

**Comprehensive  
Annual Financial Report  
For the Fiscal Year Ended  
June 30, 2015**

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**City of Lenoir, North Carolina**

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**Report  
Prepared by  
Finance Department  
City of Lenoir, North Carolina**

**Comprehensive Annual Financial Report – Fiscal Year Ended June 30, 2015**  
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CITY MANAGER  
SCOTT E. HILDEBRAN

CITY OF LENOIR  
NORTH CAROLINA

MAYOR  
JOSEPH L. GIBBONS

CITY COUNCIL  
K. P. EDMISTEN  
T. H. PERDUE  
J. I. PERKINS  
T. J. ROHR  
D. F. STEVENS  
C. D. THOMAS  
B. K. WILLIS

September 20, 2015

Honorable Mayor Joe Gibbons  
Members of the Lenoir City Council  
Citizens of the City of Lenoir  
Lenoir, North Carolina

North Carolina State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to those requirements, we are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Lenoir for the fiscal year ended June 30, 2015.

The financial statements and supplemental schedules contained herein have been audited by Eric Bowman, a licensed certified public accountant, and his unqualified opinion is included in the Financial Section of this report. The report itself, however, is presented by the City, which is responsible for both the accuracy of the data and the completeness and fairness of the presentation including all disclosures. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activity have been included.

The report is presented in four sections: Introductory, Financial, Statistical, and Compliance. The Introductory Section, which is unaudited, includes this transmittal letter, list of principal officials, the City's organizational chart, and the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting. The Financial Section includes the independent auditor's report, management's discussion and analysis, the basic financial statements, notes to the financial statements, other supplementary information, and various fund schedules. The Statistical Section, which is unaudited, contains selected fiscal, economic, and demographic data designed to provide a more complete understanding of the City. Several tables in this section present data for the past ten years. Finally, the Compliance



Section presents reports and schedules required by the federal and state Single Audit Acts, which are discussed in a later paragraph.

The independent audit of the financial statements of the City of Lenoir was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing single audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Compliance section of this report.

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

The financial reporting entity includes all the funds of the primary government (City of Lenoir), as well as its component unit. Component units are legally separate entities for which the primary government is financially accountable. Discretely presented component units are reported in a separate column in the basic financial statements to emphasize that they are legally separate from the primary government and to distinguish their financial positions and results of operations from those of the primary government. The City of Lenoir ABC Board and Lenoir Tourism Development Authority are reported as a discretely presented component unit.

### **City of Lenoir Profile**

Located in the foothills of the Blue Ridge Mountains, the City of Lenoir is the county seat of Caldwell County. Incorporated in 1851 and named in honor of Revolutionary War hero, General William Lenoir, the City has become an industrial center of northwestern North Carolina, as well as being the hub of commercial and government activity in the county. Lenoir is the largest incorporated area in the County and serves a population of 17,912. All the major cultural, medical, governmental and financial activities of the County are located in the City. Lenoir enjoys a temperate climate with a mild four-season year. We are located within an hour's drive to the northwest to enjoy ski slopes and the Blue Ridge Parkway, and a five-hour drive to the southeast to enjoy the white beach sands of the Atlantic Ocean.

The City is empowered by State statute to extend its corporate limits by annexation. It engages in continual review of areas of potential future annexation by petition and statute. The last major annexation of the City was in 2001 when it annexed approximately 850 parcels of land into its corporate limits.

The City has a council/manager form of government. The mayor is elected to a four-year term and the seven members of the council are elected to staggered four-year terms. Council members hold policy-making and legislative authority. They are also responsible for adopting the budget and appointing the City Manager. The manager is responsible for implementing policies, managing daily operations, and appointing department heads.

The City provides a full range of services. These services include police and fire protection, solid waste collection, street maintenance, public improvements, planning and zoning, community and economic development, recreational activities, cemeteries and grounds-keeping, water treatment and distribution, and wastewater collection and treatment. In addition to general governmental activities, the City has a Municipal Service Taxing District in the downtown area. The District is operated and devoted to development within the taxing district. As the City of Lenoir governing body exercises oversight of the District, this activity is included in the reporting entity. The report includes all the City's activities in maintaining these services.

The City also extends financial support to certain agencies and authorities to assist their efforts in serving citizens. Among these are the Western Piedmont Council of Governments and the Foothills Regional Airport Authority.

The annual budget serves as the foundation for the City of Lenoir's financial planning and control. The City's budget is adopted by ordinance in accordance with the General Statutes of North Carolina, which requires estimated revenues and expenditures to be balanced. The budget includes only expenditures expected during the fiscal year. The budget is adopted on a modified accrual basis. All expected operating funds are included in the Budget Ordinance and are expended in accordance with the adopted ordinance. The fiscal year budget, by State Statute, begins July 1 and ends June 30.

North Carolina General Statutes also provide for capital projects and special revenue grants to be adopted for the life of the project and/or grant. The City of Lenoir has several such projects included in this report. These include the Fairview Street Bridge, downtown streetscape, the greenway, HOME and CDBG projects, and several public safety grants.

The appropriated budget is prepared by fund (e.g. general), function (e.g. public safety), and department (e.g. finance). Department heads may request the City Manager, acting as Budget Officer, make transfers of appropriations within a department. Transfers of appropriations between departments can be approved by the City Manager. Actual-to-budget comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented as part of the basic financial statements for the governmental funds. For other activities with appropriated annual budgets, this comparison is presented in the Combining and Individual Fund Financial Statement section of this report. Also included in this section are project-length actual-to-budget comparisons for which a project-length budget has been adopted.

## **Economic condition and outlook**

During fiscal year 2014-2015, the economic indicators for Lenoir exhibited small, but significant gains, reflecting that the economy of the City is beginning to recover from the impact of the national recession. Retail sales tax revenue and local occupancy tax revenue both increased. The Hickory-Lenoir-Morganton MSA unemployment rate continued to decline with the availability of more private sector jobs. Local business expansions, impacting increased tax revenue for the City, included Excela Pharma Sciences and Google.

With the designation of Lenoir as a North Carolina Certified Retirement Community, the City has begun to receive the benefits of additional state marketing targeted toward active retirees who have expressed an interest in relocating to western North Carolina. While job losses and property values of industrial property continued to decline in the traditional manufacturing economy of the City, the past fiscal year provided indicators that groundwork is being laid for a transition into a more diversified economic base.

## **Major initiatives**

To continue the city's on-going efforts in the revitalization of downtown, the entrance way to the city, the streetscape project continued during this fiscal year. The updating of the Harper Avenue sidewalks and new uptown activities have created a more pleasant environment for downtown business.

The City continues to construct additional segments to our greenway. We now have approximately 10.0 miles of paved greenway within the corporate limits. The project is a partnership involving the N.C. Department of Transportation, the City of Lenoir, and Caldwell County Pathways Committee.

## **Financial information**

Management of the City is responsible for establishing and maintaining an internal control structure designed to protect the assets of the City from loss, theft or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be received and (2) the evaluation of costs and benefits requires estimates and judgments by management.

**Single audit** – As a recipient of Federal and State financial assistance, the City also is responsible for maintaining an adequate internal control structure to ensure compliance with applicable laws and regulations related to those programs. The results of the City's single audit for the fiscal year ended June 30, 2015, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations relative to grant administration.

## **Other information**

**Independent audit** – N. C. General Statutes require an annual independent financial audit of all local government units in the State. Eric Bowman, CPA, has audited the financial records of the City and his opinion has been included in this report. His audit was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as he considered necessary in the circumstances. His unqualified opinion indicates that the accompanying basic financial statements for the fiscal year ended June 30, 2014 have been prepared in conformity with generally accepted accounting principles. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the federal Single audit Act of 1984 and related OMB Circular A-133.

The auditor's reports related specifically to the single audit are included in the Compliance Section.

**Awards** – The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lenoir for its comprehensive annual financial report for the year ended June 30, 2014. This was the seventeenth consecutive year that the City of Lenoir has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

**Acknowledgements** – We recognize that responsibility for the contents of this report is the City's but it would be inappropriate not to mention the invaluable assistance of the staff in the Morganton, North Carolina, office of our independent auditor, Eric Bowman. Assistance and cooperation was also provided by the City's various departments and is appreciated by the City Manager and Finance Director. "Thank you" is extended to you, the Mayor and Lenoir City Council, for your continued support.

As required by N. C. General Statute 159.34, a copy of this report will be filed with the Secretary of the North Carolina Local Government Commission. In addition, a copy will be sent to the City Clerk to be available for public inspection.

Sincerely,

CITY OF LENOIR

A handwritten signature in black ink, appearing to read "Danny Gilbert", with a long horizontal flourish extending to the right.

Danny Gilbert  
Interim City Manager/Finance Director

City of Lenoir, North Carolina

**List of Principal Officials  
June 30, 2015**

**Elected Officials**

**Mayor  
Mayor Pro Tempore  
City Council**

Joe L. Gibbons  
T. J. Rohr  
Kim Edmisten  
James Ike Perkins  
David F. Stevens  
Todd H. Perdue  
Crissy Thomas  
Ben Willis

**Appointed Official**

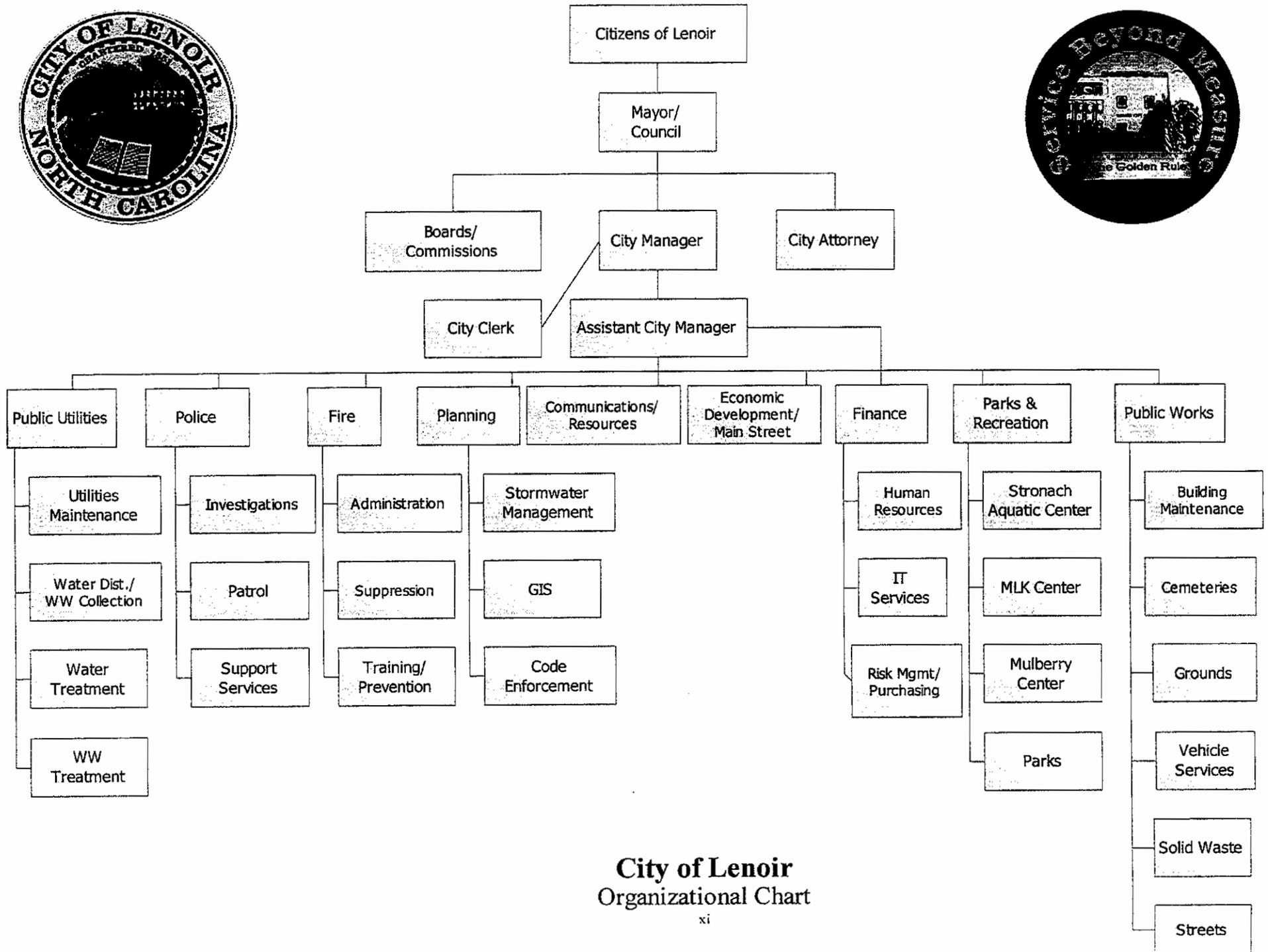
**Interim City Manager**

Danny Gilbert

**Department/Division Heads**

**Planning Director  
Public Works Director  
City Attorney  
Fire Chief  
Public Utilities Director  
Police Chief  
Economic Development Director  
Recreation Director  
Assistant City Manager/Finance Director  
Communications Director**

Jenny Wheelock  
Charles K. Beck  
Edward H. Blair, Jr.  
Kenneth M. Briscoe  
Radford Thomas  
Scott Brown  
Nick Dula  
Robert S. Winkler  
Danny A. Gilbert  
P. Kaye Reynolds



**City of Lenoir**  
Organizational Chart



Government Finance Officers Association

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

Presented to

**City of Lenoir  
North Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

# **S. Eric Bowman, P.A.**

**CERTIFIED PUBLIC ACCOUNTANT**

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403 South Green Street  
P.O. Box 1476  
Morganton, NC 28680  
Telephone (828) 438-1065  
Fax (828) 438-9117

## Independent Auditor's Report

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lenoir, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Lenoir's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Lenoir ABC Board which represents 1 percent, 1 percent and 10 percent, respectively, of the assets, net position and revenues of the component unit. Those statements were audited by other auditors whose reports thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Lenoir ABC Board, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of City of Lenoir ABC Board were not audited in accordance with *Governmental Auditing Standards*.

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

To the Honorable Mayor  
and Members of the City Council  
City of Lenoir

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

#### *Opinions*

In our opinion, based upon our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lenoir, North Carolina as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Other Matters*

##### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the other Post Employment Benefit and the Law Enforcement Officer's Special Separation Allowance Schedules of Funding Process Employer Contributions on page 4 through 15 and 66 through 67, respectively, and the Local Government Employee's Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions on pages 68 through 69 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist 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.

To the Honorable Mayor  
and Members of the City Council  
City of Lenoir

*Supplementary and Other Information*

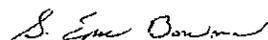
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lenoir's basic financial statements. The introductory information, combining and individual fund financial statements, budgetary schedules, other schedules, and statistical section as well as the accompanying schedule of expenditures of federal and state awards as required by U.S. Office and Management and Budget Circular A-133, *Audits of State and Local Governments*, and *Non-Profit Organizations* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the financial statements.

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2015 on our consideration of the City of Lenoir's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Lenoir's internal control over financial reporting and compliance.



S. Eric Bowman, P.A.  
Certified Public Accountant

Morganton, North Carolina  
September 12, 2015

## City of Lenoir, North Carolina

### Management's Discussion and Analysis For the Year ended June 30, 2015

As management of the City of Lenoir, we offer readers of the City of Lenoir's financial statements this narrative overview and analysis of the financial activities of the City of Lenoir for the fiscal year ended June 30, 2015. 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**

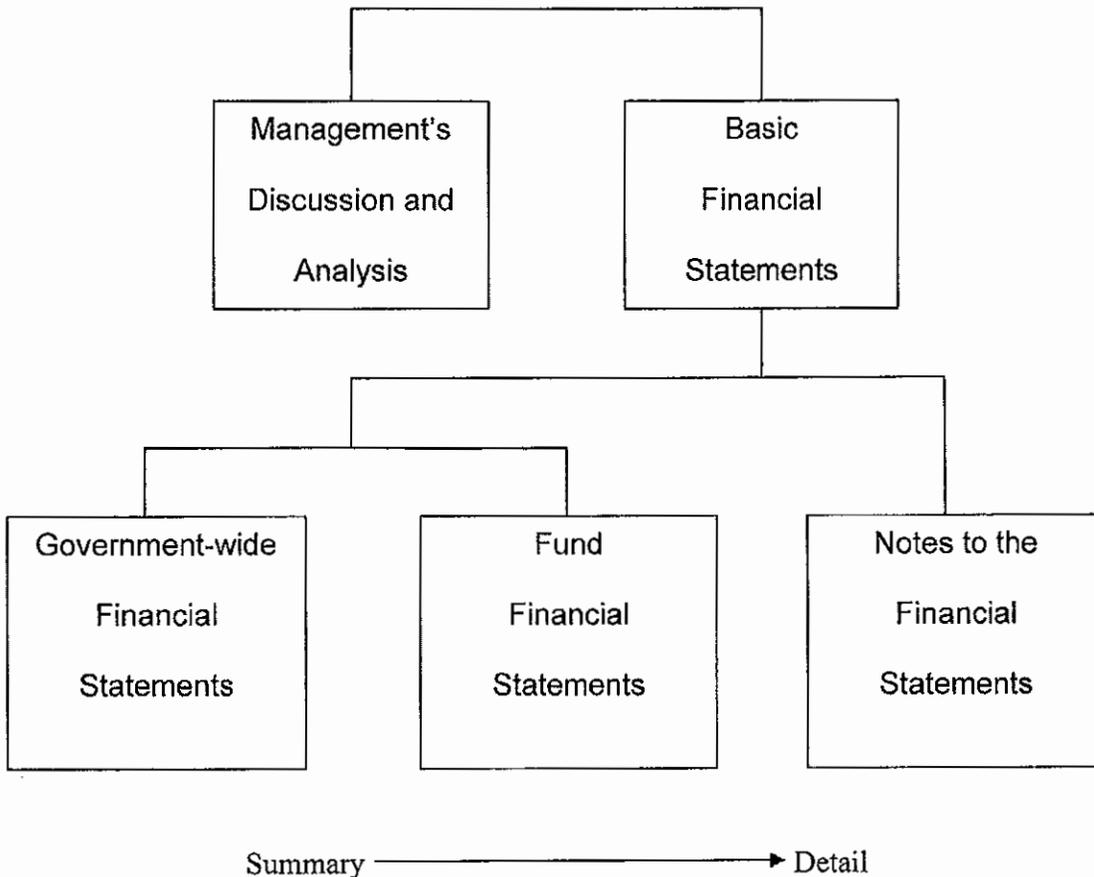
- The assets of the City of Lenoir exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$65,525,437 (*net position*).
- The government's total net position increased by \$1,654,541 with a \$519,447 increase in governmental activities and a \$1,135,094 increase in business-type activities.
- As of the close of the current fiscal year, the City of Lenoir's governmental funds reported combined ending fund balances of \$6,549,816 an increase of \$713,645 in comparison with the prior year. Approximately 68.49 percent of this total amount or \$4,485,803 is available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,061,603 or 23.14 percent of total general fund expenditures for the fiscal year.
- The City of Lenoir's total debt increased by \$2,272,078 or 19.42 percent during the current fiscal year.

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

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

**Required Components of Annual Financial Report**

**Figure 1**



**Basic Financial Statements**

The first two statements (Exhibits A and B) 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 C through I) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statement; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

Management's Discussion and Analysis  
For the Year ended June 30, 2015

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

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

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities and 3) component units. The governmental activities include most of the City's basic services such as public safety, transportation, environmental protection, economic and physical development, cultural and recreational, and general administration. Property taxes, state and federal grants, and state-shared 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 Lenoir. The final category is the component units. Although legally separate from the City, the ABC Board and LTDA Board are important to the City because the City exercises control over the Boards by appointing its members. The ABC Board is also required to distribute a portion of its profits to the City.

The government-wide financial statements are on Exhibits A and B of this report.

### **Fund Financial Statements**

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Lenoir, 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 Lenoir can be divided into two categories: governmental funds and proprietary funds.

Management's Discussion and Analysis  
For the Year ended June 30, 2015

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

The City of Lenoir 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 City Council 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 statement of revenues, expenditures and changes in fund balance. The statement shows four columns: 1) the original budget as adopted by the Council; 2) the final budget as amended by the Council; 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** – City of Lenoir has only one type of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Lenoir 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 28 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 Lenoir's progress in funding its obligation to provide pension benefits to its

City of Lenoir, North Carolina

Management's Discussion and Analysis  
For the Year ended June 30, 2015

employees. Required supplementary information can be found beginning on page 66 of this report.

**Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Lenoir, assets exceeded liabilities and deferred inflows of resources by \$65,525,437 as of June 30, 2015 (figure 2).

The City of Lenoir's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Deferred Outflows of Resources	\$ 306,427	\$ 388,712	\$ 165,000	\$ 209,336	\$ 471,427	\$ 598,048
Current and Other Assets	7,998,681	6,505,527	4,170,862	3,736,029	12,169,543	10,241,556
Capital Assets	25,408,199	25,030,412	46,308,137	43,954,377	71,716,336	68,984,789
Total Assets	<u>\$ 33,713,307</u>	<u>\$ 31,924,651</u>	<u>\$ 50,643,999</u>	<u>\$ 47,899,742</u>	<u>\$ 84,357,306</u>	<u>\$ 79,824,393</u>
Long-Term Liabilities	\$ 2,340,485	\$ 1,518,679	\$ 11,635,332	\$ 10,185,060	\$ 13,975,817	\$ 11,703,739
Other Liabilities	1,779,114	1,624,679	519,206	518,038	2,298,320	2,142,717
Total Liabilities	<u>\$ 4,119,599</u>	<u>\$ 3,143,358</u>	<u>\$ 12,154,538</u>	<u>\$ 10,703,098</u>	<u>\$ 16,274,137</u>	<u>\$ 13,846,456</u>
Deferred Inflows of Resources	<u>\$ 1,662,525</u>	<u>\$ -</u>	<u>\$ 895,207</u>	<u>\$ -</u>	<u>\$ 2,557,732</u>	<u>\$ -</u>
Net Position:						
Net Investment in Capital Assets	\$ 23,067,714	\$ 23,511,733	\$ 34,672,805	\$ 33,769,317	\$ 57,740,519	\$ 57,281,050
Restricted	2,064,013	2,033,820			2,064,013	2,033,820
Unrestricted	2,799,456	1,866,183	2,921,449	2,689,843	5,720,905	4,556,026
Total Net Position	<u>\$ 27,931,183</u>	<u>\$ 27,411,736</u>	<u>\$ 37,594,254</u>	<u>\$ 36,459,160</u>	<u>\$ 65,525,437</u>	<u>\$ 63,870,896</u>

**Figure 2**

The largest portion of the City of Lenoir's net position (88.12 percent) reflect its investment in capital assets (e.g. land, buildings, machinery, equipment, etc.), less any related outstanding debt used to acquire those assets. The City of Lenoir uses those assets to provide services to its citizens which make those assets not available for future spending. Although the City of Lenoir's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City of Lenoir's net position (3.15%) represents resources that are subject to external restrictions on how they may be used or that are not spendable. The remaining balance of unrestricted net position (\$5,720,905) may be used to meet the government's ongoing obligations to citizens and creditors. The increase in net position is due mainly to the increase in revenues paid during the fiscal year.

City of Lenoir, North Carolina

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 95.99
- Adherence to the adopted budget

**Governmental activities:** Governmental activities increased the City's net position by \$519,447. (Figure 3) Key elements of this increase are as follows:

- Revenues exceeded budgeted projections

**City of Lenoir Changes in Net Position  
Figure 3**

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 1,803,839	\$ 1,752,921	\$ 7,919,136	\$ 7,947,875	\$ 9,722,975	\$ 9,700,796
Operating grants and contributions	1,960,332	1,702,475	-	-	1,960,332	1,702,475
Capital grants and contributions	267,678	225,658	201,294	-	468,972	225,658
General revenues:						
Property taxes	7,983,791	7,544,703	-	-	7,983,791	7,544,703
Other taxes	3,425,571	3,516,230	-	-	3,425,571	3,516,230
Unrestricted intergovernmental	2,329,079	2,046,411	-	-	2,329,079	2,046,411
Other	565,502	717,153	150,374	420,780	715,876	1,137,933
Total revenues	<u>18,335,792</u>	<u>17,505,551</u>	<u>8,270,804</u>	<u>8,368,655</u>	<u>26,606,596</u>	<u>25,874,206</u>
Expenses:						
General government	4,322,095	3,179,927	-	-	4,322,095	3,179,927
Public safety	7,800,350	8,048,078	-	-	7,800,350	8,048,078
Transportation	2,160,348	2,261,096	-	-	2,160,348	2,261,096
Environmental protection	947,928	842,366	-	-	947,928	842,366
Economic and physical development	741,650	1,282,460	-	-	741,650	1,282,460
Culture and recreational	1,807,111	2,040,197	-	-	1,807,111	2,040,197
Interest and fees	36,863	47,645	-	-	36,863	47,645
Water and sewer	-	-	7,135,710	7,112,339	7,135,710	7,112,339
Total expenses	<u>17,816,345</u>	<u>17,701,769</u>	<u>7,135,710</u>	<u>7,112,339</u>	<u>24,952,055</u>	<u>24,814,108</u>
Change in net position	519,447	(196,218)	1,135,094	1,256,316	1,654,541	1,060,098
Net position, July 1	27,411,736	28,588,799	36,459,160	35,730,992	63,870,896	64,319,791
Prior Period Restatement	-	(980,845)	-	(528,148)	-	(1,508,993)
Net position, June 30	<u>\$ 27,931,183</u>	<u>\$ 27,411,736</u>	<u>\$ 37,594,254</u>	<u>\$ 36,459,160</u>	<u>\$ 65,525,437</u>	<u>\$ 63,870,896</u>

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Figure 4 is a graphic presentation of functional expenses with related program revenues and grants

**City of Lenoir**  
**Expenses and Program Revenues and Operating Grants – Governmental Activities**  
**Figure 4**

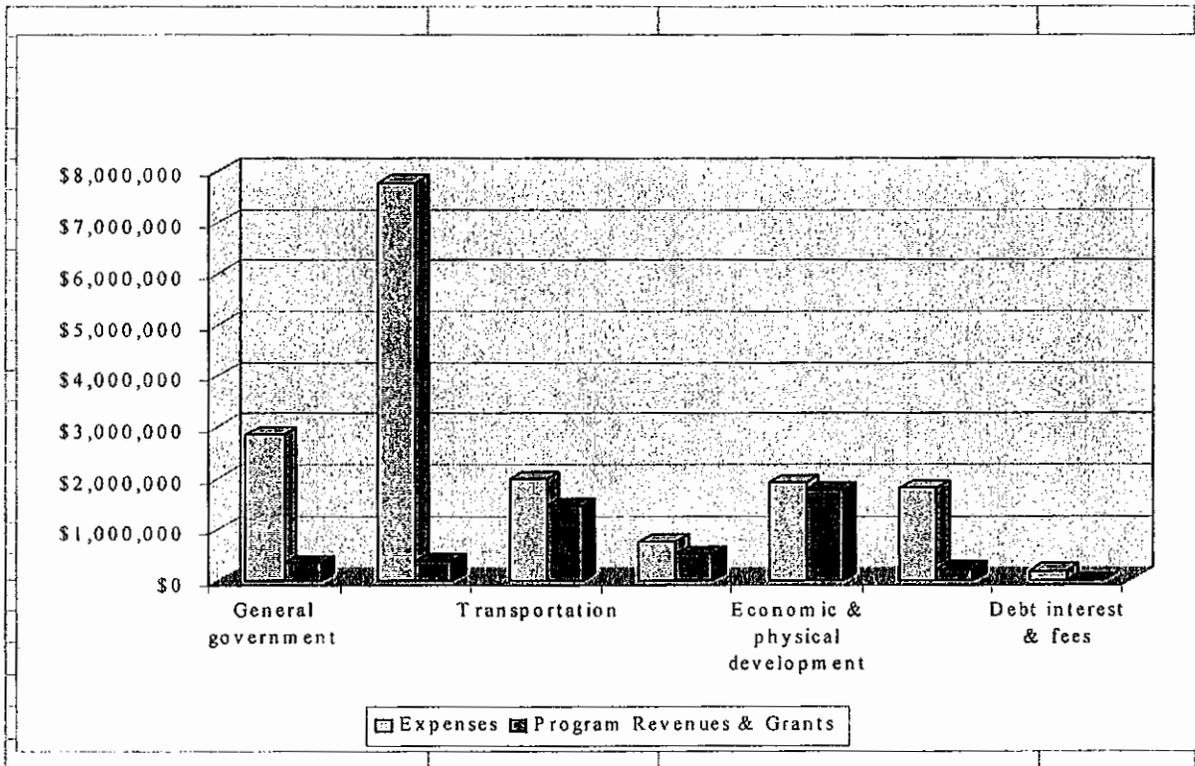
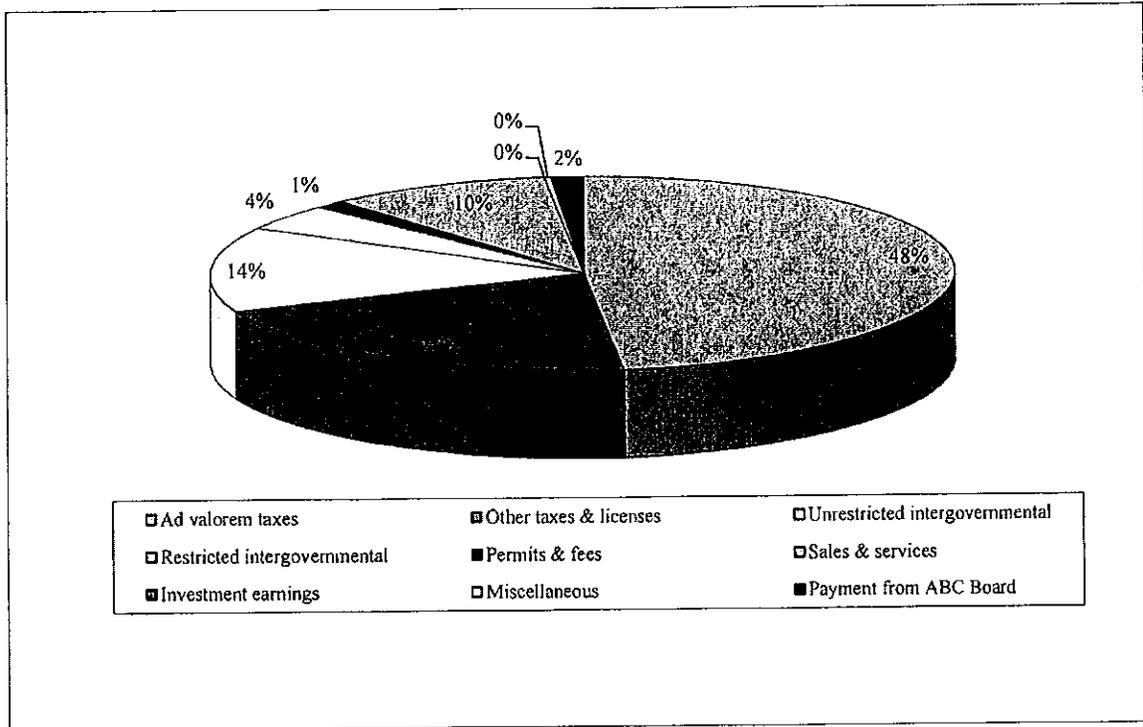


Figure 5 is a graphic presentation of governmental revenues by source.

**Revenue by Source – Governmental Activities**  
**Figure 5**



**Business-type activities:** Business-type activities increased the City of Lenoir's net position by \$1,135,094. Key elements of this increase are as follows:

- Increase in Grants received
- Decrease in depreciation expense

### **Financial Analysis of the City's Funds**

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

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

The general fund is the chief operating fund of the City of Lenoir. At the end of the current fiscal year, available fund balance of the General Fund was \$4,061,603, while total fund balance reached \$6,232,508. As a measure of the general fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 23.14 percent of total General Fund expenditures, while total fund balance represents 35.50 percent of that same amount. The increase in unassigned fund balance is due mainly to the strict adherence to the budget.

At June 30, 2015, the governmental funds of City of Lenoir reported a combined fund balance of \$6,549,816 a 1.22 percent increase over last year. Included in this change in fund balance are increases in the Special Revenue Fund and in the Capital Projects Fund.

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

During the fiscal year, the City found it necessary to revise the General Fund budget. These amendments are summarized as follows:

General Government, Public Safety, Transportation, and Environmental Protection were increased by \$1,103,000, while Economic and Physical Development and Cultural and Recreational decreased by \$93,000. The resulting \$1,010,000 increase was funded by a combination of increased revenues. The increase in budget was for economic development grants and street repairs.

**Proprietary Funds.** The City of Lenoir's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unassigned net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$2,921,449. The fund's net position increased by \$1,135,094. The factors concerning

City of Lenoir, North Carolina

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the finances of this fund have already been addressed in the discussion of the City of Lenoir's business-type activities.

**Capital Asset and Debt Administration**

**Capital assets.** The City of Lenoir's investment in capital assets for its governmental and business-type activities as of June 30, 2015, totals \$71,716,336 (net of accumulated depreciation). (Figure 6) These assets include buildings, infrastructure, land, equipment, plant and systems, and vehicles.

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

- Major bridge construction
- Gunpowder Wastewater Plant Improvements

**City of Lenoir's Capital Assets**

**Figure 6**

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land	\$ 2,961,785	\$ 2,961,785	\$ 251,714	\$ 251,714	\$ 3,213,499	\$ 3,213,499
Buildings and improvements	7,018,462	7,315,837	-	-	7,018,462	7,315,837
Infrastructure	11,793,755	11,617,759	-	-	11,793,755	11,617,759
Equipment	2,699,351	2,250,913	3,375,873	3,449,352	6,075,224	5,700,265
Plant and systems			38,922,660	39,935,940	38,922,660	39,935,940
Construction in progress	934,846	884,118	3,757,890	317,371	4,692,736	1,201,489
<b>Total</b>	<b>\$ 25,408,199</b>	<b>\$ 25,030,412</b>	<b>\$ 46,308,137</b>	<b>\$ 43,954,377</b>	<b>\$ 71,716,336</b>	<b>\$ 68,984,789</b>

Additional information on the City's capital assets can be found in note III. A. 4 and 5, beginning on page 42 of this report.

**Long-term Debt.** As of June 30, 2015, the City of Lenoir had total debt outstanding of \$8,631,408 in State and Water Pollution Control Revolving loans, \$114,000 in a Section 108 Loan and installment purchase contracts of \$5,230,409. (Figure 7)

City of Lenoir, North Carolina

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**City of Lenoir's Outstanding Debt  
Revolving Loans and Installment Purchases**

**Figure 7**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Section 108 Loan	\$ 114,000	\$ 222,000			\$ 114,000	\$ 222,000
Revolving Loans	-	-	8,631,408	5,669,271	8,631,408	5,669,271
Installment Purchase Contracts	2,226,485	1,296,679	3,003,924	4,515,789	5,230,409	5,812,468
<b>Total</b>	<b>\$ 2,340,485</b>	<b>\$ 1,518,679</b>	<b>\$ 11,635,332</b>	<b>\$ 10,185,060</b>	<b>\$ 13,975,817</b>	<b>\$ 11,703,739</b>

The above debt of the City of Lenoir increased by \$2,272,078 (19.42%) during the past fiscal year.

As mentioned in the financial highlights section of this document, the City of Lenoir has an "A" rating from Standard & Poor's, dated March of 1999; an "A2" rating from Moody's Investors Services dated July of 1997; and an "81" council rating from the North Carolina Municipal Council, Inc., dated January of 1999.

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 less statutory deductions for bonds applicable to water systems. The legal debt margin for City of Lenoir is \$149,631,766.

Additional information regarding the City of Lenoir's long-term debt can be found beginning on page 58 of this report.

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

During fiscal year 2014-2015, the economic indicators for Lenoir exhibited small, but significant gains, reflecting that the economy of the City is beginning to recover from the impact of the national recession. Retail sales tax revenue and local occupancy tax revenue both increased. The Hickory-Lenoir-Morganton MSA unemployment rate continued to decline with the availability of more private sector jobs. Local business expansions, impacting increased tax revenue for the City, included Excela Pharma Sciences and Google.

City of Lenoir, North Carolina

Management's Discussion and Analysis  
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With the designation of Lenoir as a North Carolina Certified Retirement Community, the City has begun to receive the benefits of additional state marketing targeted toward active retirees who have expressed an interest in relocating to western North Carolina. While job losses and property values of industrial property continued to decline in the traditional manufacturing economy of the City, the past fiscal year provided indicators that groundwork is being laid for a transition into a more diversified economic base.

The City continues to planning additional segments to our greenway. We now have approximately 10.0 miles of paved greenway within the corporate limits. The project is a partnership involving the N.C. Department of Transportation, the City of Lenoir, and Caldwell County Pathways Committee.

### **Budget Highlights for the Fiscal Year Ending June 30, 2016**

**Governmental Activities:** In light of the continuing local economic pressures the City of Lenoir adopted an austere budget for the fiscal year beginning July 1, 2015. The General Fund budget was based on less than 3.11 percent increase in total revenues and expenditures from the prior year.

**Business-Type Activities:** Again in light of economic pressures, the City of Lenoir, in the last 4 to 5 years has seen water consumption drop with a resulting lowering of water and sewer revenue. The Water and Sewer Fund budget was adopted with a 1.27 percent increase in expenditures funded with a slight rate increase.

### **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 Finance Director, City of Lenoir, P.O. Box 958, Lenoir, N.C. 28645.

# *Basic Financial Statements*

City of Lenoir, North Carolina  
Statement of Net Position  
June 30, 2015  
(Exhibit A)

	Component Units					
	Governmental Activities	Business Type Activities	Total Primary Government	City of Lenoir ABC Board	City of Lenoir LTDA	Total Reporting Unit
<b>Assets</b>						
Cash and cash equivalents	\$ 5,489,060	\$ 3,135,134	\$ 8,624,194	\$ 253,979	\$ 106,522	\$ 8,984,695
Cash and cash equivalents - restricted	256,192	92,640	348,832			348,832
Taxes receivable (net)	289,385		289,385			289,385
Accounts receivable (net)	780,571	518,598	1,299,169			1,299,169
Other receivables	527,165		527,165			527,165
Inventories		71,093	71,093	312,131		383,224
Net Pension Asset	656,308	353,397	1,009,705	15,982		1,025,687
Prepaid items			-	5,688		5,688
Capital assets:						
Nondepreciable Capital Assets	3,896,631	4,009,614	7,906,245			7,906,245
Depreciable Capital Assets	21,511,568	42,298,523	63,810,091	468,640		64,278,731
<b>Total assets</b>	<b>33,406,880</b>	<b>50,478,999</b>	<b>83,885,879</b>	<b>1,056,420</b>	<b>106,522</b>	<b>85,048,821</b>
<b>Deferred Outflows of Resources</b>	<b>306,427</b>	<b>165,000</b>	<b>471,427</b>	<b>29,963</b>		<b>501,390</b>
<b>Liabilities</b>						
Accounts payable	503,172	234,631	737,803	147,441	9,445	894,689
Accrued liabilities			-	100,260		100,260
Compensated Absences	531,613	126,611	658,224			658,224
Post Employment benefits	410,449	65,324	475,773			475,773
Pension Obligations	333,880		333,880			333,880
Customer deposits		92,640	92,640			92,640
Long term obligations:						
Due in less than one year	714,144	1,424,169	2,138,313			2,138,313
Due in more than one year	1,626,341	10,211,163	11,837,504			11,837,504
<b>Total liabilities</b>	<b>4,119,599</b>	<b>12,154,538</b>	<b>16,274,137</b>	<b>247,701</b>	<b>9,445</b>	<b>16,531,283</b>
<b>Deferred Inflows of Resources</b>	<b>1,662,525</b>	<b>895,207</b>	<b>2,557,732</b>	<b>38,952</b>		<b>2,596,684</b>
<b>Net Position</b>						
Net investment in capital assets	23,067,714	34,672,805	57,740,519	468,640		58,209,159
Restricted for:			-			-
Cemetery (Nonexpendable)	256,997		256,997			256,997
Stabilization by State Statute	1,464,034		1,464,034	94,490	6,122	1,564,646
Public Safety	342,982		342,982			342,982
Unrestricted	2,799,456	2,921,449	5,720,905	236,600	90,955	6,048,460
<b>Total Net Position</b>	<b>\$ 27,931,183</b>	<b>\$ 37,594,254</b>	<b>\$ 65,525,437</b>	<b>\$ 799,730</b>	<b>\$ 97,077</b>	<b>\$ 66,422,244</b>

