

City of Lowell, North Carolina
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June 30, 2017

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FINANCIAL SECTION

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

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

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lowell, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lowell, North Carolina as of June 30, 2017, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages iv through xiii, the Other Postemployment Benefits Schedules of Funding Progress and Schedule of Employer Contributions on pages 36 and 37, the Local Governmental Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 38 and 39, respectively, and the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 40 and 41 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

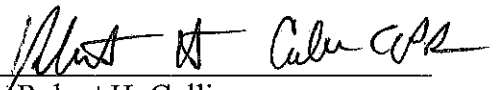
Supplementary and Other Information

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

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

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

COLLIS AND ASSOCIATES

By 
Robert H. Collis

Gastonia, North Carolina
December 14, 2017

Management's Discussion and Analysis

****CITY OF LOWELL****

Management's Discussion and Analysis

As management of the City of Lowell, we offer readers of the City of Lowell's financial statements this narrative overview and analysis of the financial activities of the City of Lowell for the fiscal year ended June 30, 2017. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

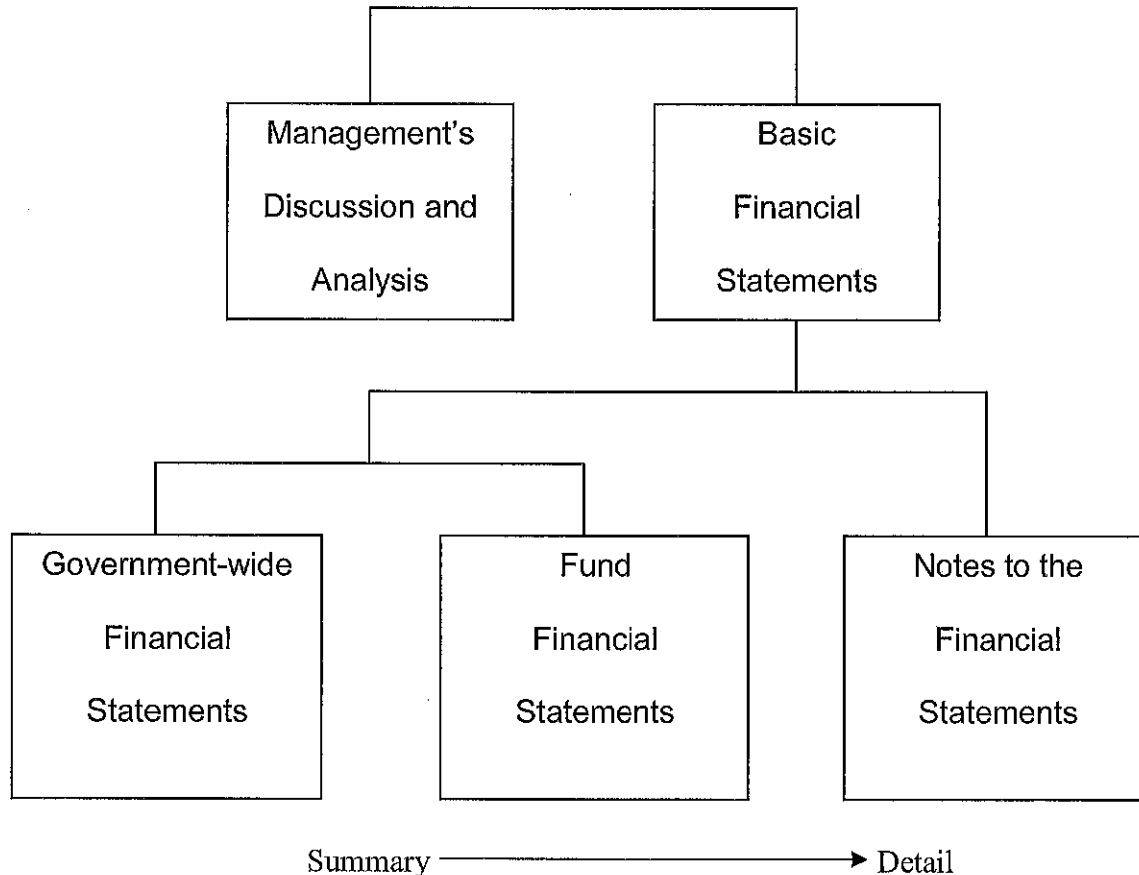
- The assets and deferred outflows of resources of the City of Lowell exceeded its liabilities and deferred inflows at the close of the fiscal year by \$4,799,486 (*net position*).
- The government's total net position increased by \$40,026, due to an increase in business-type activities net position of \$73,992 and a decrease in governmental activities net position of \$33,966.
- As of the close of the current fiscal year, the City of Lowell's governmental funds reported combined ending fund balances of \$1,246,992, an increase of \$185,285 in comparison with the prior year. Approximately 57.0 percent of this total amount, or \$710,940, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$535,998, or 26.7 percent, of total general fund expenditures for the fiscal year.
- The City of Lowell's total debt decreased by \$70,703 (19.4 percent) during the current fiscal year. The City incurred \$56,000 of additional debt and repaid \$126,703.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual funds.

Management's Discussion and Analysis City of Lowell

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The fund financial statements (see Figure 2) provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Lowell, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of City of Lowell can be divided into two categories: governmental funds and proprietary funds.

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

Management's Discussion and Analysis
City of Lowell

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

Proprietary Funds – The City of Lowell has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Lowell uses an enterprise fund to account for its water and sewer activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 10 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Lowell's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 36 of this report.

Management's Discussion and Analysis
City of Lowell

Government-Wide Financial Analysis

City of Lowell's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$1,309,784	\$1,154,527	\$687,453	\$605,061	\$1,997,237	\$1,759,588
Capital assets	1,523,773	1,619,507	2,238,812	2,369,917	3,762,585	3,989,424
Net pension asset	0	-	0	-	0	-
Deferred outflows of resources	211,018	50,579	49,479	11,047	\$260,497	61,626
Total assets and deferred outflows of resources	\$3,044,575	\$2,824,613	\$2,975,744	\$2,986,025	\$6,020,319	\$5,810,638
Long-term liabilities outstanding	736,094	449,223	273,275	300,733	1,009,369	749,956
Other liabilities	43,554	80,336	144,738	197,605	188,292	277,941
Deferred inflows of resources	22,842	19,003	330	4,278	23,172	23,281
Total liabilities and deferred inflows of resources	802,490	548,562	418,343	502,616	1,220,833	1,051,178
Net position:						
Net investment in capital assets	1,401,454	1,508,826	2,066,736	2,115,500	3,468,190	3,624,326
Restricted	708,836	667,455	78,305	77,688	787,141	745,143
Unrestricted	131,795	99,770	412,360	290,221	544,155	389,991
Total net position	\$ 2,242,085	\$ 2,276,051	\$ 2,557,401	\$ 2,483,409	\$ 4,799,486	\$ 4,759,460

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Lowell exceeded liabilities and deferred inflows by \$4,799,486 as of June 30, 2017. The City's net position increased by \$40,026 for the fiscal year ended June 30, 2017. The primary reason for this increase is the excess of revenues over expenditures. The largest portion (72.3 percent) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City of Lowell uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Lowell's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Lowell's net position, \$787,141, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$544,155 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.35%.
- Providing more in-house services, such as vehicle maintenance.
- Diligence in controlling actual expenditures vs. budgeted expenditures.

