the City of Lumberton had total bonded debt outstanding of \$21,180,256. The City's debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

City of Lumberton's Outstanding Debt
General Obligation and Revenue Bonds

	Governmental		Business Type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
Loans and notes	\$ 12,012,946	\$ 12,537,909	\$ 4,319,843	\$ 1,993,169	\$ 16,332,789	\$ 14,531,078
Installment purchases	2,208,934	1,459,456	2,638,533	3,318,211	4,847,467	4,777,667
Total	\$ 14,221,880	\$ 13,997,365	\$ 6,958,376	\$ 5,311,380	\$ 21,180,256	\$ 19,308,745

City of Lumberton, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2019

The City of Lumberton's total debt increased by \$1,871,511 during the past fiscal year due new borrowings.

The City of Lumberton maintained an "A" rating from Standard and Poor's Corporation on the general obligation bonds of the Water and Sewer Fund. This bond rating is a clear indication of the sound financial condition of City of Lumberton.

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 Lumberton is \$107,143,949. Additional information pertaining to the City of Lumberton's long-term debt can be found starting on page 73 in the Notes to the Financial Statements.

Economic Factors and Next Year's Budgets and Rates

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

- The City of Lumberton's property tax rate remains the same at \$.65 per \$100.
- Occupancy rates on office and retail space in the City remain stable.
- There are no proposed adjustments for rates and fees in the 2018-2019 FY Budget.
- Unemployment continues to decrease from the prior year.

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 Office of the Finance Director, 500 North Cedar Street, Lumberton, NC 28358.

Basic Financial Statements

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

	<u>Primary Government</u>			<u>Component Units</u>		
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>ABC Board</u>	<u>Tourism Development Authority</u>	<u>Airport Commission</u>
<u>Assets</u>						
Current assets						
Cash and cash equivalents	\$ 6,416,354	\$ 5,871,485	\$ 12,287,839	\$ 396,720	\$ 718,333	\$ 545,222
Taxes receivable - net	569,283	-	569,283	-	-	130,863
Accounts receivable - net	3,100,077	10,256,865	13,356,942	-	440,361	40,518
Inventories	222,157	1,441,278	1,663,435	663,407	-	43,368
Prepaid items	599,501	-	599,501	-	-	-
Interfund balances	(462,000)	462,000	-	-	-	-
Total current assets	<u>10,445,372</u>	<u>18,031,628</u>	<u>28,477,000</u>	<u>1,060,127</u>	<u>1,158,694</u>	<u>759,971</u>
Non current assets						
Restricted assets						
Cash and cash equivalents	1,020,704	1,247,149	2,267,853	-	-	-
Cash and cash equivalents-escrow	710	938,481	939,191	-	-	-
Total restricted assets	<u>1,021,414</u>	<u>2,185,630</u>	<u>3,207,044</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital assets						
Land and other non-depreciable assets	22,463,388	3,561,840	26,025,228	120,974	-	2,311,613
Other capital assets, net of depreciation	18,308,013	60,903,588	79,211,601	510,465	-	10,427,864
Total capital assets	<u>40,771,401</u>	<u>64,465,428</u>	<u>105,236,829</u>	<u>631,439</u>	<u>-</u>	<u>12,739,477</u>
Total assets	<u>52,238,187</u>	<u>84,682,686</u>	<u>136,920,873</u>	<u>1,691,566</u>	<u>1,158,694</u>	<u>13,499,448</u>
<u>Deferred Outflows of Resources</u>						
Contributions to pension plan in current fiscal year	3,269,779	1,312,889	4,582,668	52,771	-	43,729
Contributions to OPEB plan in current fiscal year	5,071,026	1,835,974	6,907,000	-	-	-
Total deferred outflows of resources	<u>8,340,805</u>	<u>3,148,863</u>	<u>11,489,668</u>	<u>52,771</u>	<u>-</u>	<u>43,729</u>

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

City of Lumberton, North Carolina
Statement of Net Position (continued)
June 30, 2019

	Primary Government			Component Units		
	Governmental Activities	Business Type Activities	Total	ABC Board	Tourism Development Authority	Airport Commission
Liabilities						
Current liabilities						
Accounts payable and accrued liabilities	1,459,040	3,340,745	4,799,785	244,739	146,612	130,998
Payable from restricted assets	427,806	1,247,149	1,674,955	-	-	-
Unearned revenue	382,260	-	382,260	-	-	-
Current portion of long-term liabilities	1,378,451	864,815	2,243,266	-	-	51,238
Total current liabilities	3,647,557	5,452,709	9,100,266	244,739	146,612	182,236
Long-term liabilities						
Compensated absences	639,151	274,617	913,768	-	-	8,314
Net pension liability	6,821,893	1,660,515	8,482,408	43,178	-	48,159
Net OPEB liability	28,361,084	10,359,439	38,720,523	287,735	-	-
Due in more than one year	13,243,703	6,171,018	19,414,721	-	-	293,360
Total liabilities	52,713,388	23,918,298	76,631,686	575,652	146,612	532,069
Deferred Inflows of Resources						
Prepaid taxes	11,061	-	11,061	-	-	-
Pension deferrals	201,602	31,164	232,766	1,312	-	1,233
OPEB deferrals	3,151,387	1,170,963	4,322,350	26,478	-	-
Total deferred inflows of resources	3,364,050	1,202,127	4,566,177	27,790	-	1,233
Net Position						
Net investment in capital assets	27,570,935	58,217,534	85,788,469	631,439	-	12,397,224
Restricted for:						
Stabilization by State Statute	2,919,211	-	2,919,211	-	440,361	-
Working capital	-	-	-	128,743	-	-
Capital projects	(446,607)	-	(446,607)	-	-	-
Employee benefits	1,584,457	-	1,584,457	-	-	-
Unrestricted	(27,126,442)	4,493,590	(22,632,852)	380,713	571,721	612,651
Total net position	\$ 4,501,554	\$ 62,711,124	\$ 67,212,678	\$ 1,140,895	\$ 1,012,082	\$ 13,009,875

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

City of Lumberton, North Carolina
Statement of Activities
For the Fiscal Year Ended June 30, 2019

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net Revenue (Expense) and Changes in Net Position</u>					
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>ABC Board</u>	<u>Tourism Development Authority</u>	<u>Lumberton Airport Commission</u>
Primary government										
Governmental activities										
General government	\$ 11,029,963	\$ 8,778,751	\$ -	\$ -	\$ (2,251,212)	\$ -	\$ (2,251,212)	\$ -	\$ -	\$ -
Public safety	14,620,716	-	-	672,608	(13,948,108)	-	(13,948,108)	-	-	-
Transportation	2,069,404	-	-	626,978	(1,442,426)	-	(1,442,426)	-	-	-
Environmental protection	716,567	19,315	-	-	(697,252)	-	(697,252)	-	-	-
Economic and physical development	4,315,004	-	1,453,868	-	(2,861,136)	-	(2,861,136)	-	-	-
Culture and recreation	2,483,217	135,449	-	-	(2,347,768)	-	(2,347,768)	-	-	-
Interest on long term debt	552,183	-	-	-	(552,183)	-	(552,183)	-	-	-
Total governmental activities	35,787,054	8,933,515	1,453,868	1,299,586	(24,100,085)	-	(24,100,085)	-	-	-
Business type activities										
Light and power	29,067,607	31,108,611	-	-	-	2,041,004	2,041,004	-	-	-
Water and sewer	8,578,358	11,021,872	-	-	-	2,443,514	2,443,514	-	-	-
Sanitation	1,899,455	1,743,800	-	-	-	(155,655)	(155,655)	-	-	-
Total business type activities	39,545,420	43,874,283	-	-	-	4,328,863	4,328,863	-	-	-
Total primary government	\$ 75,332,474	\$ 52,807,798	\$ 1,453,868	\$ 1,299,586	(24,100,085)	4,328,863	(19,771,222)	-	-	-
Total component units								159,989	1,286	364,298
General revenues and transfers										
Ad Valorem taxes					11,206,397	-	11,206,397	-	-	-
Other taxes and licenses										
Local option sales tax					5,621,765	-	5,621,765	-	-	-
Motel occupancy tax					1,655,581	-	1,655,581	-	-	-
Wireless 911					106,773	-	106,773	-	-	-
Telecommunication tax					151,477	-	151,477	-	-	-
Other miscellaneous taxes					210,404	-	210,404	-	-	-
Unrestricted intergovernmental revenues					1,804,270	-	1,804,270	-	-	-
Investment earnings					87,201	72,193	159,394	-	-	-
Transfers in (out)					2,046,790	(2,046,790)	-	-	-	-
Miscellaneous					1,864,162	15,766	1,879,928	-	-	-
Total general revenues and transfers					24,754,820	(1,958,831)	22,795,989	-	-	-
Change in net position					654,735	2,370,032	3,024,767	159,989	1,286	364,298
Net position, beginning					3,846,819	60,341,092	64,187,911	980,906	1,010,796	12,645,577
Net position, ending					\$ 4,501,554	\$ 62,711,124	\$ 67,212,678	\$ 1,140,895	\$ 1,012,082	\$ 13,009,875

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

City of Lumberton, North Carolina
Combined Balance Sheet
Governmental Funds
June 30, 2019

	<u>Major Fund</u> <u>General</u>	<u>Non-Major</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 4,459,541	\$ 298,171	\$ 4,757,712
Taxes receivable - net	569,283	-	569,283
Accounts receivable - net	2,631,005	426,889	3,057,894
Inventories	125,382	-	125,382
Prepaid items	2,467	-	2,467
Cash - restricted	1,020,704	710	1,021,414
Total assets	\$ 8,808,382	\$ 725,770	\$ 9,534,152
<u>Liabilities</u>			
Liabilities			
Accounts payable and accrued liabilities	\$ 1,459,040	\$ -	\$ 1,459,040
Unearned revenue	860,183	334,509	1,194,692
Due to Light and Power Fund	-	462,000	462,000
Payable from restricted assets	-	698	698
Total liabilities	2,319,223	797,207	3,116,430
<u>Deferred Inflows of Resources</u>			
Property taxes receivable	569,282	-	569,282
Prepaid taxes	11,061	-	11,061
Total deferred inflows of resources	580,343	-	580,343
<u>Fund Balances</u>			
Non Spendable - Inventories	125,383	-	125,383
Restricted - Stabilization by State Statute	2,793,828	-	2,793,828
Assigned - Special revenue funds	-	375,170	375,170
Assigned - Capital projects funds	-	(446,607)	(446,607)
Unassigned	2,989,605	-	2,989,605
Total fund balances	5,908,816	(71,437)	5,837,379
Total liabilities, deferred inflows of resources and fund balances	\$ 8,808,382	\$ 725,770	\$ 9,534,152

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

City of Lumberton, North Carolina
Reconciliation of the Governmental Funds
Combined Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2019

Amounts reported for governmental activities in the statement of net position are different because:

Total Fund Balance, Governmental Funds	\$ 5,837,379
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Gross capital assets at historical cost	65,276,699
Accumulated depreciation	(24,505,298)
Less internal service fund net capital assets included in net assets below	<u>(57,341)</u>
Net capital assets	40,714,060
• Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the statement of net position	3,269,779
• Contributions to the OPEB plan in the current fiscal year are deferred outflows of resources on the statement of net position	5,071,026
• Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet maintenance, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.	1,316,094
• Liabilities for earned but deferred inflows of resources in fund statements.	1,381,714
• Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.	(43,622,389)
• Pension related deferrals	(201,602)
• Net pension liability	(6,821,893)
• OPEB related deferrals	(3,132,317)
• Net OPEB liability	(19,070)
• Less internal service fund other post-employment benefits included above.	<u>708,773</u>
Net position of governmental activities	<u>\$ 4,501,554</u>

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

City of Lumberton, North Carolina
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2019

	<u>Major Fund</u>	<u>Non-Major</u>	<u>Total</u>
	<u>General</u>	<u>Funds</u>	<u>Governmental</u>
Revenues			Funds
Ad valorem taxes	\$ 10,383,804	\$ -	\$ 10,383,804
Other taxes and licenses	7,639,227	106,773	7,746,000
Unrestricted intergovernmental	1,804,270	-	1,804,270
Restricted intergovernmental	1,230,709	1,522,745	2,753,454
Permits and fees	1,067,634	-	1,067,634
Sales and services	210,730	-	210,730
Investment earnings	66,303	8,803	75,106
Miscellaneous	1,834,654	47,453	1,882,107
Total revenues	<u>24,237,331</u>	<u>1,685,774</u>	<u>25,923,105</u>
Expenditures			
Current:			
General government	2,755,723	-	2,755,723
Public safety	14,368,380	160,095	14,528,475
Transportation	1,852,245	-	1,852,245
Environmental protection	717,630	-	717,630
Economic and physical development	2,337,948	1,975,407	4,313,355
Culture and recreation	2,283,521	-	2,283,521
Debt service:			
Principal	856,079	-	856,079
Interest and other charges	552,183	-	552,183
Capital outlay:			
General government	158,088	-	158,088
Public safety	217,977	-	217,977
Transportation	5,627	-	5,627
Economic and physical development	30,304	-	30,304
Culture and recreation	796,358	248,096	1,044,454
Total expenditures	<u>26,932,063</u>	<u>2,383,598</u>	<u>29,315,661</u>
Excess (deficiency) of revenues over expenditures	(2,694,732)	(697,824)	(3,392,556)
Other financing sources (uses)			
Transfers in (out):			
Water and Sewer Fund	638,650	-	638,650
Light and Power Fund	1,408,140	-	1,408,140
Community Development Fund	-	(595)	(595)
Grant Loan Fund	-	595	595
Loan proceeds	1,080,595	-	1,080,595
Total other financing sources (uses)	<u>3,127,385</u>	<u>-</u>	<u>3,127,385</u>
Net change in fund balances	432,653	(697,824)	(265,171)
Fund balances, beginning	<u>5,476,163</u>	<u>626,387</u>	<u>6,102,550</u>
Fund balances, ending	<u>\$ 5,908,816</u>	<u>\$ (71,437)</u>	<u>\$ 5,837,379</u>

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

City of Lumberton, North Carolina
Reconciliation of the Combined Statement of Revenues, Expenditures, and Changes in Fund
Balance of Governmental Funds to the Statement of Activities
Governmental Funds
For the Fiscal 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 \$ (265,171)

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 of capital outlays and depreciation expense in the current period.

Capital outlay expenditures which were capitalized	1,456,450
Depreciation expense for governmental assets	<u>(1,264,320)</u>
	<u>192,130</u>

Contributions to the pension plan 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 deferred revenue for tax revenues 822,593

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. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

New long-term debt issued	(1,080,595)
Principal payments on long-term debt	<u>856,079</u>
	<u>(224,516)</u>

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	(893)
Land cost	(17,945)
Pension (expense) benefit	(183,615)
LE Net pension obligation	(123,218)
Workman's Compensation benefits	(70,000)
Other postemployment benefits	1,112,091

Consolidation adjustment for the Internal Service Fund and the Governmental Funds:

Net revenue of internal service fund	<u>(586,721)</u>
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Total changes in net position of governmental activities	<u>\$ 654,735</u>
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The notes to the financial statements are an integral part of this statement.

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

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues				
Ad valorem taxes	\$10,480,000	\$10,566,775	10,383,804	\$ (182,971)
Other taxes and licenses	7,090,415	7,674,205	7,639,227	(34,978)
Unrestricted intergovernmental	1,908,355	1,908,355	1,804,270	(104,085)
Restricted intergovernmental	1,352,425	2,061,695	1,230,709	(830,986)
Permits and fees	1,117,000	1,117,000	1,067,634	(49,366)
Sales and services	163,000	171,900	210,730	38,830
Investment earnings	20,000	20,000	66,303	46,303
Miscellaneous	511,415	959,780	1,834,654	874,874
Total revenues	<u>22,642,610</u>	<u>24,479,710</u>	<u>24,237,331</u>	<u>(242,379)</u>
Expenditures				
Current:				
General government				
Mayor	20,940	32,515	30,157	2,358
Council	234,755	236,540	210,358	26,182
Manager	326,325	315,050	309,985	5,065
Personnel	326,855	237,645	212,073	25,572
Finance director	187,551	173,891	172,418	1,473
Accounting	222,031	197,631	194,405	3,226
Purchasing	52,407	46,262	44,658	1,604
Tax department	145,109	173,084	168,674	4,410
City Attorney	295,325	269,555	259,270	10,285
Data processing	266,405	269,780	263,051	6,729
Municipal building	153,449	151,234	140,287	10,947
Municipal building and grounds	893,580	606,980	571,124	35,856
Insurance	179,263	179,263	179,263	-
Total general government	<u>3,303,995</u>	<u>2,889,430</u>	<u>2,755,723</u>	<u>133,707</u>
Public safety				
Police	7,503,600	8,394,885	8,309,429	85,456
Communications	1,022,220	1,197,445	1,194,410	3,035
Fire	3,486,410	3,636,530	3,562,530	74,000
Safety and inspection	382,030	382,230	341,791	40,439
Rescue Unit	25,000	25,000	25,000	-
Insurance	935,170	935,220	935,220	-
Total public safety	<u>13,354,430</u>	<u>14,571,310</u>	<u>14,368,380</u>	<u>202,930</u>

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

City of Lumberton, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund (continued)
For the Fiscal Year Ended June 30, 2019

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Expenditures (continued)				
Transportation				
Street maintenance	\$ 195,725	\$ 263,410	\$ 240,921	\$ 22,489
Powell Bill - Street maintenance	418,960	418,960	246,360	172,600
Drainage	867,910	1,028,115	1,015,455	12,660
Airport transportation	279,580	743,175	234,989	508,186
Insurance	114,520	114,520	114,520	-
Total transportation	<u>1,876,695</u>	<u>2,568,180</u>	<u>1,852,245</u>	<u>715,935</u>
Environmental protection				
Cemeteries	562,265	609,435	538,139	71,296
Environmental control	152,380	148,120	135,566	12,554
Mosquito control	-	-	-	-
Insurance	43,925	43,925	43,925	-
Total environmental protection	<u>758,570</u>	<u>801,480</u>	<u>717,630</u>	<u>83,850</u>
Economic and physical development				
Planning administration	157,100	170,705	73,381	97,324
Planning and zoning	228,600	241,310	236,097	5,213
Community development	124,630	129,160	80,284	48,876
Precincts	54,000	26,740	-	26,740
Weed and seed	-	-	-	-
Insurance	30,230	30,230	30,230	-
Special appropriations	1,098,240	1,965,685	1,917,956	47,729
Total economic and physical development	<u>1,692,800</u>	<u>2,563,830</u>	<u>2,337,948</u>	<u>225,882</u>
Culture and recreation				
Robeson County library	300,000	300,000	300,000	-
Recreation administration	255,525	278,970	258,377	20,593
Programs	433,225	493,850	478,346	15,504
Senior citizens	140,865	143,445	113,554	29,891
Parkview activity	205,125	272,735	239,864	32,871
Britt Park activity	182,885	214,135	193,037	21,098
Insurance	82,285	82,285	82,285	-
Special appropriations	427,765	655,825	618,058	37,767
Total culture and recreation	<u>2,027,675</u>	<u>2,441,245</u>	<u>2,283,521</u>	<u>157,724</u>

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

City of Lumberton, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund (continued)
For the Fiscal Year Ended June 30, 2019

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final	Actual	
Expenditures (continued)				
Debt service				
Principal	\$ 856,110	\$ 856,110	\$ 856,079	\$ 31
Interest and other charges	552,220	552,220	552,183	37
Total debt service	<u>1,408,330</u>	<u>1,408,330</u>	<u>1,408,262</u>	<u>68</u>
Capital outlay	<u>1,849,555</u>	<u>2,793,045</u>	<u>1,208,354</u>	<u>1,584,691</u>
Total expenditures	<u>26,272,050</u>	<u>30,036,850</u>	<u>26,932,063</u>	<u>3,104,787</u>
Revenues over (under) expenditures	<u>(3,629,440)</u>	<u>(5,557,140)</u>	<u>(2,694,732)</u>	<u>2,862,408</u>
Other financing sources (uses)				
Transfers in (out):				
Water and Sewer Fund	638,650	638,650	638,650	-
Light and Power Fund	808,140	1,408,140	1,408,140	-
Grant Loan Fund	15,000	15,000	-	(15,000)
Emergency Telephone	-	-	-	-
Capital Projects Fund	-	-	-	-
Capital Lease	1,080,595	1,080,595	1,080,595	-
Total other financing sources (uses)	<u>2,542,385</u>	<u>3,142,385</u>	<u>3,127,385</u>	<u>(15,000)</u>
Fund balance appropriated	<u>1,087,055</u>	<u>2,414,755</u>		<u>(2,414,755)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	432,653	<u>\$ 432,653</u>
Fund balances, beginning			<u>5,476,163</u>	
Fund balances, ending			<u>\$ 5,908,816</u>	