City of Lenoir, North Carolina

Statement of Activities  
Year Ended June 30, 2015  
(Exhibit B)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units		Total Reporting Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			City of Lenoir ABC Board	City of Lenoir LTDA	
					Governmental Activities	Business-type Activities	Total			
<b>Primary government:</b>										
Governmental activities:										
General government	\$ 4,322,095	\$ 342,440			\$ (3,979,655)		\$ (3,979,655)			\$ (3,979,655)
Public safety	7,800,350	416,602	130,167		(7,253,581)		(7,253,581)			(7,253,581)
Transportation	2,160,348	34,234	575,844	267,678	(1,282,592)		(1,282,592)			(1,282,592)
Environmental protection	947,928	632,824			(315,104)		(315,104)			(315,104)
Economic and physical development	741,650	1,425	1,239,346		499,121		499,121	(58,005)		441,116
Culture and recreation	1,807,111	376,314	14,975		(1,415,822)		(1,415,822)			(1,415,822)
Interest and fees	36,863				(36,863)		(36,863)			(36,863)
Total governmental activities	17,816,345	1,803,839	1,960,332	267,678	(13,784,496)	-	(13,784,496)	-	(58,005)	(13,842,501)
Business-type activities:										
Water and sewer activity	7,135,710	7,919,136		201,294	-	984,720	984,720			984,720
Total business-type activities	7,135,710	7,919,136		201,294	-	984,720	984,720			984,720
<b>Total primary government</b>	<b>\$ 24,952,055</b>	<b>\$ 9,722,975</b>	<b>\$ 1,960,332</b>	<b>\$ 468,972</b>	<b>(13,784,496)</b>	<b>984,720</b>	<b>(12,799,776)</b>			<b>(12,857,781)</b>
Alcohol and store activity	\$ 2,688,566	\$ 2,939,317						326,112		326,112
<b>Total component units</b>	<b>\$ 2,688,566</b>	<b>\$ 2,939,317</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>326,112</b>	<b>(58,005)</b>	<b>326,112</b>
General revenues:										
Ad valorem taxes					7,983,791		7,983,791			7,983,791
Sales Taxes					3,266,548		3,266,548			3,266,548
Privilege License					156,070		156,070			156,070
Motor Vehicle Tags					20		20			20
Gross Receipts on Rental Vehicles					2,933		2,933			2,933
Occupancy Taxes								88,990		88,990
Franchise Taxes					2,243,650		2,243,650			2,243,650
Beer and Wine Taxes					85,429		85,429			85,429
Miscellaneous					280,748	149,263	430,011	62		430,073
Gain (loss) on sale of capital assets					22,065		22,065	(13,568)		8,497
Payment from ABC Board					259,307		259,307			259,307
Profit distributions								(311,661)		(311,661)
Interest earned on investments					3,382	1,111	4,493	498		4,991
Total general revenues					14,303,943	150,374	14,454,317	(324,669)	88,990	14,218,638
Change in net position					519,447	1,135,094	1,654,541	1,443	30,985	1,686,969
Net Position - beginning					28,392,581	36,987,308	65,379,889	763,575	66,092	66,209,556
Prior Period Adjustment					(980,845)	(528,148)	(1,508,993)	34,712		(1,474,281)
Net Position - ending					\$ 27,931,183	\$ 37,594,254	\$ 65,525,437	\$ 799,730	\$ 97,077	\$ 66,422,244

City of Lenoir, North Carolina

**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**  
(Exhibit C)

	General	Special Revenue Fund	Non Major Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 5,271,123	\$ 217,937	\$ -	\$ 5,489,060
Cash and cash equivalents-restricted			256,192	256,192
Taxes receivable (net)	289,385			289,385
Accounts receivable (net)	780,571			780,571
Other receivables	526,360		805	527,165
Due From Other Funds	157,103			157,103
Total assets	<u>\$ 7,024,542</u>	<u>\$ 217,937</u>	<u>\$ 256,997</u>	<u>\$ 7,499,476</u>
<b>Liabilities:</b>				
Accounts payable	502,649	68	455	503,172
Due to other funds			157,103	157,103
Total liabilities	<u>502,649</u>	<u>68</u>	<u>157,558</u>	<u>660,275</u>
<b>Deferred Inflow of Resources:</b>				
Unavailable Property Taxes	289,385			289,385
Total Deferred Inflows of Resources	<u>289,385</u>	<u>-</u>	<u>-</u>	<u>289,385</u>
<b>Fund balances:</b>				
Non Spendable				
Cemetery Care			256,997	256,997
Restricted				
Stabilization by State Statute	1,464,034			1,464,034
Substance Control	45,055			45,055
Public Safety	297,927			297,927
Assigned				
Land Development	363,889			363,889
Unassigned	4,061,603	217,869	(157,558)	4,121,914
Total fund balances	<u>6,232,508</u>	<u>217,869</u>	<u>99,439</u>	<u>6,549,816</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,024,542</u>	<u>\$ 217,937</u>	<u>\$ 256,997</u>	<u>\$ 7,499,476</u>

**City of Lenoir, North Carolina**

**Reconciliation of the Balance Sheet of Governmental Funds to the  
Statement of Net Position**

**June 30, 2015**

**(Exhibit C-1)**

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

Ending fund balance - governmental funds	\$	6,549,816
Net Pension Asset		656,308
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		25,408,199
Liability for earned revenues are considered deferred inflow of resources in the funds.		289,385
Contributions to the pension plan in the current fiscal years are deferred outflows in the fund statements		306,427
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		(5,278,952)
Net position of governmental activities	\$	<u>27,931,183</u>

City of Lenoir, North Carolina

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2015**  
(Exhibit D)

	General	Special Revenue Fund	Non Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Ad valorem taxes	\$ 7,970,787			\$ 7,970,787
Other taxes and licenses	3,425,571			3,425,571
Unrestricted intergovernmental revenues	2,329,079			2,329,079
Restricted intergovernmental revenues	705,927	1,254,405	267,678	2,228,010
Permits and fees	219,678			219,678
Sales and services	1,584,161			1,584,161
Investment earnings	2,936		446	3,382
Miscellaneous	278,948		1,800	280,748
Payment from ABC Board	259,307			259,307
<b>Total revenues</b>	<u>16,776,394</u>	<u>1,254,405</u>	<u>269,924</u>	<u>18,300,723</u>
<b>Expenditures</b>				
<b>Current:</b>				
General Government	4,301,172			4,301,172
Public safety	7,979,276	182		7,979,458
Transportation	1,707,089			1,707,089
Environmental protection	830,334			830,334
Economic and physical development	420,623	1,127,417		1,548,040
Cultural and recreational	1,805,187			1,805,187
Capital projects			222,806	222,806
Debt service:				
Principal retirement	484,044	108,001		592,045
Interest and fees	28,322	8,540		36,862
<b>Total expenditures</b>	<u>17,556,047</u>	<u>1,244,140</u>	<u>222,806</u>	<u>19,022,993</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(779,653)</u>	<u>10,265</u>	<u>47,118</u>	<u>(722,270)</u>
<b>Other financing sources (uses)</b>				
Issuance of installment purchase debt	1,413,850			1,413,850
Proceeds from disposal of capital assets	22,065			22,065
Transfers	(172,523)	52,523	120,000	-
<b>Total other financing sources (uses)</b>	<u>1,263,392</u>	<u>52,523</u>	<u>120,000</u>	<u>1,435,915</u>
<b>Net change in fund balances</b>	483,739	62,788	167,118	713,645
<b>Fund balance - beginning</b>	<u>5,748,769</u>	<u>155,081</u>	<u>(67,679)</u>	<u>5,836,171</u>
<b>Fund balance - ending</b>	<u>\$ 6,232,508</u>	<u>\$ 217,869</u>	<u>\$ 99,439</u>	<u>\$ 6,549,816</u>

**City of Lenoir, 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, 2015**

(Exhibit D-1)

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

Net change in fund balances - total governmental funds	\$	713,645
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 capital outlay is more than depreciation.		377,787
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		13,004
The issuance of long-term debt (e.g. bonds, leases) 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.		(821,806)
Contributions to the pension plan in the current year are not included in the statement of activities		306,427
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.		<u>(69,610)</u>
Change in net position of governmental activities	\$	<u>519,447</u>

City of Lenoir, North Carolina

Statement of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual - General Fund  
 For the Year Ended June 30, 2015  
 (Exhibit E)

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<b>REVENUES</b>				
Ad valorem taxes	\$ 7,538,890	\$ 7,878,890	\$ 7,970,787	\$ 91,897
Other taxes and licenses	3,226,947	3,226,947	3,425,571	198,624
Unrestricted intergovernmental revenues	1,780,000	2,450,000	2,329,079	(120,921)
Restricted intergovernmental revenues	586,000	586,000	705,927	119,927
Permits and fees	206,500	206,500	219,678	13,178
Sales and services	1,608,590	1,608,590	1,584,161	(24,429)
Investment earnings	21,000	21,000	2,936	(18,064)
Miscellaneous	165,500	165,500	278,948	113,448
Payment from ABC Board	207,500	207,500	259,307	51,807
Total revenues	<u>15,340,927</u>	<u>16,350,927</u>	<u>16,776,394</u>	<u>425,467</u>
<b>EXPENDITURES</b>				
Current:				
General Government	3,612,581	4,283,581	4,301,172	(17,591)
Public safety	7,654,459	7,977,459	7,979,276	(1,817)
Transportation	1,639,504	1,658,504	1,707,089	(48,585)
Environmental protection	740,614	830,614	830,334	280
Economic and physical development	526,500	462,500	420,623	41,877
Cultural and recreational	1,857,549	1,828,549	1,805,187	23,362
Debt service:				
Principal retirement	538,984	538,984	484,044	54,940
Interest and fees	33,586	33,586	28,322	5,264
Total expenditures	<u>16,603,777</u>	<u>17,613,777</u>	<u>17,556,047</u>	<u>57,730</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,262,850)</u>	<u>(1,262,850)</u>	<u>(779,653)</u>	<u>483,197</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Appropriated fund balance				-
Proceeds from disposal of capital assets	25,000	25,000	22,065	(2,935)
Proceeds from installment purchase	1,413,850	1,413,850	1,413,850	-
Transfers out:				
To Special Revenue Fund	(56,000)	(56,000)	(52,523)	3,477
To Capital Projects	(120,000)	(120,000)	(120,000)	-
Total other financing sources (uses)	<u>1,262,850</u>	<u>1,262,850</u>	<u>1,263,392</u>	<u>542</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>483,739</u>	<u>\$ 483,739</u>
FUND BALANCE - BEGINNING			<u>5,748,769</u>	
FUND BALANCE - ENDING			<u>\$ 6,232,508</u>	

**City of Lenoir, North Carolina**

**Statement of Net Position**

**Proprietary Funds**

**June 30, 2015**

(Exhibit F)

	<u>Enterprise Fund</u>
	<u>Water and Sewer Fund</u>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 3,135,134
Accounts receivable (net)	518,598
Inventories	71,093
Restricted Cash and cash equivalents	92,640
Total current assets	<u>3,817,465</u>
Noncurrent assets	
Capital assets, net	46,308,137
Net Pension Assets	353,397
Total noncurrent assets	<u>46,661,534</u>
Total assets	<u>50,478,999</u>
<b>Deferred Outflows of Resources</b>	<u>165,000</u>
<b>Liabilities</b>	
Current liabilities	
Accounts payable	234,631
Installment purchase contracts - current	869,706
Revolving loan payable - current	554,463
Customer deposits payable from Restricted Assets	92,640
Compensated absences payable	72,000
Total current liabilities	<u>1,823,440</u>
Noncurrent liabilities	
Revolving loan payable	8,076,945
Installment purchase contracts payable	2,134,218
OPEB Liability	65,324
Compensated absences payable	54,611
Total noncurrent liabilities	<u>10,331,098</u>
Total liabilities	<u>12,154,538</u>
<b>Deferred Inflows of Resources</b>	<u>895,207</u>
<b>Net Position</b>	
Net investment in capital assets	34,672,805
Unrestricted Net Position	2,921,449
Total Net Position	<u>\$ 37,594,254</u>

City of Lenoir, North Carolina

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Funds

Year Ended June 30, 2015

(Exhibit G)

	<u>Enterprise Fund</u>
	<u>Water and Sewer Fund</u>
<b>Operating revenues</b>	
Water sales	\$ 4,968,946
Wastewater treatment charges	2,697,950
Water and sewer taps	23,900
Late payment charges	228,340
Miscellaneous	149,263
Total operating revenues	<u>8,068,399</u>
<b>Operating expenses</b>	
Rhodhiss Water Treatment Plant	1,372,437
Water distribution	972,143
Water resources	629,034
Wastewater collection	743,404
Wastewater pretreatment	171,555
Gunpowder Wastewater Treatment Plant	571,849
Lower Creek Wastewater Treatment Plant	1,258,068
Depreciation	1,195,022
Total operating expenses	<u>6,913,512</u>
<b>Operating income (loss)</b>	<u>1,154,887</u>
<b>Nonoperating revenue (expense)</b>	
Interest earned on investments	1,111
Interest paid on long-term debt	(222,198)
Total nonoperating revenue (expense)	<u>(221,087)</u>
<b>Income (loss) before transfers and contributions</b>	933,800
Capital contributions	<u>201,294</u>
<b>Change in Net Position</b>	1,135,094
<b>Total Net Position - beginning, as previously reported</b>	<u>36,987,308</u>
<b>Total net assets - restated</b>	<u>(528,148)</u>
<b>Total Net Position - ending</b>	<u>\$ 37,594,254</u>

**City of Lenoir, North Carolina**

**Statement of Cash Flows**

**Proprietary Funds**

**Year Ended June 30, 2015**

(Exhibit H)

	<u>Enterprise Fund</u>
	<u>Water and Sewer Fund</u>
<b>Operating activities</b>	
Cash received from customers and users	\$ 8,124,439
Cash paid to suppliers for goods and services	(3,424,022)
Cash paid for employee benefits	(2,420,863)
Customer deposits returned	(32,895)
<b>Net cash provided by (used in) operating activities</b>	<u>2,246,659</u>
<b>Capital and related financing activities</b>	
Net proceeds from financing	3,293,637
Grant received	201,294
Acquisition and construction of capital assets	(3,548,782)
Principal paid on debt	(1,843,365)
Interest paid on debt	(222,198)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(2,119,414)</u>
<b>Investing activities</b>	
Interest on investments	1,111
<b>Net cash provided (used) in investing activities</b>	<u>1,111</u>
<b>Net increase in cash and cash equivalents/investments</b>	<u>128,356</u>
<b>Cash and cash equivalents/investments</b>	
<b>Beginning of year</b>	<u>3,099,418</u>
<b>End of year</b>	<u>\$ 3,227,774</u>

**City of Lenoir, North Carolina**

**Statement of Cash Flows**

**Proprietary Funds**

**Year Ended June 30, 2015**

(Exhibit H)

	<u>Enterprise Fund</u>
	<u>Water and Sewer Fund</u>
<b>Reconciliation of operating income (loss)</b>	
<b>to net cash provided by</b>	
<b>(used in) operating activities</b>	
Operating income (loss)	\$ 1,154,887
Adjustments to reconcile operating income (loss)	
to net cash provided by (used in) operating	
activities:	
Depreciation	1,195,022
Pension Expense	13,662
Change in assets and liabilities	
(Increase) decrease in accounts receivable and accruals	56,040
(Increase) decrease in inventory	(9,119)
Increase (decrease) in accounts payable and	
accrued liabilities	26,970
Increase (decrease) in customer deposits	(32,895)
Increase (decrease) in compensated absence payable	3,292
Increase (decrease) in OPEB	3,800
Increase (decrease) in Deferred Outflow Pension	(165,000)
Total adjustments	<u>1,091,772</u>
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 2,246,659</u>

City of Lenoir, North Carolina

**Statement of Fiduciary Net Position**

**Fiduciary Funds**

**June 30, 2015**

(Exhibit I)

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	<u>Agency Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 18,266
Total assets	<u>\$ 18,266</u>
<b>Liabilities</b>	
Due to agency	\$ 18,266
Total liabilities	<u>\$ 18,266</u>

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS**

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

**A. Reporting Entity** - The City of Lenoir (City) is a municipal corporation of the State of North Carolina. It is governed by an elected board of eight consisting of a mayor and a seven-member council. These financial statements present the City and its component units, legally-separate entities for which the City is financially accountable. The discretely presented component units below are reported in separate columns in the financial statements to emphasize that it is legally separate from the City.

**City of Lenoir Board of Alcoholic Control**

The members of the City of Lenoir Alcoholic Control's (ABC Board) governing board are appointed by the City. In addition, the ABC Board is required by State statute to distribute the majority of its surpluses to the General Fund of the City. A smaller portion of the ABC Board's surpluses are distributed to the Caldwell County School Administrative Unit. The ABC Board, which has a June 30 year end, is presented as a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at City of Lenoir ABC Board, ABC Court, Lenoir, NC 28645.

**Lenoir Tourism Development Authority Board**

The members of the Lenoir Tourism Development Authority's (LTDA Board) governing board are appointed by the City. The LTDA collects a 3% room occupancy tax from the rental of any room, lodging or accommodation furnished by a hotel, motel, inn, tourist camp, or similar place within the city. Complete financial statements for the LTDA board may be obtained City Hall, City of Lenoir, 801 West Ave., NW, Lenoir, NC 28645.

**B. Basis of Presentation**

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

City of Lenoir, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2015

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The statement of activities presents a comparison between direct 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. Taxes and other items not properly included among program revenues are reported instead as general revenues. City of Lenoir's policy for eliminating internal activity in the government-wide statement of activities indicate that interfund services provided and used are not eliminated in the process of consolidation.

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

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

The City reports the following major governmental funds:

**General Fund** - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those 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, streets and highways, sanitation, parks and recreation, and general government services. The City also maintains a separate sub-fund for the Downtown Service District for accounting purposes. This sub-fund has been consolidated into the General Fund for reporting purposes. Debt service payments for general long-term debt are accounted for in the General Fund.

**Special Revenue Fund** - The Special Revenue Fund accounts for specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The City has nine Special Revenue Fund projects including the Governor's Highway Safety Grant, Fit Community Grant; PARTF Grant, 2012, 2013 and 2014 Community Development Entitlement Grants; and 2012, 2013 and 2014 Unifour HOME Consortium Grants.

The City Reports the following nonmajor governmental funds:

**Capital Project Fund**

The Capital Project Fund accounts for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds and trust funds). The City has three projects within the Capital Project Fund: the Fairview Street Bridge, Downtown Streetscape, and Greenway.

**Permanent Fund**

The Permanent Fund accounts for the Perpetual Care Fund. The interest earned on the nonexpendable invested principal is used for the ongoing maintenance of the City's cemetery.

The City reports the following major enterprise fund:

**Water and Sewer Fund** - The Water and Sewer Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Water and sewer capital projects are included in the Water and Sewer Capital Project Fund.

The City reports the following fund type:

**Agency Fund** – Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the City holds on behalf of others. The City maintains the following agency fund: CheckFree Pay which accounts for collection of payments of Duke Energy customers and flex spending. We excluded these activities from the City's government-wide financial statement because the city cannot use these assets to finance its operation.

**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, Proprietary and Fiduciary Fund Financial Statements.* The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. The City's one fiduciary fund (an agency fund) has no

City of Lenoir, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2015

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measurement focus and is excluded from the government-wide financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange 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 in which all eligibility requirements have been satisfied. *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 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 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, 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 are 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 collected and held by the State at year-end on behalf of the city are recognized as revenue. Sales tax are considered a shared revenue for the City of Lenoir because the tax is levied by Caldwell County and then remitted to and distributed by the state. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues, which are unearned at year-end, are recorded as unearned revenues.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

City of Lenoir, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2015

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**D. Budgetary Data** - As required by the N. C. Local Government Budget and Fiscal Control Act (G.S. 159), the governing board must adopt by July 1 an annual balanced budget ordinance for all governmental and proprietary funds except for those funds, which operate under project ordinances. The City has adopted project ordinances for the Capital Projects and Special Revenue Funds. The annual budget is prepared on the modified accrual basis of accounting to be compatible with the accounting system in recording transactions, as required by G.S. 159-26(c).

Appropriations are made at the departmental level and are amended as necessary by the governing board. All appropriations (other than funds with multi-year budgets) lapse at year-end. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for project ordinances. The City Manager is authorized to transfer appropriations within a department; however, any revisions that alter total expenditures of any department must be approved by the governing board. The amended budget ordinance as of June 30, 2015, is included in the financial statements but has been restructured to conform to the actual data. The City's governing board enacted supplemental budget ordinances during the fiscal year ended June 30, 2015. The ordinances increased appropriations by \$1,010,000 in the City's General Fund and \$200,000 in the City's Water and Sewer Fund.

As required by G.S. 159-26(d), the City maintains encumbrance accounts, which are considered to be "budgetary accounts". Encumbrances outstanding at year-end represent the estimated amounts of the expenditures ultimately to result if unperformed contracts in process at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities and are either charged to an appropriation in the following year or the contractual commitment is cancelled.