Management's Discussion and Analysis
City of Lowell

City of Lowell's Changes in Net Position
Figure 3

	Governmental		Business-Type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 145,659	\$ 151,765	\$ 1,168,485	\$ 1,071,328	\$ 1,314,144	\$ 1,223,093
Operating grants and contributions	130,561	94,519	1,464	4,915	132,025	99,434
Capital grants and contributions	-	-	-	20,500	-	20,500
General revenues:						
Property taxes	1,171,502	1,153,717	-	-	1,171,502	1,153,717
Other taxes	14,363	21,256	-	-	14,363	21,256
Grants and contributions not restricted to specific programs	642,995	622,556	-	-	642,995	622,556
Other	31,753	7,631	4,027	45,077	35,780	52,708
Total revenues	2,136,833	2,051,444	1,173,976	1,141,820	3,310,809	3,193,264
Expenses:						
General government	717,167	704,172	-	-	717,167	704,172
Public safety	629,028	631,937	-	-	629,028	631,937
Highways/streets	416,279	462,087	-	-	416,279	462,087
Sanitation	215,538	213,548	-	-	215,538	213,548
Recreation	129,138	140,040	-	-	129,138	140,040
Interest on long-term debt	2,439	2,800	-	-	2,439	2,800
Water and sewer	-	-	1,099,984	1,245,683	1,099,984	1,245,683
Total expenses	2,109,589	2,154,584	1,099,984	1,245,683	3,209,573	3,400,267
Increase (decrease) in net position	27,244	(103,140)	73,992	(103,863)	101,236	(207,003)
Net position, beginning, previously reported	2,276,051	2,379,191	2,483,409	2,624,272	4,759,460	5,003,463
Prior Period Adjustment	(61,210)	-	-	(37,000)	(61,210)	(37,000)
Restatement	-	-	-	-	-	-
Net position, beginning, restated	2,214,841	2,379,191	2,483,409	2,587,272	4,698,250	4,966,463
Net position, ending						
Net position, June 30	\$ 2,242,085	\$ 2,276,051	\$ 2,557,401	\$ 2,483,409	\$ 4,799,486	\$ 4,759,460

Management's Discussion and Analysis
City of Lowell

Governmental activities. Governmental activities decreased the City's net position by \$33,966. The key element of this decrease was depreciation of capital assets.

Business-type activities: Business-type activities increased the City of Lowell's net position by \$73,992. A key element was controlling expenditures.

Financial Analysis of the City's Funds

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

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

The General Fund is the chief operating fund of the City of Lowell. At the end of the current fiscal year, City of Lowell's fund balance available in the General Fund was \$535,998, while total fund balance was \$1,142,110. The City currently has an available fund balance of 26.7 percent of General Fund expenditures, while total fund balance represents 56.8 percent of the same amount.

At June 30, 2017, the governmental funds of the City of Lowell reported a combined fund balance of \$1,246,942 with a net increase in fund balance of \$185,235.

General Fund Budgetary Highlights: During the fiscal year, the City did not revise the budget.

Revenues were significantly less than the budgeted amounts, caused mainly by a budgeted amount for a grant for sidewalk construction which did not materialize in the 2017 fiscal year. Efforts were utilized to ensure that the expenditures were only for necessary purchases and services.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$412,360. The total increase in net position for the fund was \$73,992. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

Management's Discussion and Analysis
City of Lowell

Capital Asset and Debt Administration

Capital assets. The City of Lowell's investment in capital assets for its governmental and business-type activities as of June 30, 2017 totals \$3,762,585 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

The capital asset transactions during the year were the acquisition of vehicles totaling \$53,442. There were no significant demolitions or disposals.

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

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$112,430	\$ 112,430	\$15,000	\$ 15,000	\$ 127,430	\$ 127,430
Buildings and systems	100,655	107,336	379,226	398,408	479,881	505,744
Improvements other than buildings	38,099	41,852	20,028	20,028	58,127	61,880
Machinery and equipment	77,908	93,664	48,270	69,467	126,178	163,131
Infrastructure	1,028,875	1,081,256	1,776,288	1,867,014	2,805,163	2,948,270
Vehicles and motorized equipment	165,806	182,969	-	-	165,806	182,969
Total	\$ 1,523,773	\$ 1,619,507	\$ 2,238,812	\$ 2,369,917	\$ 3,762,585	\$ 3,989,424

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

Management's Discussion and Analysis
City of Lowell

Long-term Debt. The City of Lowell's total debt decreased from \$365,098 to \$294,395, a decrease of \$70,703 during the past fiscal year.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Lowell is \$21,441,559.

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

Economic Factors and Next Year's Budgets and Rates

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

- County-wide unemployment rates, which are indicative of the City's economic climate, have decreased to 4.2% which indicates a strong economy.
- Commercial construction and development activity within the City remains stagnant with no immediate signs of improvement.
- Vacancy rates for existing commercial properties in the downtown area and elsewhere within the City have declined with several new businesses occupying previously vacant commercial structures.
- New residential construction in the City has not returned to pre-recession levels; however, residential development, particularly multi-family construction, has returned to neighboring areas with higher visibility and greater ease of access. These are hopeful signs that the regional economy is improving.

Budget Highlights for the Fiscal Year Ending June 30, 2018

Governmental Activities: With the exception of investment in new financial management software and some sidewalk construction, the City continued to operate frugally in FY 2014 reflecting lingering effects and reactions to the economic downturn of recent years. The General Fund ended the year with a positive balance of revenues over expenditures due in large part to closely monitoring expenditures. It is expected that annual Gross Rental Receipts tax will increase approximately \$85,000 because of the opening of a newly-built Enterprise Rental Car agency in the City of Lowell.

With the adoption of the FY 2015 Budget, the City began to provide appropriations for higher levels of reinvestment in capital equipment replacement, reflecting the City's adjustment to new economic conditions and the limited capital reinvestment in recent years. The tax rate remained the same at \$.43 per hundred dollars of valuation.

Business – type Activities: In FY 2014 the City began to significantly increase capital investment/reinvestment in its Wastewater Treatment Facility by undertaking and completing the first phase of programmed capital maintenance and repairs at a cost of approximately \$102,000.

Management's Discussion and Analysis
City of Lowell

That program was completed in fiscal year 2016 with expenditures that year totaling in excess of \$281,000. Other priorities for improvements to the City's utility systems include identifying and repairing major sources of inflow and infiltration into the sewer collection system.