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

City of Lumberton, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2019

	Major Enterprise Funds				Internal Service Funds
	Light and Power	Water and Sewer	Sanitation	Total	
Assets					
Cash and cash equivalents	\$ 5,591,856	\$ 39,918	\$239,711	\$ 5,871,485	\$ 1,658,642
Accounts receivable - net	4,060,228	5,959,331	237,306	10,256,865	42,183
Due from other funds	1,777,000	(1,315,000)		462,000	
Inventories	683,977	757,301	-	1,441,278	96,775
Prepaid expenses	-	-	-	-	597,034
Restricted cash and cash equivalents	1,211,391	35,758	-	1,247,149	-
Total current assets	13,324,452	5,477,308	477,017	19,278,777	2,394,634
Non-current assets					
Restricted cash and cash equivalents	228,000	710,481	-	938,481	-
Capital assets					
non depreciable assets	730,137	2,829,186	2,517	3,561,840	-
Other capital assets, net of depreciation	11,501,517	49,367,432	34,639	60,903,588	57,341
Total capital assets	12,231,654	52,196,618	37,156	64,465,428	57,341
Total non-current assets	12,459,654	52,907,099	37,156	65,403,909	57,341
Total assets	25,784,106	58,384,407	514,173	84,682,686	2,451,975
Deferred Outflows of Resources					
Contributions to OPEB	762,282	1,073,546	146	1,835,974	73,080
Contributions to pension plan	535,059	777,830	-	1,312,889	101,148
Total deferred outflows of resources	1,297,341	1,851,376	146	3,148,863	174,228
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	2,134,331	1,053,546	152,868	3,340,745	427,108
Payable from restricted assets:					
Customer deposits	1,211,391	35,758	-	1,247,149	-
Current portion - long-term liabilities	119,192	745,623	-	864,815	4,756
Total current liabilities	3,464,914	1,834,927	152,868	5,452,709	431,864
Non-current liabilities					
Other post-employment benefits	4,514,140	5,656,396	188,903	10,359,439	686,982
Compensated absences	99,480	175,137	-	274,617	16,861
Net pension liability	722,656	937,859	-	1,660,515	94,137
Non-current portion - long-term debt	203,617	5,967,401	-	6,171,018	-
Total non-current liabilities	5,539,893	12,736,793	188,903	18,465,589	797,980
Total liabilities	9,004,807	14,571,720	341,771	23,918,298	1,229,844
Deferred Inflows of Resources					
Pension deferrals	15,512	15,652	-	31,164	1,677
OPEB deferrals	510,823	636,565	23,575	1,170,963	78,588
Total deferred inflows of resources	526,335	652,217	23,575	1,202,127	80,265
Net Position					
Net investment in capital assets	11,936,903	46,243,475	37,156	58,217,534	57,341
Restricted for employee benefits	-	-	-	-	1,584,457
Unrestricted	5,613,402	(1,231,629)	111,817	4,493,590	(325,704)
Total net position	\$17,550,305	45,011,846	\$148,973	\$62,711,124	\$ 1,316,094

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

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

	Major Enterprise Funds			Total	Internal Service Funds
	Light and Power	Water and Sewer	Sanitation		
Operating revenues					
Charges for services	\$27,857,933	\$ 7,912,035	\$1,723,805	\$37,493,773	\$ 7,655,151
Other operating revenue	3,250,678	3,109,837	19,995	6,380,510	-
Total operating revenues	<u>31,108,611</u>	<u>11,021,872</u>	<u>1,743,800</u>	<u>43,874,283</u>	<u>7,655,151</u>
Operating expenses					
Personal services	1,889,001	3,033,267	-	4,922,268	287,757
Fringe benefits	420,791	606,523	-	1,027,314	66,347
Insurance	545,840	453,910	27,760	1,027,510	33,480
Administration	659,273	539,531	-	1,198,804	-
Operations - Collections	161,638	-	-	161,638	-
Operations - Substations	24,088,687	-	-	24,088,687	-
Operations - General	477,363	-	-	477,363	33,786
Operations - Meter service	28,914	-	-	28,914	-
Operations - Public enterprises	4,361	-	-	4,361	-
Economic development	3,832	-	-	3,832	-
Operations - Water treatment	-	234,092	-	234,092	-
Operations - Maintenance	-	843,280	-	843,280	622,598
Operations - Waste treatment	-	547,173	-	547,173	-
Operations - Laboratory	-	69,997	-	69,997	-
Operations - P/U maintenance	-	316,593	1,861,053	2,177,646	-
Operations - Public services	-	6,540	-	6,540	-
Health claims	-	-	-	-	7,202,753
Depreciation	778,415	1,846,552	10,642	2,635,609	7,246
Total operating expenses	<u>29,058,115</u>	<u>8,497,458</u>	<u>1,899,455</u>	<u>39,455,028</u>	<u>8,253,967</u>
Operating income (loss)	<u>2,050,496</u>	<u>2,524,414</u>	<u>(155,655)</u>	<u>4,419,255</u>	<u>(598,816)</u>
Non-operating revenues (expenses)					
Investment earnings	71,765	428	-	72,193	12,095
Intergovernmental revenues	12,000	-	-	12,000	-
Sale of materials	-	3,766	-	3,766	-
Interest expense	(9,492)	(80,900)	-	(90,392)	-
Total non-operating revenues (expenses)	<u>74,273</u>	<u>(76,706)</u>	<u>-</u>	<u>(2,433)</u>	<u>12,095</u>
Income (loss) before contributions and transfers	<u>2,124,769</u>	<u>2,447,708</u>	<u>(155,655)</u>	<u>4,416,822</u>	<u>(586,721)</u>
Transfers out	(1,408,140)	(638,650)	-	(2,046,790)	-
Change in net position	<u>716,629</u>	<u>1,809,058</u>	<u>(155,655)</u>	<u>2,370,032</u>	<u>(586,721)</u>
Total net position, beginning	<u>16,833,676</u>	<u>43,202,788</u>	<u>304,628</u>	<u>60,341,092</u>	<u>1,902,815</u>
Total net position, ending	<u>\$17,550,305</u>	<u>\$45,011,846</u>	<u>\$ 148,973</u>	<u>\$62,711,124</u>	<u>\$ 1,316,094</u>

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

City of Lumberton, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2019

	Major Enterprise Funds			Total	Internal Service Funds
	Light and Power	Water and Sewer	Sanitation		
Cash Flows From:					
Operating Activities					
Cash received from customers	\$ 29,836,899	\$ 6,464,418	\$ 1,734,782	\$ 38,036,099	\$ 7,645,986
Cash paid to employees	(1,889,001)	(3,033,267)	-	(4,922,268)	(267,365)
Cash paid to suppliers	(26,689,206)	(3,805,147)	(1,880,005)	(32,374,358)	(7,663,582)
Increase (decrease) in customer deposits	(4,507)	2,043	-	(2,464)	-
Net cash provided (used) by operating activities	<u>1,254,185</u>	<u>(371,953)</u>	<u>(145,223)</u>	<u>737,009</u>	<u>(284,961)</u>
Noncapital Financing Activities					
Due to (from) other funds	(1,315,000)	1,315,000	-	-	-
Transfers to other funds	(1,408,140)	(638,650)	-	(2,046,790)	-
Other non capital transactions	12,000	3,766	-	15,766	-
Net cash provided (used) by noncapital financing activities	<u>(2,711,140)</u>	<u>680,116</u>	<u>-</u>	<u>(2,031,024)</u>	<u>-</u>
Capital And Related Financing Activities					
Loan proceeds	-	3,111,054	-	3,111,054	-
Principal paid on capital debt	(89,004)	(1,375,052)	-	(1,464,056)	-
Interest paid on capital debt	(9,492)	(80,900)	-	(90,392)	-
Acquisition and construction of capital assets	(1,829,463)	(2,380,825)	-	(4,210,288)	-
Net cash provided (used) by capital and related financing activities	<u>(1,927,959)</u>	<u>(725,723)</u>	<u>-</u>	<u>(2,653,682)</u>	<u>-</u>
Investing Activities					
Interest earnings	71,765	428	-	72,193	12,095
Net cash provided (used) by investing activities	<u>71,765</u>	<u>428</u>	<u>-</u>	<u>72,193</u>	<u>12,095</u>
Net increase (decrease) in cash and cash equivalents	<u>(3,313,149)</u>	<u>(417,132)</u>	<u>(145,223)</u>	<u>(3,875,504)</u>	<u>(272,866)</u>
Cash and cash equivalents					
Beginning of period	<u>10,344,396</u>	<u>1,203,289</u>	<u>384,934</u>	<u>11,932,619</u>	<u>1,931,508</u>
End of period	<u>\$ 7,031,247</u>	<u>\$ 786,157</u>	<u>\$ 239,711</u>	<u>\$ 8,057,115</u>	<u>\$ 1,658,642</u>

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

City of Lumberton, North Carolina
Statement of Cash Flows (continued)
Proprietary Funds
For the Fiscal Year Ended June 30, 2019

	Major Enterprise Funds			Total	Internal Service Funds
	Light and Power	Water and Sewer	Sanitation		
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income	<u>\$ 2,050,496</u>	<u>\$ 2,524,414</u>	<u>\$ (155,655)</u>	<u>\$ 4,419,255</u>	<u>\$ (598,816)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	778,415	1,846,552	10,642	2,635,609	7,246
Changes in assets and liabilities:					
(Increase) decrease in					
Accounts receivable	(1,343,790)	(4,574,643)	(9,875)	(5,928,308)	(9,165)
Prepaid items	72,137	-	-	72,137	(93,434)
Inventory	(104,120)	(45,945)	-	(150,065)	14,760
Deferred outflows of resources for pensions	(209,741)	(572,801)	-	(782,542)	-
Deferred outflows of resources for OPEB	(399,970)	(297,540)	-	(697,510)	-
Increase (decrease) in					
Allowance for doubtful accounts	72,078	17,189	857	90,124	-
Accounts payable and accrued liabilities	(110,145)	76,336	8,808	(25,001)	414,379
Customer deposits	(4,507)	2,043	-	(2,464)	-
Accrued vacation payable	13,833	62,717	-	76,550	-
Accrued worker's compensation	-	-	-	-	-
Net pension liability	(18,022)	371,383	-	353,361	36,529
Deferred inflows of resources for pensions	261,794	(25,567)	-	236,227	18,320
Deferred inflows of resources for OPEB	135,422	168,758	-	304,180	(84,057)
Accrued OPEB liability	60,305	75,151	-	135,456	9,277
Total adjustments	<u>(796,311)</u>	<u>(2,896,367)</u>	<u>10,432</u>	<u>(3,682,246)</u>	<u>313,855</u>
Net cash provided (used) by operating activities	<u>\$ 1,254,185</u>	<u>\$ (371,953)</u>	<u>\$ (145,223)</u>	<u>\$ 737,009</u>	<u>\$ (284,961)</u>

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

City of Lumberton, North Carolina
Statement of Fiduciary Net Position - Pension Trust Funds
June 30, 2019

Assets

Cash and cash equivalents	\$ 26,222
Accounts receivable	<u>-</u>
Total assets	<u>26,222</u>

Liabilities

Accounts payable	<u>-</u>
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Net Position

Reserved for employees' retirement system	<u><u>\$ 26,222</u></u>
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The notes to the financial statements are an integral part of this statement.

City of Lumberton, North Carolina
Statement of Changes in Fiduciary Net Position - Pension Trust Funds
For the Fiscal Year Ended June 30, 2019

Additions

Investment earnings	\$ 146
Employer contributions	186,515
Other	<u>-</u>
Total additions	<u>186,661</u>

Deductions

Administration	622
Employee benefits	<u>201,097</u>
Total deductions	<u>201,719</u>

Change in net position (15,058)

Net position, beginning of year 41,280

Net position, end of year \$ 26,222

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

Notes to the Financial Statements

City of Lumberton, North Carolina
Notes to the Financial Statements
June 30, 2019

Note 1 - Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Discretely Presented Component Units

The members of the ABC Board's governing board are appointed by the City. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the City. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at City of Lumberton ABC Board, 150 Wintergreen Drive, Lumberton, NC 28358.

The Lumberton Airport Commission (Airport) is an entity legally separate from the City. The City appoints two-thirds of the governing board of the commission and is responsible for financing approximately two-thirds of its operating budget and one-half of its capital purchases. Also, the Airport exists for the benefit of the City residents and serves the residents of the City and its environs. The Airport is reported as a discretely presented component unit in a separate column in the City's financial statements to emphasize that it is legally separated from the City. The Airport is reported as if it were a proprietary fund. Complete financial statements for the Airport may be obtained from the Lumberton Airport Commission, 163 Airport Boulevard, Lumberton, NC 28358.

The Lumberton Tourism Development Authority (LTDA) is an entity legally separate from the City and was established on August 11, 1997, by the City Council of the City of Lumberton. Its purpose is to promote travel and tourism to the City by advertising and marketing the Lumberton area and activities herein, publishing and distributing pamphlets and other materials. The LTDA is reported as a discretely presented component unit in a separate column in the City's financial statements to emphasize that it is legally separated from the City. Complete financial statements for the LTDA may be obtained from the Lumberton Tourism Development Authority, 3431 Lackey Street, Lumberton, NC 28360.

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

1. Government-wide Statements

The statement of net position and the statement of activities display information about the primary government and its component units. 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.

2. Fund Financial Statements

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

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

The City reports the following major governmental fund:

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

The City reports the following non-major governmental funds:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

2. *Fund Financial Statements (continued)*

The City has two Special Revenue Funds:

- Emergency Telephone System Special Revenue Fund – This fund is used to account for 911 revenues received by the State 911 Board to enhance the State’s 911 system.
- Grant Loan Fund – This fund is used to account for the restricted funds of completed community development block grants in compliance with regulatory requirements.

Capital Projects Funds – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds, special assessments, or trust funds). The City has three Capital Projects Funds within the Governmental Fund type:

- Community Development Fund – This fund is used to account for on-going grant activity not yet completed.
- General Fund Capital Projects Fund – This fund is used to account for the Northeast Park project.
- Capital Reserve Fund – This fund is used to account for the accumulation of the resources necessary to accomplish future capital projects.

The City reports the following major enterprise funds:

Light and Power Fund – This fund is used to account for the City’s electric fund operations.

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

Sanitation Fund – This fund is used to account for the City’s refuse collection and recycling operations.

The City also reports the following two fund types:

Internal Service Funds – These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis. The City has two Internal Service Funds:

- Insurance Fund – This fund is used to account for the City’s risk management and self-funded insurance programs.
- Fleet Maintenance Fund – This fund is used to account for the City’s costs associated with the City’s vehicle and equipment maintenance needs.

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

2. *Fund Financial Statements (continued)*

Fiduciary Fund – The Pension Trust Fund is used to report resources that are required to be held in trust for the members and beneficiaries of a defined benefit pension plan for law enforcement employees.

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.

1. *Government-wide, Proprietary, and Fiduciary Fund Financial Statements*

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

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

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

2. *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.

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

2. *Governmental Fund Financial Statements (continued)*

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 utilities franchise tax and 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 because the tax is levied by Robeson 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 by general revenues.

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Special Revenue Fund, and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Projects Funds and the Water and Sewer Capital Projects Fund, which are consolidated with the operating funds for reporting purposes. The City's Insurance Fund and Fleet Maintenance Fund operate under a financial plan that was adopted by the governing board at the time the City's budget ordinance was approved, as is required by the General Statutes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change departmental appropriations. The governing board must approve all amendments.

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

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

1. Deposits and Investments

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

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

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

2. Cash and Cash Equivalents

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

3. Restricted Assets

The City has unexpended loan proceeds in escrow of \$1,020,704 in the General Fund Capital Projects Fund, \$710 in the Capital Projects Fund, \$33,356 in the Light and Power Fund, and \$710,481 in the Water and Sewer Fund. The loan proceeds are classified as restricted assets because their use is completely restricted to the purpose for which the money was originally borrowed. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per state laws [G.S. 136-41.1 through 136-41.4].

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (continued)

3. *Restricted Assets(continued)*

Governmental Activities

General Fund	\$ 1,020,704
Capital Projects Fund	710
Total - Governmental Activities	1,021,414

Business-type Activities

Light and Power Fund - Meter deposits	1,211,391
Light and Power Fund - Lease escrow	-
Light and Power Fund - NCDA	228,000
Water and Sewer Fund - Meter deposits	35,758
Water and Sewer Fund - Lease escrow	710,481
Total - Water and Sewer Fund	2,185,630
Total restricted cash	\$ 3,207,044

4. *Ad Valorem Taxes Receivable*

In accordance with State laws [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. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

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 and Prepaid Items*

The inventories of the City, ABC Board, and Airport, are valued at cost (first-in, first-out), which approximates market. The City's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased.

The inventories of the City's enterprise funds and those of the ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

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

Note 1 - Summary of Significant Accounting Policies (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (continued)

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, \$5,000; infrastructure, \$100,000; equipment and furniture, \$5,000; vehicles and motorized equipment, \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015, are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's lives are not capitalized.

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

Asset Class	<u>Estimated Useful Lives</u>
Infrastructure	25 years
Buildings	50-67 years
Improvements	25 years
Vehicles	5 years
Furniture and fixtures	6-10 years
Equipment	6-35 years
Computer equipment	3 years

Capital assets of the ABC Board, Lumberton Airport Commission, and Lumberton Tourism Development Authority are depreciated using the straight-line method over their useful lives:

Asset Class	<u>Estimated Useful Lives</u>
Buildings	50-67 years
Runways	25-40 years
Land improvements	20 years
Furniture and fixtures	6-10 years
Equipment	6-35 years

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (continued)

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, contributions made to the pension plan in 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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

10. *Compensated Absences*

The vacation policy of the City and the Airport provide for the accumulation of up to thirty days and the ABC Board for twenty days of earned vacation leave with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements. LTDA does not provide for compensated absences.

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities, and Fund Equity (continued)

10. Compensated Absences(continued)

The City, the ABC Board, and the Airport's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the City, the ABC Board, and the Airport do not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made. LTDA does not provide for sick leave.

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

Restricted for Special Revenue – This portion of fund balance is restricted by revenue source for certain expenditures.

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities, and Fund Equity (continued)

11. Net Position/Fund Balances (continued)

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

Committed Fund Balance – This portion of fund balance can only be used for specific purposes imposed by majority vote by a quorum of the City of Lumberton'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 – This portion of fund balance represents the amount the City of Lumberton intends to use for specific purposes.

Subsequent year's expenditures – This portion of fund balance is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

Unassigned fund balance – This portion of fund balance has not been restricted, committed, or assigned to specific purposes or other funds.

12. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, 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 this period in which the contributions are due. The City's employer contributions are recognized when due and the City 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.

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

Note 2 - Detailed Notes on All Funds

A. Assets

1. Deposits

All the deposits of the City, the ABC Board, Airport, and LTDA are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City and the ABC Board, these deposits are considered to be held by the City's and the ABC Board's agents in their names.

The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City, Airport, ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City, Airport, and the ABC Board 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 and Airport have 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 and Airport comply with the provisions of state statute G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2019, the City's deposits had a carrying amount of \$15,494,883 and a bank balance of \$15,850,448. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The City also has deposits with a carrying amount of \$1,731,185 and a bank balance of \$1,731,185 in an escrow account to be used for Light and Power projects, Water and Sewer system and street improvements, and General Fund Capital Projects.

At June 30, 2019, the ABC Board's deposits had a carrying amount of \$392,143 and the bank balance was \$371,290. Of the bank balance, \$371,290 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

At June 30, 2019, the Airport's deposits had a carrying amount of \$545,122 and the bank balance was \$545,122. Of the bank balance, \$545,122 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

At June 30, 2019, the Lumberton Tourism Development Authority's deposits had a carrying amount of \$718,333 and the bank balance was \$751,183. Of the bank balance, \$710,905 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

Note 2 - Detailed Notes on All Funds (continued)

A. Assets (continued)

1. *Deposits (continued)*

At June 30, 2019, the City's, LTDA's, and the Airport's petty cash funds totaled \$550 .