**E. Assets, Liabilities, and Fund Equity**

**1. Deposits and Investments** - All deposits of the City, LTDA and the ABC Board are made in board-designated official depositories and are collateralized as required by G.S. 159-31. Official depositories may be established with any bank or savings and loan whose principal office is located in North Carolina. Also, the City, LTDA and ABC Board may establish time deposit accounts in the form of NOW accounts, SuperNOW, money market accounts, and certificates of deposit. State law, G.S. 159-30(c) authorizes the City and the ABC Board 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 nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT); a SEC-registered mutual fund.

The City, LTDA and the ABC Board's investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as

City of Lenoir, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2015

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determined by quoted market prices. The NCCMT Cash Portfolio's securities are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less and non-participating interest earnings and investment contracts are reported at amortized cost.

In accordance with State law, the City has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are stated at cost in the City's financial statements.

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

**2a. Restricted Assets** – Permanent Fund restricted cash of \$256,192 represents the nonexpendable portion of the cemetery funds. Customer deposits of \$92,640 are also shown as restricted cash.

**3. Ad Valorem Taxes Receivable** - According to the North Carolina General Statutes, ad valorem taxes levied on July 1, the beginning of the fiscal year, are due September 1 but penalties do not accrue until the following January 6 when taxes are considered past due and the property is subject to lien. The taxes levied are based on the assessed values as of January 1, 2015. As allowed by State law, the City has established a schedule of discounts that apply to taxes, which are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

**4. 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.

**5. Inventories** - Inventories of the City and ABC Board are maintained for all enterprise fund supplies. They are valued at the lower of cost (first-in, first-out) or market.

**6. Capital Assets** – Capital assets are defined by the City as assets with an initial individual cost of more than \$1,000. The City and the ABC Board's capital assets are recorded at historical cost when purchased or fair market value at the time of donation. Certain items acquired in earlier years are recorded at estimated historical cost. General infrastructure assets acquired prior to July 1, 2002, consist of the road, bridges and drainage networks that were acquired or that received substantial improvements

City of Lenoir, North Carolina  
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subsequent to July 1, 1980, and are reported at estimated historical costs. 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.

The City's capital assets are being depreciated on a straight-line basis over their estimated useful lives as follows:

Asset Class	Estimated Useful Lives
Infrastructure	15 - 50
Buildings	45 - 50
Plant and systems	45 - 50
Improvements	15 - 20
Vehicles	6 - 8
Furniture and equipment	10 - 15
Computer equipment	5 - 10

Capital assets of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

Asset Class	Estimated Useful Lives
Land, improvements and buildings	8 - 40
Store equipment	2 - 20
Office equipment	5 - 10

**7. 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable, if any, are reported net of the applicable bond premiums or discount. Bond issuance costs are expensed in the reporting in which they occurred. Prepaid insurance costs are expenses over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of

City of Lenoir, North Carolina  
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debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**8. Compensated Absences** - The vacation policies of the City and the ABC Board provide for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the City's government-wide and proprietary funds and the ABC Board, 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 last-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

Both the City and the ABC Board's sick leave policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since neither the City nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

**9. 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 until then. The city has one item that meet the criterion for this category – contributions made to the pension plan in 2015 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represent 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 – property taxes receivable, and deferrals of pension expense that result from the implementation of GASB Statement 68.

**10. Net Position/Fund Balance** – Net position in the government-wide and proprietary fund financial statements are 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.

State law [G.S. 159-13(b)] restricts appropriation of fund balance or fund equity to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as these amounts stand at the close of the fiscal year preceding the budget year.

City of Lenoir, North Carolina  
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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.

**Prepaid Items** – Portion of fund balance that is not an available resource because it represents services rendered for the subsequent years, which are not spendable resources.

**Perpetual Maintenance** – Cemetery resources that are required to be retained in perpetuity for maintenance of the City of Lenoir Cemeteries.

**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** - Represents the amount of revenue recognized, but not available for appropriation. This amount is usually comprised of receivables, not offset by deferred revenues, and due from other funds.

**Restricted for Substance Control** - Portion of fund balance that is available for appropriation but legally segregated for qualifying law enforcement expenditures.

**Restricted for Public Safety** – Portion of fund balance that is available for appropriation but legally segregated for qualifying public safety expenditures.

**Committed Fund Balance** – Portion of fund balance that can only be used for specific purposes imposed by majority vote or quorum of City of Lenoir'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 Lenoir intends to use for specific purposes.

**Assigned for Land Development** – Portion of fund balance set aside for land development.

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

For purposes of fund balance classifications, funds are to be spent from restricted fund balance first followed by committed fund balance, assigned fund balance and last unassigned fund balance.

#### **11. Pension**

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For the purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Lenoir employer contributions are recognized when due and the City of Lenoir 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.

#### **F. Management Estimates**

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

#### **G. Reconciliation of Government-Wide and Fund Financial Statements**

- 1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets** – The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of \$21,381,367 consists of several elements as follows:

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Description	Amount
Capital assets in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement governmental activities column)	\$ 76,347,836
Less accumulated depreciation	(50,939,637)
Net capital assets	25,408,199
Net Pension Asset	656,308
Contributions to the Pension Plan in the current year are deferred outflows in the fund statement	306,427
Liabilities for revenue are considered deferred inflows of resources in the fund statements	289,385
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Leases and installment financing	(2,340,485)
Compensated absences	(531,613)
Pension obligation and OPEB	(744,329)
Pension deferrals	(1,662,525)
Total adjustment	\$ 21,381,367

2. **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities** – The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$(194,198) as follows:

City of Lenoir, North Carolina  
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Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 1,825,197
Depreciation expense, the allocation of those assets over their useful lives, is recorded in the statement of activities, but not in the fund statements	(1,447,410)
New debt issued during the year is recorded as a source of funds in the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net assets	(1,413,850)
Principal payments on debt owed are recorded as a use of funds in the fund statements but again affect only the statement of net assets in the government-wide statements	592,044
Law Enforcement Separation Allowance expenses reported in the statement of activities do not require the use of current resources to pay and are not recorded as expenditures in the fund statements	(27,339)
OPEB expenses reported in the statement of activities do not require the use of current resources to pay and are not recorded as expenditures in the fund statements	(23,710)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	6,811
Sale of Fixed Assets recorded in the fund statement	
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Recording of tax receipts in the fund statements	13,004
Pension Expense	(25,372)
Contribution to the pension plan in the current year and not included in the statement of activities	306,427
Total adjustment	\$ (194,198)

**II. STEWARDSHIP, COMPLIANCE and ACCOUNTABILITY**

- A. Excess of Expenditures over Appropriations** - For the year ended June 30, 2015, expenditures exceeded budgeted amounts at the department level as follows:

<u>Fund/Department</u>	<u>Excess</u>
General Fund:	
Administrative	\$51,702
Police	11,631
Transportation	48,585

These over-expenditures were immaterial and approved by the Board subsequent to year-end. The city annually files a corrective action plan. It is the city's intention to amend their budget on a more timely basis in the future.

- B.** The Capital Project Fund had fund balance deficit of \$157,558. The General Fund will fund the deficit in future years.

**III. DETAIL NOTES ON ALL FUNDS**

**A. Assets**

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

Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the unit or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City, LTDA or the ABC Board under the Pooling Method, the potential exists for undercollateralization, and 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 Pooling Method depository. The City, LTDA and ABC Board have no policy regarding outstanding risk for deposits.

At year-end, the City's deposits, including fiduciary funds, had a carrying amount of \$3,379,944 and a bank balance of \$3,667,141. Of the bank balance, \$1,000,000 was

City of Lenoir, North Carolina  
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covered by federal depository insurance with the remainder held in Pooling Method depositories as discussed above.

At year-end, the ABC Board's deposits had a carrying amount of \$249,579 and a bank balance of \$251,491. The bank balance was covered by federal depository insurance.

At year-end, the LTDA's deposits had a carrying amount of \$100,400 and a bank balance of \$100,400. The bank balance was covered by federal depository insurance.

**2. Investments** - General Statute 159-30(c) authorizes the City and the ABC Board to invest in obligations of the U. S. Treasury; obligations of any agency of the United States of America, provided the payment of interest and principal of such obligation is fully guaranteed by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina 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, an SEC-registered mutual fund. The City pools monies from several funds to facilitate disbursement and investment and maximize investment income. The City and ABC Board have no policy regarding credit risk for investments.

The City held no investments that were categorized by level or risk at year-end. All invested funds were with The North Carolina Capital Management Trust, which is exempt from risk categorization because the City does not own any identifiable securities, but is a shareholder of a percentage of the fund. As of June 30, 2015, the credit rating of the fund was AAAm by Standard and Poor's, with a weighted average maturity of 51 days. Total investments are as follows:

	Carrying Value	Fair Value
North Carolina Capital Management Trust	<u>\$ 5,609,363</u>	<u>\$ 5,609,363</u>

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For the Year Ended June 30, 2015

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**3. Receivables - Allowances for Doubtful Accounts** - The amounts shown in the Balance Sheet and the Statement of Net Assets are net of the following allowances for doubtful accounts:

General Fund:	
Allowance for Uncollectible	
Property Taxes Receivable	\$ 1,317,598
Allowance for Miscellaneous	
General Fund Receivables	27,035
Subtotal	<u>1,344,633</u>
Water and Sewer Fund:	
Allowance for Uncollectible	
Water and Sewer Receivables	200,000
	<u>200,000</u>
Total	<u>\$ 1,544,633</u>

**4. General Capital Assets**

The capital asset activity for the governmental activities as of June 30, 2015 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,961,785			\$ 2,961,785
Construction work in progress	884,118	222,804	(172,076)	934,846
Total capital assets not being depreciated	<u>3,845,903</u>	<u>222,804</u>	<u>(172,076)</u>	<u>3,896,631</u>
Capital assets being depreciated:				
Buildings and improvements	14,765,929			14,765,929
Infrastructure	43,134,946	790,508		43,925,454
Equipment	12,848,035	983,961	(72,174)	13,759,822
Total capital assets being depreciated	<u>70,748,910</u>	<u>1,774,469</u>	<u>(72,174)</u>	<u>72,451,205</u>
Less accumulated depreciation for:				
Buildings and improvements	7,450,092	297,375		7,747,467
Infrastructure	31,517,187	614,512		32,131,699
Equipment	10,597,122	535,523	(72,174)	11,060,471
Total accumulated depreciation	<u>49,564,401</u>	<u>\$ 1,447,410</u>	<u>\$ (72,174)</u>	<u>50,939,637</u>
Total capital assets being depreciated, net	<u>21,184,509</u>			<u>21,511,568</u>
Total capital assets - governmental activities	<u>\$ 25,030,412</u>			<u>\$ 25,408,199</u>

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

General Government	\$138,637
Public Safety	373,431
Transportation	604,852
Environmental Protection	131,403
Economic and Physical Development	6,244
Cultural and Recreational	<u>192,843</u>
<b>Total Depreciation Expense</b>	<b>\$1,447,410</b>

**5. Business-Type Capital Assets**

The capital asset activity for the business-type activities at June 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities (Water and Sewer Fund)				
Capital assets not being depreciated:				
Land	\$ 251,714			\$ 251,714
Construction work in progress	<u>317,371</u>	<u>3,440,519</u>		<u>3,757,890</u>
Total capital assets not being depreciated	<u>569,085</u>	<u>3,440,519</u>	<u>-</u>	<u>4,009,604</u>
Capital assets being depreciated:				
Plant and systems	61,213,867			61,213,867
Equipment	<u>6,543,454</u>	<u>108,263</u>		<u>6,651,717</u>
Total capital assets being depreciated	<u>67,757,321</u>	<u>108,263</u>	<u>-</u>	<u>67,865,584</u>
Less accumulated depreciation for:				
Plant and systems	21,277,927	1,013,280		22,291,207
Equipment	<u>3,094,102</u>	<u>181,742</u>		<u>3,275,844</u>
Total accumulated depreciation	<u>24,372,029</u>	<u>\$ 1,195,022</u>	<u>\$ -</u>	<u>25,567,051</u>
Total capital assets being depreciated, net	<u>43,385,292</u>			<u>42,298,533</u>
Total capital assets - business type activities (Water and Sewer Fund)	<u>\$ 43,954,377</u>			<u>\$ 46,308,137</u>

**6. Construction Commitments** – The City of Lenoir has no active construction projects as of June 30, 2015.

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Notes to the Financial Statements  
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**7. Component Unit Capital Assets**

The capital assets of the ABC Board at June 30, 2015, are composed of the following:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 155,849			\$ 155,849
Total capital assets not being depreciated	155,849	-	-	155,849
Capital assets being depreciated:				
Buildings and improvements	580,980			580,980
Store equipment	171,065	25,314	(79,225)	117,154
Office equipment	49,272		(25,226)	24,046
Total capital assets being depreciated	801,317	25,314	(104,451)	722,180
Less accumulated depreciation for:				
Buildings and improvements	309,807	18,934		328,741
Store equipment	132,156	7,687	(79,225)	60,618
Office equipment	35,606	9,650	(25,226)	20,030
Total accumulated depreciation	477,569	\$ 36,271	\$ (104,451)	409,389
Total capital assets being depreciated, net	323,748			312,791
Total capital assets	<u>\$ 479,597</u>			<u>\$ 468,640</u>

**B. Liabilities**

**1. Pension Plan and Postemployment Obligations**

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

**1. Plan Description.** The City of Lenoir contributes to 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 government entities. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G. S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR

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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.

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

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 of creditable service regardless of age, or have completed 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 Lenoir 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 Lenoir contractually required contribution rate for the fiscal year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions

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to the pension plan from the City of Lenoir were \$471,427 for the year ended June 30, 2015.

**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.

**2. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflow of Resources Related to Pensions.**

At June 30, 2015, the City reported an asset of \$1,009,705 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial Valuation as of December 31, 2013. The total pension liability was rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension asset was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the City's proportion was 0.171%, which was a decrease of 0.004% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$39,034. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows Of Resources</b>	<b>Deferred Inflows of Resources</b>
Diff. of expected and actual experience	\$ -	\$ 110,328
Changes of assumptions	-	-
Net diff. in projected & actual earnings on pension plan investments	-	2,350,569
Changes in proportion and diff. between city contributions and proportionate share of contributions	-	96,835
City contributions subsequent to the measurement date	<u>471,427</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 471,427</u></b>	<b><u>\$2,557,732</u></b>

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\$471,427 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2016	\$ (639,433)
2017	(639,433)
2018	(639,433)
2019	(639,433)
2020	-
Thereafter	-

**Actuarial Assumptions.** The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 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 mortality improvements.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

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equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 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	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	<u>100.0%</u>	

The information above is based on 30 years expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

**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 asset to changes in the discount rate.** The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.25%, 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%) or one percentage point higher (8.25%) than the current rate:

	<b>1% Decrease <u>(6.25%)</u></b>	<b>Discount Rate <u>(7.25%)</u></b>	<b>1% Increase <u>(8.25%)</u></b>
City's proportionate share of the Net pension liability (asset)	\$3,427,374	\$(1,009,704)	\$(4,745,581)

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

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

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

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2014, the Separation Allowance's membership consisted of:

Retirees currently receiving benefits	5
Terminated employees entitled to but not yet receiving benefits	0
Active plan members	<u>52</u>
Total	<u>57</u>

A separate report was not issued for the plan.

## 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 and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members

**Method Used to Value Investments.** No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

**3. Contributions.** The City is required by Article 12D of G. S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees. The annual required contribution for the current year was determined as part of the December 31, 2014 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return, compounded annually, (net of administrative expenses) and (b) projected salary increases of from 4.25% to 7.85% per year of which 3.00% is assumed due to inflation and the balance to merit or seniority. The assumptions did not include post-retirement benefit increases. The City of Lenoir has chosen not to set aside funds to pay benefits and administration costs. These expenditures are paid as they come due.

**4. Annual Pension Cost and Net Pension Obligation.** The City's annual pension cost and net pension obligation to the Separation Allowance for the current year are as follows:

City of Lenoir, North Carolina  
Notes to the Financial Statements  
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Annual required contribution	\$114,210
Interest on net pension obligation	15,327
Adjustment to annual required pension contribution	<u>(25,895)</u>
Annual pension cost	\$103,642
Employer Benefits Paid	<u>76,303</u>
Increase(decrease) in net pension obligation	\$27,339
Net pension obligation beginning of fiscal year	<u>306,541</u>
Net pension obligation end of year	<u>\$333,880</u>

The following schedule contains trend information for fiscal years ending June 30, 2013, 2014 and 2015.

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Annual pension cost	\$ 83,157	\$ 80,898	\$ 103,642
Percentage of APC Contributed	115.89%	128.94%	73.62%
Net Pension Obligation	\$ 329,953	\$ 306,541	\$ 333,880

Additional information as of the latest actuarial valuation follows:

Valuation Date	12/31/2014	Actuarial Assumptions:	
Actuarial Cost Method	Projected Unit Credit	Investment Rate of Return	5.00%
Amortization Method	Level dollar closed	Projected Salary Increase	4.25%-7.85%
Remaining Amortization	16 Years	Includes Inflation at	3.00%
Asset Valuation Method	Market Value	Cost of Living Adj.	N/A

Required supplementary information including a Schedule of Funding Progress and Schedule of Employer Contributions is presented in the Required Supplementary Information section immediately following these notes. A separate report is not issued.

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

**1. 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

City of Lenoir, North Carolina  
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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, 140 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

**2. 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, City employees may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2015 were \$180,579 which consisted of \$105,288 from the City and \$75,291 from employees.

**d. ABC Board - Local Government Employees' Retirement System**

**1. Plan Description.** The City of Lenoir ABC Board contributes to the statewide Local Government Employees' Retirement System (LGERS), a cost sharing, multiple-employer, defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G. S. Chapter 128 assigns authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Government Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699.

**2. Funding Policy.** Plan members are required to contribute six percent of their annual covered salary. The ABC Board is required to contribute at an actuarially determined rate. The ABC Board's current rate for employees not engaged in law enforcement is 7.07% of annual covered payroll. The contribution requirements of members and the ABC Board are established and may be amended by the North Carolina General Assembly. The Board's contribution for the years ending June 30, 2013, 2014, and 2015 were \$26,743, \$28,085 and \$28,875 respectively. The contribution made or accrued by the ABC Board equaled the required contribution for the period.

**e. Deferred Compensation Plan -** The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by Public Employees Benefit Services Securities Corporation. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan assets are not reported in the City's financial statements.

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For the Year Ended June 30, 2015

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**f. Flexible Spending Plan** - The City offers its employees a flexible spending plan created in accordance with Internal Revenue Code Section 125. Employees are able to have deducted from their salaries, pre-tax, a specified amount to be used for eligible medical and dependent care expenses. The plan assets are held for the employees and are reported in the City's financial statements in the governmental funds.

**g. Post-retirement Health Care Benefits** - The City has adopted policies governing postretirement health care benefits for retirees. The subsidies vary depending upon the years of service of the retiree. The City pays 50 percent of the health care premium for employees who retire with 30 or more years of service with the retiree paying 50 percent. The City pays 25 percent of the health care premium for employees who retire with 20 to 29 years of service with the retiree paying 75 percent. Employees who retire with at least 15 years of service are allowed to remain on the City's health policy and pay 100 percent of the premium. Retirees are allowed to have coverage for dependents and pay 100 percent of that premium. Additionally, at age 65 the retiree has the option to purchase a Medicare supplement from the City's health care benefit provider at his expense with the City ceasing to subsidize the premium. The City's regular health care benefit provider underwrites the retiree's policies.

As of June 30, 2014, there were nineteen employees who had retired with 30 years of service who were receiving the 50 percent-premium-coverage benefit and three employees who had retired with sufficient years of service to receive the 25 percent-premium-coverage benefits. The City finances the plan on a pay-as-you-go basis and for the fiscal year ended June 30, 2014, the City recognized \$76,689 of expenditures for retiree health benefits or 0.86% of annual payroll. The current ARC rate is 1.97 of annual covered payroll.

Membership in the plan included the following at December 31, 2014, the date of the latest actuarial valuation:

	General Employees	Public Safety Officers
Retirees receiving benefits	6	13
Active plan members	<u>145</u>	<u>113</u>
Total	151	126

**1. Summary of Significant Accounting Policies** – Post-employment expenditures are made from the City's 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 become due.