In order to more adequately fund the capital needs of the utility systems and infrastructure on an on-going basis, the City increased utility rates by 5% in FY 2017.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the City Manager, Kevin Krouse, 101 West First Street, Lowell, NC 28098, (704) 824-3518 (TEL), or email kkrouse@lowellnc.com.

Basic Financial Statements

City of Lowell, North Carolina
Statement of Net Position
June 30, 2017

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 589,421	437,052	1,026,473
Restricted cash and cash equivalents	561,809	78,305	640,114
Taxes receivables (net)	8,562	-	8,562
Accrued interest receivable on taxes	857	-	857
Accounts receivable (net)	10,014	146,812	156,826
Due from other governments	139,121	-	139,121
Inventories	-	25,284	25,284
Total current assets	1,309,784	687,453	1,997,237
Non-current assets:			
Capital assets (Note 1):			
Land, non-depreciable improvements, and construction in progress	112,430	15,000	127,430
Other capital assets, net of depreciation	1,411,343	2,223,812	3,635,155
Total capital assets	1,523,773	2,238,812	3,762,585
Total assets	2,833,557	2,926,265	5,759,822
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	211,018	49,479	260,497
LIABILITIES			
Current liabilities:			
Accounts payable	42,840	34,968	77,808
Fee refunds payable	-	47,000	47,000
Accrued interest payable	714	193	907
Payable from restricted assets - customer deposits	-	62,577	62,577
Current portion of long-term liabilities	58,654	60,487	119,141
Total current liabilities	102,208	205,225	307,433
Long-term liabilities:			
Net pension liability	228,903	55,912	284,815
Total pension liability	164,777	-	164,777
Other postemployment benefits	175,164	35,110	210,274
Compensated absences	44,931	10,177	55,108
Installment obligations due in more than one year	63,665	111,589	175,254
Total liabilities	779,648	418,013	1,197,661
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue-other	10,527	-	10,527
Pension deferrals	12,315	330	12,645
Total deferred inflows of resources	22,842	330	23,172
NET POSITION			
Net investment in capital assets	1,401,454	2,066,736	3,468,190
Restricted for:			
Cemetery Perpetual Care	49,931	-	49,931
Stabilization by State Statute	149,135	-	149,135
Other functions	509,770	78,305	588,075
Unrestricted	131,795	412,360	544,155
Total net position	\$ 2,242,085	2,557,401	4,799,486

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

City of Lowell, North Carolina
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	
Primary government:							
Governmental Activities:							
General government	\$ 717,167	6,053	-	-	(711,114)	-	(711,114)
Public safety	629,028	527	36,823	-	(591,678)	-	(591,678)
Streets	369,386	-	-	-	(369,386)	-	(369,386)
Powell Bill	46,893	-	93,738	-	46,845	-	46,845
Sanitation	215,538	109,841	-	-	(105,697)	-	(105,697)
Recreation	129,138	29,238	-	-	(99,900)	-	(99,900)
Interest on long-term debt	2,439	-	-	-	(2,439)	-	(2,439)
Total governmental activities (See Note 1)	<u>2,109,589</u>	<u>145,659</u>	<u>130,561</u>	<u>-</u>	<u>(1,833,369)</u>	<u>-</u>	<u>(1,833,369)</u>
Business-type activities:							
Water and sewer	1,099,984	1,168,485	1,464	-	-	69,965	69,965
Total business-type activities	<u>1,099,984</u>	<u>1,168,485</u>	<u>1,464</u>	<u>-</u>	<u>-</u>	<u>69,965</u>	<u>69,965</u>
Total primary government	<u>\$ 3,209,573</u>	<u>1,314,144</u>	<u>132,025</u>	<u>-</u>	<u>(1,833,369)</u>	<u>69,965</u>	<u>(1,763,404)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					1,171,502	-	1,171,502
Other taxes					14,363	-	14,363
Grants and contributions not restricted to specific programs					642,995	-	642,995
Unrestricted investment earnings					3,843	27	3,870
Miscellaneous					27,910	4,000	31,910
Total general revenues					<u>1,860,613</u>	<u>4,027</u>	<u>1,864,640</u>
Change in net position					27,244	73,992	101,236
Net position, beginning, previously reported					2,276,051	2,483,409	4,759,460
Restatement					(61,210)	-	(61,210)
Net position, beginning, restated					<u>2,214,841</u>	<u>2,483,409</u>	<u>4,698,250</u>
Net position, ending					<u>\$ 2,242,085</u>	<u>2,557,401</u>	<u>4,799,486</u>

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

City of Lowell, North Carolina
Balance Sheet
Governmental Funds
June 30, 2017

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General</u>	<u>Sidewalk Construction</u>	<u>Total Non- Major Fund</u>	
ASSETS				
Cash and cash equivalents	\$ 589,421	-	-	589,421
Restricted cash and cash equivalents	456,977	54,901	49,931	561,809
Receivables, net:				
Taxes	8,562	-	-	8,562
Accounts	10,014	-	-	10,014
Due from other governments	139,121	-	-	139,121
Total assets	<u>1,204,095</u>	<u>54,901</u>	<u>49,931</u>	<u>1,308,927</u>
LIABILITIES				
Accounts payable and accrued liabilities	42,896	-	-	42,896
Total liabilities	<u>42,896</u>	<u>-</u>	<u>-</u>	<u>42,896</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	8,562	-	-	8,562
Deferred revenue-other	10,527	-	-	10,527
Total deferred inflows of resources	<u>19,089</u>	<u>-</u>	<u>-</u>	<u>19,089</u>
FUND BALANCES				
Non Spendable				
Perpetual maintenance	-	-	37,791	37,791
Restricted				
Stabilization by State Statute	149,135	-	-	149,135
Streets	454,869	54,901	-	509,770
Public safety	2,108	-	-	2,108
Other	-	-	12,140	12,140
Assigned				
Subsequent year's expenditures	-	-	-	-
Unassigned				
Total fund balances	<u>1,142,110</u>	<u>54,901</u>	<u>49,931</u>	<u>1,246,942</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,204,095</u>	<u>\$ 54,901</u>	<u>\$ 49,931</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,523,773
Deferred outflows of resources related to pensions are not reported in the funds.	211,018
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current period expenditures and therefore are inflows of resources in the funds.	857
Earned revenues considered deferred inflows of resources in fund statements	8,562
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds:	
Gross long-term debt	(342,414)
Net pension liability	(228,903)
Total pension liability	<u>(164,777)</u>
Deferred inflows of resources related to pensions are not reported in the funds.	(12,315)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.	(658)
Net position of governmental activities	<u>\$ 2,242,085</u>