2. *Investments*

At June 30, 2019, the City's investments were as follows:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Fair Value at 6/30/19</u>	<u>Maturity</u>	<u>Rating</u>
US Government Agencies	Fair Value Level 2	\$ 17,473	Various	AAA
NC Capital Management Trust- Government Portfolio	Amortized Cost	164,455	N/A	AAAm
Totals		<u>\$ 181,928</u>		

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

Interest Rate Risk – The City has no formal investment policy regarding interest rate risk.

Credit risk – The City of Lumberton's investment with NC Capital Management Trust's Government Portfolio carried a credit rating of AAAM by Standard and Poor's. The City has no policy regarding credit risk.

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:

	<u>General Fund</u>	<u>Enterprise Funds</u>	<u>Total</u>
Allowance for uncollectible accounts for:			
Property taxes	\$ 1,328,326	\$ -	\$ 1,328,326
Other receivables	172,678	-	172,678
Light and Power Fund	-	442,606	442,606
Water and Sewer Fund	-	77,608	77,608
Sanitation Fund	-	25,846	25,846
Total	<u>\$ 1,501,004</u>	<u>\$ 546,060</u>	<u>\$ 2,047,064</u>

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

Note 2 - Detailed Notes on All Funds (continued)

A. Assets (continued)

4. *Capital Assets*

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

<u>Governmental activities</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balances</u>
Capital assets not being depreciated				
Land	\$ 16,331,348	\$ 249,288	\$ (17,943)	\$ 16,562,693
Construction in progress	5,043,821	856,874	-	5,900,695
Total capital assets not being depreciated	<u>21,375,169</u>	<u>1,106,162</u>	<u>(17,943)</u>	<u>22,463,388</u>
Capital assets being depreciated				
Buildings	13,955,690	20,952	-	13,976,642
Other improvements	5,615,034	11,466	-	5,626,500
Equipment and furniture	15,263,148	317,868	21,410	15,602,426
Infrastructure	7,607,743	-	-	7,607,743
Total capital assets being depreciated	<u>42,441,615</u>	<u>350,286</u>	<u>21,410</u>	<u>42,813,311</u>
Less accumulated depreciation				
Buildings	(3,566,072)	(167,884)	-	(3,733,956)
Other improvements	(2,067,491)	(145,604)	-	(2,213,095)
Equipment and furniture	(12,722,875)	(727,585)	(21,410)	(13,471,870)
Infrastructure	(4,855,884)	(230,493)	-	(5,086,377)
Total accumulated depreciation	<u>(23,212,322)</u>	<u>(1,271,566)</u>	<u>(21,410)</u>	<u>(24,505,298)</u>
Total capital assets being depreciated, net	<u>19,229,293</u>	<u>(921,280)</u>	<u>-</u>	<u>18,308,013</u>
Governmental activity capital assets, net	<u>\$ 40,604,462</u>	<u>\$ 184,882</u>	<u>\$ (17,943)</u>	<u>\$ 40,771,401</u>

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

General government	\$ 154,970
Public safety	598,911
Transportation	249,987
Environmental protection	7,298
Economic and physical development	20,696
Culture and recreational	232,458
Internal services	<u>7,246</u>
Total depreciation expense	<u>\$ 1,271,566</u>

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

Note 2 - Detailed Notes on All Funds (continued)

A. Assets (continued)

4. *Capital Assets (continued)*

Business-type activities

Light and Power Fund

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets				
not being depreciated				
Land	\$ 668,537	\$ -	\$ -	\$ 668,537
Work in progress	61,600	-	-	61,600
Total capital assets not being depreciated	<u>730,137</u>	<u>-</u>	<u>-</u>	<u>730,137</u>
Capital assets being depreciated				
Buildings	817,635	-	-	817,635
Distribution system	25,734,032	1,405,584	-	27,139,616
Furniture and equipment	5,371,765	423,880	-	5,795,645
Total capital assets being depreciated	<u>31,923,432</u>	<u>1,829,464</u>	<u>-</u>	<u>33,752,896</u>
Less accumulated depreciation				
Buildings	(457,025)	(14,227)	-	(471,252)
Distribution system	(16,283,798)	(580,957)	-	(16,864,755)
Furniture and equipment	(4,732,141)	(183,231)	-	(4,915,372)
Total accumulated depreciation	<u>(21,472,964)</u>	<u>(778,415)</u>	<u>-</u>	<u>(22,251,379)</u>
Total capital assets being depreciated, net	<u>10,450,468</u>	<u>1,051,049</u>	<u>-</u>	<u>11,501,517</u>
Light and Power Fund capital assets, net	<u>\$11,180,605</u>	<u>\$ 1,051,049</u>	<u>\$ -</u>	<u>\$12,231,654</u>

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

Note 2 - Detailed Notes on All Funds (continued)

A. Assets (continued)

4. *Capital Assets (continued)*

<u>Water and Sewer Fund</u>	<u>Beginning</u>		<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
	<u>Balances</u>				<u>Balances</u>
Capital assets					
not being depreciated					
Land	\$ 737,964		\$ -	\$ -	\$ 737,964
Work in progress	2,053,832		37,390	-	2,091,222
Total capital assets					
not being depreciated	<u>2,791,796</u>		<u>37,390</u>	<u>-</u>	<u>2,829,186</u>
 Capital assets being depreciated					
Buildings	18,580,814		-	-	18,580,814
Distribution system	64,544,245		1,287,498	-	65,831,743
Furniture and equipment	14,966,507		1,055,937	(21,410)	16,001,034
Total capital assets					
being depreciated	<u>98,091,566</u>		<u>2,343,435</u>	<u>(21,410)</u>	<u>100,413,591</u>
 Less accumulated depreciation					
Buildings	(8,266,605)		(262,778)	-	(8,529,383)
Distribution system	(27,574,573)		(1,129,983)	-	(28,704,556)
Furniture and equipment	(13,379,839)		(453,791)	21,410	(13,812,220)
Total accumulated depreciation	<u>(49,221,017)</u>		<u>(1,846,552)</u>	<u>21,410</u>	<u>(51,046,159)</u>
 Total capital assets					
being depreciated, net	<u>48,870,549</u>		<u>496,883</u>	<u>-</u>	<u>49,367,432</u>
 Water and Sewer Fund					
capital assets, net	<u>\$51,662,345</u>		<u>\$ 534,273</u>	<u>\$ -</u>	<u>\$52,196,618</u>

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

Note 2 - Detailed Notes on All Funds (continued)

A. Assets (continued)

4. *Capital Assets (continued)*

<u>Sanitation Fund</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated				
Land	\$ 2,517	\$ -	\$ -	\$ 2,517
Total capital assets not being depreciated	<u>2,517</u>	<u>-</u>	<u>-</u>	<u>2,517</u>
Capital assets being depreciated				
Buildings	12,536	-	-	12,536
Furniture and equipment	153,324	-	-	153,324
Total capital assets being depreciated	<u>165,860</u>	<u>-</u>	<u>-</u>	<u>165,860</u>
Less accumulated depreciation				
Buildings	(7,398)	(123)	-	(7,521)
Furniture and equipment	(113,181)	(10,519)	-	(123,700)
Total accumulated depreciation	<u>(120,579)</u>	<u>(10,642)</u>	<u>-</u>	<u>(131,221)</u>
Total capital assets being depreciated, net	<u>45,281</u>	<u>(10,642)</u>	<u>-</u>	<u>34,639</u>
Sanitation Fund capital assets, net	<u>\$ 47,798</u>	<u>\$ (10,642)</u>	<u>\$ -</u>	<u>\$ 37,156</u>
Business type activities capital assets, net	<u>\$62,890,748</u>	<u>\$ 1,574,680</u>	<u>\$ -</u>	<u>\$64,465,428</u>

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

Business-type activities	
Light and Power Fund	\$ 778,415
Water and Sewer Fund	1,846,552
Sanitation Fund	<u>10,642</u>
Total depreciation expense	<u>\$ 2,635,609</u>

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

Note 2 - Detailed Notes on All Funds (continued)

A. Assets (continued)

4. *Capital Assets (continued)*

Discretely presented component units

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

ABC Board

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated				
Land	\$ 120,974	\$ -	\$ -	\$ 120,974
Capital assets being depreciated				
Land improvements	3,531	-	-	3,531
Buildings	768,546	28,140	-	796,686
Furniture and equipment	293,657	6,908	-	300,565
Total capital assets being depreciated	<u>1,065,734</u>	<u>35,048</u>	<u>-</u>	<u>1,100,782</u>
Less accumulated depreciation				
Land improvements	(3,531)	-	-	(3,531)
Buildings	(335,070)	(19,453)	-	(354,523)
Furniture and equipment	(215,741)	(16,522)	-	(232,263)
Total accumulated depreciation	<u>(554,342)</u>	<u>(35,975)</u>	<u>-</u>	<u>(590,317)</u>
Total capital assets being depreciated, net	<u>511,392</u>	<u>(927)</u>	<u>-</u>	<u>510,465</u>
ABC Board capital assets, net	<u>\$ 632,366</u>	<u>\$ (927)</u>	<u>\$ -</u>	<u>\$ 631,439</u>

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

Note 2 - Detailed Notes on All Funds (continued)

A. Assets (continued)

4. *Capital Assets (continued)*

Discretely presented component units (continued)

Airport Commission

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated				
Land	\$ 1,283,534	\$ -	\$ -	\$ 1,283,534
Work in progress	280,190	747,889	-	1,028,079
Total capital assets not being depreciated	1,563,724	747,889	-	2,311,613
Capital assets being depreciated				
Buildings	2,392,603	-	-	2,392,603
Runways	13,125,854	-	-	13,125,854
Furniture and equipment	765,893	-	-	765,893
Total capital assets being depreciated	16,284,350	-	-	16,284,350
Less accumulated depreciation				
Buildings	(661,029)	(20,245)	-	(681,274)
Runways	(4,029,982)	(473,351)	-	(4,503,333)
Furniture and equipment	(651,035)	(20,844)	-	(671,879)
Total accumulated depreciation	(5,342,046)	(514,440)	-	(5,856,486)
Total capital assets being depreciated, net	10,942,304	(514,440)	-	10,427,864
Airport Commission capital assets, net	\$12,506,028	\$ 233,449	\$ -	\$12,739,477

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

Note 2 - Detailed Notes on All Funds (continued)

A. Assets (continued)

4. *Capital Assets (continued)*

Discretely presented component units (continued)

<u>Tourism Development Authority</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets being depreciated				
Furniture and equipment	21,124	-	-	21,124
Total capital assets being depreciated	21,124	-	-	21,124
Less accumulated depreciation				
Furniture and equipment	(21,124)	-	-	(21,124)
Total accumulated depreciation	(21,124)	-	-	(21,124)
Total capital assets being depreciated, net	-	-	-	-
Tourism Development Authority capital assets, net	\$ -	\$ -	\$ -	\$ -
Total discretely presented component units capital assets, net	<u>\$ 13,138,394</u>			<u>\$ 13,370,916</u>

5. *Commitments*

At June 30, 2019, the general fund had active purchase commitments of \$41,280. The expenditures are being financed with local funds.

At June 30, 2019, the City had various ongoing capital projects. Estimated costs for these projects totaled \$17,032,500. Costs incurred at June 30, 2019 totaled \$3,417,137. The remaining expenditures are being financed primarily through grants and loans.

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

Note 2 - Detailed Notes on All Funds (continued)

B. Liabilities

1. *Pension Plan and Postemployment Obligations*

Local Governmental Employees' Retirement System

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

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

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

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

Note 2 - Detailed Notes on All Funds (continued)

B. Liabilities

1. *Pension Plan and Postemployment Obligations (continued)*

Local Governmental Employees' Retirement System (continued)

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City 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's contractually required contribution rate for the year ended June 30, 2019, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, 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 were \$1,275,917 for the year ended June 30, 2019.

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

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

At June 30, 2019, the City reported a liability of \$8,482,408 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 asset was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019, the City's proportion was 0.24343%, which was an increase of 0.00171% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the City recognized pension expense of \$1,669,806. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

Note 2 - Detailed Notes on All Funds (continued)

B. Liabilities

1. *Pension Plan and Postemployment Obligations (continued)*

Local Governmental Employees' Retirement System (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 890,944	\$ 29,896
Change of assumptions	1,532,460	-
Net difference between projected and actual earnings on pension plan investments	- 792,734	- -
Changes in proportion and differences between City contributions and proportionate share of contributions	-	95,364
City contributions subsequent to measurement date	<u>1,275,917</u>	<u>-</u>
Total	<u>\$ 4,492,055</u>	<u>\$ 125,260</u>

\$1,275,917 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2019		\$ 1,475,356
2020		974,686
2021		181,703
2022		459,134
2023		-
Thereafter		<u>-</u>
Total		<u>\$ 3,090,879</u>

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

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

Note 2 - Detailed Notes on All Funds (continued)

B. Liabilities

1. *Pension Plan and Postemployment Obligations (continued)*

Local Governmental Employees' Retirement System (continued)

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 no included in the measurement.

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

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

Note 2 - Detailed Notes on All Funds (continued)

B. Liabilities

1. *Pension Plan and Postemployment Obligations (continued)*

Local Governmental Employees' Retirement System (continued)

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

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension asset to changes in the discount rate. The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 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)	\$13,872,031	\$ 5,774,992	\$ (991,021)

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

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

Note 2 - Detailed Notes on All Funds (continued)

B. Liabilities

1. *Pension Plan and Postemployment Obligations (continued)*

Law Enforcement Officers Special Separation Allowance

Plan Description. The City of Lumberton administers a public employee retirement system (the “Separation Allowance”), a single-employer defined benefit pension plan that provides retirement benefits to the City’s qualified sworn law enforcement officers. The Separation Allowance is equal to .85 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. A separate report was not issued for the plan.

All full time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance’s membership consisted of:

Active plan members	90
Retirees receiving benefits and terminated plan members entitled to, but not yet receiving benefits	13
Total	103

Summary of Significant Accounting Policies:

Basis of Accounting. The City has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statement 73.

Actuarial Assumptions

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

Inflation	3.0 percent	
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor	
Discount rate	3.16 percent	

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2016. Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

Note 2 - Detailed Notes on All Funds (continued)

B. Liabilities (continued)

1. *Pension Plan and Postemployment Obligations (continued)*

Law Enforcement Officers Special Separation Allowance (continued)

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

The annual required contribution for the current year was determined as part of the December 31, 2018, actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 3.57% investment rate of return (net of administrative expenses), and (b) projected salary increases of 3.5%-7.35% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-employment benefit increases.

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 \$2,707,412. 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 \$1,144,255.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,040
Changes of assumptions	90,611	106,472
Benefit payments and admin expenses subsequent to measurement date	-	-
Total	\$ 90,611	\$ 107,512

\$16,901 reported as deferred inflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year.

Year ended June 30		
2020	\$	4,259
2021		4,259
2022		4,749
2023		4,056
2024		(422)
Thereafter		-
	\$	16,901

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

Note 2 - Detailed Notes on All Funds (continued)

B. Liabilities (continued)

1. *Pension Plan and Postemployment Obligations (continued)*

Sensitivity of the City's total pension liability to changes in the discount rate. The following presents the City's total pension liability calculated using the discount rate of 2.98 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.98 percent) or 1-percentage-point higher (3.98 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
City's proportionate share of the net pension liability (asset)	\$ 2,919,759	\$ 2,707,412	\$ 2,514,879

Schedule of Changes in Total Pension Liability
Law Enforcement Officer's Special Separation Allowance

Beginning balance	\$ 2,681,112
Service cost	130,348
Interest on total pension liability	81,951
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	88,843
Changes of assumption or other inputs	(99,362)
Benefit payments	(175,480)
Other changes	-
Ending balance of the total pension liability	\$ 2,707,412

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements. The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

Note 2 - Detailed Notes on All Funds (continued)

B. Liabilities (continued)

1. *Pension Plan and Postemployment Obligations (continued)*

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 1,546,588	\$ 226,939	\$ 1,773,527
Pension liability	5,774,992	2,707,412	8,482,404
Proportionate share of the net pension liability	0.24343%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	\$ 890,944	\$ -	\$ 890,944
Changes of assumptions	1,532,460	90,611	1,623,071
Net difference between projected and actual earnings on plan investments	792,734	-	792,734
Employer contributions subsequent to the measurement date	1,275,917	-	1,275,917
Deferred Inflows of Resources			
Differences between expected and actual experience	29,896	1,040	30,936
Changes of assumptions	-	106,472	106,472
Changes in proportion and differences between contributions and proportionate share of contributions	95,364	-	95,364

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.

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

Note 2 - Detailed Notes on All Funds (continued)

B. Liabilities (continued)

1. *Pension Plan and Postemployment Obligations (continued)*

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. The law enforcement officers may make voluntary contributions to the plan.

Other Postemployment Benefits

Healthcare Benefits

Plan Description. Under the terms of a City resolution, the City provides post-employment health care benefits to retirees of the City, provided they participate in the North Carolina Local Governmental Employees' Retirement System (LGERS) and have at least five years of creditable service with the City. In addition, for employees hired prior to July 1, 2013, the City pays the full cost of these benefits with a minimum of twenty years of creditable service with the City. For employees hired after July 1, 2013, the City will no longer contribute to the cost of retiree medical, dental, and vision insurance. Retirees who do not meet the aforementioned criteria have the option to purchase coverage for themselves and their dependents through the City for eighteen months. The entire cost of this insurance is borne by the retirees. The City maintains health coverage through private insurers. Currently, 165 retirees participate in the post-retirement health benefits. For the fiscal year ended June 30, 2019, the City made payments for post-retirement health benefit premiums of \$922,295.

Years of Service with City at Retirement	City Contribution
0-4	Not eligible
5-10	25%
11-19	50%
20 or more	100%

Membership of the Plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	165	N/A
Terminated plan members entitled to, but not yet receiving, benefits	0	13
Active plan members	338	90
Total	503	103

Total OPEB Liability

The City's total OPEB liability of \$38,282,512 measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

Note 2 - Detailed Notes on All Funds (continued)

B. Liabilities (continued)

1. *Pension Plan and Postemployment Obligations (continued)*

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	2.50 percent
Salary increases	3.50 - 7.75 percent, including inflation
Discount rate	
Healthcare cost trend rates	Pre-Medicare - 7.50% for 2017 decreasing to an ultimate rate of 5.00% by 2023 Medicare - 5.50% for 2017 decreasing to an ultimate rate of 5.00% by 2023

The discount rate is based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

Changes in the Total OPEB Liability

Total OPEB liability	<u>2018</u>
Balance at June 30, 2017	\$ 38,927,765
Changes for the year:	
Service cost	1,126,678
Interest	1,365,597
Change in benefit terms	-
Differences between expected and actual experience	57,775
Changes of assumptions or other inputs	(2,048,658)
Net benefit payments and implicit subsidy credit	<u>(1,146,645)</u>
Net Changes	<u>(645,253)</u>
Balance at June 30, 2018	<u><u>\$ 38,282,512</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.56% to 4.56%.

Mortality rates were based on the RB-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

Note 2 - Detailed Notes on All Funds (continued)

B. Liabilities (continued)

1. *Pension Plan and Postemployment Obligations (continued)*

The demographic actuarial assumptions for retirement, disability, incidence, withdrawal, and salary increases used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, adopted by the LGERS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

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

Discount Rate Sensitivity

		Current		
	1% Decrease	Discount Rate	1% Increase	
	(2.89%)	(3.89%)	(4.89%)	
Total OPEB Liability	\$ 45,036,988	\$ 38,282,512	\$ 32,962,980	

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:

Healthcare cost trend rates

		Current		
	1% Decrease	Discount Rate	1% Increase	
Total OPEB Liability	\$ 32,200,764	\$ 38,282,512	\$ 46,160,348	

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 \$1,620,450. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

Note 2 - Detailed Notes on All Funds (continued)

B. Liabilities (continued)

1. *Pension Plan and Postemployment Obligations (continued)*

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 48,995	\$ 22,170
Changes of assumptions	-	4,322,352
Total	\$ 48,995	\$ 4,344,522

\$3,035,235 reported as deferred outflows of resources related to OPEB benefits resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB benefits will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	\$ (871,825)
2020	(871,825)
2021	(871,825)
2022	(871,825)
2023	(632,740)
Thereafter	(175,487)
Total	\$ (4,295,527)

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, 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. All death benefit payments are made from the Death Benefit Plan. 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. The City considers these contributions to be immaterial.

