REGULAR MEETING - DECEMBER 6, 2012

The Mayor and City Council met in regular session on Thursday, December 6, 2012 at 7:00 p.m. in the Council Chambers of City Hall located at 114 West Sycamore Street, Lincolnton North Carolina.

Mayor Gilleland called the meeting to order and led the Pledge of Allegiance. He thanked those in attendance for their interest in City government.

Councilman Rhyne made the motion unanimously approved the Regular Agenda.

Councilman Heavner made the motion unanimously approved the ***CONSENT AGENDA*** as follows:

- Approved Minutes from November 8, 2012 regular meeting.
- Approved a Request for approval of disposal of records in accordance with Records Retention Policy – City Manager / City Clerk's Office – Finance Department – Recreation Department – Waste Water Treatment Plant *(Note: Upon approval from City Council request will be sent from the City Clerk's Office to NC Department of Cultural Resources for their approval, then approval will be sent to Department Heads to plan destruction)*

REGULAR AGENDA:

APPLICATION FROM MIKE AND MARTHA GOINS REQUESTING A CONDITIONAL USE PERMIT TO OPERATE A CUSTOMARY HOME OCCUPATION WITH AN OUTSIDE ACCESSORY BUILDING IN THE RESIDENTIAL-25 (R-25) DISTRICT. THE HOME OCCUPATION WILL BE A DOG DAY CARE AND BOARDING BUSINESS. THE SUBJECT PROPERTY IS LOCATED ON THE EAST SIDE OF LABORATORY ROAD APPROXIMATELY 700 FEET SOUTH OF THE INTERSECTION OF LABORATORY ROAD AND MASSAPOAG ROAD (PARCEL ID 17139):

(CUP-11-12)

Mayor Gilleland opened the Public Hearing. The City Clerk administered the oath to all those wishing to speak for or against the issue. Laura Simmons, Planning Director reviewed the above stated request. She gave a thorough review of home occupation requirements, the owners plan for business, compliance with conditional use permit, staff review committee comments and concluded with the Planning Board recommendation.

Applicant Mike Goins spoke in favor of the request and offered to answer any questions from Council.

Mayor Gilleland asked Mr. Goins if the requirement of a 6 ft fence on the exterior of the dog runs for safety purposes, as recommended by the Planning Board, would be feasible for him. He said he had no problem complying with this additional requirement.

Councilman Cloninger made the motion unanimously approved to close the Public Hearing.

Councilman Heavner made the motion unanimously approved to consider the CUP.

Findings of Fact:

1. Councilman Heavner made the motion unanimously approved that the use if approved would not materially endanger the public health and safety if located and developed according to plan.
2. Councilman Hovis made the motion unanimously approved that the use meets all required conditions and specifications.
3. Councilman Cloninger made the motion unanimously approved that the use will not substantially injure the value of adjoining or abutting property unless the use is a public necessity.
4. Councilman Rhyne made the motion unanimously approved that the location and character of the use, if developed according to the plans as submitted and approved, would be in harmony with the area in which it is to be located and will be in general conformity with the Lincolnton Land Use Plan and other plans for the physical development of the City as officially adopted by the City Council.

Councilman Rhyne made the motion unanimously approved to approve the conditional use permit with staff review comments included as conditions of approval, adding the 6 ft fence, as recommended.

PRESENTATION OF THE AUDIT REPORT FOR FISCAL YEAR ENDING JUNE 30, 2012:

Mr. Phil Church & Mrs. Carol Avery of Lowdermilk Church & Co., L.L.P. reviewed the highlights and significant audit findings for the fiscal year ending June 30, 2012.

Mr. Church told Council that this was a quick overview of a lot of numbers. He offered to come back to Council at a later date and go over the audit in more detail if they so choose.

The Mayor and City Council members had several questions regarding the audit. Mayor Gilleland expressed interest in Mr. Church possibly coming back to another meeting or having him attend our annual planning workshop.