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

City of Lowell, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	<u>Major Funds</u>			Total Governmental Funds
	<u>General Fund</u>	<u>Sidewalk Construction</u>	<u>Total Non- Major Fund</u>	
REVENUES				
Ad valorem taxes	\$ 1,174,784	-	-	1,174,784
Other taxes and licenses	14,363	-	-	14,363
Unrestricted intergovernmental	643,522	-	-	643,522
Restricted intergovernmental	133,023	-	-	133,023
Permits and fees	4,550	-	-	4,550
Sales and services	138,120	-	-	138,120
Investment earnings	3,838	-	5	3,843
Miscellaneous	9,612	-	-	9,612
Total revenues	<u>2,121,812</u>	<u>-</u>	<u>5</u>	<u>2,121,817</u>
EXPENDITURES				
Current:				
General government	643,500	-	-	643,500
Public safety	655,451	-	-	655,451
Streets	303,524	-	-	303,524
Powell Bill	46,894	-	-	46,894
Sanitation	185,413	-	-	185,413
Recreation	129,739	-	-	129,739
Debt service	46,359	-	-	46,359
Total expenditures	<u>2,010,880</u>	<u>-</u>	<u>-</u>	<u>2,010,880</u>
Revenues over expenditures	<u>110,932</u>	<u>-</u>	<u>5</u>	<u>110,937</u>
OTHER FINANCING SOURCES				
Insurance recovery	18,298	-	-	18,298
Loan proceeds	56,000	-	-	56,000
Total other financing sources	<u>74,298</u>	<u>-</u>	<u>-</u>	<u>74,298</u>
Net change in fund balances	<u>185,230</u>	<u>-</u>	<u>5</u>	<u>185,235</u>
Fund balances, beginning	956,880	54,901	49,926	1,061,707
Fund balances, ending	<u>\$ 1,142,110</u>	<u>54,901</u>	<u>49,931</u>	<u>1,246,942</u>

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

City of Lowell, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

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

Net changes in fund balances - total governmental funds		\$ 185,235
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>		
Capital outlay expenditures which were capitalized	53,442	
Depreciation expense for governmental assets	<u>(149,177)</u>	(95,735)
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.</p>		
		52,817
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues		(3,282)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
New long-term debt issued	(56,000)	
Principal payments on long-term debt	44,362	
Increase in accrued interest payable	<u>(442)</u>	(12,080)
<p>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.</p>		
Compensated absences	741	
Pension expense	(78,013)	
Other postemployment benefits	<u>(22,439)</u>	(99,711)
Total changes in net position of governmental activities		<u>\$ 27,244</u>

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

City of Lowell, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2017

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 1,163,300	1,163,300	1,174,784	11,484
Other taxes and licenses	26,000	26,000	14,363	(11,637)
Unrestricted intergovernmental	613,696	613,696	643,522	29,826
Restricted intergovernmental	274,575	274,575	133,023	(141,552)
Permits and fees	11,000	11,000	4,550	(6,450)
Sales and services	140,000	140,000	138,120	(1,880)
Investment earnings	1,300	1,300	3,838	2,538
Miscellaneous	1,000	1,000	9,612	8,612
Total revenues	<u>2,230,871</u>	<u>2,230,871</u>	<u>2,121,812</u>	<u>(109,059)</u>
Expenditures:				
Current:				
General government	699,108	699,108	643,500	55,608
Public safety	662,514	662,514	655,451	7,063
Streets	431,286	431,286	303,524	127,762
Powell Bill	94,525	94,525	46,894	47,631
Sanitation	194,233	194,233	185,413	8,820
Recreation	149,251	149,251	129,739	19,512
Debt service	56,064	56,064	46,359	9,705
Total expenditures	<u>2,286,981</u>	<u>2,286,981</u>	<u>2,010,880</u>	<u>276,101</u>
Revenues over (under) expenditures	<u>(56,110)</u>	<u>(56,110)</u>	<u>110,932</u>	<u>167,042</u>
Other financing sources:				
Insurance recovery	-	-	18,298	18,298
Loan proceeds	56,110	56,110	56,000	(110)
Total other financing sources	<u>56,110</u>	<u>56,110</u>	<u>74,298</u>	<u>18,188</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>185,230</u>	<u>185,230</u>
Fund balance, beginning			<u>956,880</u>	
Fund balances, ending			<u>\$ 1,142,110</u>	

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

City of Lowell, North Carolina
Statement of Fund Net Position
Proprietary Fund
June 30, 2017

	Enterprise Fund
	Water and
	Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 437,052
Restricted cash and cash equivalents	78,305
Accounts receivable (net) - billed	94,024
Accounts receivable (net) - unbilled	52,788
Inventories	25,284
Total current assets	687,453
Noncurrent assets:	
Capital assets:	
Land and other non-depreciable assets	15,000
Other capital assets, net of depreciation	2,223,812
Capital assets (net)	2,238,812
Total noncurrent assets	2,238,812
Total assets	\$ 2,926,265
 DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	\$ 49,479
 LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 35,161
Fee refunds payable	47,000
Payable from restricted assets - customer deposits	62,577
Loans payable-current	60,487
Total current liabilities	205,225
Noncurrent liabilities:	
Compensated absences	10,177
Net pension liability	55,912
Other postemployment benefits	35,110
Loans payable-noncurrent	111,589
Total noncurrent liabilities	212,788
Total liabilities	418,013
 DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	330
 NET POSITION	
Net investment in capital assets	2,066,736
Restricted	78,305
Unrestricted	412,360
Total net position	\$ 2,557,401

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

City of Lowell, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2017

	Enterprise Fund
	Water and
	Sewer Fund
OPERATING REVENUES	
Water sales and sewer charges	\$ 1,142,635
Water and sewer tap fees	25,850
Other operating revenues	1,464
Total operating revenues	1,169,949
OPERATING EXPENSES	
Cost of water purchased	380,682
Other operating expenses	582,665
Depreciation	131,105
Total operating expenses	1,094,452
Operating income	75,497
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	27
Interest and other charges	(5,532)
Total nonoperating revenues (expenses)	(5,505)
Income before contributions and transfers	69,992
Insurance recovery	4,000
Change in net position	73,992
Total net position, beginning	2,483,409
Total net position, ending	\$ 2,557,401

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

City of Lowell, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2017

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,170,853
Cash paid for goods and services	(752,794)
Cash paid to or on behalf of employees for services	(251,928)
Customer deposits received (net)	597
Other operating revenues	1,464
Net cash provided by operating activities	168,192
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on equipment loans	(82,342)
Interest paid on equipment loans	(5,779)
Insurance proceeds	4,000
Grant funds	16,250
Net cash used by capital and related financing activities	(67,871)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	27
Net increase in cash and cash equivalents	100,348
Balances, beginning	415,009
Balances, ending	\$ 515,357
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 75,497
 Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	131,105
Changes in assets, deferred outflow of resources, and liabilities:	
(Increase) decrease in accounts receivable	2,368
(Increase) decrease in inventory	(662)
Increase (decrease) in accounts payable	(53,217)
Increase (decrease) in accrued OPEB liability	5,601
Increase (decrease) in compensated absences payable	3,821
(Increase) decrease in deferred outflows of resources for pensions	(38,432)
Increase (decrease) in deferred inflows of resources for pensions	(3,948)
(Increase) decrease in pension liability	45,462
Increase (decrease) in customer deposits	597
Total adjustments	92,695
Net cash used by operating activities	\$ 168,192

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

City of Lowell, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

I. Summary of Significant Accounting Policies

The accounting policies of the City of Lowell conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

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

B. Basis of Presentation

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

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

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

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

City of Lowell, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

The City reports the following major governmental funds:

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

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

The City reports the following non-major governmental fund:

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

The City reports the following major enterprise funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in

City of Lowell, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

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

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

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

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

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances were adopted for the Sidewalk Construction Capital Projects Fund and the

City of Lowell, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

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

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). Investments are stated at cost.

2. Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents.

3. Restricted Assets

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

City of Lowell, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

City of Lowell Restricted Cash

Governmental Activities:

General Fund

Streets	\$ 454,869
Public safety	2,108

Sidewalk Construction Fund

Streets	54,901
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Cemetery Fund

Cemetery care	49,931
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Total governmental activities	<u>\$ 561,809</u>
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Business-type Activities:

Water and Sewer Fund

Customer deposits	\$ 62,577
Capital project	15,728

Total business-type activities	<u>\$ 78,305</u>
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Total Restricted Cash	<u><u>\$ 640,114</u></u>
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4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2016.

5. Allowances for Doubtful Accounts

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

6. Inventory

The inventories of the City are valued at cost (first-in, first-out), which approximates market. The inventories of the City's enterprise fund consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as

City of Lowell, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

follows: land, \$5,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$10,000; infrastructure, \$5,000; furniture and equipment, \$5,000; vehicles, \$5,000; computer equipment, \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has one item that meets this criterion, pension deferrals for the 2017 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has several items that meet the criterion for this category – prepaid taxes, property taxes receivable, and pension deferrals.

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

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

10. Compensated Absences

The vacation policy of the City provides for the accumulation of up to two hundred forty hours earned vacation leave with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a first-in, first-out method of using

City of Lowell, North Carolina
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For the Fiscal Year Ended June 30, 2017

accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year is considered to be immaterial; thus no current liability is reflected in the government-wide and proprietary financial statements.

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

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

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

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

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

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

The City of Lowell has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-city funds, city funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the City.

12. Defined Benefit Cost-Sharing Plans

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

II. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are

City of Lowell, North Carolina
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For the Fiscal Year Ended June 30, 2017

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

At June 30, 2017, the City's deposits had a carrying amount of \$1,665,097 and a bank balance of \$1,742,072. Of the bank balance, \$250,000 was covered by federal depository insurance, and the remainder was covered by collateral held under the pooling method. At June 30, 2017, the City's petty cash fund totaled \$500.

2. Investments

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

3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2017 are net of the following allowances for doubtful accounts:

General Fund:

Taxes receivable	<u>\$ 32,976</u>
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Enterprise Fund:

Accounts receivable	<u>38,559</u>
Total	<u><u>\$ 71,535</u></u>

City of Lowell, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

4. Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 112,430	-	-	112,430
Total capital assets not being depreciated	112,430	-	-	112,430
Capital assets being depreciated:				
City Hall building	125,196	-	-	125,196
Other buildings	327,804	-	-	327,804
Other land improvements	163,324	-	-	163,324
Equipment	850,187	-	-	850,187
Vehicles and motorized equipment	883,256	53,442	-	936,698
Streets and sidewalks	2,469,827	-	-	2,469,827
Total capital assets being depreciated	4,819,594	53,442	-	4,873,036
Less accumulated depreciation for:				
City Hall building	110,147	549	-	110,696
Other buildings	235,517	6,132	-	241,649
Other land improvements	121,472	3,753	-	125,225
Equipment	756,523	15,756	-	772,279
Vehicles and motorized equipment	700,286	70,606	-	770,892
Streets and sidewalks	1,388,571	52,381	-	1,440,952
Total accumulated depreciation	3,312,516	149,177	-	3,461,693
Total capital assets being depreciated, net	1,507,078			1,411,343
Governmental activity capital assets, net	\$ 1,619,508			1,523,773

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

General government	\$ 8,266
Public safety	36,006
Sanitation	32,959
Streets	70,855
Recreation	1,091
Total depreciation expense	<u>\$ 149,177</u>

City of Lowell, North Carolina
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For the Fiscal Year Ended June 30, 2017

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Water and Sewer Fund</i>				
Capital assets not being depreciated:				
Land	\$ 15,000	-	-	\$ 15,000
Construction in progress	-	-	-	-
Total capital assets not being depreciated	15,000	-	-	15,000
Capital assets being depreciated:				
Buildings	16,683	-	-	16,683
Sewage treatment plant	745,816	-	-	745,816
Rights of way and easements	22,105	-	-	22,105
Equipment, including vehicles	523,585	-	-	523,585
Water and sewer system	5,518,217	-	-	5,518,217
Total capital assets being depreciated	6,826,406	-	-	6,826,406
Less accumulated depreciation for:				
Buildings	16,683	-	-	16,683
Sewage treatment plant	347,408	19,182	-	366,590
Rights of way and easements	2,077	-	-	2,077
Equipment, including vehicles	454,118	21,197	-	475,315
Water and sewer system	3,651,203	90,726	-	3,741,929
Total accumulated depreciation	4,471,489	131,105	-	4,602,594
Total capital assets being depreciated, net	2,354,917			2,223,812
Water and Sewer fund capital assets, net	\$ 2,369,917			\$ 2,238,812

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The City of Lowell is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members - nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in

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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 service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Lowell employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Lowell's contractually required contribution rate for the year ended June 30, 2017, was 8.00% of compensation for law enforcement officers and 7.25% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Lowell were \$65,997 for year ended June 30, 2017.

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

City of Lowell, North Carolina
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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the City reported a liability of \$284,817 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the City's proportion was 0.01342%, which was an increase of 0.00067% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of \$81,422. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,351	\$ 9,890
Changes of assumptions	19,507	-
Net difference between projected and actual earnings on pension plan investments	157,468	-
Changes in proportion and difference between City contributions and proportionate share of contributions	12,174	-
City contributions subsequent to the measurement date	65,997	-
Total	\$ 260,497	\$ 9,890

\$65,997 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year June 30, 2017. Other amounts reported as deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 30,119
2019	30,128
2020	77,321
2021	46,952
2022	-
Thereafter	-

City of Lowell, North Carolina
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Actuarial Assumptions. The total pension liability in the December 31, 2015 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 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premiums and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 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	100.0%	

City of Lowell, North Carolina
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The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability (asset)	\$ 676,004	\$ 284,817	\$ (41,931)

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

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description.