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

Note 2 - Detailed Notes on All Funds (continued)

B. Liabilities (continued)

1. *Pension Plan and Postemployment Obligations (continued)*

Other Employment Benefits (continued)

Deferred Outflows and Inflows of Resources

Deferred outflows of resources is comprised of the following at June 30, 2019:

	Amount
Contributions to pension plan in current fiscal year	\$ 4,582,668
Contributions to OPEB in current fiscal year	6,907,000
Total deferred outflows	<u><u>\$ 11,489,668</u></u>

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

	Amount
Prepaid taxes (General Fund)	\$ 11,061
OPEB deferrals	4,322,350
Pension deferrals	232,766
Total	<u><u>\$ 4,566,177</u></u>

2. *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 two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains workers' compensation coverage up to statutory limits and employee health coverage up to a \$5 million lifetime limit. The pools are reinsured through commercial companies for \$300,000 up to statutory limits for workers' compensation and for annual employee health claims in excess of \$150,000.

General liability and auto liability coverage is with St. Paul Travelers through BB&T Insurance. The City obtains general liability coverage and auto liability coverage of \$2 million per occurrence, and property coverage up to the total insurance values of the property policy. The City is reinsured for single occurrence claims against general liability, auto liability, and property in excess of \$500,000. The property liability has an aggregate limit for the total property losses in a single year with the limit based upon a percentage of the total insurance values.

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

The City carries commercial flood insurance through Glatfelter Insurance Company. Maximum coverage is \$5,000,000 for all flood losses in any one event.

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

Note 2 - Detailed Notes on All Funds (continued)

B. Liabilities (continued)

2. *Risk Management (continued)*

The City of Lumberton, ABC Board, Airport, and LTDA are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The ABC Board and Lumberton Airport Authority have property, general liability, auto liability, workers' compensation, and employee health coverage. The ABC Board also has liquor legal liability coverage. 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.

In accordance with state statute 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 and tax collector are performance bonded in the amounts of \$350,000 and \$250,000, respectively.

Claims, Judgments and Contingent Liabilities

At June 30, 2019, the City was a defendant to various lawsuits. In the opinion of the City's management and the City's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

3. *Long-Term Obligations*

Capital Leases

The City has entered into agreements to lease certain equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The first agreement was executed on September 9, 2010, to lease a fire truck and requires ten annual payments of \$31,072, with interest at 4.002%.

The second agreement was executed on July 19, 2011, to lease 15 police vehicles and requires five annual payments of \$98,341, with interest at 1.89%.

The third agreement was executed on November 6, 2013, and modified December 5, 2014, as part of a rolling stock loan and requires six annual payments of \$6,935, with interest at 2.03%.

The fourth agreement was executed on December 20, 2018, to lease rolling stock and requires five annual payments of \$237,167, with interest at 3.18%.

The fifth agreement was executed on October 9, 2014, to lease a fire truck and requires fifteen annual payments of \$71,502, with interest at 3.39%.

The sixth agreement was executed on November 10, 2015, to lease police vehicles and requires five annual payments of \$65,984, with interest at 2.11%.

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

Note 2 - Detailed Notes on All Funds (continued)

B. Liabilities (continued)

3. *Long-Term Obligations (continued)*

Capital Leases (continued)

The following is an analysis of the assets recorded under capital leases at June 30, 2019:

Equipment	\$ 3,438,314
Less: Accumulated depreciation	<u>(2,032,501)</u>
Net book value	<u>\$ 1,405,813</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019, were as follows:

	<u>Total</u>
2020	\$ 511,001
2021	507,517
2022	407,010
2023	308,669
2024	308,669
Thereafter	<u>429,012</u>
Total minimum lease payments	2,471,878
Less amounts representing interest	<u>(262,944)</u>
Present value of net minimum lease payments	<u>\$ 2,208,934</u>

Installment Purchases

On September 13, 2002, the City entered into an interim financing agreement to construct a new city hall. The interim agreement required an annual payment for two years and had an interest rate of 3.34%. On October 12, 2005, the City entered into permanent financing with USDA for \$7,000,000. The loan agreement will be repaid over 40 years, with an annual payment of \$366,940 and an interest rate of 4.25%. The loan is reported as an obligation of the General Fund. \$ 5,827,094

On August 8, 2010, the City entered into an installment purchase agreement in the amount of \$2,000,000 for street resurfacing. The agreement requires 10 annual principal payments of \$200,000, plus interest at 2.85% of the outstanding balance. The contract is reported as an obligation of the General Fund. 400,000

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

Note 2 - Detailed Notes on All Funds (continued)

B. Liabilities (continued)

3. *Long-Term Obligations (continued)*

Installment Purchases (continued)

On September 17, 2004, the City entered into an interim financing agreement to construct two resource centers and refurbish the Civic Center. The interim agreement required an annual payment of \$1,800,000 and had an interest rate of 2.85%. On May 15, 2005, the City entered into permanent financing for the resource centers with USDA for \$1,153,380. The loan agreement will be repaid over 40 years, with an annual payment of \$61,568 and an interest rate of 4.375%. The loan is reported as an obligation of the General Fund. On August 1, 2007, the City entered into permanent financing for the Civic Center with USDA for \$1,500,000. The loan agreement will be repaid over 40 years, with two annual payments of \$32,674 and \$45,124, and an interest rate of 4.25% and 4.125%, respectively. Both contracts are reported as an obligation of the General Fund.

2,258,323

On July 19, 2011, the City entered into an installment purchase agreement in the amount of \$1,000,000 for improvements to Northeast Park. The agreement requires annual principal payments of \$100,000, plus interest at 3.24% of the outstanding balance. The contract is reported as an obligation of the General Fund.

300,000

On October 18, 2011, the City entered into an installment purchase agreement in the amount of \$3,000,000 for the construction of a police station, with an interest rate of 1.46% and monthly interest payments of interest only for 2 years. The loan ballooned in October 2013, when the note was refinanced in full by USDA. The agreement requires annual payments of \$154,409, plus interest at 4.125% of the outstanding balance. The contract is reported as an obligation of the General Fund.

2,833,501

On June 17, 2014, the City entered into an installment purchase agreement in the amount of \$550,000 for the acquisition of furniture for the police station. The agreement requires annual payments of \$46,492, plus interest at 3.125% of the outstanding balance. The contract is reported as an obligation of the General Fund.

394,030

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

Note 2 - Detailed Notes on All Funds (continued)

B. Liabilities (continued)

3. *Long-Term Obligations (continued)*

On November 6, 2013, the City entered into an installment purchase agreement in the amount of \$170,000 to purchase a bucket truck. The agreement requires one annual interest payment of \$3,451 and seven annual principal payments of \$26,297, with interest at 2.03% of the outstanding balance. The contract is reported as an obligation of the Light and Power Fund. 48,546

On November 10, 2015, the City entered into an installment purchase agreement in the amount of \$415,000 to purchase equipment. The agreement requires seven annual payments of \$65,591, with interest at 2.59% of the outstanding balance. The contract is reported as an obligation of the Light and Power Fund. 246,205

On September 29, 2015, the City entered into an installment purchase agreement in the amount of \$1,900,000 to finance water tank renovations. The agreement requires ten annual principal payments of \$190,000, with interest at 3.03% of the outstanding balance. The contract is reported as an obligation of the Water and Sewer Fund. 1,330,000

On December 20, 2018, the City entered into an installment purchase agreement in the amount of \$658,000 to purchase rolling stock. The agreement requires five annual payments of \$144,417 with interest at 3.18%. The contract is reported as an obligation of the Water and Sewer Fund. 658,000

On November 6, 2013, the City entered into an installment purchase agreement in the amount of \$1,245,000 to purchase a street sweeper. The agreement requires one interest payment of \$25,274 and seven subsequent annual payments of \$192,589, with interest at 2.03% of the outstanding balance. The contract is reported as an obligation of the Water and Sewer Fund. 355,781

Total installment purchases \$ 14,651,480

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

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

Note 2 - Detailed Notes on All Funds (continued)

B. Liabilities (continued)

3. Long-Term Obligations (continued)

<u>Year ending June 30</u>	<u>General Fund</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 534,110	\$ 494,217	\$ 638,326	\$ 75,807
2021	543,637	475,750	516,862	59,212
2022	353,554	456,893	383,792	45,001
2023	263,877	443,330	389,586	33,448
20234	274,624	432,583	329,966	21,722
2025-29	1,550,411	1,985,571	380,000	17,271
2030-34	1,646,361	1,657,214	-	-
Thereafter	6,846,374	2,472,823	-	-
Total annual debt	<u>\$ 12,012,948</u>	<u>\$ 8,418,381</u>	<u>\$ 2,638,532</u>	<u>\$ 252,461</u>

Other Long Term Debt

The City financed capital improvements to the water and sewer system through the North Carolina Clean Water Bond Long Programs and through a loan from the North Carolina Department of Water Quality. The obligations are reported as debts of the Water and Sewer Fund and are scheduled to be repaid from water and sewer operations. Other long term debt at June 30, 2019, consisted of the following:

\$1,069,039 from the Clean Water Bond Loan Program, due in 20 annual principal installments of \$53,452, no interest, beginning in May 2014 and ending in May 2033.	\$ 748,327
Originally \$1,200,000, reduced to \$967,681, from the Clean Water Bond Loan Program, due in 20 annual principal installments, first installment of \$60,000, second installment of \$36,768, and eighteen installments at \$48,384, interest at 0.00%, beginning in May 2015 and ending in May 2034.	725,761
Originally \$490,877 from the Clean Water Bond Loan Program, due in 20 annual principal installments, first installment of \$25,184, second installment of \$23,904, and eighteen installments at \$24,544, interest at 0.00%, beginning in May 2016 and ending in May 2035.	392,702
Originally \$453,054 from the Clean Water Bond Loan Program, due in 20 annual principal installments of \$22,653 interest at 0.00%, beginning in May 2020 and ending in May 2039.	453,054
Originally \$2,000,000 from State Revolving Loan, due in 2022, proceeds to be used for FEMA reimbursed expenses.	<u>2,000,000</u>
Total other long term debt	<u>\$ 4,319,844</u>

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

Note 2 - Detailed Notes on All Funds (continued)

B. Liabilities (continued)

3. *Long-Term Obligations (continued)*

Other Long Term Debt (continued)

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

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 249,033	\$ -
2021	249,033	-
2022	249,033	-
2023	249,033	-
2024	249,033	-
2025-29	1,245,163	-
2030-34	1,191,711	-
Thereafter	637,805	-
Total annual debt	<u>\$ 4,319,844</u>	<u>\$ -</u>

At June 30, 2019, the City of Lumberton had a legal debt limit of \$128,324,205.

Changes in long term liabilities at June 30, 2019, consist of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Governmental activities					
Capital leases	\$ 1,459,456	\$ 1,080,595	\$ (331,117)	\$ 2,208,934	\$ 444,066
Loans	12,537,908	-	(524,962)	12,012,946	534,111
Workers' compensation	150,000	70,000	-	220,000	220,000
OPEB accrued liability	30,667,742	1,961,717	(1,116,987)	31,512,472	-
Net pension liability	2,859,316	2,481,127	(1,131,872)	4,208,571	-
Accrued vacation	816,035	22,323	(18,934)	819,424	180,274
Total pension liab (LEO)	<u>2,716,806</u>	<u>-</u>	<u>-</u>	<u>2,716,806</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 51,207,263</u>	<u>\$ 5,615,762</u>	<u>\$ (3,123,872)</u>	<u>\$ 53,699,153</u>	<u>\$ 1,378,451</u>

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

Note 2 - Detailed Notes on All Funds (continued)

B. Liabilities (continued)

3. Long-Term Obligations (continued)

Other Long Term Debt (continued)

Business type activities	Beginning			Ending	Current
Light and Power Fund	Balance	Increases	Decreases	Balance	Portion
Installment purchases	\$ 383,757	\$ -	\$ (89,006)	\$ 294,751	\$ 91,134
Accrued vacation	113,704	13,834	-	127,538	28,058
OPEB accrued liability	4,829,235	195,728	-	5,024,963	-
Net pension liability	494,395	243,773	-	738,168	-
	<u>5,821,091</u>	<u>453,335</u>	<u>(89,006)</u>	<u>6,185,420</u>	<u>119,192</u>
Water and Sewer Fund					
Loans	1,993,169	2,453,054	(126,380)	4,319,843	149,033
Installment purchases	2,934,454	658,000	(1,248,672)	2,343,782	547,192
Workers' compensation	-	-	-	-	-
Accrued vacation	161,818	62,717	-	224,535	49,398
OPEB accrued liability	6,049,052	243,909	-	6,292,961	-
Net pension liability	607,694	345,817	-	953,511	-
	<u>11,746,187</u>	<u>3,763,497</u>	<u>(1,375,052)</u>	<u>14,134,632</u>	<u>745,623</u>
Sanitation					
OPEB accrued liability	<u>212,333</u>	<u>145</u>	<u>-</u>	<u>212,478</u>	<u>-</u>
Business type activities					
long term liabilities	<u>\$ 17,779,611</u>	<u>\$ 4,216,977</u>	<u>\$ (1,464,058)</u>	<u>\$ 20,532,530</u>	<u>\$ 864,815</u>

C. Interfund Balances and Activity

Interfund balances will result from the time lag between the dates that (1) interfund goods and services were provided or reimbursable expenditures occurred, (2) transactions were recorded in the accounting system, and (3) payments between funds were made. There were no interfund balances at year end. Below is a schedule of interfund transfers.

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

Note 2 - Detailed Notes on All Funds (continued)

C. Interfund Balances and Activity (continued)

	Transfers to:			
	General Fund	Non Major Governmental Funds	Light and Power Fund	Water and Sewer Fund
Transfers from:				
General Fund	\$ -	\$ -	\$ (1,408,140)	\$ (638,650)
Non Major Governmental Funds	-	-	-	-
Light and Power Fund	1,408,140	-	-	-
Water and Sewer Fund	638,650	-	-	-
Total Transfers	<u>\$ 2,046,790</u>	<u>\$ -</u>	<u>\$ (1,408,140)</u>	<u>\$ (638,650)</u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as matching funds for various grant programs.

D. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2019, the City of Lumberton has recognized on-behalf payments for pension contributions made by the state as revenue and an expenditure of \$160 for the 34 employed firemen who perform firefighting duties for the town's fire department. The volunteers and employees elected to be members of the Firemen and Rescue Worker's Pension Fund, a cost sharing, multiple employer public employee retirement system established and administered by the State of North Carolina. The Plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

E. Net Investment in Capital Assets

The calculation for Net Investment in Capital Assets is shown as follows:

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Capital assets			
Land and non-depreciable assets	\$ 22,463,388	\$ 3,561,840	\$ 26,025,228
Other capital assets, net of depreciatio	18,308,013	60,914,230	79,222,243
Total capital assets	<u>40,771,401</u>	<u>64,476,070</u>	<u>105,247,471</u>
<u>ICAND Liabilities and Adjustments</u>			
Loans	(12,012,945)	(6,958,375)	(18,971,320)
Capital leases	(2,208,935)	-	(2,208,935)
General Fund Capital Projects Escrow	1,021,414	-	1,021,414
Water and Sewer Escrow	-	710,481	710,481
Total ICAND liabilities	<u>(13,200,466)</u>	<u>(6,247,894)</u>	<u>(19,448,360)</u>
Net investment in capital assets	<u>\$ 27,570,935</u>	<u>\$ 58,228,176</u>	<u>\$ 85,799,111</u>

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

Note 2 - Detailed Notes on All Funds (continued)

F. Fund Balance

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

Fund Balances	Major Fund General	Non-Major Governmental Funds	Total Governmental Funds
Non Spendable - Inventories	\$ 125,383	\$ -	\$ 125,383
Restricted by State Statute	2,793,828	-	2,793,828
Assigned - Special revenue funds	-	375,170	375,170
Assigned - Capital projects funds	-	(446,607)	(446,607)
Unassigned	2,989,605	-	2,989,605
Total fund balances	\$ 5,908,816	\$ (71,437)	\$ 5,837,379

Note 3 – Joint Ventures

The City is a participant in a joint venture with Robeson County to operate the public library system for City residents. The City Council appoints five members of a twelve member governing board and designates a member of the City Council to serve as an advisory member of the board. The City has an ongoing financial commitment for this joint venture because the Library’s continued existence is dependent on the City’s continued funding. The City does not have an equity interest in the Library.

Accordingly, no equity interest is reflected in the financial statements at June 30, 2019. The agreement between the City and Robeson County establishes equal participation (50/50 basis) in funding the operations of the Library within the corporate limits. The amount appropriated for each fiscal year is agreed upon by the City and the County and is included in the budgets of both units. The amount provided by the City for the fiscal year ended June 30, 2019, was \$300,000. Complete financial statements for the library can be obtained from the Library’s offices at 101 North Chestnut Street, Lumberton, North Carolina, 28358.

Note 4 – Related Organization

The mayor of the City of Lumberton appoints the board of the City of Lumberton Housing Authority. The City is accountable for the Housing Authority because it appoints the governing board; however, the City is not financially accountable for the Housing Authority. The City of Lumberton is also disclosed as a related organization in the notes to the financial statements for the City of Lumberton Housing Authority.

Note 5 – 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 monies.

City of Lumberton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

Note 6 – Subsequent Events

In preparing these statements, the City has evaluated events and transactions for potential disclosure through April 30, 2020, the date the financial statements were issued.

Note 7 – Extraordinary Event

During September 2018, the City experienced a record breaking flood from Hurricane Florence. This was the second record breaking flood in a two year period. Insurance proceeds were sufficient to offset the damage.

During the beginning of the 2020 calendar year, the world has experienced the effects of COVID-19, otherwise known as the Coronavirus. The entire US economy has suffered substantial economic impact and it is unclear how this pandemic will affect the City's operations or its financial position.

City of Lumberton, North Carolina
Required Supplemental Financial Data
Proportionate Share of Net Pension Liability (Asset)
June 30, 2019

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Lumberton's proportion of the net pension liability (asset) (%)	0.2434%	0.2417%	0.2409%	0.2578%	0.2699%	0.2638%
Lumberton's proportion of the net pension liability (asset) (\$)	\$ 5,774,992	\$ 3,692,812	\$ 5,112,281	\$ 1,157,350	\$ (1,591,430)	\$ 3,179,803
Lumberton's covered-employee payroll	\$15,229,125	\$14,470,326	\$14,373,064	\$14,276,456	\$12,677,177	\$12,677,177
Lumberton's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	37.92%	25.52%	35.57%	8.11%	-12.55%	25.08%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

Schedule of Employer Contributions

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,275,917	\$ 1,187,138	\$ 1,074,316	\$ 972,514	\$ 981,965	\$ 981,965
Contributions in relation to the contractually required contribution	<u>1,275,917</u>	<u>1,187,138</u>	<u>1,074,316</u>	<u>972,514</u>	<u>981,965</u>	<u>981,965</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Lumberton's covered-employee payroll	\$15,853,001	\$15,229,125	\$14,470,326	\$14,373,064	\$14,276,456	\$12,677,177
Contributions as a percentage of covered-employee payroll	8.05%	7.80%	7.42%	6.77%	6.88%	7.75%

City of Lumberton, North Carolina
Required Supplemental Financial Data
Law Enforcement Officer's Special Separation Allowance
June 30, 2019

	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 2,681,112	\$ 2,518,985
Service cost	130,348	96,763
Interest on the total pension liability	81,951	93,994
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	88,843	(1,616)
Changes of assumptions or other inputs	(99,362)	140,811
Benefit payments	(175,480)	(167,825)
Other changes	-	-
Ending balance of the total pension liability	<u>\$ 2,707,412</u>	<u>\$ 2,681,112</u>

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

	<u>2019</u>	<u>2018</u>
Total pension liability	\$ 2,707,412	\$ 2,681,112
Covered payroll	4,409,496	3,650,029
Total pension liability as a percentage of covered payroll	61.40%	73.45%

Notes to the schedules:

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

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

Total OPEB liability	<u>2018</u>
Balance at June 30, 2017	\$ 38,927,765
Changes for the year:	
Service cost	1,126,678
Interest	1,365,597
Change in benefit terms	-
Differences between expected and actual experience	57,775
Changes of assumptions or other inputs	(2,048,658)
Net benefit payments and implicit subsidy credit	<u>(1,146,645)</u>
Net Changes	<u>(645,253)</u>
Balance at June 30, 2018	<u><u>\$ 38,282,512</u></u>
Covered payroll	13,670,022
Total OPEB liability as a percentage of covered payroll	280.05%

Non-Major Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Grant Loan Fund – This fund is used to account for the restricted funds of completed community development block grants in compliance with regulatory requirements.