**2. Annual OPEB Cost and Net OPEB Obligation** - The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer

City of Lenoir, North Carolina  
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(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	\$ 174,142
Interest on Net OPEB Obligation	17,931
Adjustment to Annual Required Contribution	(17,129)
	<hr/>
Annual OPEB Cost	174,944
Contributions Made	<u>(147,434)</u>
Increase in Net OPEB Obligation	27,510
Net OPEB Liability, July 1, 2014	<u>\$448,263</u>
Net OPEB Liability, June 30, 2015	<u>\$475,773</u>

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Liability
2015	\$174,944	84.3%	\$475,773
2014	\$106,751	70.0%	\$448,263
2013	\$82,143	87.3%	\$406,363
2012	\$111,670	74.8%	\$395,952
2011	\$209,836	40.76%	\$367,821
2010	\$79,417	125.16%	\$243,508
2009	\$164,091	55.63%	\$164,091

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 \$1,794,032. The covered payroll (annual payroll of active employees covered by the plan) was \$8,868,612. 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.

City of Lenoir, North Carolina  
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For the Year Ended June 30, 2015

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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.

**3. 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% 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 7.5 % to 5%. The UAAL is being amortized as a level dollar percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2014 was 30 years. Assumed inflation rate of 3.00% was also used.

The following schedule contains the required supplementary information including a Schedule of Funding Progress and Schedule of Employer Contributions. A separate report is not issued.

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	UAAL as a % of Covered Payroll (b-a:c)
12/31/2014	\$0	\$1,794,032	\$1,794,032	0%	\$8,868,612	20.2%
12/31/2011	\$0	\$1,126,070	\$1,126,070	0%	\$8,754,716	12.9%
12/31/2008	\$0	\$1,717,145	\$1,717,145	0%	\$8,514,138	20.25%

City of Lenoir, North Carolina  
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For the Year Ended June 30, 2015

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<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2015	\$174,944	84.3%
2014	\$106,337	70.0%
2013	\$81,890	87.6%
2012	\$111,670	74.8%
2011	\$209,836	40.76%
2010	\$79,417	125.16%
2009	\$164,091	55.63%

Notes to the Required Schedules:

The information presented in the required supplementary schedule for the year ended 2014 was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest 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	4.0%
Includes Inflation at	3.00%
Medical Cost Trend Rate	7.5%– 5.0%
Year of Ultimate Trend Rate	2020

The information presented for the years ending June 30, 2010, 2011, 2013 & 2014 was determined by using the alternative measurement method.

City of Lenoir, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2015

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**2. Other Employment Benefits** - The City provides death benefits to law enforcement officers through the Death Benefit Plan for members of LGERS. 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 \$20,000. All death benefit payments are made from the Death Benefit Plan. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The City considers these contributions to be immaterial.

**3. Payables** – Payables and accrued liabilities at June 30, 2015 were as follows at the government-wide level:

	<u>Vendors</u>	<u>Benefits</u>	<u>Total</u>
Governmental Activities:	<u>\$ 502,649</u>		<u>\$ 502,649</u>
Business-type activities:	<u>\$ 234,631</u>		<u>\$ 234,631</u>

**4. Deferred Outflows of Resources** – Deferred Outflows of Resources at year end is composed of the following:

Contributions to Pension Plan in the Current Fiscal Year	<u>\$ 471,427</u>
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**4a. Deferred Inflows of Resources** – Deferred inflows of resources at year-end is comprised of the following:

	<u>Individual Statements</u>	<u>Government Wide</u>
Taxes receivable (General Fund)	\$ 289,385	\$ -
Pension Deferrals		<u>2,557,732</u>
Total	<u>\$ 289,385</u>	<u>\$ 2,557,732</u>

**5. Risk Management** - The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability coverage of at least \$2 million per occurrence, property coverage up to the total insurance values, and worker's compensation coverage up to the statutory limits.

The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000, and \$300,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values. The City's health insurance provides unlimited lifetime coverage for in network and \$1 million for out of network. The City does not carry flood insurance.

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

In accordance with G.S. 159-29, the City's employees that have access top \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$100,000 each.

The Lenoir ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Board has property general liability; auto liability, workmen's compensation and employees' health coverage. The Board also has liquor legal liability coverage. There have been no significant reductions in coverage from the prior year and settled claims have not exceeded coverage in any of the past three years.

## **6. Long-Term Obligations**

### **a. Drinking Water Revolving Loan**

The City of Lenoir has received a loan to replace the Whitnel Pump Station. As of June 30, 2015 the loan balance was \$2,232,964 at an interest rate of 2.485% for a term of 20 years.

**b. Drinking Water Revolving Loan**

The City of Lenoir has received a loan for raw water intake improvements. As of June 30, 2015 the loan balance was \$3,104,807 at an interest rate of 2.22% for a term of 20 years.

**c. Clean Water Revolving Loans**

1. The City of Lenoir has received a loan for Powell Road improvements. As of June 30, 2015 the loan balance was \$201,293 at an interest rate of 0% for a term of 20 years.
2. The City of Lenoir has received a loan for Wastewater Treatment improvements. As of June 30, 2015 the loan balance was \$3,092,344 at an interest rate of 0% for a term of 20 years.

**d. Installment Purchase Contracts**

The City has entered into installment purchase contracts to finance the purchase of equipment and installation/purchase of utility lines. A summary of installment purchase contracts follows:

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DESCRIPTION	COST	DATE	TERM	RATE	PAYMENT AMOUNT AND FREQUENCY
Water & Sewer lines - Town of Hudson	\$ 1,206,484	11/12/2003	15 years	3.97%	\$67,465 semi-annual
Utility Line Extension - Phase I 2001 Annexation	\$ 3,237,053	6-27-02	15 years	1.72%	\$137,579 semi-annual
Utility Line Extension - Phase II 2001 Annexation	\$ 2,658,000	12/2/02	15 years	1.93%	\$113,927 semi-annual
Utility Line Extension - Phase III 2001 Annexation	\$ 1,550,000	6/19/03	15 years	1.93%	\$65,567 semi-annual
Rhodhiss Water Treatment Plant renovations and utility line construction	\$ 2,700,000	6/30/2005	15 years	2.31%	\$88,019 semi-annual
Whitnel Pump Station	\$2,977,285	11/1/2010	20 years	2.485%	\$219,009 semi-annual
Streetscape, Recreation, & Downtown Utility Line Projects	\$1,410,000 \$1,190,000	8/27/2013	8 years	2.49%	\$49,878 semi-annual
Capital Equipment	\$355,000	1/19/2012	4 years	1.90%	\$23,083 quarterly
Capital Equipment	\$487,000	5/4/2014	4 years	1.36%	\$31,325 quarterly
Capital Equipment	\$1,413,850	1/21/2015	4 years	1.44%	\$91,094 quarterly

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The following summarizes the annual requirements to amortize all long-term debt outstanding (excluding compensated absences and the liability for the separation allowance for law enforcement officers):

	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
<u>Installment Contracts</u>				
2016	600,144	33,847	869,707	58,497
2017	560,990	24,699	1,005,609	42,315
2018	536,446	15,780	498,651	22,610
2019	357,185	7,835	262,680	13,520
2020	85,860	3,741	268,954	7,247
2021-2025	85,860	1,603	98,323	1,840
Total	<u>2,226,485</u>	<u>87,505</u>	<u>3,003,924</u>	<u>146,029</u>
<u>Section 108 Loan</u>				
2016	114,000	2,901	-	-
Total	<u>114,000</u>	<u>2,901</u>	<u>-</u>	<u>-</u>
<u>Revolving Loans</u>				
2016	-	-	554,463	93,319
2017	-	-	554,463	124,305
2018	-	-	554,463	116,558
2019	-	-	554,463	108,812
2020	-	-	554,463	101,065
2021-2025	-	-	2,772,317	350,399
2026-2030	-	-	2,772,317	156,740
2031-2035	-	-	314,459	12,164
Total	<u>-</u>	<u>-</u>	<u>8,631,408</u>	<u>1,063,362</u>
Total Debt Due	<u>\$ 2,340,485</u>	<u>\$ 90,406</u>	<u>\$ 11,635,332</u>	<u>\$ 1,209,391</u>

City of Lenoir, North Carolina  
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The following is a summary of changes in long-term obligations for the year-ended June 30, 2015:

	Balance July 1, 2014	Additions	Payments	Balance June 30, 2015	Current Portion of Long-term Liabilities
Governmental activities:					
Installment purchase contracts	\$ 1,296,679	\$ 1,413,850	\$ (484,044)	\$ 2,226,485	\$ 600,144
Compensated absences	538,424	335,229	(342,040)	531,613	298,000
Section 108 Loan	222,000		(108,000)	114,000	114,000
Pension obligation	306,541	27,339		333,880	-
Post employment benefits	386,739	23,710		410,449	-
<b>Total governmental activities</b>	<b>\$ 2,750,383</b>	<b>\$ 1,800,128</b>	<b>\$ (934,084)</b>	<b>\$ 3,616,427</b>	<b>\$ 1,012,144</b>

	Balance July 1, 2014	Additions	Payments	Balance June 30, 2015	Current Portion of Long-term Liabilities
Business-type activities:					
Installment purchase contracts	\$ 4,515,789		\$ (1,511,865)	\$ 3,003,924	\$ 869,706
Revolving loan	5,669,271	3,293,637	(331,500)	8,631,408	554,463
Compensated absences	123,318	64,469	(61,176)	126,611	72,000
Post employment benefits	61,524	3,800		65,324	
<b>Total business-type activities</b>	<b>\$ 10,369,902</b>	<b>\$ 3,361,906</b>	<b>\$ (1,904,541)</b>	<b>\$ 11,827,267</b>	<b>\$ 1,496,169</b>

For the governmental activities compensated absences, pension obligation, and post-employment benefits are liquidated by the General Fund, and for the business-type activities compensated absences, pension obligations, and post-employment benefits are liquidated by the Water and Sewer Fund.

At June 30, 2015, the City of Lenoir had a legal debt margin of \$149,631,766.

City of Lenoir, North Carolina  
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For the Year Ended June 30, 2015

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**e. Interfund Activity**

1. Transfers in (out) for the year ended June 30, 2015 are summarized below:

	<u>Transfer In</u>			<u>Total</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Nonmajor Governmental</u>	
<u>Transfer Out</u>				
General Fund	\$ -	\$ 52,523	\$ 120,000	\$ 172,523
Total transfers out	<u>\$ -</u>	<u>\$ 52,523</u>	<u>\$ 120,000</u>	<u>\$ 172,523</u>

Transfers from the general fund to the special revenue fund and nonmajor governmental fund were matching funds used primarily to support the operations of the funds.

2. Interfund receivables and payables at June 30, 2015 are composed as follows:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$157,103	
Non-Major Governmental Funds		\$157,103

The outstanding balances between funds result mainly from working capital loans and are to be reimbursed in the subsequent year.

**f. Fund Balance**

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

<b><u>Total fund balance – General Fund</u></b>	<b><u>\$6,232,508</u></b>
Less:	
Stabilization by State Statute	1,464,034
Substance Control	45,055
Public Safety	<u>297,927</u>
Remaining Fund Balance	<u>\$4,425,492</u>

#### **IV. JOINT VENTURES**

The City, in conjunction with the City of Morganton, County of Caldwell, and County of Burke participates in a regional airport known as the Foothills Regional Airport Authority (Airport Authority). The Airport Authority was established by act of the North Carolina General Assembly, Session Law 2000-9, House Bill 1517, and ratified June 14, 2000. The Airport Authority is successor in interest to the former Morganton-Lenoir Airport Authority. Each participating entity appoints two members to the eight-member board. The Airport Authority is a joint venture established to facilitate economic expansion within the area and improve the quality of life for City citizens. The airport has been in existence since 1945. The City is not responsible for financing any deficits of the Airport Authority nor is it entitled to any surpluses. The City does not approve the budget of the Airport Authority. The City occasionally contributes to the Airport Authority but is not bound to do so. The City contributed \$25,546 to the Airport Authority during the year ended June 30, 2015.

The participating entities do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2015. Complete financial statements for the Airport Authority can be obtained from the airport's administrative offices at P. O. Box 3448, Morganton, NC 28680.

#### **V. JOINTLY GOVERNED ORGANIZATION**

The City, in conjunction with four counties and twelve other municipalities established the Western Piedmont Council of Governments (Council) in 1971. 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 approximately \$168,335 for membership fees and miscellaneous services to the Council during the year ended June 30, 2015.

#### **VI. RELATED ORGANIZATIONS**

The four-member board of the City of Lenoir Housing Authority (Housing Authority) is appointed by the mayor of the City of Lenoir. The City is accountable for the Housing Authority because it appoints the governing board; however, the City is not financially accountable for the Housing Authority. The City of Lenoir is also disclosed as a related organization in the notes to the financial statements for the Housing Authority.

#### **VII. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES AND COMMITMENTS**

**A. 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.

City of Lenoir, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2015

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Management believes that any required refunds will be immaterial. No provision has been made in the accompanying statements for the refund of grant money.

**VIII. Subsequent Events**

Subsequent events have been evaluated through September 12, 2015, which is the date the financial statements were available to be issued.

**IX. Change in Accounting Principles/Restatement:**

The City implemented Governmental Accounting Standards Board (GASB) statement 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27), in the fiscal year ending June 30, 2015. The implementation of the statement required the City to record beginning net pension liability and the effects on net position of contributions made by the City during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business activities decreased by \$980,845 and \$528,148 respectively.

## ***Required Supplementary Information***

***This section contains the following additional information required by generally accepted accounting principles: Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance, Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance, Schedule of Funding Progress and Employer Contributions for Other Post-Employment Benefits (OPEB), Net Pension Liability(Asset) for Local Government Employees' Retirement System(LGERS) and the City of Lenoir's Contributions LGERS.***

City of Lenoir, North Carolina

**Required Supplementary Information**  
**Law Enforcement Officers' Special Separation Allowance**  
 Schedule of Funding Progress and Employer Contributions  
 For the Year Ended June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) - Proj. Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Payroll for Year Ending on Val Date (c)	Percentage of Covered Payroll ((b-a)/c)
12/31/2014	\$ -	\$ 928,993	\$ 928,993	0.00%	\$ 2,069,498	44.89%
12/31/2013	\$ -	\$ 893,438	\$ 893,438	0.00%	\$ 1,981,423	45.09%
12/31/2012	\$ -	\$ 834,999	\$ 834,999	0.00%	\$ 1,892,355	44.12%
12/31/2011	\$ -	\$ 746,570	\$ 746,570	0.00%	\$ 2,039,207	36.61%
12/31/2010	\$ -	\$ 805,420	\$ 805,420	0.00%	\$ 2,151,296	37.44%
12/31/2009	\$ -	\$ 884,789	\$ 884,789	0.00%	\$ 1,993,571	44.38%
12/31/2008	\$ -	\$ 769,785	\$ 769,785	0.00%	\$ 1,998,704	38.51%
12/31/2007	\$ -	\$ 708,037	\$ 708,037	0.00%	\$ 1,955,275	36.21%
12/31/2006	\$ -	\$ 687,345	\$ 687,345	0.00%	\$ 1,917,798	35.84%
12/31/2005	\$ -	\$ 675,027	\$ 675,027	0.00%	\$ 1,930,693	34.96%

	Annual Required Contribution	Percentage Contributed
6/30/2015	\$ 114,210	66.81%
6/30/2014	\$ 91,282	114.27%
6/30/2013	\$ 96,372	110.32%
6/30/2012	\$ 89,673	84.08%
6/30/2011	\$ 90,295	108.88%
6/30/2010	\$ 75,825	148.28%
6/30/2009	\$ 70,725	158.28%
6/30/2008	\$ 68,204	129.58%
6/30/2007	\$ 69,292	105.64%
6/30/2006	\$ 71,731	89.70%

**Notes to the Required Schedules:**

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

Valuation Date	12/31/2014	Actuarial Assumptions:	
Actuarial Cost Method	Projected Unit Credit	Investment Rate of Return	5.00%
Amortization Method	Level unit closed	Projected Salary Increase	4.25% - 7.85%
Remaining Amortization Period	16 Years	Includes Inflation at	3.00%
Asset Valuation Method	Market Value	Cost of Living Adjustments	N/A

City of Lenoir, North Carolina

Other Post - Employment Benefits (OPEB)

Required Supplementary Information

Schedule of Funding Progress and Employer Contributions

For the Year Ended June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) - Proj. Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Payroll for Year Ending on Val Date (c)	Percentage of Covered Payroll ((b-a)/c)
12/31/2014	\$ -	\$ 1,794,032	\$ 1,794,032	0.00%	\$ 8,868,612	20.23%
12/31/2011	\$ -	\$ 1,126,070	\$ 1,126,070	0.00%	\$ 8,754,716	12.86%
12/31/2008	\$ -	\$ 1,717,145	\$ 1,717,145	0.00%	\$ 8,514,138	20.17%

Schedule of Employer Contributions

For the Year Ended June 30, 2015

	Annual Required Contribution	Percentage Contributed
6/30/2015	\$ 174,142	84.66%
6/30/2014	\$ 106,337 *	60.99%
6/30/2013	\$ 81,890 *	87.60%
6/30/2012	\$ 111,670	74.80%
6/30/2011	\$ 209,836 *	40.76%
6/30/2010	\$ 79,417 *	125.16%
6/30/2009	\$ 164,091	55.63%

Notes to the Required Schedules:

The information presented in the required supplementary schedule for the year ended 2011 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 Assumptions:	
Actuarial Cost Method	Projected Unit Credit	Investment Rate of Return	4.00%
Amortization Method	Level percent of Pay, Open	Includes Inflation at	3.00%
Remaining Amortization Period	30 Years	Medical Cost Trend Rate	7.5 - 5.0%
Asset Valuation Method	Market Value	Year of Ultimate Trend Rate	2020

\* - The information presented for the years ended June 30, 2010, 2011, 2013 and 2014 was determined by using the alternative measurement method.