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

City of Lowell, North Carolina
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For the Fiscal Year Ended June 30, 2017

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

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

2. Summary of Significant Accounting Policies:

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

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability in the December 31, 2015 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	3.86 percent

4. Contributions.

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$879 as benefits came due for the reporting period.

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

At June 30, 2017, the City reported a total pension liability of \$164,777. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update

City of Lowell, North Carolina
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procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the City recognized pension expense of \$12,947.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	2,755
County benefit payments and plan administrative expenses made subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ 2,755</u>

\$-0- reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$ (538)
2019	(538)
2020	(538)
2021	(538)
2022	(538)
Thereafter	(65)

\$-0- paid as benefits came due and \$-0- of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the City's total pension liability to changes in the discount rate. The following presents the City's total pension liability calculated using the discount rate of 3.86 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.86 percent) or one percentage point higher (4.86 percent) than the current rate:

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
Total pension liability	<u>\$ 176,375</u>	<u>\$ 164,777</u>	<u>\$ 153,873</u>

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

	2017
Beginning balance	\$ 155,464
Service Cost	7,951
Interest on the total pension liability	5,534
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(3,293)
Benefit payments	(879)
Other changes	-
Ending balance of the total pension liability	\$ 164,777

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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The City made contributions \$17,721 for the reporting year. No amounts were forfeited.

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

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

Funding Policy. The City contributes each month an amount equal to five percent of each employee's salary, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan. The City made contributions of \$25,333 for the reporting year. No amounts were forfeited.

e. Other Postemployment Benefit

Healthcare Benefits

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

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

	General Employees:	Law Enforcement Officers:
Retirees receiving benefits	0	0
Terminated plan member entitled to but not yet receiving benefits	0	0
Active plan members	14	9
Total	14	9

Funding Policy. The City pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a City resolution that can be amended by City Council. The City has chosen to fund the healthcare benefits on a pay as you go basis.

The current annual required contribution (ARC) rate is 3.53% of annual covered payroll. For the current year, the City contributed \$3,771 or 0.42% of annual covered payroll. The City obtains healthcare coverage through private insurers. The City's contributions totaled \$3,771 in fiscal year 2017. The City's obligation to contribute to HCB Plan is established and may be amended by the City Council.

City of Lowell, North Carolina
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Summary of Significant Accounting Policies. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

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

Annual required contribution	\$ 31,486
Interest on net OPEB obligation	7,289
Adjustment to annual required contribution	(6,964)
Annual OPEB cost (expense)	31,811
Contribution made	(3,771)
Increase (decrease) in net OPEB obligation	28,040
Net OPEB obligation, beginning of year	<u>182,234</u>
Net OPEB obligation, end of year	<u>\$210,274</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2017 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	\$ 31,811	11.9%	\$ 210,274
2016	30,569	0.0%	182,234
2015	29,897	0.0%	151,394

Funded Status and Funding Progress. As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$277,085. The covered payroll (annual payroll of active employees covered by the plan) was \$891,441, and the ratio of UAAL to the covered payroll was 31.1 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

City of Lowell, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

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

In the December 31, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 10.50 to 5.00 percent annually. The investment rate included a 3.75 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2014, was 30 years.

2. Other Employment Benefits

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

City of Lowell, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

3. Deferred Outflows and Inflows of Resources

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

Contributions to pension plan in current fiscal year	\$ 65,997
Differences between expected and actual experience	5,351
Changes of assumptions	19,507
Net difference between projected and actual earnings on pension plan investments	157,468
Changes in proportion and differences between employer contributions and proportionate share of contributions	12,174
	<u>\$260,497</u>

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ -	\$ -
Taxes receivable (General Fund)	-	8,562
Deferred revenue-other (General Fund)	10,527	10,527
Changes in assumptions	2,755	-
Difference between expected and actual experience	9,890	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
	<u>\$ 23,172</u>	<u>\$ 19,089</u>

4. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured

City of Lowell, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the North Carolina League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the City upon request.

There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The City does not carry flood coverage insurance because none of its buildings are located in areas designated by the Federal Emergency Management Agency as flood zones B, C or X (which are the critical zones).

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$15,000.

5. Claims, Judgments and Contingent Liabilities

Since June 30, 2016 the City became aware of a potential claim by certain individuals regarding actions of a police officer of the City. In the opinion of the City's management and the City attorney, the ultimate effect of this legal matter will not have a material adverse effect on the City's financial position.

6. Long-Term Obligations

a. Installment Purchases

In May 2007, the City entered into an installment purchase contract with a bank in the amount of \$195,000, to finance sewer plant improvements. The financing contract requires ten annual payments of \$24,114, which includes interest at the rate of 4.06%.

In December 2013, the City entered into an installment purchase contract with a bank in the amount of \$40,000, to finance the purchase of computer hardware and software upgrades. The financing contract requires four annual payments of \$10,459, which includes interest at the rate of 2.19%.

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

City of Lowell, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

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

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

Annual debt service payments of the installment purchases as of June 30, 2017, including \$11,642 of interest, are as follows:

Year Ending June 30	Governmental Activities		Business Activities	
	Principal	Interest	Principal	Interest
2018	\$ 58,654	2,628	60,487	3,520
2019	34,865	1,336	55,179	2,173
2020	14,194	728	56,410	941
2021	14,606	316	-	-
	<u>\$ 122,319</u>	<u>5,008</u>	<u>172,076</u>	<u>6,634</u>

b. General Obligation Indebtedness

At June 30, 2017, the City of Lowell had no bonds authorized but unissued and had a legal debt margin of \$21,441,559.

c. Changes in Long-Term Liabilities

	Beginning			Ending	Current
	Balance	Increases	Decreases	Balance	Portion of
					Balance
Governmental activities:					
Installment purchases	\$ 110,681	56,000	44,362	122,319	58,654
Compensated absences	45,672	-	741	44,931	-
Other postemployment benefits	152,725	22,439	-	175,164	-
Net pension liability (LGERS)	46,770	182,133	-	228,903	-
Total pension liability (LEO)	93,375	71,402	-	164,777	-
Governmental activity long-term liabilities	<u>\$ 449,223</u>	<u>331,974</u>	<u>45,103</u>	<u>736,094</u>	<u>58,654</u>
Business-type activities:					
<u>Water and Sewer Fund</u>					
Notes payable	\$ 254,417	-	82,341	172,076	60,487
Net pension liability (LGERS)	10,450	45,462	-	55,912	-
Other postemployment benefits	29,509	5,601	-	35,110	-
Compensated absences	6,355	3,822	-	10,177	-
Business-type activity long-term liabilities	<u>\$ 300,731</u>	<u>54,885</u>	<u>82,341</u>	<u>273,275</u>	<u>60,487</u>

City of Lowell, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

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

C. Fund Balance

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

<i>Total fund balance-General Fund</i>	<i>\$ 1,142,110</i>
Less:	
Stabilization by State Statute	149,135
Streets-Powell Bill	454,869
Public safety	2,108
Appropriated Fund Balance in 2017-18 Budget	0
Working Capital/Fund Balance Policy	0
Remaining fund balance	535,998

III. Jointly Governed Organization

The City, in conjunction with eight counties and fifty other municipalities established the Centralina Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The City paid membership fees of \$873 to the Council during the fiscal year ended June 30, 2017.