Emergency Telephone System Special Revenue Fund – This fund is used to account for 911 revenues received by the State 911 Board to enhance the State’s 911 system.

Capital Projects Funds

Capital Projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

General Fund Capital Projects Fund – This fund is used to account for the Northeast Park project.

Community Development Fund – This fund is used to account for on-going grant activity that is not yet completed.

Capital Reserve Fund – This fund is used to account for the accumulation of the resources necessary to accomplish future capital projects.

City of Lumberton, North Carolina
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2019

	<u>Capital Projects Funds</u>			Total Capital Projects Funds
	General Fund Capital Projects	Community Development Fund	Capital Reserve Fund	
<u>Assets</u>				
Cash and cash equivalents	\$ -	\$ 2,511	\$ 237	\$ 2,748
Accounts receivable - net	11,935	-	-	11,935
Restricted cash and cash equivalents	710	-	-	710
Total assets	\$ 12,645	\$ 2,511	\$ 237	\$ 15,393
<u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable and accrued liabilities from restricted assets	\$ -	\$ -	\$ -	\$ -
Due to Light and Power Fund	12,000	450,000	-	462,000
Deferred revenue	-	-	-	-
Total liabilities	12,000	450,000	-	462,000
Fund Balances				
Designated for subsequent years' expenditures	645	-	237	882
Undesignated	-	(447,489)	-	(447,489)
Total fund balances	645	(447,489)	237	(446,607)
 Total liabilities and fund balances	 \$ 12,645	 \$ 2,511	 \$ 237	 \$ 15,393

City of Lumberton, North Carolina
Combining Balance Sheet
Non-Major Governmental Funds (continued)
June 30, 2019

	<u>Special Revenue Funds</u>			Total Non Major Governmental Funds
	Grant Loan Fund	Emergency Telephone System Fund	Total Special Revenue Funds	
<u>Assets</u>				
Cash and cash equivalents	\$ 91,020	\$ 204,403	\$ 295,423	\$ 298,171
Accounts receivable - net	393,009	21,945	414,954	426,889
Restricted cash and cash equivalents	-	-	-	710
Total assets	\$ 484,029	\$ 226,348	\$ 710,377	\$ 725,770
<u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable and accrued liabilities from restricted assets	\$ -	\$ 698	\$ 698	\$ 698
Due to Light and Power Fund	-	-	-	462,000
Deferred revenue	334,509	-	334,509	334,509
Total liabilities	334,509	698	335,207	797,207
Fund Balances				
Designated for subsequent years' expenditures	149,520	225,650	375,170	376,052
Total fund balances	149,520	225,650	375,170	(71,437)
Total liabilities and fund balances	\$ 484,029	\$ 226,348	\$ 710,377	\$ 725,770

City of Lumberton, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2019

	<u>Capital Projects Funds</u>			Total Capital Projects Funds
	General Fund Capital Projects	Community Development Fund	Capital Reserve Fund	
Revenue				
Restricted intergovernmental	\$ -	\$ 1,522,745	\$ -	\$ 1,522,745
Investment earnings	162	-	1	163
Miscellaneous	4,500	-	-	4,500
Total revenue	<u>4,662</u>	<u>1,522,745</u>	<u>1</u>	<u>1,527,408</u>
Expenditures				
Economic & physical development	-	1,972,582	-	1,972,582
Capital outlay	248,096	-	-	248,096
Total expenditures	<u>248,096</u>	<u>1,972,582</u>	<u>-</u>	<u>2,220,678</u>
Revenue over (under) expenditures	<u>(243,434)</u>	<u>(449,837)</u>	<u>1</u>	<u>(693,270)</u>
Other financing sources (uses)				
Transfers (to) from other funds:				
Community Development Fund	-	-	-	-
Grant Loan Fund	-	595	-	595
Total other financing sources (uses)	<u>-</u>	<u>595</u>	<u>-</u>	<u>595</u>
Net change in fund balances	(243,434)	(449,242)	1	(692,675)
Fund balance, beginning	<u>244,079</u>	<u>1,753</u>	<u>236</u>	<u>246,068</u>
Fund balance, ending	<u>\$ 645</u>	<u>\$ (447,489)</u>	<u>\$ 237</u>	<u>\$ (446,607)</u>

City of Lumberton, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds (continued)
For the Fiscal Year Ended June 30, 2019

	Special Revenue Funds			Total Non Major Governmental Funds
	Grant Loan Fund	Emergency Telephone System Fund	Total Special Revenue Funds	
Revenue				
Other taxes and licenses	\$ -	\$ 106,773	\$ 106,773	\$ 106,773
Restricted intergovernmental	-	-	-	1,522,745
Investment earnings	7,392	1,248	8,640	8,803
Miscellaneous	13,114	29,839	42,953	47,453
Total revenue	<u>20,506</u>	<u>137,860</u>	<u>158,366</u>	<u>1,685,774</u>
Expenditures				
Public safety	-	160,095	160,095	160,095
Economic & physical development	2,825	-	2,825	1,975,407
Capital outlay	-	-	-	248,096
Total expenditures	<u>2,825</u>	<u>160,095</u>	<u>162,920</u>	<u>2,383,598</u>
Revenue over (under) expenditures	<u>17,681</u>	<u>(22,235)</u>	<u>(4,554)</u>	<u>(697,824)</u>
Other financing sources (uses)				
Transfers (to) from other funds:				
Community Development Fund	(595)	-	(595)	(595)
Grant Loan Fund	-	-	-	595
Total other financing sources (uses)	<u>(595)</u>	<u>-</u>	<u>(595)</u>	<u>-</u>
Net change in fund balances	17,086	(22,235)	(5,149)	(697,824)
Fund balance, beginning	<u>132,434</u>	<u>247,885</u>	<u>380,319</u>	<u>626,387</u>
Fund balance, ending	<u>\$ 149,520</u>	<u>\$ 225,650</u>	<u>\$ 375,170</u>	<u>\$ (71,437)</u>

City of Lumberton, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Non-Major Governmental Funds - Capital Reserve Fund
For the Fiscal Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Investment earnings	\$ -	\$ -	\$ 1	\$ 1
Expenditures				
Capital outlay	-	-	-	-
Revenues over (under)				
expenditures	-	-	1	1
Other financing sources (uses)				
Total other financing sources (uses)	-	-	-	-
Revenue and other financing sources				
over (under) expenditures	-	-	1	1
Fund balance appropriated	-	-	-	-
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	1	<u>\$ 1</u>
Fund balances, beginning			<u>236</u>	
Fund balances, ending			<u>\$ 237</u>	

City of Lumberton, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Non-Major Governmental Funds - Grant Loan Fund
For the Fiscal Year Ended June 30, 2019

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Revenues				
Investment earnings	\$ 7,700	\$ 9,755	\$ 7,392	\$ (2,363)
Miscellaneous	12,930	13,700	13,114	(586)
Total revenues	<u>20,630</u>	<u>23,455</u>	<u>20,506</u>	<u>(2,949)</u>
Expenditures				
Economic and physical development	-	2,825	2,825	-
Revenues over (under) expenditures	<u>20,630</u>	<u>20,630</u>	<u>17,681</u>	<u>(2,949)</u>
Other financing sources (uses)				
Transfers in (out):				
General Fund	(15,000)	(15,000)	-	15,000
Community Development Fund	(5,630)	(5,630)	(595)	5,035
Total other financing sources (uses)	<u>(20,630)</u>	<u>(20,630)</u>	<u>(595)</u>	<u>20,035</u>
Revenue and other financing sources over (under) expenditure	-	-	17,086	17,086
Fund balance appropriated	-	-	-	-
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	17,086	<u>\$ 17,086</u>
Fund balances, beginning			<u>132,434</u>	
Fund balances, ending			<u>\$ 149,520</u>	

City of Lumberton, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Non-Major Governmental Funds - Emergency Telephone System Fund
For the Fiscal Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Other taxes and licenses	\$ 106,770	\$ 127,970	\$ 136,612	\$ 8,642
Investment earnings	1,000	1,000	1,248	248
Total revenues	<u>107,770</u>	<u>128,970</u>	<u>137,860</u>	<u>8,890</u>
Expenditures				
Operational expenditures	241,895	405,420	160,095	245,325
Revenues over (under) expenditures	<u>(134,125)</u>	<u>(276,450)</u>	<u>(22,235)</u>	<u>254,215</u>
Other financing sources (uses)				
Transfers in (out)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue and other financing sources over (under) expenditure	<u>(134,125)</u>	<u>(276,450)</u>	<u>(22,235)</u>	<u>254,215</u>
Fund balance appropriated	<u>134,125</u>	<u>276,450</u>	<u>-</u>	<u>(276,450)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(22,235)</u>	<u>\$ (22,235)</u>
Fund balances, beginning			<u>247,885</u>	
Fund balances, ending			<u>\$ 225,650</u>	

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

	Project Authorization	Prior Years	Current Year	Totals to Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental					
DENR Grant	\$ -	\$ -	\$ -	\$ -	\$ -
Golden Leaf Grant	-	-	-	-	-
PARTF Grant	-	-	-	-	-
Investment earnings	-	2,290	162	2,452	2,452
Other donations	757,920	220,000	4,500	224,500	(533,420)
Total revenues	<u>757,920</u>	<u>222,290</u>	<u>4,662</u>	<u>226,952</u>	<u>(530,968)</u>
Expenditures					
Capital outlay:					
Northeast Park	1,395,410	1,146,943	248,096	1,395,039	371
Total expenditures	<u>1,395,410</u>	<u>1,146,943</u>	<u>248,096</u>	<u>1,395,039</u>	<u>371</u>
Revenues over (under) expenditures	<u>(637,490)</u>	<u>(924,653)</u>	<u>(243,434)</u>	<u>(1,168,087)</u>	<u>(531,339)</u>
Other financing sources (uses)					
Northeast Park					
Transfers in:					
General Fund	275,000	209,050	-	209,050	(65,950)
Light and Power Fund	362,490	362,490	-	362,490	-
Capital Reserve Fund	-	-	-	-	-
Total other financing sources (uses)	<u>637,490</u>	<u>571,540</u>	<u>-</u>	<u>571,540</u>	<u>(65,950)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (353,113)</u>	<u>(243,434)</u>	<u>\$ (596,547)</u>	<u>\$ (597,289)</u>
Fund balances, beginning			<u>244,079</u>		
Fund balances, ending			<u>\$ 645</u>		

City of Lumberton, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception - Community Development Fund
For the Fiscal Year Ended June 30, 2019

	Project Authorization	Prior Years	Current Year	Totals to Date	Variance Positive (Negative)
Revenues					
CDBG Grant	\$ 2,747,500	\$ 76,361	\$ 82,133	\$ 158,494	\$(2,589,006)
Other	-	-	4,244	4,244	4,244
Hazard Mitigation Grant Program	12,863,095	-	1,436,368	1,436,368	(11,426,727)
Total intergovernmental revenues	15,610,595	76,361	1,522,745	1,599,106	(14,011,489)
Total revenue	15,610,595	76,361	1,522,745	1,599,106	(14,011,489)
Expenditures					
Economic & physical development					
NC Housing Finance	6,010,580	77,608	1,879,130	1,956,738	4,053,842
Hazard Mitigation Grants	7,603,110	-	28,092	28,092	7,575,018
Neighborhood Revitalization	2,023,400	-	65,360	65,360	1,958,040
Total expenditures	15,637,090	77,608	1,972,582	2,050,190	13,586,900
Revenues over (under) expenditures	(26,495)	(1,247)	(449,837)	(451,084)	(424,589)
Other financing sources (uses)					
Transfers from Grant Loan Fund	26,495	3,000	595	3,595	(22,900)
Total other financing sources (uses)	26,495	3,000	595	3,595	(22,900)
Net change in fund balances	\$ -	\$ 1,753	(449,242)	\$ (447,489)	\$ (447,489)
Fund balances, beginning			1,753		
Fund balances, ending			\$ (447,489)		

Detailed Financial Statements and Schedules

Internal Service Funds

Internal Service Funds – These funds are used to account for the goods and services provided by one department to other departments, on a cost reimbursement basis.

Insurance Fund – This fund is used to account for the City’s risk management and self funded health insurance programs.

Fleet Maintenance Fund – This fund is used to account for the costs associated with the City’s vehicle and equipment maintenance needs.

Enterprise Funds

Light and Power Fund - This fund is used to account for the City’s revenues and expenses associated with the City’s sale of electricity and utility operations.

Water and Sewer Fund - This fund is used to account for the City’s revenues and expenses associated with the City’s water and waste water operations.

Sanitation Fund - This fund is used to account for the City’s revenues and expenses associated with the City’s sanitation operations.

City of Lumberton, North Carolina
Combining Statement of Net Position
Internal Service Funds
June 30, 2019

<u>Assets</u>	<u>Insurance Fund</u>	<u>Fleet Maintenance Fund</u>	<u>Totals</u>
Current assets			
Cash and cash equivalents	\$ 1,412,021	\$ 246,621	\$ 1,658,642
Accounts receivable - net	426	41,757	42,183
Prepaid expenses	597,034	-	597,034
Inventories	-	96,775	96,775
Total current assets	<u>2,009,481</u>	<u>385,153</u>	<u>2,394,634</u>
Non current assets			
Net pension asset	-	-	-
Capital assets - net	-	57,341	57,341
Total noncurrent assets	<u>-</u>	<u>57,341</u>	<u>57,341</u>
Total assets	<u>2,009,481</u>	<u>442,494</u>	<u>2,451,975</u>
<u>Deferred Outflows of Resources</u>			
Contributions to OPEB	-	73,080	73,080
Contributions to pension plan	-	101,148	101,148
Total deferred outflows of resources	<u>-</u>	<u>174,228</u>	<u>174,228</u>
<u>Liabilities</u>			
Current liabilities			
Accounts payable and accrued liabilities from restricted assets	425,024	2,084	427,108
Current portion of long term liabilities	-	4,756	4,756
Total current liabilities	<u>425,024</u>	<u>6,840</u>	<u>431,864</u>
Long term liabilities			
Other post-employment benefits	-	686,982	686,982
Compensated absences	-	16,861	16,861
Net pension liability	-	94,137	94,137
Total liabilities	<u>425,024</u>	<u>804,820</u>	<u>1,229,844</u>
<u>Deferred Inflows of Resources</u>			
Pension deferrals	-	1,677	1,677
OPEB deferrals	-	78,588	78,588
	<u>-</u>	<u>80,265</u>	<u>80,265</u>
<u>Net position</u>			
Invested in capital assets, net of related debt	-	57,341	57,341
Restricted for employee benefits	1,584,457	-	1,584,457
Unrestricted	-	(325,704)	(325,704)
Total net position	<u>\$ 1,584,457</u>	<u>\$ (268,363)</u>	<u>\$ 1,316,094</u>

City of Lumberton, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Net Position
Internal Service Funds
For the Fiscal Year Ended June 30, 2019

Revenue	Insurance Fund	Fleet Maintenance Fund	Totals
Charges for services	\$ 6,468,344	\$ 1,183,718	\$ 7,652,062
Miscellaneous	2,171	918	3,089
Total revenue	<u>6,470,515</u>	<u>1,184,636</u>	<u>7,655,151</u>
Expenditures			
Personal services	-	287,757	287,757
Fringe benefits	-	66,347	66,347
Insurance	-	33,480	33,480
Operations - General	-	33,786	33,786
Maintenance and construction	-	622,598	622,598
Health claims and insurance	7,202,753	-	7,202,753
Depreciation	-	7,246	7,246
Total expenditures	<u>7,202,753</u>	<u>1,051,214</u>	<u>8,253,967</u>
Operating income (loss)	<u>(732,238)</u>	<u>133,422</u>	<u>(598,816)</u>
Non operating revenue (expenses)			
Investment earnings	<u>10,839</u>	<u>1,256</u>	<u>12,095</u>
Total non operating revenue (expenses)	<u>10,839</u>	<u>1,256</u>	<u>12,095</u>
Change in net position	(721,399)	134,678	(586,721)
Net position, beginning	<u>2,305,856</u>	<u>(403,041)</u>	<u>1,902,815</u>
Net position, ending	<u>\$ 1,584,457</u>	<u>\$ (268,363)</u>	<u>\$ 1,316,094</u>

City of Lumberton, North Carolina
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2019

	Insurance Fund	Fleet Maintenance Fund	Totals
Cash Flows From:			
Operating Activities			
Cash received from customers	\$ 6,470,551	\$ 1,175,435	\$ 7,645,986
Cash paid to employees	-	(267,365)	(267,365)
Cash paid to suppliers	(6,882,808)	(780,774)	(7,663,582)
Net cash provided (used) by operating activities	<u>(412,257)</u>	<u>127,296</u>	<u>(284,961)</u>
Investing Activities			
Interest earnings	<u>10,839</u>	<u>1,256</u>	<u>12,095</u>
Net cash provided (used) by investing activities	<u>10,839</u>	<u>1,256</u>	<u>12,095</u>
Net increase (decrease) in cash and cash equivalents	(401,418)	128,552	(272,866)
Cash and cash equivalents			
Beginning of period	<u>1,813,439</u>	<u>118,069</u>	<u>1,931,508</u>
End of period	<u>\$ 1,412,021</u>	<u>\$ 246,621</u>	<u>\$ 1,658,642</u>

City of Lumberton, North Carolina
Combining Statement of Cash Flows (continued)
Internal Service Funds
For the Fiscal Year Ended June 30, 2019

	<u>Insurance Fund</u>	<u>Fleet Maintenance Fund</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income	\$ (732,238)	\$ 133,422	\$ (598,816)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	-	7,246	7,246
Changes in assets and liabilities:			
(Increase) decrease in			
Accounts receivable	36	(9,201)	(9,165)
Prepaid items	(93,434)	-	(93,434)
Inventory	-	14,760	14,760
Increase (decrease) in			
Accounts payable and accrued liabilities	413,379	1,000	414,379
Accrued OPEB liability	-	9,277	9,277
Deferred outflows of resources for OPEB	-	(84,057)	(84,057)
Accrued pension liability	-	36,529	36,529
Deferred inflows of resources for pensions	-	18,320	18,320
Total adjustments	<u>319,981</u>	<u>(6,126)</u>	<u>313,855</u>
Net cash provided (used) by operating activities	<u>\$ (412,257)</u>	<u>\$ 127,296</u>	<u>\$ (284,961)</u>

City of Lumberton, North Carolina
Schedule of Revenues, Expenditures, and Changes in Net Position - Budget and Actual
Insurance Fund
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Operating revenue			
Charges for services	\$	\$ 6,470,515	\$
Miscellaneous		-	
Total operating revenues	<u>7,265,505</u>	<u>6,470,515</u>	<u>(794,990)</u>
Non operating revenue			
Investment earnings	-	10,839	10,839
Total revenues	<u>7,265,505</u>	<u>6,481,354</u>	<u>(784,151)</u>
Expenditures			
Health claims and insurance		7,202,753	
Total expenditures	<u>7,265,505</u>	<u>7,202,753</u>	<u>62,752</u>
Revenues over (under) expenditures	-	(721,399)	(721,399)
Fund balance appropriated	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>(721,399)</u>	<u>\$ (721,399)</u>
Reconciliation from budgetary basis to full accrual		-	
Change in net position		<u>\$ (721,399)</u>	