After further discussion and review, Councilman Cloninger made the motion unanimously approved to accept the audit report as presented. *(A copy of the Highlights and Summary provided by Lowdermilk, Church & Co. will appear at the end of this document, becoming a permanent part of these official minutes – Attachment A)*

APPOINTMENTS: **(APPT -05-12)**

Based on applications received within the 30 day period as advertised, Mayor Gilleland asked for motions from City Council for approval of the following applicants to serve on a City Board or Commission:

a. Lincolnton ABC Board (1 vacancy) - Councilman Cloninger made the motion unanimously approved to appoint Mike Owen to begin serving his first three year term on the ABC Board. His term will begin January 2013 and expire December 2015.

b. Appointment of a Chair to the ABC Board – (*appointed by City Council in accordance with NCGS)* Councilman Heavner made the motion unanimously approved to appoint Mike Owen to serve as Chair to the Lincolnton ABC Board, beginning January 2013 expiring December 2015.

c. Lincolnton-Lincoln Co. Airport Authority (1 vacancy) –
No Applications Received from this advertisement period Mayor and Council asked that this vacancy be re-advertised and if applications are received place the appointment on the January agenda.

d. Lincolnton Planning Board - (1 vacancy – 2 re-appointments) - Councilman Hovis made the motion unanimously approved to appoint Mrs. Kathryn Yarbro - (*only applicant)* to begin serving her first three year term January 2013 through December 2015.
Councilman Hovis made the motion unanimously approved to reappoint Mrs. Candy Burgin and Mr. Worth Roberts to begin serving a second three year term - January 2013 through December 2015. (*both were eligible for re-appointment to a second three year term in accordance with policy)*

e. Lincolnton Recreation Commission (3 vacancies) - Councilman Cloninger made the motion unanimously approved to appoint Mrs. Cindy Koehler – *(Only applicant during this advertising period)* to begin her first three year term - January 2013 through December 2015. Two remaining vacancies are to be re-advertised and if applications are received within the advertised time period, appointments could be made at the January City Council meeting.

f. Lincolnton Housing Authority (1 appointment) – Councilman Heavner made the motion unanimously approved to appoint Chaddie Law to begin her first three year term with the LHA.
(Mrs. Law was appointed in July 2012 to fill the unexpired term of Earline Johnson she is eligible for appointment for her first three year term in accordance with City policy)

RESOLUTION ADOPTING THE 2013 CALENDAR OF REGULAR MEETINGS OF THE LINCOLNTON CITY COUNCIL IN ACCORDANCE WITH CITY CHARTER:

(R-11-12)

Mayor Gilleland asked Council, in accordance with the City Charter, to review the proposed resolution adopting the 2013 calendar for the Lincolnton City Council, where all months except for July, would set the regular meeting date to be the first Thursday of each month at 7:00 p.m. Upon review of the calendar, Councilman Cloninger requested both January and September be moved to the second Thursday of each month at 7:00 p.m.

Councilman Heavner made the motion unanimously approved to adopt the resolution as follows:

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LINCOLNTON, NORTH CAROLINA DESIGNATING THE DATE AND TIME OF THE MONTHLY MEETING OF THE MAYOR AND CITY COUNCIL IN ORDER TO COMPLY WITH THE OPEN MEETINGS LAW

WHEREAS, Chapter 143, Article 33 B of the General Statutes of North Carolina (The Open Meeting Law) requires in effect if a public body holds a meeting at any time, it shall give public notice of the time and place of that meeting as provided in GS 143-318.8;

WHEREAS, one of the methods of giving such public notice is to advertise in a newspaper with a circulation in and around the City of Lincolnton; and

WHEREAS, the City Council desires to notify all citizens and residents of the City of Lincolnton of their regular meeting date and time.
NOW, THEREFORE, BE IT RESOLVED by the Mayor and City Council of the City of Lincolnton that the regular meeting of the City Council shall be held the first Thursday of each month at 7:00 p.m. in the Council Chambers of the Lincolnton City Hall, located at 114 W. Sycamore Street, on the following dates and times:

January 10	**May 2**	**September 12**
February 7	**June 6**	**October 3**
March 7	***July 11**	**November 7**
April 4	**August 1**	**December 5**