IV. Commitments

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

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

City of Lowell, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

VI. Change in Accounting Principles/Restatement

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the City to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the City to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016). As a result, net position for the governmental activities decreased \$61,210.

Required
Supplementary Financial Data

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

- Schedule of Funding Progress for the Other Postemployment Benefits
- Schedule of Employer Contributions for the Other Postemployment Benefits
- Schedule of Proportionate Share of Net Pension Liability for Local Governmental Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payroll

City of Lowell, North Carolina
Other Postemployment Benefits
Required Supplementary Information
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
12/31/14	-	277,085	277,085	0%	891,441	31.1%
12/31/10	-	195,092	195,092	0%	833,070	23.4%
12/31/09	-	182,246	182,246	0%	723,498	25.2%

**City of Lowell, North Carolina
Other Post Employment Benefits
Required Supplementary Information
Schedule of Employer Contributions**

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2017	31,486	12.0%
2014	29,461	0.0%
2013	25,824	0.0%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate	10.50% - 5.00%
Year of Ultimate trend rate	2017
*Includes inflation at	3.75%
Cost-of-living adjustments	None

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

Local Government Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Lowell's proportion of the net pension liability (asset) (%)	0.01342%	0.01275%	0.01352%	0.01360%
Lowell's proportion of the net pension liability (asset) (\$)	\$ 284,817	\$ 57,220	\$ (79,734)	\$ 163,932
Lowell's covered payroll	\$ 892,648	\$ 892,648	\$ 867,256	\$ 869,796
Lowell's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	31.91%	6.41%	-9.19%	18.85%
Plan fiduciary net position as a percentage of the total pension liability**	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.

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

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

Local Government Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 65,997	\$ 61,626	\$ 62,688	\$ 61,938
Contributions in relation to the contractually required contribution	65,997	61,626	62,688	61,938
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Lowell's covered payroll	\$ 892,648	\$ 892,648	\$ 867,256	\$ 869,796
Contributions as a percentage of covered payroll	7.39%	6.90%	7.23%	7.12%

City of Lowell, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2017

	2017
Beginning balance	\$ 155,464
Service Cost	7,951
Interest on the total pension liability	5,534
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes in assumptions or other inputs	(3,293)
Benefit payments	(879)
Other charges	-
Ending balance of the total pension liability	\$ 164,777

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

City of Lowell, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2017

	<u>2017</u>
Total pension liability	\$ 164,777
Covered payroll	371,247
Total pension liability as a percentage of covered payroll	44.38%

Notes to the schedule:

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

Individual Fund Statements and Schedules

City of Lowell, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$ -	1,169,270	-
Interest	-	5,514	-
Total	<u>1,163,300</u>	<u>1,174,784</u>	<u>11,484</u>
Other taxes and licenses:			
Gross receipts tax on short-term rental property	<u>26,000</u>	<u>14,363</u>	<u>(11,637)</u>
Unrestricted intergovernmental:			
Local option sales taxes	-	426,941	-
Telecommunications sales tax	-	27,728	-
Utilities sales tax	-	132,017	-
Piped natural gas sales tax	-	10,975	-
Video franchise tax	-	28,746	-
Beer and wine tax	-	16,588	-
Court costs and fees	-	527	-
Total	<u>613,696</u>	<u>643,522</u>	<u>29,826</u>
Restricted intergovernmental:			
Powell Bill allocation	-	93,738	-
Grant-MPO	-	36,823	-
Solid waste disposal tax	-	2,462	-
Total	<u>274,575</u>	<u>133,023</u>	<u>(141,552)</u>
Permits and fees:			
Zoning permits	-	4,440	-
Code enforcement	-	110	-
Total	<u>11,000</u>	<u>4,550</u>	<u>(6,450)</u>
Sales and services:			
Sanitation fees	-	108,882	-
Recreation revenue	-	24,828	-
Community Center revenue	-	4,410	-
Total	<u>140,000</u>	<u>138,120</u>	<u>(1,880)</u>
Investment earnings	<u>1,300</u>	<u>3,838</u>	<u>2,538</u>
Miscellaneous:			
Miscellaneous	<u>1,000</u>	<u>9,612</u>	<u>8,612</u>
Total revenues	<u>2,230,871</u>	<u>2,121,812</u>	<u>(109,059)</u>

City of Lowell, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Salaries and employee benefits	-	210,923	-
Professional services	-	41,576	-
Membership dues	-	7,644	-
Fire protection	-	198,700	-
Recreation	-	6,000	-
Other operating expenditures	-	178,657	-
Total general government	<u>699,108</u>	<u>643,500</u>	<u>55,608</u>
Public safety:			
Salaries and employee benefits	-	508,870	-
Vehicle maintenance	-	18,614	-
Other operating expenditures	-	74,525	-
Capital outlay - equipment	-	53,442	-
Total public safety	<u>662,514</u>	<u>655,451</u>	<u>7,063</u>
Streets:			
Salaries and employee benefits	-	148,644	-
Vehicle maintenance	-	11,203	-
Contracted services	-	36,074	-
Other operating expenditures	-	107,603	-
Total streets	<u>431,286</u>	<u>303,524</u>	<u>127,762</u>
Powell Bill:			
Other operating expenditures	<u>94,525</u>	<u>46,894</u>	<u>47,631</u>
Sanitation:			
Salaries and employee benefits	-	94,491	-
Vehicle maintenance	-	6,212	-
Other operating expenditures	-	41,763	-
Garbage disposal	-	42,947	-
Total sanitation	<u>194,233</u>	<u>185,413</u>	<u>8,820</u>
Recreation:			
Salaries and employee benefits	-	47,706	-
Other operating expenditures	-	82,033	-
Total recreation	<u>149,251</u>	<u>129,739</u>	<u>19,512</u>

City of Lowell, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Debt service:			
Principal retirement	53,437	44,362	9,075
Interest and other charges	2,627	1,997	630
Total debt service	<u>56,064</u>	<u>46,359</u>	<u>9,705</u>
Total expenditures	<u>2,286,981</u>	<u>2,010,880</u>	<u>276,101</u>
Revenues over (under) expenditures	<u>(56,110)</u>	<u>110,932</u>	<u>167,042</u>
Other financing sources:			
Insurance recovery	-	18,298	18,298
Loan proceeds	56,110	56,000	(110)
Total other financing sources	<u>56,110</u>	<u>74,298</u>	<u>18,188</u>
Net change in fund balance	<u>\$ -</u>	<u>185,230</u>	<u>185,230</u>
Fund balance, beginning		<u>956,880</u>	
Fund balance, ending		<u>\$ 1,142,110</u>	