City of Lumberton, North Carolina
Schedule of Revenues, Expenditures, and Changes in Net Position - Budget and Actual
Fleet Maintenance Fund
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Operating revenue			
Charges for services	\$	\$ 1,183,718	\$
Miscellaneous		918	
Total operating revenues	<u>830,255</u>	<u>1,184,636</u>	<u>354,381</u>
Non operating revenue			
Investment earnings	<u>500</u>	<u>1,256</u>	<u>756</u>
Total revenues	<u>830,755</u>	<u>1,185,892</u>	<u>355,137</u>
Expenditures			
Personal services		287,757	
Fringe benefits		120,306	
Insurance		33,480	
Operations - General		33,786	
Maintenance and construction		622,598	
Total expenditures	<u>855,755</u>	<u>1,097,927</u>	<u>(242,172)</u>
Revenues over (under) expenditures	(25,000)	87,965	112,965
Other financing sources (uses)			
Capital Reserve Fund	<u>-</u>	<u>-</u>	<u>-</u>
Revenue and other financing sources over (under) expenditures	(25,000)	87,965	112,965
Fund balance appropriated	<u>25,000</u>	<u>-</u>	<u>(25,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>87,965</u>	<u>\$ 87,965</u>
Reconciliation from budgetary basis to full accrual			
Depreciation		(7,246)	
Pension expense		(25,621)	
Deferred outflows of resources for contributions made to pension plan in current fiscal year		51,916	
Increase in accrued OPEB liability		(29,624)	
Deferred outflows of resources for contributions made to OPEB plan in current fiscal year		<u>57,288</u>	
Change in net position		<u>\$ 134,678</u>	

City of Lumberton, North Carolina
Schedule of Revenues, Expenditures, and Changes in Net Position - Budget and Actual
Light and Power Fund
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Operating revenue			
Charges for services	\$	\$ 28,158,041	\$
Total operating revenues	<u>31,156,770</u>	<u>28,158,041</u>	<u>(2,998,729)</u>
Other operating revenue			
Connection fees		107,130	
Off street lighting		775,797	
Late penalty charges		118,577	
Electricity sales tax charges		1,838,688	
Other		410,486	
Total other operating revenue	<u>3,072,565</u>	<u>3,250,678</u>	<u>178,113</u>
Total operating revenue	<u>34,229,335</u>	<u>31,408,719</u>	<u>(2,820,616)</u>
Non operating revenue			
Investment earnings		71,765	
NC Department of Agriculture		12,000	
Total non operating revenue	<u>37,000</u>	<u>83,765</u>	<u>46,765</u>
Total revenues	<u>34,266,335</u>	<u>31,492,484</u>	<u>(2,773,851)</u>
Operating expenditures			
Personal services		1,875,168	
Fringe benefits		829,583	
Insurance		545,840	
Administration		659,273	
Operations - Collections		161,638	
Operations - Substations		24,088,687	
Operations - General		477,363	
Meter service		28,914	
Operations - Public enterprises		4,361	
Economic development		3,832	
Total operating expenditures	<u>30,507,060</u>	<u>28,674,659</u>	<u>1,832,401</u>
Debt service			
Principal retirement		89,004	
Interest		9,492	
Total debt service	<u>98,505</u>	<u>98,496</u>	<u>9</u>
Capital outlay	<u>2,431,220</u>	<u>1,829,464</u>	<u>601,756</u>

City of Lumberton, North Carolina
Schedule of Revenues, Expenditures, and Changes in Net Position - Budget and Actual
Light and Power Fund (continued)
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Contingency	\$ 18,840	\$ -	\$ 18,840
Total expenditures	<u>33,055,625</u>	<u>30,602,619</u>	<u>2,453,006</u>
Revenues over (under) expenditures	<u>1,210,710</u>	<u>889,865</u>	<u>(320,845)</u>
Other financing sources (uses)			
Transfers (to) from General Fund		(1,200,000)	
Transfers (to) from Water and Sewer Fund		-	
Transfers (to) from General Fund		(208,140)	
Transfers (to) Capital Project Funds		-	
Total other financing sources (uses)	<u>(1,408,140)</u>	<u>(1,408,140)</u>	<u>-</u>
Revenue and other financing sources over (under) expenditures	(197,430)	(518,275)	(320,845)
Appropriated fund balance	<u>197,430</u>	<u>-</u>	<u>(197,430)</u>
Net change in fund balance	<u>\$ -</u>	<u>(518,275)</u>	<u>\$ (518,275)</u>

Reconciliation from budgetary basis to full accrual

Reconciling items

Capital outlay	1,829,464
Principal retirement	89,004
(Increase) decrease in accrued vacation	(13,833)
Deferred outflows of resources for contributions made to pension plan in current fiscal year	372,063
Pension expense	(170,683)
Deferred outflows of resources for contributions made to OPEB plan in current fiscal year	399,970
OPEB expense	(192,558)
Depreciation	(778,415)
Provision for uncollectible accounts	<u>(300,108)</u>
Total reconciling items	<u>1,234,904</u>
Change in net position	<u>\$ 716,629</u>

City of Lumberton, North Carolina
Schedule of Revenues, Expenditures, and Changes in Net Position - Budget and Actual
Water and Sewer Fund
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Operating revenue			
Charges for services	\$	\$ 7,999,073	\$
Total operating revenues	<u>8,885,590</u>	<u>7,999,073</u>	<u>(886,517)</u>
Other operating revenue			
Pretreatment user fees		1,420,650	
Connection fees		28,900	
Other		1,660,287	
Total other operating revenue	<u>3,921,200</u>	<u>3,109,837</u>	<u>(811,363)</u>
Total operating revenue	<u>12,806,790</u>	<u>11,108,910</u>	<u>(1,697,880)</u>
Non operating revenue			
Sale of materials		3,766	
Investment earnings		428	
Total non operating revenue	<u>8,000</u>	<u>4,194</u>	<u>(3,806)</u>
Total revenues	<u>12,814,790</u>	<u>11,113,104</u>	<u>(1,701,686)</u>
Operating expenditures			
Personal services		2,970,550	
Fringe benefits		1,203,919	
Insurance		453,910	
Operations - Administration		539,531	
Operations - Water treatment plant		234,092	
Operations - Maintenance		843,280	
Operations - Waste treatment plant		547,173	
Operations - Laboratory		69,997	
Operations - P/U Maintenance		316,593	
Operations - Public enterprises		6,540	
Total operating expenditures	<u>7,068,730</u>	<u>7,185,585</u>	<u>(116,855)</u>
Debt service			
Principal retirement		1,375,052	
Interest		80,900	
Total debt service	<u>1,455,980</u>	<u>1,455,952</u>	<u>28</u>
Capital outlay	<u>7,520,570</u>	<u>2,380,825</u>	<u>5,139,745</u>
Total expenditures	<u>16,045,280</u>	<u>11,022,362</u>	<u>5,022,918</u>

City of Lumberton, North Carolina
Schedule of Revenues, Expenditures, and Changes in Net Position - Budget and Actual
Water and Sewer Fund (continued)
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues over (under) expenditures	\$ (3,230,490)	\$ 90,742	\$ 3,321,232
Other financing sources (uses)			
From General Fund		-	
PILOT services		(638,650)	
From Light and Power Fund		-	
Loan proceeds		3,111,054	
Total other financing sources (uses)	<u>2,452,405</u>	<u>2,472,404</u>	<u>19,999</u>
Revenue and other financing sources over (under) expenditures	(778,085)	2,563,146	3,341,231
Appropriated fund balance	<u>778,085</u>	<u>-</u>	<u>(778,085)</u>
Net change in fund balance	<u>\$ -</u>	<u>2,563,146</u>	<u>\$ 2,563,146</u>

Reconciliation from budgetary basis to full accrual

Reconciling items	
Capital outlay	2,380,825
Principal retirement	1,375,052
(Increase) decrease in accrued vacation	(62,717)
Loan proceeds	(3,111,054)
Deferred outflows of resources for contributions made to pension plan in current fiscal year	527,810
Pension expense	(263,258)
Deferred outflows of resources for contributions made to OPEB plan in current fiscal year	572,801
OPEB expense	(239,957)
Depreciation	(1,846,552)
Provision for uncollectible accounts	<u>(87,038)</u>
Total reconciling items	<u>(754,088)</u>
Change in net position	<u>\$ 1,809,058</u>

City of Lumberton, North Carolina
Schedule of Revenues, Expenditures, and Changes in Net Position - Budget and Actual
Sanitation Fund
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues			
Operating revenue			
Charges for services	\$	\$ 1,742,044	\$
Miscellaneous		-	
Total operating revenues	<u>1,796,550</u>	<u>1,742,044</u>	<u>(54,506)</u>
Other operating revenue			
Other		19,995	
Total other operating revenue	<u>12,500</u>	<u>19,995</u>	<u>7,495</u>
Total revenues	<u>1,809,050</u>	<u>1,762,039</u>	<u>(47,011)</u>
Operating expenditures			
Insurance		27,760	
Operations - Sanitation services		1,861,053	
Total operating expenditures	<u>1,904,800</u>	<u>1,888,813</u>	<u>15,987</u>
Capital outlay	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Total expenditures	<u>1,929,800</u>	<u>1,888,813</u>	<u>40,987</u>
Revenues over (under) expenditures	<u>(120,750)</u>	<u>(126,774)</u>	<u>(6,024)</u>
Revenue and other financing sources over (under) expenditures	(120,750)	(126,774)	(6,024)
Appropriated fund balance	<u>120,750</u>	<u>-</u>	<u>(120,750)</u>
Net change in fund balance	<u>\$ -</u>	<u>(126,774)</u>	<u>\$ (126,774)</u>

Reconciliation from budgetary basis to full accrual

Reconciling items

Capital outlay	-
Depreciation	(10,642)
Bad debt expense	(18,239)
Deferred outflows of resources for contributions made to OPEB plan in current fiscal year	(6,250)
Pension expense	-
Increase in accrued OPEB liability	<u>6,250</u>
Total reconciling items	<u>(28,881)</u>
Change in net position	<u>\$ (155,655)</u>

III. Statistical Section

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

City of Lumberton, North Carolina
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Governmental activities										
Net investment in capital assets,	\$27,570,935	\$26,860,627	\$24,856,994	\$24,451,730	\$24,485,055	\$23,019,765	\$22,263,836	\$21,207,732	\$21,161,211	\$22,428,558
Restricted	4,057,061	4,542,038	4,891,367	3,914,504	4,072,877	4,772,375	4,578,965	5,343,487	3,008,516	748,564
Unrestricted	(27,126,442)	(27,582,309)	(14,139,713)	(11,096,705)	(11,064,071)	(7,237,852)	(4,170,489)	(1,617,832)	1,143,082	3,349,473
Total	<u>\$ 4,501,554</u>	<u>\$ 3,820,356</u>	<u>\$15,608,648</u>	<u>\$17,269,529</u>	<u>\$17,493,861</u>	<u>\$20,554,288</u>	<u>\$22,672,312</u>	<u>\$24,933,387</u>	<u>\$25,312,809</u>	<u>\$26,526,595</u>
Business type activities										
Net investment in capital assets,	\$58,217,534	\$57,862,770	\$56,060,734	\$54,560,369	\$54,453,014	\$51,208,213	\$52,714,648	\$50,386,874	\$47,892,314	\$48,076,797
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	4,493,590	2,478,322	7,727,103	3,574,876	(1,763,474)	1,757,571	1,194,523	2,863,794	6,523,247	5,719,409
Total	<u>\$62,711,124</u>	<u>\$60,341,092</u>	<u>\$63,787,837</u>	<u>\$58,135,245</u>	<u>\$52,689,540</u>	<u>\$52,965,784</u>	<u>\$53,909,171</u>	<u>\$53,250,668</u>	<u>\$54,415,561</u>	<u>\$53,796,206</u>
Primary government										
Net investment in capital assets,	\$85,788,469	\$84,723,397	\$80,917,728	\$79,012,099	\$78,938,069	\$74,978,484	\$68,434,978	\$69,053,525	\$70,505,355	\$64,995,905
Restricted	4,057,061	4,542,038	4,891,367	3,914,504	4,072,877	4,578,965	7,093,880	3,008,516	748,564	511,876
Unrestricted	(22,632,852)	(25,103,987)	(6,412,610)	(7,521,829)	(12,827,545)	(2,975,966)	2,655,197	7,666,329	9,068,882	16,224,725
Total	<u>\$67,212,678</u>	<u>\$64,161,448</u>	<u>\$79,396,485</u>	<u>\$75,404,774</u>	<u>\$70,183,401</u>	<u>\$76,581,483</u>	<u>\$78,184,055</u>	<u>\$79,728,370</u>	<u>\$80,322,801</u>	<u>\$81,732,506</u>

City of Lumberton, North Carolina

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

Expenses	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Governmental activities										
General government	\$ 11,029,963	\$ 9,577,178	\$ 9,372,400	\$ 8,815,420	\$ 8,955,140	\$ 8,433,267	\$ 9,410,178	\$ 8,774,265	\$ 9,137,904	\$ 9,646,492
Public safety	14,620,716	13,400,363	13,735,316	12,925,150	14,022,371	13,477,079	12,820,102	13,587,910	13,815,520	10,908,965
Transportation	2,069,404	2,221,713	1,970,897	2,163,106	1,890,503	2,614,439	2,541,849	2,855,670	2,447,698	2,450,774
Environmental protection	716,567	676,091	685,412	550,349	550,997	531,346	524,202	501,005	504,785	488,788
Economic and physical developme:	4,315,004	2,144,410	3,126,834	2,110,188	2,476,358	1,663,707	2,434,457	2,712,527	1,488,800	1,265,915
Culture and recreational	2,483,217	2,365,974	2,331,823	2,103,580	1,667,417	1,678,558	1,607,199	1,279,124	1,763,701	1,436,805
Interest on long term debt	552,183	577,049	592,381	608,260	607,697	520,765	546,148	508,002	435,265	450,828
Total governmental activities	35,787,054	30,962,778	31,815,063	29,276,053	30,170,483	29,884,135	30,218,503	29,593,673	26,648,567	24,485,368
Business type activities										
Water and Sewer Fund	8,578,358	8,287,998	8,644,665	8,352,994	8,283,783	8,212,867	7,697,715	7,185,347	6,964,114	6,858,227
Light and Power Fund	29,067,607	28,881,508	30,158,315	29,610,643	37,281,431	36,604,249	35,195,167	34,697,959	37,727,345	36,084,377
Sanitation Fund	1,899,455	1,743,257	1,730,590	1,705,589	1,662,075	1,654,222	1,690,465	1,710,133	1,817,016	1,748,616
Total business type activities	39,545,420	38,912,763	40,533,570	39,669,226	47,227,289	44,583,347	43,593,439	46,508,475	44,691,220	43,679,908
Total expenses	\$ 75,332,474	\$ 69,875,541	\$ 72,348,633	\$ 68,945,279	\$ 77,397,772	\$ 74,467,482	\$ 73,811,942	\$ 76,102,148	\$ 71,339,787	\$ 68,165,276
Revenues										
Governmental activities										
General government	\$ 8,778,751	\$ 7,830,134	\$ 7,836,938	\$ 7,478,261	\$ 7,530,252	\$ 7,783,107	\$ 6,827,774	\$ 7,384,857	\$ 7,103,640	\$ 6,779,223
Public safety	672,608	1,529,469	780,173	865,918	972,879	423,987	-	-	-	-
Transportation	626,978	636,063	641,960	651,249	656,413	651,725	-	-	-	-
Environmental protection	19,315	24,255	22,460	36,615	16,420	16,053	10,355	14,437	13,067	-
Economic and physical developme:	1,453,868	76,361	361,461	169,509	547,628	132,056	-	-	-	-
Culture and recreational	135,449	130,718	139,671	120,895	116,855	132,278	124,314	125,816	130,082	-
Operating grants and contributions	-	-	-	-	-	-	1,070,323	1,662,849	1,856,521	1,570,910
Capital grants and contributions	-	-	-	-	-	-	889,172	916,773	249,455	243,142
Total governmental activities	11,686,969	10,227,000	9,782,663	9,322,447	9,840,447	8,921,938	10,104,732	9,352,765	8,593,275	8,458,996
Business type activities										
Water and Sewer Fund	11,021,872	9,369,687	10,108,882	10,189,002	8,767,566	9,222,947	9,555,406	8,751,688	9,304,472	8,505,754
Light and Power Fund	31,108,611	31,528,434	35,064,670	34,015,763	37,255,820	35,167,848	35,532,565	34,572,594	38,086,113	36,708,060
Sanitation Fund	1,743,800	1,714,692	1,749,473	1,804,881	1,799,133	1,772,287	1,931,809	1,725,410	1,726,264	1,706,423
Operating grants and contributions	-	-	-	-	12,000	12,000	12,000	12,000	12,000	12,000
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business type activities	43,874,283	42,612,813	46,923,025	46,009,646	47,834,519	47,031,780	45,061,692	49,128,849	46,932,237	45,139,183
Total revenues	\$ 55,561,252	\$ 52,839,813	\$ 56,705,688	\$ 55,332,093	\$ 57,674,966	\$ 55,953,718	\$ 55,166,424	\$ 58,481,614	\$ 55,525,512	\$ 53,598,179

City of Lumberton, North Carolina
Changes in Net Position (continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Net revenue (expense)										
Governmental activities	\$ (24,100,085)	\$ (20,735,778)	\$ (22,032,400)	\$ (19,953,606)	\$ (20,962,197)	\$ (20,113,771)	\$ (20,240,908)	\$ (18,055,292)	\$ (16,026,372)	\$ (15,691,338)
Business type activities	4,328,863	3,700,050	6,389,455	6,340,420	2,448,433	1,468,253	2,620,374	2,241,017	1,459,275	1,601,083
Total primary government	<u>\$ (19,771,222)</u>	<u>\$ (17,035,728)</u>	<u>\$ (15,642,945)</u>	<u>\$ (18,513,764)</u>	<u>\$ (18,513,764)</u>	<u>\$ (18,645,518)</u>	<u>\$ (17,620,534)</u>	<u>\$ (15,814,275)</u>	<u>\$ (14,567,097)</u>	<u>\$ (14,090,255)</u>
General revenues and other changes in net position										
Governmental activities										
Property taxes	\$ 11,206,397	\$ 10,241,151	\$ 10,169,452	\$ 10,217,929	\$ 9,974,318	\$ 9,513,103	\$ 9,424,611	\$ 9,243,844	\$ 9,373,279	\$ 8,528,492
Other taxes and licenses and unrestricted intergovernmental revenues	9,550,270	9,036,843	8,820,445	7,941,602	7,666,489	7,285,299	7,115,271	7,630,058	7,061,146	5,808,830
Investment earnings	87,201	60,855	37,229	21,724	14,134	15,215	27,167	27,564	20,864	24,499
Other revenues (expenses)	1,864,162	862,752	2,297,448	639,829	248,546	189,508	315,096	140,612	522,482	-
Transfers	2,046,790	2,374,542	816,375	908,190	285,920	867,136	1,610,649	2,692,271	2,049,351	1,619,366
Total governmental activities	<u>24,754,820</u>	<u>22,576,143</u>	<u>22,140,949</u>	<u>19,729,274</u>	<u>18,492,794</u>	<u>19,734,349</u>	<u>19,027,122</u>	<u>15,981,187</u>	<u>14,308,266</u>	<u>15,917,004</u>
Business type activities										
Investment earnings	72,193	51,170	28,931	11,419	2,833	3,290	12,667	28,997	36,325	42,750
Other revenues (expenses)	15,766	19,361	50,581	2,056	13,175	15,995	8,772	30,128	12,004	-
Transfers	(2,046,790)	(2,374,542)	(816,375)	(908,190)	(285,920)	(867,136)	(1,610,649)	(2,692,271)	(2,049,351)	(1,619,366)
Total business type activities	<u>(1,958,831)</u>	<u>(2,304,011)</u>	<u>(736,863)</u>	<u>(894,715)</u>	<u>(269,912)</u>	<u>(1,589,210)</u>	<u>(2,633,146)</u>	<u>(2,001,022)</u>	<u>(1,576,616)</u>	<u>(831,068)</u>
Total primary government	<u>\$ 22,795,989</u>	<u>\$ 20,272,132</u>	<u>\$ 21,404,086</u>	<u>\$ 18,834,559</u>	<u>\$ 18,222,882</u>	<u>\$ 16,903,584</u>	<u>\$ 17,101,203</u>	<u>\$ 17,026,100</u>	<u>\$ 14,404,571</u>	<u>\$ 13,477,198</u>
Changes in net position										
Governmental activities	\$ 654,735	\$ 1,840,365	\$ 108,549	\$ (224,332)	\$ (2,469,403)	\$ 2,469,403	\$ (1,227,848)	\$ (1,086,649)	\$ (4,259,721)	\$ (3,747,026)
Business type activities	2,370,032	1,396,039	5,652,592	5,445,705	2,178,521	(859,223)	(184,713)	(532,769)	1,043,758	1,409,949
Total primary government	<u>\$ 3,024,767</u>	<u>\$ 3,236,404</u>	<u>\$ 5,761,141</u>	<u>\$ 5,221,373</u>	<u>\$ (290,882)</u>	<u>\$ 1,610,180</u>	<u>\$ (1,412,561)</u>	<u>\$ (1,619,418)</u>	<u>\$ (3,215,963)</u>	<u>\$ (2,337,077)</u>