All of these being held in 2013. The City Council meeting in Regular Session on December 6, 2012 established these dates and time and ordered this resolution be published one time in the Lincoln Times-News at least fifteen days prior to January 10, 2013 meeting. The City Council further ordered a copy of this resolution be posted on the bulletin boards located on the first and second floors of the City Hall, located at 114 W. Sycamore Street. The purpose of this advertisement and the posting of this notice acknowledges the requirement as described in Chapter 143, Article 33 B of the General Statues of North Carolina. Adopted this 6th day of December, 2012.
**Moved* to *second Thursday of the month due to Independence Day Holiday.*

UPDATE ON STATUS OF PHASE III OF MARCIA H. CLONINGER RAIL-TRAIL:

Laura Simmons, Planning Director told Council that construction of Phase III of the Rail Trail is underway. Clearing, grubbing, excavation and initial grading have been completed. The erosion control measures and drainage system have been installed and the lighting has also been installed. The stone base has been installed and should be compacted and graded soon, then asphalt can be laid.

Laura said the FHWA audit was completed on December 5th, and she was proud a good report was given to the City. All necessary paperwork and documentation regarding the rail trail was found in order. She said TGS Engineers anticipate the asphalt work will be completed by the December 15th deadline but that the contractor may need additional time to install the timber rails due to the drainage issue that arose earlier. TGS is to coordinate with NCDOT to get approval for work beyond the December 15th deadline.

MONTHLY FINANCIAL UPDATE/OVERTIME REPORT:
Jeff Emory, City Manager provided Council with a brief summary of General Fund (Fund 10), Water & Sewer Fund (Fund 61) and Electric Fund (Fund 63) totals as well as overtime totals for the month of October. *(A copy of this report will appear at the end of this document becoming a permanent part of these official minutes – Attachment B)*

DETERMINE DATE FOR 2013 PLANNING/BUDGET WORKSHOP:
Councilman Cloninger made the motion unanimously approved to hold a budget workshop, in the Council Chambers of City Hall, on Friday, March 1 & Saturday, March 2nd. The City Clerk was directed to advertise accordingly prior to this workshop.

PUBLIC COMMENT:
No one spoke during the public comment portion of the meeting.

CLOSED SESSION:
Councilman Cloninger made the motion unanimously approved to enter into Closed Session to discuss personnel in accordance with NCGS 143-318.11(a)(6).

Councilman Rhyne made the motion unanimously approved to return to Regular Session. No action was taken during the closed session portion of the meeting.

NEWS MEDIA:
There were no questions from the News Media

ADJOURNMENT:
Councilman Rhyne made the motion unanimously approved to adjourn the meeting.

DONNA C. FLOWERS, CMC
CITY CLERK

JOHN O. GILLELAND, JR.
MAYOR

Attachment

(A)

December 6,2012

Minutes

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Lincolnton, North Carolina for the year ended June 30, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, Government Auditing Standards and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated November 28, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Lincolnton, North Carolina are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City of Lincolnton, North Carolina's financial statements were:

> Management's estimate of the allowance for doubtful accounts is based on percentage of ad valorem taxes receivable. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate of the depreciation is based on estimated useful lives. We evaluated the key factors and assumptions used to develop the depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

> The disclosure related to the debt service ratio calculation in Note II.B.5.c. to the financial statements describes the City's compliance requirements to their Bond Order for debt service coverage ratio for Parity Indebtedness and for Parity Indebtedness and Subordinated Indebtedness.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 22, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

(Other Matters)

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of Mayor and City Council and management of City of Lincolnton, North Carolina and is not intended to be and should not be used by anyone other than these specified parties.

Lowe Smith Church & Co.