City of Lenoir, North Carolina

City of Lenoir, Proportionate Share of  
Net Pension Liability (Asset)  
Required Supplementary Information  
Last Two Fiscal Years

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	<u>2015</u>	<u>2014</u>
City of Lenoir's proportion of the net pension Liability (asset) (%)	0.17121	0.17480
City of Lenoir's proportion of the net pension Liability (asset) (\$)	(1,009,704)	2,107,011
City of Lenoir's covered-employee payroll	\$ 6,384,202	\$ 6,139,950
City of Lenoir's proportion of the net pension Liability (asset) as a percentage of its covered-employee payroll	15.82%	34.32%
Plan fiduciary net position as a percentage of the total pension liability	102.64%	94.35%

City of Lenoir, North Carolina

City of Lenoir' Contributions

Required Supplementary Information  
Last Two Fiscal Years

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Local Government Employees' Retirement System

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 471,427	\$ 455,832
Contributions in relation to the contractually required contribution	<u>471,427</u>	<u>455,832</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City of Lenoir's covered-employee payroll	\$ 6,630,478	\$ 6,384,202
Contributions as a percentage of covered- employee payroll	7.11%	7.14%

## *General Fund*

*The General Fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.*

*This fund receives ad valorem tax revenue, local option sales taxes, federal- and state-shared revenues, licenses, permits, and fees. The major operating activities include general government, public safety, public works, parks and recreation, and other governmental service functions.*

**City of Lenoir, North Carolina**

**General Fund**

**Supplemental Balance Sheets**

**June 30, 2015**

(Schedule 1)

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	<u>2015</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 5,271,123
Taxes receivable (net)	289,385
Accounts receivable (net)	780,571
Other receivables	526,360
Due from other funds	157,103
Total assets	<u>\$ 7,024,542</u>
<b>Liabilities:</b>	
Accounts payable	<u>\$ 502,649</u>
<b>Deferred Inflow of Resources</b>	
Unavailable Property Taxes	289,385
Total deferred inflow of resources	<u>\$ 289,385</u>
<b>Fund balances:</b>	
Restricted	
Stabilization by State Statute	1,464,034
Substance Control	45,055
Public Safety	297,927
Assigned	
Land Development	363,889
Unassigned	
Unassigned	4,061,603
Total fund balances	<u>6,232,508</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,024,542</u>

City of Lenoir, North Carolina

General Fund

Supplemental Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual

For the Year Ended June 30, 2015

(Schedule 2, Page 1)

	2015		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
<b>REVENUES:</b>			
Ad valorem taxes			
Taxes - Net of discounts	\$ 7,798,790	\$ 7,874,075	\$ 75,285
Penalties and interest	80,100	96,712	16,612
Total	7,878,890	7,970,787	91,897
Other taxes and licenses:			
Local option sales tax	3,033,947	3,266,548	232,601
Privilege licenses	180,000	156,070	(23,930)
Motor vehicle tags	9,000	20	(8,980)
Gross receipts on rental vehicles	4,000	2,933	(1,067)
Total	3,226,947	3,425,571	198,624
Unrestricted intergovernmental revenues:			
Utilities Sales tax	2,370,000	2,243,650	(126,350)
Beer and wine tax	80,000	85,429	5,429
Total	2,450,000	2,329,079	(120,921)
Restricted intergovernmental revenues:			
State Street - Aid allocation	565,000	575,844	10,844
Grants		120,052	120,052
Substance Control	21,000	10,031	(10,969)
Total	586,000	705,927	119,927
Permits and fees:			
Public safety fees and charges	185,500	197,219	11,719
Public works fees	15,000	21,034	6,034
Planning department fees and charges	6,000	1,425	(4,575)
Total	206,500	219,678	13,178
Sales and services:			
Bulk container service and sales	2,000	4,680	2,680
Solid waste fees	625,000	628,144	3,144
Cemetery lots and marker sales	100,000	149,904	49,904
Recreation department fees- centers and parks	82,640	83,776	1,136
Recreation department fees- aquatic/fitness center	123,750	131,123	7,373
Concessions	7,000	11,511	4,511
Telephone collection fees	25,000	27,191	2,191
Fire line charges	230,000	219,383	(10,617)

City of Lenoir, North Carolina

General Fund

Supplemental Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
For the Year Ended June 30, 2015

(Schedule 2, Page 2)

	2015		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
<b>REVENUES (Continued)</b>			
<b>Sales and services (Continued)</b>			
Rentals	\$ 13,200	\$ 13,200	-
Vehicle maintenance contracts	400,000	315,249	(84,751)
Total	1,608,590	1,584,161	(24,429)
Interest on investments	21,000	2,936	(18,064)
<b>Miscellaneous:</b>			
Contributions		43,906	\$ 43,906
Other	165,500	235,042	69,542
Total	165,500	278,948	113,448
<b>Payment from Component Unit:</b>			
City of Lenoir ABC Board			
Law enforcement	7,500	2,057	(5,443)
Profit distribution	200,000	257,250	57,250
Total	207,500	259,307	51,807
Total revenues	16,350,927	16,776,394	425,467
<b>EXPENDITURES</b>			
<b>General Government:</b>			
<b>Administrative:</b>			
Salaries and wages	755,276	727,566	27,710
Personnel benefits	188,173	179,405	8,768
Professional services	82,500	113,916	(31,416)
Telephone and postage	23,600	16,631	6,969
Utilities	16,000	16,113	(113)
Travel and training	42,000	34,277	7,723
Maintenance - building and equipment	13,000	22,048	(9,048)
Advertising and printing	8,000	7,694	306
Tax collection fees	20,000	29,262	(9,262)
Supplies	62,500	96,476	(33,976)
Contracted services	184,500	179,999	4,501
Dues and subscriptions	45,000	42,044	2,956
Insurance and bonds	31,352	42,654	(11,302)
Contribution to Foothills Regional			
Airport	26,342	26,342	-
Economic development	75,000	81,217	(6,217)
Capital improvements and equipment	25,000	42,313	(17,313)
Other operating expenses	110,736	89,434	21,302
Reimbursement of administrative costs for Water Fund	(325,000)	(311,710)	(13,290)
Total Administrative	1,383,979	1,435,681	(51,702)
<b>Building Maintenance:</b>			
Salaries and wages	187,582	187,699	(117)
Personnel benefits	65,112	66,058	(946)
Telephone and postage	2,000	2,143	(143)
Travel and training	500	25	475
Maintenance - building and equipment	28,000	22,262	5,738
Supplies	5,000	5,015	(15)

City of Lenoir, North Carolina

General Fund

Supplemental Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
For the Year Ended June 30, 2015

(Schedule 2, Page 3)

	2015		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
<b>EXPENDITURES (Continued)</b>			
<b>General Government (Continued)</b>			
<b>Building Maintenance (Continued)</b>			
Uniforms	\$ 2,600	\$ 2,315	\$ 285
Contracted services	500	-	500
Insurance and bonds	7,500	7,297	203
Other operating expenses	2,500	5,556	(3,056)
Reimbursement of administrative costs for Water Fund	(12,000)	(13,971)	1,971
Total Building Maintenance	289,294	284,399	4,895
<b>Engineering:</b>			
Salaries and wages	115,709	115,711	(2)
Personnel benefits	32,932	33,810	(878)
Professional services	317,000	156,427	160,573
Telephone and postage	4,300	2,697	1,603
Utilities	19,700	21,550	(1,850)
Maintenance - building and equipment	9,500	28,676	(19,176)
Travel and training	1,500	5,675	(4,175)
Supplies	2,800	6,887	(4,087)
Uniforms	650	981	(331)
Contracted services	8,000	111,926	(103,926)
Dues and subscriptions	1,100	1,321	(221)
Insurance and bonds	15,100	14,430	670
Other operating expenses	1,800	1,317	483
Reimbursement of administrative costs for Water Fund	(44,000)	(39,651)	(4,349)
Total Engineering	486,091	461,757	24,334
<b>Cemetery:</b>			
Salaries and wages	27,693	28,270	(577)
Personnel benefits	10,326	10,598	(272)
Telephone and postage	2,000	1,062	938
Utilities	7,000	6,740	260
Maintenance - building and equipment	4,000	3,065	935
Supplies	6,000	4,487	1,513
Uniforms	400	-	400
Contracted services	10,000	6,468	3,532
Purchase for resale	50,000	49,748	252
Insurance and bonds	6,600	6,307	293
Other operating expenses	1,500	5,122	(3,622)
Total Cemetery	125,519	121,867	3,652
<b>Vehicle Services:</b>			
Salaries and wages	119,768	127,857	(8,089)
Personnel benefits	47,430	44,372	3,058

City of Lenoir, North Carolina

General Fund

Supplemental Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual

For the Year Ended June 30, 2015

(Schedule 2, Page 4)

	2015		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
EXPENDITURES (Continued)			
General Government (Continued)			
Vehicle Services (Continued)			
Telephone and postage	\$ 2,000	\$ 2,415	\$ (415)
Utilities	14,650	9,018	5,632
Maintenance - building and equipment	21,000	17,943	3,057
Travel and training	4,000	3,526	474
Departmental supplies	153,000	179,148	(26,148)
Uniforms	3,000	5,211	(2,211)
Contracted services	2,000	21,478	(19,478)
Capital improvements and equipment	1,413,850	1,417,261	(3,411)
Insurance and bonds	9,900	9,461	439
Other operating expenses	303,100	274,393	28,707
Reimbursement of administrative costs for Water Fund	(95,000)	(114,615)	19,615
Total Vehicle Services	1,998,698	1,997,468	1,230
Total General Government	4,283,581	4,301,172	(17,591)
Public Safety:			
Police:			
Salaries and wages	2,650,082	2,614,575	35,507
Personnel benefits	1,037,043	1,010,060	26,983
Professional services	4,000	2,900	1,100
Telephone and postage	60,000	59,513	487
Utilities	28,000	24,445	3,555
Travel and training	30,560	42,798	(12,238)
Maintenance - building and equipment	431,300	444,660	(13,360)
Supplies	59,860	82,963	(23,103)
Uniforms	95,000	103,827	(8,827)
Contracted services	167,770	157,864	9,906
Insurance and bonds	147,000	144,950	2,050
Substance Control	11,000		11,000
Police benefit	10,000	10,665	(665)
Capital improvements and equipment		34,207	(34,207)
D.A.R.E.	6,000	4,897	1,103
Explorer Post 246	2,000	845	1,155
Adopt-A-Cop	5,000	8,096	(3,096)
Other operating expenses	20,850	29,831	(8,981)
Total Police	4,765,465	4,777,096	(11,631)
Fire:			
Salaries and wages	2,089,708	2,054,303	35,405
Personnel benefits	706,364	688,783	17,581

City of Lenoir, North Carolina

General Fund

Supplemental Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
For the Year Ended June 30, 2015

(Schedule 2, Page 5)

	2015		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
EXPENDITURES (Continued)			
Public Safety (Continued)			
Fire (Continued)			
Professional services	\$ 1,000	\$ -	\$ 1,000
Telephone and postage	16,100	10,197	5,903
Utilities	37,692	37,683	9
Travel and training	16,000	17,317	(1,317)
Maintenance - building and equipment	103,000	83,734	19,266
Supplies	33,180	22,103	11,077
Uniforms	80,800	117,288	(36,488)
Contracted services	16,500	35,599	(19,099)
Dues and subscriptions	5,000	3,600	1,400
Insurance and bonds	91,650	89,896	1,754
Other operating expenses	15,000	41,677	(26,677)
Total Fire	<u>3,211,994</u>	<u>3,202,180</u>	<u>9,814</u>
Total Public Safety	<u>7,977,459</u>	<u>7,979,276</u>	<u>(1,817)</u>
Transportation:			
Streets:			
Salaries and wages	421,778	395,389	26,389
Personnel benefits	151,509	143,427	8,082
Professional services	10,000	6,597	3,403
Telephone and postage	3,000	3,923	(923)
Utilities	365,000	352,859	12,141
Travel and training	1,500	690	810
Maintenance - building and equipment	70,000	113,640	(43,640)
Street repairs and maintenance	566,508	592,685	(26,177)
Supplies	8,000	7,804	196
Street signs and pavement marking	59,000	61,605	(2,605)
Uniforms	6,650	4,161	2,489
Capital improvements and equipment		4,200	(4,200)
Insurance and bonds	34,559	36,029	(1,470)
Reimbursement of administrative costs for Water Fund	(45,000)	(18,916)	(26,084)
Other operating expenses	6,000	2,996	3,004
Total Transportation	<u>1,658,504</u>	<u>1,707,089</u>	<u>(48,585)</u>
Environmental Protection:			
Sanitation:			
Salaries and wages	375,390	318,429	56,961
Personnel benefits	123,324	119,662	3,662
Telephone and postage	10,000	10,821	(821)
Travel and training	1,500	119	1,381
Maintenance - building and equipment	187,000	219,033	(32,033)
Supplies	2,500	10,215	(7,715)
Advertising and printing	1,000	3,318	(2,318)
Insurance and bonds	28,000	29,217	(1,217)
Uniforms	5,000	5,482	(482)

City of Lenoir, North Carolina

General Fund

Supplemental Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
For the Year Ended June 30, 2015

(Schedule 2, Page 6)

	2015		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
EXPENDITURES (Continued)			
Environmental Protection (Continued)			
Sanitation (Continued)			
Purchases for resale	\$ 6,200	\$ 6,553	\$ (353)
Tipping fees	63,000	69,599	(6,599)
Recycling services	25,000	27,262	(2,262)
Other operating expenses	2,700	10,624	(7,924)
Total Environmental Protection	830,614	830,334	280
Economic and Physical Development:			
Downtown District:			
Salaries and wages	71,778	44,225	27,553
Personnel benefits	22,551	12,565	9,986
Professional services	2,000	111	1,889
Telephone and postage	2,400	2,359	41
Travel and training	2,000	8,580	(6,580)
Maintenance - equipment and streetscape	4,000	6,914	(2,914)
Advertising and printing	6,000	3,797	2,203
Departmental supplies	2,809	769	2,040
Contracted services	13,000	1,391	11,609
Events and promotions	5,000	13,085	(8,085)
Façade incentive grants	15,000	11,841	3,159
Dues and subscriptions	2,500	623	1,877
Other operating expenses	29,800	34,178	(4,378)
Total Downtown District	178,838	140,438	38,400
Planning:			
Salaries and wages	214,414	210,280	4,134
Personnel benefits	67,143	61,970	5,173
Professional services	4,000	975	3,025
Contracted services	5,500	9,477	(3,977)
Telephone and postage	4,500	4,004	496
Travel and training	4,500	4,772	(272)
Maintenance - equipment	5,300	1,187	4,113
Advertising and printing	4,000	1,697	2,303
Supplies	6,605	8,417	(1,812)
Dues and subscriptions	2,500	1,703	797
Insurance and bonds	13,700	13,570	130
Capital improvements and equipment	12,000	8,421	3,579
Building demolition	-	10,900	(10,900)
Other operating expenses	1,500	940	560
Reimbursement for administrative costs for Water Fund	(62,000)	(58,128)	(3,872)
Total Planning	283,662	280,185	3,477
Total Economic and Physical Development	462,500	420,623	41,877

City of Lenoir, North Carolina

General Fund

Supplemental Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
For the Year Ended June 30, 2015

(Schedule 2, Page 7)

	2015		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
<b>EXPENDITURES (Continued)</b>			
<b>Culture and Recreation:</b>			
Recreation Centers and Parks:			
Salaries and wages	\$ 411,669	\$ 416,287	\$ (4,618)
Personnel benefits	134,883	126,368	8,515
Professional services	1,000	2,965	(1,965)
Basketball league	9,500	8,070	1,430
Softball & baseball leagues	10,000	8,909	1,091
Miscellaneous leagues and programs	52,826	59,649	(6,823)
Harambee Festival	9,500	9,480	20
Telephone and postage	13,482	9,180	4,302
Utilities	87,000	88,926	(1,926)
Travel and training	7,800	6,548	1,252
Insurance and bonds	33,300	35,163	(1,863)
Capital improvements and equipment	90,000	59,571	30,429
Maintenance - building and equipment	74,000	93,748	(19,748)
Supplies	47,420	49,501	(2,081)
Dues and subscriptions	250	-	250
Advertising and printing	5,500	3,151	2,349
Uniforms	1,812	-	1,812
Contracted services	24,085	27,584	(3,499)
Concessions and purchases for resale	10,000	4,097	5,903
Other operating expenses	7,965	3,237	4,728
Total Recreation Centers and Parks	1,031,992	1,012,434	19,558
Aquatic and Fitness Center:			
Salaries and wages	271,149	266,468	4,681
Personnel benefits	76,735	66,991	9,744
Miscellaneous leagues and programs	500	-	500
Telephone and postage	4,050	2,503	1,547
Utilities	47,000	85,068	(38,068)
Travel and training	3,076	3,161	(85)
Maintenance - building and equipment	20,500	13,934	6,566
Supplies	41,026	35,060	5,966
Uniforms	1,238	367	871
Advertising and printing	6,342	676	5,666
Contracted services	12,825	10,563	2,262
Dues and Subscriptions	500	138	362
Concessions and purchases for resale	6,500	5,137	1,363
Insurance and bonds	7,800	7,454	346
Other operating expenses	2,012	553	1,459
Total Aquatic and Fitness Center	501,253	498,073	3,180
Landscaping:			
Salaries and wages	130,981	160,716	(29,735)
Personnel benefits	50,531	62,364	(11,833)
Telephone and postage	2,000	2,249	(249)
Utilities	4,000	3,169	831
Travel and training	2,000	-	2,000
Maintenance - building and equipment	67,000	30,460	36,540
Supplies	30,000	26,801	3,199

City of Lenoir, North Carolina

General Fund

Supplemental Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual

For the Year Ended June 30, 2015

(Schedule 2, Page 8)

	2015		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
EXPENDITURES (Continued)			
Culture and Recreation (Continued)			
Landscaping (Continued)			
Uniforms	\$ 3,000	\$ 2,646	\$ 354
Contracted services	-	2,660	(2,660)
Insurance and bonds	2,792	2,878	(86)
Other operating expenses	3,000	737	2,263
Total Landscaping	295,304	294,680	624
Total Culture and Recreation	1,828,549	1,805,187	23,362
Debt Service:			
Principal	538,984	484,044	54,940
Interest	33,586	28,322	5,264
Total Debt Service	572,570	512,366	60,204
Total Expenditures	17,613,777	17,556,047	57,730
REVENUES OVER/(UNDER) EXPENDITURES	(1,262,850)	(779,653)	483,197
OTHER FINANCING SOURCES (USES):			
Proceeds from sale of capital assets	25,000	22,065	(2,935)
Installment purchase issuance	1,413,850	1,413,850	-
Transfers out:			
To Special Revenue Fund	(56,000)	(52,523)	3,477
To Capital Projects Fund	(120,000)	(120,000)	-
Total other financing sources (uses)	1,262,850	1,263,392	542
REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$ -	483,739	\$ 483,739
FUND BALANCE:			
Beginning of year		5,748,769	
End of year		\$ 6,232,508	

## *Special Revenue Fund*

*The Special Revenue Fund accounts for specific revenues that are legally restricted to expenditure for particular purposes.*

*The only fund so specified by the City is the Grants Program Fund to account for grant revenues and related expenditures. Included are the following projects: Governor's Highway Safety Grant; PARTF Grant; CDBG Entitlement Programs, and Unifour HOME Consortium Programs.*

**City of Lenoir, North Carolina**

**Special Revenue Fund  
Supplemental Balance Sheets  
June 30, 2015  
(Schedule 3)**

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	<u>2015</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 217,937
Total assets	<u>\$ 217,937</u>
<b>Liabilities and fund balances</b>	
Liabilities:	
Accounts payable	68
Total liabilities	<u>68</u>
Fund balances:	
Unassigned	217,869
Total fund balances	<u>217,869</u>
Total liabilities and fund balances	<u>\$ 217,937</u>

City of Lenoir, North Carolina

**Special Revenue Fund**  
**Supplemental Schedule of Revenues and Expenditures Compared with**  
**Authorizations From Inception and for the Year Ended June 30, 2015**  
(Schedule 4, Page 1)

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
<b>GOVERNOR'S HIGHWAY SAFETY GRANT:</b>					
Revenues:					
Intergovernmental	10,000	31,257	84	31,341	21,341
Interest earned on investments	-	1	-	1	1
Total revenues	10,000	31,258	84	31,342	21,342
Expenditures:					
Departmental Supplies	3,000	5,636		5,636	(2,636)
Training	3,000	5,334	182	5,516	(2,516)
Capital equipment	4,000	20,487	-	20,487	(16,487)
Total expenditures	10,000	31,457	182	31,639	(21,639)
Expenditures (over) revenues	-	(199)	(98)	(297)	(297)
<b>FIT COMMUNITY GRANT:</b>					
Revenues:					
Intergovernmental	65,000	55,799	-	55,799	(9,201)
Expenditures:					
Dept Supplies	125,000	126,585	-	126,585	(1,585)
Total expenditures	125,000	126,585	-	126,585	(1,585)
Expenditures (over) revenues	(60,000)	(70,786)	-	(70,786)	(10,786)
<b>PARTF GRANT</b>					
Revenues:					
Intergovernmental	175,000	141,754	14,975	156,729	(18,271)
Expenditures:					
Dept Supplies	100,000	109,400	-	109,400	(9,400)
Contract Services	50,000	-	-	-	50,000
Capital Expenditures	200,000	172,076	-	172,076	27,924
Total expenditures	350,000	281,476	-	281,476	68,524
Expenditures (over) revenues	(175,000)	(139,722)	14,975	(124,747)	50,253

City of Lenoir, North Carolina

**Special Revenue Fund**  
**Supplemental Schedule of Revenues and Expenditures Compared with**  
**Authorizations From Inception and for the Year Ended June 30, 2015**  
(Schedule 4, Page 2)

	Project Authorization	Actual		Total To Date	Variance Positive (Negative)
		Prior Years	Current Year		
<b>2012 COMMUNITY DEVELOPMENT</b>					
<b>BLOCK GRANT:</b>					
Revenues:					
Intergovernmental	147,527	123,291	24,236	147,527	-
Expenditures:					
Debt principal	118,477	198,000	24,236	222,236	(103,759)
Debt interest	-	32,698		32,698	(32,698)
Administration	29,050	29,050		29,050	-
Total expenditures	147,527	259,748	24,236	283,984	(136,457)
Expenditures (over) revenues	-	(136,457)	-	(136,457)	(136,457)
<b>2013 COMMUNITY DEVELOPMENT</b>					
<b>BLOCK GRANT:</b>					
Revenues:					
Intergovernmental	155,258	31,052	92,305	123,357	(31,901)
Expenditures:					
Debt principal	124,206		83,765	83,765	40,441
Debt interest			8,540	8,540	(8,540)
Administration	31,052	31,052		31,052	-
Total expenditures	155,258	31,052	92,305	123,357	31,901
Expenditures (over) revenues	-	-	-	-	-
<b>2014 COMMUNITY DEVELOPMENT</b>					
<b>BLOCK GRANT:</b>					
Revenues:					
Intergovernmental	155,004		31,000	31,000	(124,004)
From ADDI					
Program income					
Expenditures:					
Debt principal	85,000			-	85,000
Public Facilities Improvements	39,004			-	39,004
Administration	31,000		31,000	31,000	-
Total expenditures	155,004	-	31,000	31,000	124,004
Expenditures (over) revenues	-	-	-	-	-

City of Lenoir, North Carolina

**Special Revenue Fund**  
**Supplemental Schedule of Revenues and Expenditures Compared with**  
**Authorizations From Inception and for the Year Ended June 30, 2015**  
(Schedule 4, Page 3)