City of Lumberton, North Carolina
Governmental Activities Tax Revenue by Source
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	Property Tax	Sales Tax	Utility Franchise Tax	Motel Occupancy Tax	Beer and Wine Tax	Telecom Tax	Totals
2010	8,275,770	3,893,515	1,378,676	441,368	32,844	221,024	14,243,197
2011	9,083,830	3,922,798	1,370,059	454,069	101,542	203,263	15,135,561
2012	9,100,445	3,843,142	1,321,243	816,138	93,535	191,257	15,365,760
2013	9,243,105	3,992,410	1,306,467	977,277	87,234	179,524	15,786,017
2014	9,692,301	3,990,698	1,401,616	978,917	93,995	173,898	16,331,425
2015	10,089,727	4,373,679	1,625,636	1,049,138	103,052	173,245	17,414,477
2016	10,217,929	4,634,546	1,784,441	1,153,684	94,754	166,352	18,051,706
2017	10,185,758	5,175,475	1,689,608	1,497,369	97,539	166,296	18,812,045
2018	10,210,448	5,298,563	1,686,625	1,385,945	92,971	160,778	18,835,330
2019	10,383,804	5,621,765	1,708,848	1,655,581	91,360	151,477	19,612,835

City of Lumberton, North Carolina
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Fund										
Reserved	\$2,919,211	\$1,990,114	\$2,012,921	\$1,473,656	\$1,568,704	\$1,572,801	\$1,801,862	\$1,750,393	\$2,226,209	\$1,887,555
Unassigned	2,989,605	3,486,049	4,092,652	3,821,476	3,230,614	3,361,322	3,487,371	4,208,702	4,867,142	3,348,499
Total general fund	\$5,908,816	\$5,476,163	\$6,105,573	\$5,295,132	\$4,799,318	\$5,289,233	\$5,959,095	\$7,093,351	\$5,236,054	\$5,416,800
All other governmental funds										
Unassigned, reported in										
Special Revenue Funds	\$ 375,170	\$ 380,319	\$ 517,705	\$ 436,743	\$ 453,503	\$1,008,539	\$ 557,079	\$ 519,108	\$1,126,357	\$1,294,904
Capital Projects Funds	(446,607)	246,068	597,427	110,125	135,850	925,278	1,534,770	3,271,187	379,379	488,721
Total all other governmental funds	\$ (71,437)	\$ 626,387	\$1,115,132	\$ 546,868	\$ 589,353	\$2,091,849	\$3,790,295	\$1,505,736	\$1,783,625	\$1,206,418

City of Lumberton, North Carolina
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenues										
Ad Valorem taxes	\$10,383,804	\$10,210,448	\$10,185,758	\$10,267,048	\$10,089,727	\$9,692,301	\$9,243,105	\$9,100,445	\$9,083,830	\$8,275,770
Licenses	7,746,000	7,235,886	7,231,045	6,299,879	7,547,863	5,786,508	5,716,294	6,209,658	5,585,993	1,889,192
Unrestricted intergovernmental	1,804,270	1,800,957	1,805,987	1,882,672	118,627	1,498,791	1,398,977	1,420,400	1,475,153	6,072,215
Restricted intergovernmental	2,753,454	2,241,893	1,783,594	1,686,676	2,176,920	1,213,625	1,959,495	2,579,622	2,105,976	1,814,052
Permits and fees	1,067,634	1,051,543	1,122,676	1,092,381	1,119,545	1,152,370	958,181	987,421	1,007,716	1,125,683
Sales and service	210,730	212,774	202,710	179,207	183,104	195,728	185,615	193,255	195,108	396,350
Investment earnings	75,106	52,891	31,829	19,126	12,394	14,017	23,244	21,480	20,864	17,051
Miscellaneous	1,882,107	862,752	2,295,787	639,829	247,041	189,508	315,096	440,591	522,482	295,284
Total revenues	25,923,105	23,669,144	24,659,386	22,066,818	21,495,221	19,742,848	19,800,007	20,952,872	19,997,122	19,885,597
Expenditures										
General government	2,755,723	2,533,902	2,461,281	2,433,524	2,296,003	2,447,335	2,691,030	2,564,763	2,867,602	4,066,010
Public safety	14,528,475	13,648,999	12,489,600	11,786,835	11,708,672	11,338,427	10,622,285	11,509,772	11,165,559	10,433,366
Transportation	1,852,245	1,956,932	1,628,684	1,831,570	1,575,676	2,174,529	2,077,731	2,416,157	2,107,859	2,105,008
Environmental protection	717,630	659,645	633,535	533,266	542,935	525,685	510,979	495,617	498,283	470,841
Economic and physical development	4,313,355	3,219,659	3,012,465	2,060,798	2,446,625	1,639,336	2,409,064	2,690,845	1,460,698	1,242,008
Culture and recreation	2,283,521	2,084,253	2,003,496	1,881,743	1,452,710	1,462,744	1,398,839	1,356,268	1,362,760	1,328,217
Debt service										
Principal	856,079	840,155	814,632	741,742	1,044,983	3,777,069	796,227	689,702	452,827	437,265
Interest	552,183	577,049	592,381	608,260	607,697	520,765	546,148	508,002	435,265	450,828
Capital outlay										
General government	158,088	110,985	125,903	134,760	1,023,002	71,620	94,837	76,202	179,055	109,073
Public safety	217,977	416,408	613,425	410,251	1,296,051	1,213,907	219,422	1,139,313	910,932	180,132
Transportation	5,627	-	30,631	118,776	541	19,368	161,008	2,485,824	880,469	30,567
Environmental protection	-	-	-	-	-	-	-	-	-	-
Economic and physical development	30,304	24,105	-	20,950	-	2,375	-	27,136	17,385	-
Culture and recreation	1,044,454	1,089,749	156,023	269,204	95,515	314,946	2,251,394	910,241	281,122	522,938
Total expenditures	29,315,661	27,161,841	24,562,056	22,831,679	24,090,410	25,508,106	23,778,964	26,869,842	22,619,816	21,376,253
Excess of revenues over (under) expenditures	\$ (3,392,556)	\$ (3,492,697)	\$ 97,330	\$ (764,861)	\$ (2,595,189)	\$ (5,765,258)	\$ (3,978,957)	\$ (5,916,970)	\$ (2,622,694)	\$ (1,490,656)

City of Lumberton, North Carolina
Changes in Fund Balance of Governmental Funds (continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Excess of revenues over (under) expenditures	\$(3,392,556)	\$(3,492,697)	\$ 97,330	\$ (764,861)	\$(5,765,258)	\$(3,978,957)	\$(5,916,970)	\$(2,622,694)	\$(1,490,656)	\$(2,557,858)
Other financing sources (uses)										
Transfers in	3,127,980	2,377,542	908,190	285,920	867,136	867,136	1,610,649	6,949,969	2,321,601	1,316,235
Transfers out	(595)	(3,000)	-	-	(30,000)	(30,000)	-	(4,257,698)	(310,000)	(105,000)
Capital leases/Loan proceeds	-	-	310,000	830,000	4,414,980	4,414,980	-	4,375,000	2,252,000	-
Total other financing sources (uses)	<u>3,127,385</u>	<u>2,374,542</u>	<u>1,218,190</u>	<u>1,115,920</u>	<u>5,252,116</u>	<u>5,252,116</u>	<u>1,610,649</u>	<u>7,067,271</u>	<u>4,263,601</u>	<u>1,211,235</u>
Net changes in fund balance	<u>\$ (265,171)</u>	<u>\$ (1,118,155)</u>	<u>\$ 1,315,520</u>	<u>\$ 351,059</u>	<u>\$ (513,142)</u>	<u>\$ 1,273,159</u>	<u>\$ (4,306,321)</u>	<u>\$ 4,444,577</u>	<u>\$ 2,772,945</u>	<u>\$ (1,346,623)</u>
Debt service as a percentage of noncapital expenditures	<u>5.05%</u>	<u>5.95%</u>	<u>6.17%</u>	<u>7.62%</u>	<u>6.38%</u>	<u>5.39%</u>	<u>4.36%</u>	<u>4.33%</u>	<u>3.73%</u>	<u>3.73%</u>

City of Lumberton, North Carolina
Schedule of Current Tax Levy
For the Fiscal Year Ended June 30, 2019

	<u>Valuation</u>	<u>Rate per \$100</u>	<u>Amount of Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy					
Property taxed at					
current year's rate	\$ 1,395,150,600	\$ 0.65	\$ 9,068,479	\$ 9,068,479	\$ -
Penalties	-	0.65	-	-	-
Total original levy	<u>1,395,150,600</u>		<u>9,068,479</u>	<u>9,068,479</u>	<u>-</u>
Discoveries					
Current year's taxes	214,333,254	0.65	1,393,166	375,285	1,017,881
Penalties	-	0.65	-	-	-
Dog tax	-	0.65	-	-	-
Total	<u>214,333,254</u>		<u>1,393,166</u>	<u>375,285</u>	<u>1,017,881</u>
Releases and errors					
Current year's rate	<u>(5,431,293)</u>	0.65	<u>(35,303)</u>	<u>(35,303)</u>	<u>-</u>
Total property valuation	<u><u>\$ 1,604,052,561</u></u>				
Net levy			10,426,342	9,408,461	1,017,881
Uncollected tax at June 30, 2019			<u>566,952</u>	<u>566,952</u>	<u>-</u>
Current year taxes, collections and credits			<u><u>\$ 9,859,390</u></u>	<u><u>\$ 8,841,509</u></u>	<u><u>\$ 1,017,881</u></u>
Percent current year collected			<u><u>94.56%</u></u>	<u><u>93.97%</u></u>	<u><u>100.00%</u></u>

City of Lumberton, North Carolina
Schedule of Ad Valorem Taxes Receivable
For the Fiscal Year Ended June 30, 2019

<u>First Year of Levy</u>	<u>Uncollected Balance July 1, 2018</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2008	\$ 85,350	\$ -	\$ 85,350	\$ -
2009	98,923	-	5,090	93,833
2010	88,309	-	4,568	83,741
2011	105,504	-	6,921	98,583
2012	128,787	-	20,932	107,855
2013	138,352	-	17,093	121,259
2014	142,999	-	22,813	120,186
2015	213,587	-	60,956	152,631
2016	318,402	-	99,335	219,067
2017	543,524	-	210,022	333,502
2018	-	10,426,342	9,859,390	566,952
	<u>\$ 1,863,737</u>	<u>\$ 10,426,342</u>	<u>\$ 10,392,470</u>	1,897,609
Less allowance for uncollectible ad valorem taxes receivable				<u>1,328,326</u>
Ad valorem taxes, net				<u><u>\$ 569,283</u></u>

**Reconciliation of collections and credits
with ad valorem tax revenues**

Revenue, ad valorem taxes	\$ 10,277,862
Discounts allowed, net	50,819
Penalties and interest	(197,807)
Releases and refunds	176,246
Barred by State statute	85,350
Total collections and credits	<u><u>\$ 10,392,470</u></u>

City of Lumberton, North Carolina
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended June 30	Real Property	Personal Property	Corporate Excess	Motor Vehicles	Less Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value*	Assessed Value as a Percentage of Actual Value*
2010	1,408,204,098	207,299,925	22,372,442	112,958,717	395,267,333	1,355,567,849	0.63	-	-
2011	1,481,546,491	206,047,297	21,687,282	112,518,570	367,281,467	1,454,518,173	0.63	-	-
2012	1,516,066,906	191,688,980	20,821,570	121,011,773	382,964,406	1,466,624,823	0.63	-	-
2013	1,494,295,894	209,859,897	21,513,367	131,511,441	368,353,659	1,488,826,940	0.63	-	-
2014	1,533,234,723	198,006,972	23,272,681	146,884,309	396,924,152	1,504,474,533	0.63	-	-
2015	1,586,906,789	200,209,944	24,537,720	139,940,317	449,385,950	1,502,208,820	0.65	-	-
2016	1,602,604,982	195,383,484	41,288,425	144,961,384	455,740,834	1,528,497,441	0.65	-	-
2017	1,620,294,440	183,103,918	40,480,737	149,681,230	441,124,725	1,552,437,600	0.65	-	-
2018	1,636,626,781	206,913,865	41,142,912	140,013,077	457,716,650	1,566,979,985	0.65	-	-
2019	1,594,170,838	222,237,923	44,258,283	156,597,076	413,211,559	1,604,052,561	0.65	-	-

Note * Property in the county is reassessed every eight years. The county assesses property at 100% of actual value for all types of real and personal property except motor vehicles. Tax rates are per \$100 of assessed value.

** Information not separated or available for years above as listed.

Homestead exemption is 50% of property value or \$20,000, whichever is greater.

City of Lumberton, North Carolina
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Debt Service Millage	Total County Millage	Total City and County Millage
2010	0.63	-	0.63	0.80	-	0.80	1.43
2011	0.63	-	0.63	0.79	-	0.79	1.42
2012	0.63	-	0.63	0.77	-	0.77	1.40
2013	0.63	-	0.63	0.77	-	0.77	1.40
2014	0.63	-	0.63	0.77	-	0.77	1.40
2015	0.65	-	0.65	0.77	-	0.77	1.42
2016	0.65	-	0.65	0.77	-	0.77	1.42
2017	0.65	-	0.65	0.77	-	0.77	1.42
2018	0.65	-	0.65	0.77	-	0.77	1.42
2019	0.65	-	0.65	0.77	-	0.77	1.42

Overlapping rates are those of local and county governments that apply to property owners within the City of Lumberton.

City of Lumberton, North Carolina
Principal Property Taxpayers
For the Fiscal Year Ended June 30, 2019

2019

Taxpayer	Type of Business	Rank	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
Elkay Southern	Manufacturing	1	\$ 23,164,552	1.48%
Kayser Roth	Manufacturing	2	19,211,035	1.23%
Wal Mart	Retailer	3	19,027,100	1.21%
Graphic Packaging	Manufacturing	4	16,506,914	1.05%
International Paper	Manufacturing	5	13,131,515	0.84%
Regency Lumberton	Retailer	6	10,118,500	0.65%
Ryder Truck	Retailer	7	10,091,142	0.64%
NK-7, Lumberton Prop.	Retailer	8	9,852,100	0.63%
Biggs Park Mall	Retailer	9	9,376,000	0.60%
U.S.Cold Storage	Manufacturing	10	8,027,600	0.51%
Totals			\$ 138,506,458	8.84%

2010

Elkay Southern	Manufacturing	1	\$ 25,838,134	1.91%
Graphic Packaging	Manufacturing	2	22,060,480	1.63%
Quickie Manufacturing	Manufacturing	3	19,764,563	1.46%
Weyerhaeuser	Manufacturing	4	18,541,592	1.37%
Kayser Roth	Manufacturing	5	16,627,883	1.23%
Wal Mart	Retailer	6	15,880,811	1.18%
Buckeye	Manufacturing	7	10,531,477	0.78%
BB&T Corporation	Banking	8	10,325,083	0.77%
AT&T	Utility	9	9,658,511	0.72%
Biggs Park	Retailer	10	9,223,800	0.68%
			\$ 158,452,334	11.73%

City of Lumberton, North Carolina
Schedule of Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year	Collection within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Amount Collected	% of Levy
		Amount	% of Levy			
2010	\$8,540,077	\$7,869,362	92.15%	\$ 338,605	\$8,207,967	96.11%
2011	9,163,465	8,442,248	92.13%	529,176	8,971,424	97.90%
2012	9,239,737	8,561,466	92.66%	460,392	9,021,858	97.64%
2013	9,379,611	8,518,108	90.82%	674,312	9,192,420	98.00%
2014	9,478,189	8,973,644	94.68%	684,818	9,658,462	101.90%
2015	9,765,357	9,246,948	94.70%	832,922	10,079,870	103.23%
2016	9,935,234	9,420,921	94.82%	678,041	10,098,962	101.65%
2017	10,090,846	9,551,780	94.66%	593,420	10,145,200	100.54%
2018	10,185,370	9,641,846	94.66%	441,179	10,083,025	100.54%
2019	10,426,342	9,859,390	94.56%	492,742	10,352,132	99.29%

City of Lumberton, North Carolina
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business Type Activities				Total Primary Government	Percentage of Personal Income*	Per Capita*
	Capital Leases	Notes/Loans	Sewer Bonds	Refunding Water Bonds	Activities Notes / Loans	Activities Capital Leases			
2010	\$ 1,228,875	\$ 9,279,089	\$ 3,825,000	\$ 215,000	\$ 7,531,098	\$ 2,227,061	\$ 24,306,123	**	**
2011	1,139,671	11,167,462	3,160,000	-	6,517,700	1,729,128	23,713,961	**	**
2012	1,141,103	14,851,089	2,285,000	-	5,342,834	1,231,195	24,851,221	**	**
2013	766,200	14,429,765	1,435,000	-	4,645,224	733,264	22,009,453	**	**
2014	1,426,483	14,553,260	605,000	-	5,435,419	1,680,000	23,700,162	**	**
2015	1,557,463	14,061,430	-	-	5,075,658	1,876,331	22,570,882	**	**
2016	1,625,342	13,561,810	-	-	6,049,763	2,267,929	23,504,844	**	**
2017	1,783,439	13,054,081	-	-	4,701,741	2,119,549	21,658,810	**	**
2018	1,459,456	12,537,908	-	-	3,318,211	1,993,169	19,308,744	**	**
2019	2,208,934	12,012,946	-	-	2,638,533	4,319,843	21,180,256	**	**

Notes Details regarding the City's outstanding debt can be found in the notes to the financial statements.

* See the Schedule of Demographic and Economic Statistics for personal income and population data.

** Information not available.

City of Lumberton, North Carolina
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Total Actual Taxable Value of Property*	Total Per Capita
2010	\$ 4,040,000	-	\$ 4,040,000	0.00%	***
2011	3,160,000	-	3,160,000	0.22%	***
2012	2,285,000	-	2,285,000	0.16%	***
2013	1,435,000	-	1,435,000	0.09%	***
2014	605,000	-	605,000	0.04%	***
2015	-	-	-	0.00%	***
2016	-	-	-	0.00%	***
2017	-	-	-	0.00%	***
2018	-	-	-	0.00%	***
2019	-	-	-	0.00%	***

Notes Details regarding the City's outstanding debt can be found in the notes to the financial statements.

* See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data. Values are not estimated, actual taxable value of property is 100%.

** Population data can be found in the Schedule of Demographic and Economic Statistics.

*** Information not available.

City of Lumberton, North Carolina
Direct and Overlapping Governmental Activities Debt
June 30, 2019

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Debt repaid with property taxes: County			
Subtotal, overlapping debt	\$ 21,180,256	26.10%	\$ 5,528,047
City of Lumberton, direct debt			14,221,880
Total direct and overlapping debt			\$ 19,749,927

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the City. The schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Lumberton. This process recognizes that, when considering the government's ability to issue and repay long term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible, for repaying the debt of each overlapping government.

* The percentage of overlapping debt applicable is estimated using taxable assessed property values. The applicable percentage was estimated by using the assessed value of Robeson County (\$6,145,795,253) and assessed value of the City of Lumberton (\$1,604,052,561) and dividing the City's assessed value by the County's assessed value.