October 22, 2012

CITY OF LINCOLNTON

Financial Highlights
Years Ended June 30, 2012 and 2011

General Fund (Includes Powell Bill Funds)	2012 Summarized Budget	2012	2011
Total assets		$ 6,223,732	$ 6,651,998
Fund balance		$ 5,289,900	$ 5,515,190
Fund balance - Reserved for Streets - Powell Bill (included in total fund balance)		$ 917,139	$ 894,846
Total revenue	$ 8,531,710	$ 8,707,641	$ 8,706,717
Total expenditures	$10,169,015	$ 9,285,965	$ 9,698,633
Revenues over (under) expenditures before other financing sources (uses)		$ (578,324)	$ (991,917)
Other income (expense)	$ 1,637,305	$ 387,800	$ -
Increase (decrease) in inventory		$ (34,766)	$ 24,051
Increase (decrease) in fund balance		$ (225,290)	$ (967,866)
Ad valorem taxes collected		$ 4,573,099	$ 4,714,523
Percent of taxes collected - current year levy		97.27%	97.58%
Investment income		$ 6,830	$ 17,212
Fund Balance Available - without Powell Bill			
Available Balance		3,523,500	3,805,496
Expenditures and other financing sources and uses		8,961,784	8,972,053
Available Fund Balance - without Powell Bill		39.32%	42.41%
Fund Balance Available			
Available Balance		4,433,028	4,697,304
Expenditures and other financing sources and uses		9,285,965	9,698,633
Available Fund Balance		47.74%	48.43%
State average for a municipality with an electric system and with a population grouping of 10,000 to 49,999		37.84%	38.21%

* Local Government Commission minimum recommended general fund balance should be at least 8% of general fund expenditures at the end of the fiscal year.

	2012	2011
Water and Sewer Fund		
Total assets	$40,883,245	$42,071,917
Fund equity	$20,221,017	$19,722,672
Operating revenue	$ 8,186,402	$ 7,972,746
Operating expenses	$ 6,420,997	$ 6,095,893
Operating income (loss)	$ 1,765,405	$ 1,876,852
Nonoperating revenue (expenses)	$ (903,250)	$ (966,837)
Transfers (to) from	$ (363,810)	$ -
Net income (loss)	$ 498,346	$ 910,015
Accounts receivable - customers	$ 829,304	$ 709,812
Investment income	$ 8,476	$ 17,283
Days sales in accounts receivable	37.98	33.19
Fund Balance Available	→ increase due to non-paying sewer customers	
Available Balance	$ 3,420,159	$ 3,049,825
Expenditures and other financing sources and uses	7,696,532	7,079,161
Available Fund Balance	44.44%	43.08%
Debt Service Ratio	**Required**	**Actual**
Revenue bond only	≥ 120%	≥ 251%
All debt	≥ 100%	≥ 143%
Electric Fund		
Total assets	$ 5,422,316	$ 6,240,789
Fund equity	$ 4,501,175	$ 5,172,244
Operating revenue	$ 6,681,363	$ 6,457,194
Operating expenses	$ 7,341,177	$ 7,248,183
Operating income (loss)	$ (659,814)	$ (790,988)
Nonoperating revenue	$ 12,735	$ 21,507
Transfers (to) from	$ (23,990)	$ -
Net income (loss)	$ (671,069)	$ (769,481)
Accounts receivable - customers	$ 556,108	$ 632,788
Investment income	$ 12,735	$ 21,507
Days sales in accounts receivable	35.65	39.28
Fund Balance Available		
Available Balance	$ 2,138,547	$ 2,466,556
Expenditures and other financing sources and uses	7,365,167	7,248,183
Available Fund Balance	29.04%	34.04%

	2012	2011
Other Funds:		
Occupancy Tax Fund		
Fund Balance	$ 394,837	$ 437,278
Cash and Investments		
Cash	$13,015,386	$13,630,243
Restricted cash	1,210,432	1,168,121
Total cash	$14,225,818	$14,798,364

Attachment

(B)

December 6,2012

Minutes

Executive Summary
October 2012 Year-To-Date
Comparative for Budgetary Purposes - After Closing 2012 Fiscal Year

		12-13	% of Budget	11-12	Difference
General Fund					
Fund 10	Revenues	3,582,626.87	31.21%	3,474,481.18	108,145.69
	Expenses	3,440,720.31	37.01%	3,194,714.36	246,005.95
	Difference	141,906.56		279,766.82	(137,860.26)
Water & Sewer Fund					
Fund 61	Revenues	3,079,088.51	36.43%	2,783,073.01	296,015.50
	Expenses	1,602,373.48	22.31%	1,550,382.45	51,991.03
	Difference	1,476,715.03		1,232,690.56	244,024.47
Electric Fund					
Fund 63	Revenues	2,569,579.98	33.34%	2,479,122.11	90,457.87
	Expenses	2,133,437.24	48.30%	2,102,905.24	30,532.00
	Difference	436,142.74		376,216.87	59,925.87
Overtime		89,006.17		120,662.98	(31,656.81)