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total To Date	
<b>2012 UNIFOUR HOME CONSORTIUM:</b>					
Revenues:					
Intergovernmental	824,401	527,326	284,661	811,987	(12,414)
Program income	150,000	207,353		207,353	57,353
Total revenue	974,401	734,679	284,661	1,019,340	44,939
Expenditures:					
Downpayment assistance	450,300	399,885		399,885	50,415
Program Income	150,000	184,883		184,883	(34,883)
CHDO	123,661	-	123,661	123,661	-
Administration	82,440	136,440		136,440	(54,000)
Multi-family housing	168,000	7,000	161,000	168,000	-
Total expenditures	974,401	728,208	284,661	1,012,869	(38,468)
Expenditures (over) revenues	-	6,471	-	6,471	6,471
<b>2013 UNIFOUR HOME CONSORTIUM:</b>					
Revenues:					
Intergovernmental	777,392	201,964	412,928	614,892	(162,500)
Program income	200,000	227,229		227,229	27,229
Total revenue	977,392	429,193	412,928	842,121	(135,271)
Expenditures:					
Downpayment assistance	312,175	124,695	160,978	285,673	26,502
Program Income	200,000	11,283	237,239	248,522	(48,522)
CHDO	155,478		123,478	123,478	32,000
Administration	77,739	77,767		77,767	(28)
Multi-family housing	232,000		39,000	39,000	193,000
Total expenditures	977,392	213,745	560,695	774,440	202,952
Expenditures (over) revenues	-	215,448	(147,767)	67,681	67,681

City of Lenoir, North Carolina

**Special Revenue Fund**  
**Supplemental Schedule of Revenues and Expenditures Compared with**  
**Authorizations From Inception and for the Year Ended June 30, 2015**  
(Schedule 4, Page 4)

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
<b>2014 UNIFOUR HOME CONSORTIUM:</b>					
Revenues:					
Intergovernmental	816,600		139,931	139,931	(676,669)
Program income	200,000		254,285	254,285	54,285
Total revenue	1,016,600	-	394,216	394,216	(622,384)
Expenditures:					
Downpayment assistance	312,450		144,508	144,508	167,942
Program Income	200,000		24,893	24,893	175,107
CHDO	122,490			-	122,490
Administration	81,660		81,660	81,660	-
Multi-family housing	300,000			-	300,000
Total expenditures	1,016,600	-	251,061	251,061	765,539
Expenditures (over) revenues	-	-	143,155	143,155	143,155
Expenditures (over) revenues - all grants	\$ (235,000)	\$ (125,245)	\$ 10,265	\$ (114,980)	\$ 120,020
Other financing sources:					
Transfers from General Fund	235,000	280,326	52,523	332,849	97,849
Expenditures (over) revenues - all grants	\$ -	\$ 155,081	62,788	\$ 217,869	\$ 217,869
FUND BALANCE:					
Beginning of year			155,081		
End of year			\$ 217,869		

## ***Nonmajor Governmental Funds***

***The Nonmajor Governmental Funds include the Capital Projects Fund and the Permanent Fund.***

**City of Lenoir, North Carolina**

**Combining Balance Sheet  
Nonmajor Governmental Funds**

June 30, 2015

(Schedule 5)

	<b>Capital Project Fund</b>	<b>Permanent Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets</b>			
Cash and cash equivalents-restricted	-	256,192	256,192
Other receivables		805	805
Total assets	<u>\$ -</u>	<u>\$ 256,997</u>	<u>\$ 256,997</u>
<b>Liabilities and fund balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 455	\$ -	\$ 455
Due to other funds	157,103	-	157,103
Total liabilities	<u>157,558</u>	<u>-</u>	<u>157,558</u>
<b>Fund balances:</b>			
Restricted Cementary Care	-	256,997	256,997
Unassigned	(157,558)	-	(157,558)
Total fund balances	<u>(157,558)</u>	<u>256,997</u>	<u>99,439</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 256,997</u>	<u>\$ 256,997</u>

City of Lenoir, North Carolina

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**

**Nonmajor Governmental Funds**

For the Year Ended June 30, 2015

(Schedule 6)

	<b>Capital Project Fund</b>	<b>Permanent Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>			
Restricted intergovernmental revenues	\$ 267,678	\$ -	\$ 267,678
Investment earnings	-	446	446
Miscellaneous	1,800	-	1,800
Total revenues	<u>269,478</u>	<u>446</u>	<u>269,924</u>
<b>Expenditures</b>			
Current:			
Capital projects	222,806	-	222,806
Total expenditures	<u>222,806</u>	<u>-</u>	<u>222,806</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>46,672</u>	<u>446</u>	<u>47,118</u>
<b>Other financing sources (uses)</b>			
From General Fund	120,000	-	120,000
Total other financing sources (uses)	<u>120,000</u>	<u>-</u>	<u>120,000</u>
<b>Net change in fund balances</b>	166,672	446	167,118
<b>Fund balance - beginning</b>	<u>(324,230)</u>	<u>256,551</u>	<u>(67,679)</u>
<b>Fund balance - ending</b>	<u>\$ (157,558)</u>	<u>\$ 256,997</u>	<u>\$ 99,439</u>

## ***General Capital Project Fund***

***The General Capital Project Fund accounts for financial resources to be used for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds. Projects are the Fairview Street Bridge, Downtown Streetscape and Greenway.***

City of Lenoir, North Carolina

Capital Project Fund

Supplemental Schedule of Revenues, Expenditures and Changes in Fund Balance

Compared with Authorizations from Inception and for the Year Ended June 30, 2015

(Schedule 7, Page 1)

	Project Authorization	Actual		Total To Date	Variance Positive (Negative)
		Prior Years	Current Year		
<b>STREETSCAPE PROJECT:</b>					
Revenues:					
NC municipal agreement	650,000	599,215	-	599,215	(50,785)
Contributions from Outside Agency	25,000	25,800	-	25,800	800
Interest earned on investments	-	71,822	-	71,822	71,822
Paver revenue	44,700	159,307	1,800	161,107	116,407
Total revenue	719,700	856,144	1,800	857,944	138,244
Expenditures:					
Engineering	81,850	134,556	-	134,556	(52,706)
Paving Harper Ave	400,000	350,210	-	350,210	49,790
Construction	1,484,650	1,227,453	-	1,227,453	257,197
Public Square	169,700	446,971	7,605	454,576	(284,876)
Contingency	45,500	-	-	-	45,500
Total expenditures	2,181,700	2,159,190	7,605	2,166,795	14,905
Expenditures (over) revenues	(1,462,000)	(1,303,046)	(5,805)	(1,308,851)	153,149
<b>GREENWAY PROJECT:</b>					
Revenues:					
NC DOT grant	181,235	183,035	-	183,035	1,800
Clean water trust fund grant	40,000	40,000	-	40,000	-
Contributions from Outside Agency	-	14,080	-	14,080	14,080
Interest earned on investments	-	2,164	-	2,164	2,164
Property contribution	189,400	189,400	-	189,400	-
Total revenue	410,635	428,679	-	428,679	18,044
Expenditures:					
Administrative	4,200	70,786	-	70,786	(66,586)
Property acquisition	632,492	229,885	-	229,885	402,607
Construction	544,486	873,979	16,599	890,578	(346,092)
Total expenditures	1,181,178	1,174,650	16,599	1,191,249	(10,071)
Expenditures (over) revenues	(770,543)	(745,971)	(16,599)	(762,570)	7,973

City of Lenoir, North Carolina

Capital Project Fund

Supplemental Schedule of Revenues, Expenditures and Changes in Fund Balance

Compared with Authorizations from Inception and for the Year Ended June 30, 2015

(Schedule 7, Page 2)

	Project Authorization	Actual		Total To Date	Variance Positive (Negative)
		Prior Years	Current Year		
<b>FAIRVIEW BRIDGE</b>					
Revenues:					
NC Highway Grant	720,000	314,787	267,678	582,465	(137,535)
Expenditures:					
Engineering	200,000	230,308	96,088	326,396	(126,396)
Construction	700,000	472,168	102,514	574,682	125,318
Total expenditures	900,000	702,476	198,602	901,078	(1,078)
Expenditures (over) revenues	(180,000)	(387,689)	69,076	(318,613)	(138,613)
Expenditures (over) under revenues - all projects	(2,412,543)	(2,436,706)	46,672	(2,390,034)	22,509
<b>OTHER FINANCING SOURCES(USES):</b>					
Financing issuances	1,604,500	1,094,550	-	1,094,550	(509,950)
Transfer from General Fund	808,043	716,700	120,000	836,700	28,657
Total other financing sources	2,412,543	1,811,250	120,000	1,931,250	(481,293)
Revenues and other financing sources over expenditures	\$ -	(625,456)	166,672	\$ (458,784)	\$ (458,784)
Fund balance beginning of year		301,226	(324,230)		
Fund balance end of year		\$ (324,230)	\$ (157,558)		

## *Permanent Fund*

*The Permanent Fund accounts for Perpetual Cemetery Care.*

City of Lenoir, North Carolina

Permanent Fund

Supplemental Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
For the Year Ended June 30, 2015

(Schedule 8)

	2015		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
Revenues:			
Interest earned on investments	446	446	-
Total revenues	446	446	-
Revenues over expenditures	446	446	-
Revenues and other sources under expenditures and other uses	446	446	-
Fund Balance:			
Beginning of year		256,551	
End of year		\$ 256,997	

## *Agency Fund*

*The Agency Fund accounts for payments received by the City of Lenoir and remitted to CheckFree Pay on behalf of Duke Energy and Flexcare payments.*

City of Lenoir, North Carolina

**Combining Statement of Changes in Fiduciary Assets and Liabilities**  
**Agency Funds**  
**For Fiscal Year Ended June 30, 2015**  
(Schedule 9)

	July 1, 2014	Additions	Deductions	June 30, 2015
<b>CheckFree Pay</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 18,681	\$ 13,862	\$ 16,228	\$ 16,315
Total assets	<u>\$ 18,681</u>	<u>\$ 13,862</u>	<u>\$ 16,228</u>	<u>\$ 16,315</u>
<b>Liabilities</b>				
Due to other funds	\$ 18,681	\$ 13,862	\$ 16,228	\$ 16,315
Total liabilities	<u>\$ 18,681</u>	<u>\$ 13,862</u>	<u>\$ 16,228</u>	<u>\$ 16,315</u>
<b>Flex Spending</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 6,979	\$ 60,621	\$ 65,649	\$ 1,951
Total assets	<u>\$ 6,979</u>	<u>\$ 60,621</u>	<u>\$ 65,649</u>	<u>\$ 1,951</u>
<b>Liabilities</b>				
Due to other funds	\$ 6,979	\$ 60,621	\$ 65,649	\$ 1,951
Total liabilities	<u>\$ 6,979</u>	<u>\$ 60,621</u>	<u>\$ 65,649</u>	<u>\$ 1,951</u>
<b>Total All Agency Funds</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 25,660	\$ 74,483	\$ 81,877	\$ 18,266
Total assets	<u>\$ 25,660</u>	<u>\$ 74,483</u>	<u>\$ 81,877</u>	<u>\$ 18,266</u>
<b>Liabilities</b>				
Due to other funds	\$ 25,660	\$ 74,483	\$ 81,877	\$ 18,266
Total liabilities	<u>\$ 25,660</u>	<u>\$ 74,483</u>	<u>\$ 81,877</u>	<u>\$ 18,266</u>

## *Enterprise Fund*

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

*The Water and Sewer Fund accounts for the City’s water filtration and distribution and wastewater collection and treatment operations.*

**City of Lenoir, North Carolina**  
**Enterprise Fund - Water and Sewer Fund**  
**Supplemental Balance Sheets**  
**June 30, 2015**  
(Schedule 10)

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	<u>2015</u>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 3,135,134
Accounts receivable (net)	518,598
Inventories	71,093
Restricted Cash and cash equivalents	92,640
Total current assets	<u>3,817,465</u>
Noncurrent assets	
Capital assets, net	46,308,137
Net Pension Assets	353,397
Total noncurrent assets	<u>46,661,534</u>
Total assets	<u>50,478,999</u>
<b>Deferred Outflows of Resources</b>	<u>165,000</u>
<b>Liabilities</b>	
Current liabilities	
Accounts payable	234,631
Installment purchase contracts - current	869,706
Revolving loan payable - current	554,463
Customer deposits payable from Restricted Assets	92,640
Compensated absences payable	72,000
Total current liabilities	<u>1,823,440</u>
Noncurrent liabilities	
Revolving loan payable	8,076,945
Installment purchase contracts payable	2,134,218
OPEB Liability	65,324
Compensated absences payable	54,611
Total noncurrent liabilities	<u>10,331,098</u>
Total liabilities	<u>12,154,538</u>
<b>Deferred Inflows of Resources</b>	<u>895,207</u>
<b>Net Position</b>	
Net investment in capital assets	34,672,805
Unrestricted Net Position	2,921,449
Total Net Position	<u>\$ 37,594,254</u>

**City of Lenoir, North Carolina**

**Enterprise Fund - Water and Sewer Fund**

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

For the Year Ended June 30, 2015

(Schedule 11, Part I)

	2015		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
REVENUES:			
Operating revenues:			
Water sales	\$ 5,197,759	\$ 4,968,946	\$ (228,813)
Wastewater treatment charges	2,665,190	2,697,950	32,760
Water and sewer taps	20,000	23,900	3,900
Late payment/reconnect fees	229,000	228,340	(660)
Miscellaneous	269,000	149,263	(119,737)
Total operating revenues	8,380,949	8,068,399	(312,550)
Nonoperating revenues:			
Interest on investments	1,200	1,099	(101)
<b>TOTAL REVENUES</b>	<b>\$8,382,149</b>	<b>\$8,069,498</b>	<b>(\$312,651)</b>

City of Lenoir, North Carolina

Enterprise Fund - Water and Sewer Fund

Supplemental Schedule of Expenditures - Budget and Actual (Non-GAAP)

For the Year Ended June 30, 2015

(Schedule 11, Part II, Page 1)

EXPENDITURES:	2015		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
Rhodhiss Water Treatment Plant:			
Salaries and wages	\$ 295,587	\$ 301,731	\$ (6,144)
Personnel benefits	108,260	112,689	(4,429)
Telephone and postage	2,700	3,914	(1,214)
Utilities	363,000	362,443	557
Travel and training	1,900	2,062	(162)
Maintenance:			
Building and grounds	10,000	6,232	3,768
Equipment	60,000	88,857	(28,857)
Motor equipment operation and mainten.	7,000	35,532	(28,532)
Departmental supplies	15,000	10,819	4,181
Uniforms	3,000	2,434	566
Contracted services	85,000	72,910	12,090
State testing	17,000	12,720	4,280
Chemicals	195,000	149,895	45,105
Insurance and bonds	22,842	21,828	1,014
Utility service fees	105,147	111,398	(6,251)
Miscellaneous	6,700	5,663	1,037
Total Rhodhiss Water Treatment Plant	1,298,136	1,301,127	(2,991)
Water Distribution:			
Salaries and wages	426,630	375,390	51,240
Personnel benefits	149,123	129,512	19,611
Professional services	55,000	979	54,021
Telephone and postage	38,000	55,752	(17,752)
Utilities	55,000	22,200	32,800
Travel and training	1,500	2,096	(596)
Maintenance:			
Equipment	7,000	12,795	(5,795)
Distribution system	49,000	47,037	1,963
Motor equipment operation and mainten.	52,000	49,017	2,983
Departmental supplies	95,000	252,633	(157,633)
Uniforms	4,000	2,281	1,719
Insurance and bonds	68,000	66,108	1,892
Contracted services	130,000	110,926	19,074
Service extensions	5,000	-	5,000
Subdivision reimbursement	-	5,052	(5,052)
Miscellaneous	12,500	8,595	3,905
Utility service fees	105,147	111,398	(6,251)
Economic development	20,000	9,694	10,306
Total Water Distribution	1,272,900	1,261,465	11,435
Water Resources			
Salaries and wages	268,762	267,280	1,482
Personnel benefits	83,091	83,122	(31)
Professional services	160,000	181,559	(21,559)

City of Lenoir, North Carolina

Enterprise Fund - Water and Sewer Fund

Supplemental Schedule of Expenditures - Budget and Actual (Non-GAAP)  
For the Year Ended June 30, 2015

(Schedule 11, Part II, Page 2)

EXPENDITURES (Continued)	2015		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
Water Resources (Continued)			
Travel and training	\$ 2,500	\$ 3,101	\$ (601)
Telephone and postage	3,500	3,456	44
Equipment maintenance	26,000	8,148	17,852
Motor equipment operation and mainten.	15,400	38,435	(23,035)
Departmental supplies	7,000	7,946	(946)
Uniforms	1,200	1,658	(458)
Contracted services	30,981	1,330	29,651
Insurance and bonds	950	908	42
Miscellaneous	15,850	15,179	671
Total Water Resources	615,234	612,122	3,112
Wastewater Collection			
Salaries and wages	135,266	169,265	(33,999)
Personnel benefits	50,719	57,346	(6,627)
Professional services	50,500	4,966	45,534
Telephone and postage	1,000	985	15
Utilities	19,500	36,488	(16,988)
Travel and training	1,500	593	907
Maintenance:			
Equipment	8,000	4,639	3,361
Sewage collection system	102,724	56,708	46,016
Motor equipment operation and mainten.	50,000	27,804	22,196
Departmental supplies	15,000	4,506	10,494
Uniforms	2,500	2,045	455
Contracted services	70,000	180,196	(110,196)
Subdivision reimbursement	35,000	732	34,268
Insurance and bonds	53,809	56,036	(2,227)
Miscellaneous	25,500	3,295	22,205
Service extensions	5,000	-	5,000
Utility service fees	105,147	111,398	(6,251)
Total Wastewater Collection	731,165	717,002	14,163
Lower Creek Wastewater Treatment Plant:			
Salaries and wages	300,283	339,870	(39,587)
Personnel benefits	109,902	119,969	(10,067)
Professional services	5,000	6,140	(1,140)
Telephone and postage	3,500	3,203	297
Utilities	295,000	339,312	(44,312)
Travel and training	2,000	575	1,425
Maintenance:			
Building and grounds	5,000	357	4,643
Equipment	60,000	61,489	(1,489)
Motor equipment operation and mainten.	15,000	52,614	(37,614)
Departmental supplies	20,000	42,863	(22,863)
Uniforms	1,500	2,624	(1,124)
Contracted services	207,500	92,506	114,994
Chemicals	180,000	74,760	105,240
Insurance and bonds	23,203	22,619	584
Miscellaneous	8,000	3,276	4,724
Utility service fees	105,147	111,398	(6,251)
Total Lower Creek Wastewater Treatment Plant	1,341,035	1,273,575	67,460

City of Lenoir, North Carolina

Enterprise Fund - Water and Sewer Fund

Supplemental Schedule of Expenditures - Budget and Actual (Non-GAAP)  
For the Year Ended June 30, 2015

(Schedule 11, Part II, Page 3)

EXPENDITURES (Continued)	2015		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
<b>Gunpowder Wastewater Treatment Plant:</b>			
Salaries and wages	\$ 50,167	\$ 50,170	\$ (3)
Personnel benefits	13,634	13,387	247
Telephone and postage	3,800	7,357	(3,557)
Utilities	153,000	149,198	3,802
Travel and training	500	-	500
Maintenance:			
Building and grounds	5,000	86	4,914
Equipment	12,000	54,485	(42,485)
Motor equipment operation and mainten.	13,000	53,738	(40,738)
Departmental supplies	10,000	12,499	(2,499)
Uniforms	1,600	1,948	(348)
Contracted services	53,000	10,594	42,406
Chemicals	60,000	68,688	(8,688)
Insurance and bonds	17,605	16,825	780
Miscellaneous	57,072	62	57,010
Utility service fees	105,147	111,398	(6,251)
<b>Total Gunpowder Wastewater Treatment Plant</b>	<b>555,525</b>	<b>550,435</b>	<b>5,090</b>
<b>Wastewater Pretreatment:</b>			
Salaries and wages	105,137	68,329	36,808
Personnel benefits	34,226	22,826	11,400
Travel and training	250	676	(426)
Equipment maintenance	1,000	-	1,000
Motor equipment operation and mainten.	2,000	1,522	478
Uniforms	450	685	(235)
Supplies	14,000	35,669	(21,669)
Contracted services	15,000	17,129	(2,129)
Miscellaneous	1,000	173	827
<b>Total Wastewater Pretreatment</b>	<b>173,063</b>	<b>147,009</b>	<b>26,054</b>
<b>Budgetary appropriations:</b>			
Interest paid	222,718	222,198	520
Debt principal	1,843,373	1,843,365	8
Capital outlay:			
Equipment	329,000	108,262	220,738
<b>Total budgetary appropriations</b>	<b>2,395,091</b>	<b>2,173,825</b>	<b>221,266</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 8,382,149</b>	<b>\$ 8,036,560</b>	<b>\$ 345,589</b>