City of Lumberton, North Carolina
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Debt limit	\$128,324,205	\$125,358,399	\$124,195,008	\$122,279,795	\$120,176,706	\$120,357,963	\$119,106,155	\$117,329,986	\$116,361,454	\$108,445,428
Total net debt applicable to limit	21,180,256	19,308,741	21,658,810	23,504,844	22,570,883	22,949,285	20,574,450	22,566,221	20,553,961	20,266,123
Legal debt margin	<u>\$107,143,949</u>	<u>\$106,049,658</u>	<u>\$102,536,198</u>	<u>\$ 98,774,951</u>	<u>\$ 97,605,823</u>	<u>\$ 97,408,678</u>	<u>\$ 98,531,705</u>	<u>\$ 94,763,765</u>	<u>\$ 95,807,493</u>	<u>\$ 88,179,305</u>
Total net debt applicable to limit as a % of debt limit	16.51%	15.40%	17.44%	19.22%	18.78%	19.07%	17.27%	19.23%	17.66%	18.69%

Legal Debt Margin Calculation for Fiscal Year 2015

Assessed value	<u>\$ 1,604,052,561</u>
Debt limit (8% of total assessed value)	<u>\$ 128,324,205</u>
Debt applicable to limit:	
Loans/Notes	\$ 14,651,479
Capitalized leases	<u>6,528,777</u>
Total debt	21,180,256
Less bonded debt	<u>-</u>
Net debt	<u>21,180,256</u>
Legal debt margin	<u>\$ 107,143,949</u>

Note: Under state finance law, the City of Lumberton's outstanding general obligation debt should not exceed 8 percent of total assessed property value.

City of Lumberton, North Carolina
Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Water and Sewer Charges and Other	Less Operating Expenses	Net Available Revenues	Water and Sewer Bonds		
				Debt Service		Coverage
				Principal	Interest	
2010	\$8,476,209	\$4,802,675	\$3,673,534	\$ 940,000	\$ 114,798	348.27%
2011	8,620,351	4,748,526	3,871,825	880,000	88,762	399.67%
2012	8,454,020	4,956,409	3,497,611	875,000	64,713	372.20%
2013	8,523,563	5,100,288	3,423,275	850,000	47,213	381.55%
2014	8,402,946	5,951,847	2,451,099	605,000	13,613	396.22%
2015	8,547,747	6,233,718	2,314,029	-	-	0.00%
2016	9,999,822	6,032,858	3,966,964	-	-	0.00%
2017	8,975,963	6,233,718	2,742,245	-	-	0.00%
2018	9,026,254	5,931,917	3,094,337	-	-	0.00%
2019	9,464,817	6,200,906	3,263,911	-	-	0.00%

Notes Details regarding the government's outstanding debt can be found in the notes to the financial statements. Water and Sewer Charges and Other includes investment earnings but not tap fees. Operating expenses do not include interest and depreciation.

City of Lumberton, North Carolina
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (amounts expressed in thousands)	Per Capita Personal Income (1)	Median Age (1)	Education Level in Years of Formal Schooling (2)	School Enrollment (2)	Unemployment Rate (1)
2010	23,026	*	29,375	35.3	*	23,086	11.6%
2011	23,039	*	26,703	35.3	*	23,161	13.2%
2012	21,753	*	29,838	36.5	*	24,046	13.6%
2013	21,768	*	32,969	36.5	*	24,023	13.3%
2014	21,823	*	32,383	35.5	*	23,400	10.1%
2015	21,716	*	30,990	35.5	*	24,000	9.3%
2016	21,667	*	31,899	36.0	*	24,929	8.8%
2017	21,542	*	33,839	35.5	*	22,799	6.1%
2018	21,040	*	33,836	35.5	*	23,757	6.4%
2019	21,040	*	33,836	35.5	*	23,757	6.4%

Data Sources

- (1) North Carolina Demographic Bureau of Economic Analysis
- (2) Public Schools of Robeson County
- * Information not available at this time

City of Lumberton, North Carolina
Principal Employers
For the Fiscal Year Ended June 30, 2019

2019

Employer	Employees	Rank	Percentage of Total City Employment
Southeastern Regional Medical Center	2,161	1	4.55%
Kayser Roth	550	2	1.14%
Branch Banking & Trust	512	3	1.09%
Robeson Community College	485	4	1.04%
Wal Mart	440	5	0.91%
Quickie Manufacturing	383	6	0.82%
City of Lumberton	386	7	0.80%
Elkay Southern	334	8	0.69%
Graphic Packaging	310	9	0.66%
Lowes	142	10	0.30%
	<u>5,703</u>		<u>12.00%</u>

2010

Employer	Employees	Rank	Percentage of Total City Employment
Southeastern Regional Medical Center	1,950	1	5.55%
Branch Banking & Trust	520	2	1.35%
Robeson Community College	498	3	1.32%
Kayser Roth	450	4	1.26%
Walmart	445	5	1.20%
Graphic Packaging	410	6	1.08%
City of Lumberton	382	7	1.00%
Elkay Southern	355	8	0.94%
Quickie Manufacturing	320	9	0.85%
Acme Electric	105	10	0.48%
	<u>5,435</u>		<u>15.03%</u>

Source: Robeson County Economic Development

City of Lumberton, North Carolina
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General government	49	49	48	48	48	48	47	47	48	48
Public safety										
Police										
Officers	88	88	88	88	88	88	88	88	88	85
Civilians	17	17	17	17	17	17	17	17	17	17
Fire										
Firefighters and officers	52	52	52	52	52	52	52	52	53	53
Civilians	-	-	-	-	-	-	-	-	-	-
Emergency services	16	16	16	16	16	16	16	16	16	17
Inspectors	4	4	4	4	4	4	4	4	4	4
Highways and streets										
Maintenance	20	20	20	20	20	20	20	20	20	20
Environmental protection										
Cemeteries	7	7	7	7	7	7	7	7	7	7
Environmental protection	2	2	2	2	2	2	2	2	2	2
Economic & physical development	6	6	6	6	6	6	6	6	6	6
Culture and recreation	12	12	12	12	12	12	12	12	12	12
Water and Sewer	59	59	59	59	59	59	59	59	59	58
Light and Power	48	48	48	48	48	48	48	48	48	47
Sanitation	-	-	-	-	-	-	-	-	-	-
Fleet Maintenance	6	6	6	6	6	6	6	6	6	6
Total	386	386	385	385	384	384	386	382	378	386

Source: Government budget office.

City of Lumberton, North Carolina
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Police										
Stations	4	4	4	4	4	4	4	4	4	4
Patrol units	76	76	76	76	76	76	76	76	76	76
Fire										
Fire stations	4	4	4	4	4	4	4	4	4	4
Highways and streets										
Streets (miles)	129.95	129.95	129.52	129.52	129.52	128.42	127.74	127.74	126.95	126.22
Street lights	3,832	3,832	3,832	3,832	3,832	3,832	3,832	3,832	3,832	3,832
Traffic signals	28	28	28	28	28	28	28	28	28	28
Culture and recreation										
Parks acreage	400	400	400	400	400	400	400	400	400	400
Lakes acreage	40	40	40	40	40	40	40	40	40	40
Major Parks	7	7	7	7	7	7	7	7	7	7
Athletic fields	9	9	9	9	9	9	9	9	9	9
Neighborhood centers	11	11	11	11	11	11	11	11	11	11
Water										
Miles of distribution lines	234	234	234	234	234	234	234	234	234	234
Maximum daily capacity	11,200	11,200	11,200	11,200	11,200	11,200	11,200	11,200	11,200	11,200
Sewer										
Miles of distribution lines	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	166.0
Maximum daily capacity	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Electric										
Number of distribution stations	3	3	3	3	3	3	3	3	3	3
Miles of distribution lines	365.1	365.1	365.1	365.1	365.1	365.1	365.1	365.1	365.10	365.10

Source: Government department statistics.

Note: Indicators are not available for the general government function.

City of Lumberton, North Carolina
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Police										
Stations	4	4	4	4	4	4	4	4	4	4
Patrol units	76	76	76	76	76	76	76	76	76	76
Fire										
Fire stations	4	4	4	4	4	4	4	4	4	4
Highways and streets										
Streets (miles)	129.95	129.95	129.52	129.52	129.52	128.42	127.74	127.74	126.95	126.22
Street lights	3,832	3,832	3,832	3,832	3,832	3,832	3,832	3,832	3,832	3,832
Traffic signals	28	28	28	28	28	28	28	28	28	28
Culture and recreation										
Parks acreage	400	400	400	400	400	400	400	400	400	400
Lakes acreage	40	40	40	40	40	40	40	40	40	40
Major Parks	7	7	7	7	7	7	7	7	7	7
Athletic fields	9	9	9	9	9	9	9	9	9	9
Neighborhood centers	11	11	11	11	11	11	11	11	11	11
Water										
Miles of distribution lines	234	234	234	234	234	234	234	234	234	234
Maximum daily capacity	11,200	11,200	11,200	11,200	11,200	11,200	11,200	11,200	11,200	11,200
Sewer										
Miles of distribution lines	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	166.0
Maximum daily capacity	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Electric										
Number of distribution stations	3	3	3	3	3	3	3	3	3	3
Miles of distribution lines	365.1	365.1	365.1	365.1	365.1	365.1	365.1	365.1	365.10	365.10

Source: Government department statistics.

Note: Indicators are not available for the general government function.

City of Lumberton, North Carolina
Schedule of Insurance in Force
For the Fiscal Year Ended June 30, 2019

Type of Coverage	Details of Coverage	Agency	Expiration Date
Law Enforcement and Public Official/ Employee liability	\$3,000,000 annual aggregate \$2,000,000 each occurrence \$25,000 deductible-Law enforcement \$25,000 deductible-Public official	Glatfleter Insurance Company	06/30/20
Health Insurance	\$5,000,000 lifetime maximum \$5000 individual and \$10,000 family annual deductible 70/30	MedCost	06/30/20
Life Insurance	\$20,000 elected officials All other 1 times annual salary \$20,000 minimum, \$75,000 max	Met Life	06/30/20
Dental Insurance	\$2,000 annual max, \$50 deductible 80/20 basic services, 50/50 Major services \$1,000 lifetime max for braces	Met Life Insurance Company	06/30/20
Comprehensive General liability	\$2,000,000 each occurrence \$25,000 deductible	Glatfleter Insurance Company	
Auto liability	\$2,000,000 each occurrence \$2,500 deductible	Glatfleter Insurance Company	06/30/20
Auto collision and comprehensive	\$1,000 deductible on large trucks & autos	Glatfleter Insurance Company	06/30/20
Commercial property (fire and flood)	As scheduled (\$70,752,087), flood-\$25,000 deductible, earthquake-5% deductible \$5,000 deductible	Glatfleter Insurance Company	06/30/20
Inland marine	Heavy equipment (\$2,275,455) \$1,000 deductible Miscellaneous equipment (\$50,000) \$1,000 deductible Computer equipment (\$500,000) \$2,500 deductible Transmitting equipment (\$60,600) \$1,000 deductible Mechanical breakdown \$1,000 deductible	Glatfleter Insurance	06/30/20

City of Lumberton, North Carolina
Schedule of Insurance in Force (continued)
For the Fiscal Year Ended June 30, 2019

Type of Coverage	Details of Coverage	Agency	Expiration Date
Worker's Compensation	\$1,000,000 each occurrence \$750,000 deductible	Self funded, BSI Companies as TPA	06/30/20
Excess liability-Umbrella	\$10,000,000 each occurrence \$10,000 deductible	Glatfleter Insurance Company	06/30/20
Commercial crime	\$50,000 each occurrence, \$1,000 deductible	Glatfleter Insurance Company	06/30/20
Public employee dishonesty	\$50,000 each occurrence \$1,000 deductible	Glatfleter Insurance Company	06/30/20
Worker's compensation (excess coverage)	\$2,000,000 annual aggregate	Safety Insurance	06/30/20
Vision Eye Coverage	Annual exam, \$10 co pay 1 set of glasses every 12 months, \$20 co pay	Municipal Insurance Trust of NC	06/30/20
Public entity management liability/claims made	\$2,000,000 each occurrence \$3,000,000 total limit \$25,000 deductible	Glatfleter Insurance Company	06/30/20
Employee benefit plans liability/claims made	\$2,000,000 each occurrence \$6,000,000 total limit \$1,000 deductible	Glatfleter Insurance Company	06/30/20
Public entity employment practices liability/claims	\$1,000,000 each occurrence \$1,000,000 total limit \$25,000 deductible	Glatfleter Insurance Company	06/30/20
Excess errors and omissions liability	\$10,000,000 aggregate	Glatfleter Insurance Company	06/30/20
Long Term Disability	90 day waiting period 60% of salary up to \$5,000	Met Life Insurance Company	08/30/20
Flood Insurance	Dunn Street Property \$200,000 Building, \$34,000 contents \$25,000 deductible	Hartford Insurance	10/07/20
Flood Insurance	Halsey Street Location \$980,900 building \$478,100 contents	Hartford Insurance	10/07/20
Flood Insurance	1451 Lowery Street Location \$1,178,700 building	Hartford Insurance	10/07/20

IV. Single Audit Section



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Lumberton, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise City of Lumberton, North Carolina's basic financial statements, and have issued our report thereon dated April 30, 2020. Other auditors audited the financial statements of the Lumberton ABC Board and Lumberton Tourism Development Authority, as described in our report on the City of Lumberton's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Lumberton ABC Board and Lumberton Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Patterson & Associates, PLLC

Lumberton, North Carolina
April 30, 2020



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NC Association of CPAs

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; With OMB Uniform Guidance and the State Single Audit Implementation Act

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-001. Our opinion on each major federal program is not modified with respect to this matter.

The City of Lumberton's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Lumberton's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any

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

deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Patterson & Associates, PLLC

Lumberton, North Carolina
April 30, 2020



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**Independent Auditor's Report on Compliance for Each Major State
Program; Report on Internal Control Over Compliance; In accordance with
OMB Uniform Guidance; and the State Single Audit Implementation Act**

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

Report on Compliance for Each Major State Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Lumberton's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), as described in the Audit Manual for Governmental Auditors in North Carolina, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred.

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

An audit includes examining, on a test basis, evidence about the City of Lumberton's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

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

Report on Internal Control Over Compliance

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

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

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

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

Patterson & Associates, PLLC

Lumberton, North Carolina
April 30, 2020

City of Lumberton, North Carolina
Schedule of Findings and Questioned Costs
June 30, 2019

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported
- Noncompliance material to financial statements noted _____ yes X no

Federal Awards – Internal control over major federal programs:

- Material weakness(es) identified? _____ yes X no
- Significant Deficiency(s) identified _____ yes X none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified.

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

Identification of major federal programs:

CFDA No(s). Names of Federal Program or Cluster

97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)

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

Auditee qualified as low-risk auditee? _____ yes X no

State Awards - The Major State program for the City of Lumberton is the Powell Bill.

Internal control over major State programs:

- Material weakness(es) identified? _____ yes X no
- Significant Deficiency(s) identified _____ yes X none reported

Type of auditor's report issued on compliance for major State programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act _____ yes X no

City of Lumberton, North Carolina
Schedule of Findings and Questioned Costs
June 30, 2019

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

2019-001

Criteria: Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Subpart F, §512, requires the City to submit its single audit reporting package to the federal audit clearinghouse no later than 9 months after fiscal year-end.

Condition and context: The federal reporting deadline for the City's single audit reporting package was March 31, 2019; however the City did not issue its single audit reporting package until June 2019 because of the late issuance of the City's comprehensive annual financial report (CAFR).

Effect: The late submission affects all federal programs the City administered: however, this finding does not result in a deficiency in internal control over compliance or noncompliance for the individual federal programs, as this was not caused by the programs' administration.

Cause: The late completion of the City's CAFR contributed to the late submission of its single audit reporting package.

Recommendation: The City should improve its financial reporting process so that it can submit its single audit reporting package to the federal audit clearinghouse no later than 9 months after year-end.

Response: The City's single audit reporting package for fiscal year ended June 30, 2018, was not completed until June 2019. The Single Audit Reporting package is dependent upon the completion of the City's CAFR. The CAFR was delayed several months as the finance staff worked diligently to obtain grants and funding to finance recovery efforts from flooding associated with Hurricanes Matthew (October 2016) and Florence (September 2018).

Section IV – State Award Findings and Questioned Costs

None reported.

City of



Lumberton

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

A. Findings – Financial Statement Audit

None

B. Findings – Federal Award Findings and Questioned Costs

Finding 2019-001:

Contact Person: Ms. Alisha Thompson, Finance Director

Corrective Action: The City's single audit reporting package for fiscal year ended June 30, 2018, was not completed until June 2019. The Single Audit Reporting package is dependent upon the completion of the City's CAFR. The CAFR was delayed several months as the finance staff worked diligently to obtain grants and funding to finance recovery efforts from flooding associated with Hurricanes Matthew (October 2016) and Florence (September 2018).

Proposed Completion Date: The single audit reporting package was submitted in June, 2019.

C. Findings – State Award Findings and Questioned Costs

None

**City of Lumberton, North Carolina
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2019**

There were no audit findings noted for the year ended June 30, 2018.

City of Lumberton, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2019

<u>Federal Grantor / Pass-through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>State Pass Through Grantor's Number</u>	<u>Expenditures</u>		
			<u>Federal</u>	<u>State</u>	<u>Local</u>
Federal grants:					
U.S. Department of Housing and Urban Development Passed through NC Department of Environmental Quality					
CDBG Housing Development	14.228	14-E-2690	\$ 17,500	\$ -	\$ -
Passed through NC Division of Water Infrastructure					
Sewer system improvements	14.228	17-I-2967	64,633	-	-
		Total	<u>82,133</u>	<u>-</u>	<u>-</u>
U.S. Department of Homeland Security Pass through N.C. Department of Public Safety					
Public Assistance Grant - Hurricane Florence	97.036	FEMA-4285-DR-NC	44,589	-	-
Hazard mitigation	97.039	FEMA-4285-0052-R	1,408,763	-	-
Hazard mitigation	97.039	FEMA-4285-0053-R	22,400	-	-
Hazard mitigation	97.039	FEMA-4285-0054-R	5,205	-	-
			<u>1,436,368</u>	<u>-</u>	<u>-</u>
		Total	<u>1,480,957</u>	<u>-</u>	<u>-</u>
U.S. Department of Justice Passed through N.C. Department of Public Safety Bureau of Alcohol Tobacco and Firearms					
Justice Assistance Grant	16.738	2016-DJ-BX-1070	7,164	-	-
Justice Assistance Grant	16.738	2015-DJ-BX-1022	712	-	-
Justice Assistance Grant	16.738	2017-DJ-BX-0351	34,778	-	-
Justice Assistance Grant	16.738	2018-DJ-BX-0253	4,133	-	-
Community Policing Services	16.607	2015-UM-WX-0069	152,999	-	-
		Total	<u>199,786</u>	<u>-</u>	<u>-</u>

City of Lumberton, North Carolina
Schedule of Expenditures of Federal and State Awards (continued)
For the Fiscal Year Ended June 30, 2019

Federal Grantor / Pass-through Grantor / Program Title	Federal CFDA Number	State Pass Through Grantor's Number	Expenditures		
			Federal	State	Local
State and local Grants:					
N.C. Department of Transportation					
Powell Bill			\$ -	\$ 463,414	\$ -
Governor's Highway Safety Prog	20.607	PT-2018-06-15	10,933	-	-
Governor's Highway Safety Prog	20.607	PT-2019-06-03	14,769	-	-
		Total	<u>25,702</u>	<u>463,414</u>	<u>-</u>
N.C. Golden Leaf Foundation					
Tanglewood Stormwater Drainage Project		2017-155	-	76,042	-
		Total	<u>-</u>	<u>76,042</u>	<u>-</u>
N.C. Department of Environmental and Natural Resources					
Capitalization Grants for Clean Water State Revolving Funds-					
Water Assets and					
Inventory Assessment	66.458	E-AIA-W-16-0015	-	34,890	-
Wastewater Treatment Study	66.458	E-AIA-W-16-0010	-	2,500	-
CW SRF - Sanitary Sewer Collection - Rehab	66.458	CS370455-04	555,594	-	-
		Total	<u>555,594</u>	<u>37,390</u>	<u>-</u>
N.C. Department of Public Safety					
NC Office of Recovery and Resiliency		NCORR-FDLG-010	-	500,000	-
		Total	<u>-</u>	<u>500,000</u>	<u>-</u>
		Total, this page	581,296	1,076,846	-
		Total, previous page	1,718,287	-	-
		Total assistance	<u>\$ 2,299,583</u>	<u>\$ 1,076,846</u>	<u>\$ -</u>

Notes to the Schedule of Expenditures of Federal and State Awards

Note A – Basis of Presentation: The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the organization under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the organization.

City of Lumberton, North Carolina
Schedule of Expenditures of Federal and State Awards (continued)
For the Fiscal Year Ended June 30, 2019

Note B – Summary of Significant Accounting Policies: Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C – Indirect Cost Rate: The Organization has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.