**City of Lowell, North Carolina
Balance Sheet
Nonmajor Governmental Fund
June 30, 2017**

	<u>Cemetery Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 49,931</u>
Liabilities and Fund Balance	
Liabilities:	
Due to other funds	<u>\$ -</u>
Fund balance:	
Reserved for perpetual maintenance	<u>49,931</u>
Total liabilities and fund balance	<u>\$ 49,931</u>

City of Lowell, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Fund
For the Year Ended June 30, 2017

	Cemetery Fund
Revenues:	
Investment earnings	\$ 5
Expenditures:	
Miscellaneous	-
Revenues over expenditures	5
Fund balance, beginning	49,926
Fund balance, ending	\$ 49,931

City of Lowell, North Carolina
Capital Projects Fund - Sidewalk Construction
Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2017

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

City of Lowell, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Charges for services:			
Water and sewer fees	\$ -	\$ 1,162,143	\$ -
Water and sewer taps	-	7,600	-
Total operating revenues	<u>1,169,313</u>	<u>1,169,743</u>	<u>430</u>
Nonoperating revenues:			
Miscellaneous	450	1,463	1,013
Interest earnings	200	7	(193)
Total nonoperating revenues	<u>650</u>	<u>1,470</u>	<u>820</u>
Total revenues	<u>1,169,963</u>	<u>1,171,213</u>	<u>1,250</u>
Expenditures:			
Water and sewer operations:			
Salaries and employee benefits	-	249,551	-
Professional services	-	15,700	-
Telephone and postage	-	20,311	-
Utilities	-	10,537	-
Maintenance and repairs	-	10,174	-
Vehicle maintenance	-	6,312	-
Departmental supplies	-	11,465	-
Contracted services	-	21,156	-
Water purchases	-	380,682	-
Other operating expenditures	-	14,876	-
Insurance	-	10,836	-
Total water and sewer operations	<u>832,329</u>	<u>751,600</u>	<u>80,729</u>
Wastewater treatment:			
Telephone and postage	-	387	-
Utilities	-	30,800	-
Maintenance and repairs	-	5,865	-
Departmental supplies	-	39,696	-
Contracted services	-	75,672	-
Sewer treatment	-	37,466	-
Other operating expenditures	-	10,018	-
Debt service	-	88,121	-
Total wastewater treatment	<u>337,634</u>	<u>288,025</u>	<u>49,609</u>
Total expenditures	<u>1,169,963</u>	<u>1,039,625</u>	<u>130,338</u>
Revenues over expenditures	-	131,588	131,588

City of Lowell, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
Other financing sources:			
Insurance recovery	-	4,000	4,000
Revenues and other sources over expenditures and other uses	\$ -	135,588	135,588
 Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		\$ 135,588	
 Reconciling items:			
Principal retirements		82,342	
Increase (decrease) in accrued revenues		(1,258)	
(Increase) decrease in interest accrued		247	
(Increase) decrease in accrued vacation pay		(3,821)	
Increase (decrease) in deferred outflows of resources-pensions		38,432	
(Increase) decrease in net pension liability		(45,462)	
(Increase) decrease in deferred inflows of resources-pensions		3,948	
(Increase) decrease in accrued OPEB liability		(5,601)	
Depreciation		(131,105)	
Increase (decrease) in inventories		662	
Revenues on Capital Project Fund		20	
Total reconciling items		(61,596)	
Change in net position		\$ 73,992	

City of Lowell, North Carolina
Water and Sewer Capital Projects Funds
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and For the Year Ended June 30, 2017

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues - Wastewater Plant Improvements:					
Investment earnings	\$ -	\$ 28	\$ 20	\$ 48	\$ 48
Revenues - Technical Assistance Grant:					
State grant	50,000	50,000	-	50,000	-
Total revenues	<u>50,000</u>	<u>50,028</u>	<u>20</u>	<u>50,048</u>	<u>48</u>
Expenditures - Wastewater Plant Improvements:					
Capital outlay:					
Improvements	400,000	384,320	-	384,320	15,680
Expenditures - Technical Assistance Grant:					
Professional services	50,000	50,000	-	50,000	-
Total expenditures	<u>450,000</u>	<u>434,320</u>	<u>-</u>	<u>434,320</u>	<u>15,680</u>
Other financing sources:					
Transfers from other funds:					
Water and Sewer Fund	130,000	130,000	-	130,000	-
Loan proceeds	270,000	270,000	-	270,000	-
Total other financing sources	<u>400,000</u>	<u>400,000</u>	<u>-</u>	<u>400,000</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 15,708</u>	<u>20</u>	<u>\$ 15,728</u>	<u>\$ 15,728</u>
Fund balance, beginning			15,708		
Fund balance, ending			<u>\$ 15,728</u>		

Other Schedules

This section contains additional information required on property taxes.

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

City of Lowell, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2017

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2016</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2017</u>
2016-2017	\$ -	1,168,265	1,160,628	7,637
2015-2016	11,898	-	5,807	6,091
2014-2015	5,701	-	455	5,246
2013-2014	5,265	-	570	4,695
2012-2013	5,564	-	902	4,662
2011-2012	4,388	-	716	3,672
2010-2011	3,119	-	167	2,952
2009-2010	3,092	-	98	2,994
2008-2009	2,190	-	27	2,163
2007-2008	1,654	-	316	1,338
2006-2007	1,355	-	1,267	88
	<u>\$ 44,226</u>	<u>1,168,265</u>	<u>1,170,953</u>	<u>41,538</u>
Less: allowance for uncollectible accounts:				
	General Fund			<u>32,976</u>
Ad valorem taxes receivable - net				<u>\$ 8,562</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				\$ 1,174,784
Reconciling items:				
	Interest collected			(5,514)
	Abatements and adjustments			416
	Taxes written off			<u>1,267</u>
	Subtotal			<u>(3,831)</u>
Total collections and credits				<u>\$ 1,170,953</u>

City of Lowell, North Carolina
Analysis of Current Tax Levy
City - Wide Levy
June 30, 2017

	City - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 272,849,625	\$.43	\$ 1,173,253	\$ 1,052,625	\$ 120,628
Discoveries - current and prior years	118,956	.43	516	516	0
Releases	(1,269,158)	.43	(5,504)	(5,504)	-
Total property valuation	<u>\$ 271,699,423</u>				
Net levy			1,168,265	1,047,637	120,628
Unpaid (by taxpayer) taxes at June 30, 2017			<u>(7,637)</u>	<u>(7,637)</u>	<u>-</u>
Current year's taxes collected			<u>\$1,160,628</u>	<u>\$1,040,000</u>	<u>\$120,628</u>
Current levy collection percentage			<u>99.35%</u>	<u>99.27%</u>	<u>100.00%</u>