**City of Lenoir, North Carolina**

**Enterprise Fund - Water and Sewer Fund**

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

For the Year Ended June 30, 2015

(Schedule 11, Part III)

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Reconciliation from budgetary basis (modified accrual) to full accrual basis:

	2015 Actual
Total revenues and other financing sources on Schedule 7, Part I, Water and Sewer	\$ 8,069,498
Total expenditures on Schedule 7, Part II, Water and Sewer	<u>8,036,560</u>
Revenues and other sources over (under) expenditures and other uses:	<u>32,938</u>
Reconciling items:	
Debt principal	1,843,365
(Increase) decrease in OPEB Liability	(3,800)
Pension Expense	(13,662)
Capital outlay	108,262
Interest earned Capital Projects	12
(Increase) decrease in accrued vacation pay	(3,293)
Depreciation expense	(1,195,022)
Contribution to LGERS	165,000
Grant Received Capital Projects	201,294
Total reconciling items	<u>1,102,156</u>
Change in Net Position (Exhibit G)	<u>\$ 1,135,094</u>

## ***Enterprise Capital Project Fund***

***The Enterprise Capital Project Fund accounts for financial resources to be used for the acquisition and construction of major water and sewer capital facilities. Projects are the Meadowood Sewer, Gunpowder Creek WWTP Improvements and Powell Road Greenway Sewer.***

**City of Lenoir, North Carolina**

**Water and Sewer Capital Projects Fund**

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

For the Year Ended June 30, 2015

(Schedule 12, Page 1)

	Project Authorization	Prior Years	Current Year	Total To Date	Variance Positive (Negative)
<b>MEADOWOOD SEWER</b>					
Revenues:					
Clean Water Trust Fund Grant	\$ 1,575,000			\$ -	\$ (1,575,000)
Expenditures:					
Engineering	144,000		15,573	15,573	128,427
Construction	1,398,525			-	1,398,525
Contingency	32,475			-	32,475
Closing Fee	31,500			-	31,500
Total expenditures	1,606,500	-	15,573	15,573	1,590,927
Expenditures (under) revenues	(31,500)	-	(15,573)	(15,573)	15,927
Other financing sources (uses):					
Transfer in Sewer Dept	31,500			-	(31,500)
Revenues and other financing sources over (under) expenditures and other financing uses	-	-	(15,573)	(15,573)	(15,573)
<b>Gunpowder Creek WWTP Improvements</b>					
Revenues:					
Clean Water Trust Fund Loan	\$ 3,850,000		\$ 3,092,344	3,092,344	\$ (757,656)
Interest Earned			12	12	12
Total revenues	3,850,000	-	3,092,356	3,092,356	(757,644)
Expenditures:					
Engineering	493,000	270,912	95,097	366,009	126,991
Construction	3,052,000		2,772,366	2,772,366	279,634
Contingency	305,000			-	305,000
Closing Fee	77,000		83,400	83,400	(6,400)
Total expenditures	3,927,000	270,912	2,950,863	3,221,775	705,225
Expenditures (under) revenues	(77,000)	(270,912)	141,493	(129,419)	(52,419)
Other financing sources (uses):					
Transfers from Water Fund	77,000			-	(77,000)
Total Other financing sources(uses):	77,000	-	-	-	(77,000)
Revenues and other financing sources over (under) expenditures and other financing uses	-	(270,912)	141,493	(129,419)	(129,419)

City of Lenoir, North Carolina

Water and Sewer Capital Projects Fund

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

For the Year Ended June 30, 2015

(Schedule 12, Page 2)

	Project Authorization	Prior Years	Current Year	Total To Date	Variance Positive (Negative)
<b>Powell Road Greenway Sewer:</b>					
<b>Revenues:</b>					
Clean Water Trust Fund Loan	\$ 289,250		\$ 201,293	201,293	(87,957)
Clean Water Trust Fund Grant	289,250		201,294	201,294	(87,956)
Total revenues	<u>578,500</u>	<u>-</u>	<u>402,587</u>	<u>402,587</u>	<u>(175,913)</u>
<b>Expenditures:</b>					
Engineering	66,060	25,260	52,611	77,871	(11,811)
Administration	11,570	33,199		33,199	(21,629)
Construction	488,040		421,472	421,472	66,568
Contingency	24,400			-	24,400
Total expenditures	<u>590,070</u>	<u>58,459</u>	<u>474,083</u>	<u>532,542</u>	<u>57,528</u>
Expenditures (under) revenues	(11,570)	(58,459)	(71,496)	(129,955)	(118,385)
<b>Other financing sources (uses):</b>					
Transfer from Water Fund	<u>11,570</u>			<u>-</u>	<u>(11,570)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (58,459)</u>	<u>\$ (71,496)</u>	<u>\$ (129,955)</u>	<u>\$ (129,955)</u>
Total Water and Sewer Capital Project Fund	<u>\$ -</u>	<u>\$ (329,371)</u>	<u>\$ 54,424</u>	<u>\$ (274,947)</u>	<u>\$ (274,947)</u>

## *Additional Financial Data*

*This section contains the following additional financial data: Schedule of Cash and Investment Balances, Schedule of Ad Valorem Taxes Receivable, and Analysis of Current Tax Levy.*

City of Lenoir, North Carolina

Schedule of Cash and Investment Balances

June 30, 2015

(Schedule 13)

	<u>Cost Value</u>	<u>Fair Value</u>
Cash and Investments in the form of:		
Cash:		
On hand	\$ 1,985	\$ 1,985
In demand deposits	825,313	825,313
In certificates of deposit	2,536,365	2,536,365
Total Cash	<u>3,363,663</u>	<u>3,363,663</u>
Investments - North Carolina Capital Management Trust	2,598,910	2,598,910
Term Trust	3,010,453	\$ 3,010,453
Total Investments	<u>5,609,363</u>	<u>5,609,363</u>
Total Cash and Investments	<u>\$ 8,973,026</u>	<u>\$ 8,973,026</u>
Distribution by Funds:		
Governmental Fund types	\$ 5,745,252	\$ 5,745,252
Enterprise Fund	3,227,774	3,227,774
Total	<u>\$ 8,973,026</u>	<u>\$ 8,973,026</u>

City of Lenoir, North Carolina

Schedule of Ad Valorem Taxes Receivable

June 30, 2015

(Schedule 14)

Fiscal Year	Uncollected Balance 7/1/2014	Additions	Collections and Credits	Uncollected Balance 6/30/2015
2014-2015	\$ -	\$ 8,014,444	\$ 7,693,343	\$ 321,101
2013-2014	430,346		113,493	316,853
2012-2013	272,879		49,867	223,012
2011-2012	225,430		33,565	191,865
2010-2011	246,414		37,802	208,612
2009-2010	47,367		18,578	28,789
2008-2009	108,692		10,961	97,731
2007-2008	97,517		8,207	89,310
2006-2007	70,740		6,480	64,260
2005-2006	66,897		1,447	65,450
2004-2005	32,498		32,498	-
<b>Total</b>	<b>\$ 1,598,780</b>	<b>\$ 8,014,444</b>	<b>\$ 8,006,241</b>	<b>1,606,983</b>
Less allowance for uncollectible ad valorem taxes receivable:				
Ad valorem and vehicle			\$ 1,291,277	
Downtown Service District			26,321	1,317,598
Ad valorem taxes receivable - net				<u>\$ 289,385</u>
Reconciliation with revenues:				
Ad valorem taxes (Schedule 2)				\$ 7,970,787
Discounts allowed				96,746
Prior year releases				4,482
Amounts written off per statute of limitations				30,938
Subtotal				<u>8,102,953</u>
Less penalties and interest collected				<u>96,712</u>
Total collections and credits				<u>\$ 8,006,241</u>

City of Lenoir, North Carolina

Analysis of Current Tax Levy  
 June 30, 2015  
 (Schedule 15)

	Total Property Valuation	Rate	Amount of Levy	Total Levy	
				Property Excluding Vehicles	Motor Vehicles
Original levy:					
Ad Valorem	\$ 1,924,373,793	\$ 0.58	\$ 11,161,368	\$ 11,161,368	
Downtown Service District	11,842,800	0.25	29,607	29,607	
Motor Vehicles:					
General	108,890,690	0.58	631,566		\$ 631,566
Discoveries			296,987	296,987	
Releases			(4,105,084)	(4,105,039)	(45)
Total for year	<u>2,045,107,283</u>		8,014,444	7,382,923	631,521
Less uncollected tax at June 30, 2015 (schedule 14)			321,101	320,995	106
Current year's taxes collected			<u>\$ 7,693,343</u>	<u>\$ 7,061,928</u>	<u>\$ 631,415</u>
Percent current year collected			95.99%	95.65%	99.98%

*Capital Assets Used in the Operation of  
Governmental Funds*

City of Lenoir, North Carolina

Capital Assets Used in the Operation of Governmental Funds  
 Schedule by Function and Activity  
 June 30, 2015  
 (Schedule 16)

Function and Activity	Land	Buildings and Improvements	Machinery and Equipment	Infrastructure	Construction in Progress	Total
General government:						
Administrative	\$ 842,376	\$ 885,701	\$ 782,667	\$ 759,098	\$ -	\$ 3,269,842
Vehicle services	-	-	293,824	-	-	293,824
Building maintenance	-	-	126,634	-	-	126,634
Public works administration	137,051	477,074	278,059	-	-	892,184
Cemeteries	105,673	150,164	79,864	-	-	335,701
Total general government	1,085,100	1,512,939	1,561,048	759,098	-	4,918,185
Public Safety:						
Police	170,165	1,606,695	4,046,321	-	-	5,823,181
Fire	207,202	692,229	3,090,447	-	-	3,989,878
Total public safety	377,367	2,298,924	7,136,768	-	-	9,813,059
Transportation:						
Streets	55,277	3,973,098	2,278,651	42,085,910	905,216	49,298,152
Environmental protection:						
Sanitation	9,500	19,969	1,421,241	-	-	1,450,710
Economic & physical development:						
Planning & Main Street	-	12,233	91,351	-	-	103,584
Recreation and culture:						
Recreation	1,507,206	6,670,860	814,547	1,069,840	29,630	10,092,082
Landscaping	10	396,104	280,949	-	-	677,063
Total recreation & culture	1,507,216	7,066,964	1,095,496	1,069,840	29,630	10,769,145
Total governmental funds capital assets	\$ 3,034,460	\$ 14,884,127	\$ 13,584,554	\$ 43,914,848	\$ 934,846	\$ 76,352,836

## ***Statistical Section***

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

### **Contents**

#### ***Financial Trends***

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

#### ***Revenue Capacity***

*These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.*

#### ***Debt Capacity***

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

#### ***Demographic and Economic Information***

*These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.*

#### ***Operating Information***

*These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.*

***Sources:*** *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.*

**Table 1**  
**City of Lenoir, North Carolina**  
**Net Position by Component,**  
**Last Ten Fiscal Years**  
 (accrual basis of accounting)  
 (unaudited)

	Fiscal Year				
	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
<b>Governmental activities</b>					
Net investment in capital assets	\$ 22,394,419	\$ 22,797,645	\$ 22,986,647	\$ 24,252,972	\$ 23,881,197
Restricted	793,977	887,159	1,102,646	752,328	319,048
Unrestricted	3,820,178	6,041,293	6,416,440	5,440,565	5,996,460
<b>Total governmental activities net position</b>	<b>\$ 27,008,574</b>	<b>\$ 29,726,097</b>	<b>\$ 30,505,733</b>	<b>\$ 30,445,865</b>	<b>\$ 30,196,705</b>
<b>Business-type activities</b>					
Net investment in capital assets	\$ 22,490,872	\$ 23,447,459	\$ 24,623,994	\$ 26,673,159	\$ 28,630,531
Unrestricted	\$ 4,430,821	\$ 5,984,846	\$ 6,086,897	\$ 4,853,315	\$ 3,208,275
<b>Total business-type activities net position</b>	<b>\$ 26,921,693</b>	<b>\$ 29,432,305</b>	<b>\$ 30,710,891</b>	<b>\$ 31,526,474</b>	<b>\$ 31,838,806</b>
<b>Primary government</b>					
Net investment in capital assets	\$ 44,885,291	\$ 46,245,104	\$ 47,610,641	\$ 50,926,131	\$ 52,511,728
Restricted	793,977	887,159	1,102,646	752,328	319,048
Unrestricted	8,250,999	12,026,139	12,503,337	10,293,880	9,204,735
<b>Total primary government net position</b>	<b>\$ 53,930,267</b>	<b>\$ 59,158,402</b>	<b>\$ 61,216,624</b>	<b>\$ 61,972,339</b>	<b>\$ 62,035,511</b>
	Fiscal Year				
	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
<b>Governmental activities</b>					
Net investment in capital assets	\$ 24,687,510	\$ 24,742,318	\$ 23,908,648	\$ 23,511,733	\$ 23,067,714
Restricted	2,068,699	1,628,404	2,090,733	2,033,820	2,064,013
Unrestricted	3,495,229	2,749,865	2,589,418	2,847,028	2,799,456
<b>Total governmental activities net position</b>	<b>\$ 30,251,438</b>	<b>\$ 29,120,587</b>	<b>\$ 28,588,799</b>	<b>\$ 28,392,581</b>	<b>\$ 27,931,183</b>
<b>Business-type activities</b>					
Net investment in capital assets	\$ 30,152,606	\$ 31,523,163	\$ 32,458,799	\$ 33,769,317	\$ 34,672,805
Unrestricted	\$ 3,602,725	\$ 3,311,422	\$ 3,272,193	\$ 3,217,991	\$ 2,921,449
<b>Total business-type activities net position</b>	<b>\$ 33,755,331</b>	<b>\$ 34,834,585</b>	<b>\$ 35,730,992</b>	<b>\$ 36,987,308</b>	<b>\$ 37,594,254</b>
<b>Primary government</b>					
Net investment in capital assets	\$ 54,840,116	\$ 56,265,481	\$ 56,367,447	\$ 57,281,050	\$ 57,740,519
Restricted	2,068,699	1,628,404	2,090,733	2,033,820	2,064,013
Unrestricted	6,329,412	6,061,287	5,861,811	6,065,019	5,720,905
<b>Total primary government net position</b>	<b>\$ 63,238,227</b>	<b>\$ 63,955,172</b>	<b>\$ 64,319,791</b>	<b>\$ 65,379,889</b>	<b>\$ 65,525,437</b>

**Table 2, (Page 1)**  
**City of Lenoir, North Carolina**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
(accrual basis of accounting)  
(unaudited)

	<b>Fiscal Year</b>				
	<b>2005-2006</b>	<b>2006-2007</b>	<b>2007-2008</b>	<b>2008-2009</b>	<b>2009-2010</b>
<b>Expenses</b>					
<b>Governmental activities:</b>					
General government	\$ 2,287,280	\$ 2,532,093	\$ 2,842,285	\$ 3,147,449	\$ 2,688,903
Public safety	7,367,978	7,571,235	7,782,866	8,462,402	8,474,676
Transportation	1,987,133	1,877,492	1,964,505	2,278,315	2,128,596
Environmental protection	709,224	615,014	745,097	754,872	772,091
Economic and physical development	2,232,939	1,580,054	1,920,170	1,453,317	1,955,860
Culture and recreation	1,850,517	1,836,837	1,809,285	2,234,821	2,025,347
Interest and fees	96,311	203,560	186,902	158,792	124,370
<b>Total governmental activities expenses</b>	<b>16,331,382</b>	<b>16,216,285</b>	<b>17,251,110</b>	<b>18,489,968</b>	<b>18,169,843</b>
<b>Business-type activities:</b>					
Water and sewer	6,180,758	6,742,217	6,740,901	6,790,236	7,012,770
<b>Total primary government expenses</b>	<b>\$ 22,512,140</b>	<b>\$ 22,958,502</b>	<b>\$ 23,992,011</b>	<b>\$ 25,280,204</b>	<b>\$ 25,182,613</b>
<b>Program Revenues</b>					
<b>Governmental activities:</b>					
<b>Charges for services:</b>					
General government	\$ 919,369	\$ 300,365	\$ 273,237	\$ 498,629	\$ 664,933
Public safety	177,690	323,431	339,085	151,214	196,711
Transportation	32,916	355,179	466,496	-	19,926
Environmental protection	452,279	454,131	515,359	525,142	562,743
Economic and physical development	5,625	-	276,584	210,111	238,413
Culture and recreation	152,553	207,022	151,973	225,302	253,693
Operating grants and contributions	2,956,330	3,787,830	2,258,081	1,831,041	2,227,212
Capital grants and contributions	391,751	802,339	394,448	800,431	752,229
<b>Total governmental activities program revenues</b>	<b>5,088,513</b>	<b>6,230,297</b>	<b>4,675,263</b>	<b>4,241,870</b>	<b>4,915,860</b>
<b>Business-type activities:</b>					
<b>Charges for services:</b>					
Water and sewer	7,011,120	7,803,997	7,474,691	7,472,724	7,220,490
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	1,580,890	1,153,392	12,979	-	-
<b>Total business-type activities program revenues</b>	<b>8,592,010</b>	<b>8,957,389</b>	<b>7,487,670</b>	<b>7,472,724</b>	<b>7,220,490</b>
<b>Total primary government program revenues</b>	<b>\$ 13,680,523</b>	<b>\$ 15,187,686</b>	<b>\$ 12,162,933</b>	<b>\$ 11,714,594</b>	<b>\$ 12,136,350</b>
<b>Net (Expense)/Revenue</b>					
Governmental activities	\$ (11,242,869)	\$ (9,985,988)	\$ (12,575,847)	\$ (14,248,098)	\$ (13,253,983)
Business-type activities	2,411,252	2,215,172	746,769	682,488	207,720
<b>Total primary government net expense</b>	<b>\$ (8,831,617)</b>	<b>\$ (7,770,816)</b>	<b>\$ (11,829,078)</b>	<b>\$ (13,565,610)</b>	<b>\$ (13,046,263)</b>

Table 2, (Page 2)

## City of Lenoir

## Changes in Net Position

## Last Ten Fiscal Years

(accrual basis of accounting)

(unaudited)

	Fiscal Year				
	2005-2006	2006-2007	2006-2007	2008-2009	2009-2010
<b>General Revenues and Other Changes in Net Position</b>					
<b>Governmental activities:</b>					
Ad valorem taxes	\$ 7,051,605	\$ 6,995,180	\$ 6,995,180	\$ 8,076,972	\$ 7,206,622
Other taxes and licenses	2,992,602	3,249,329	3,249,329	3,717,692	3,470,522
Unrestricted intergovernmental	1,165,617	1,244,682	1,244,682	1,517,749	1,464,036
Miscellaneous	837,805	765,656	765,656	435,693	598,575
Gain (loss) on sale of fixed assets	51,084	-	-	25,862	29,815
Transfers	-	-	-	-	-
Payment from ABC Board	207,863	164,229	164,229	292,227	216,980
Interest earned on investments	146,230	284,435	284,435	122,035	18,273
<b>Total governmental activities</b>	<b>12,452,806</b>	<b>12,703,511</b>	<b>12,703,511</b>	<b>14,188,230</b>	<b>13,004,823</b>
<b>Business-type activities:</b>					
Miscellaneous	274,373	37,690	37,690	55,100	94,946
Gain (loss) on sale of fixed assets	-	-	-	-	-
Transfers	-	-	-	-	-
Interest earned on investments	172,082	257,750	257,750	77,995	9,666
<b>Total business-type activities</b>	<b>446,455</b>	<b>295,440</b>	<b>295,440</b>	<b>133,095</b>	<b>104,612</b>
<b>Total primary government</b>	<b>\$ 12,899,261</b>	<b>\$ 12,998,951</b>	<b>\$ 12,998,951</b>	<b>\$ 14,321,325</b>	<b>\$ 13,109,435</b>
<b>Changes in Net Position</b>					
Governmental activities	\$ 1,209,937	\$ 2,717,523	\$ 127,664	\$ (59,868)	\$ (249,160)
Business-type activities	2,857,707	2,510,612	1,042,209	815,583	312,332
<b>Total primary government</b>	<b>\$ 4,067,644</b>	<b>\$ 5,228,135</b>	<b>\$ 1,169,873</b>	<b>\$ 755,715</b>	<b>\$ 63,172</b>

Table 2, (Page 3)  
City of Lenoir, North Carolina  
Changes in Net Position  
Last Ten Fiscal Years  
(accrual basis of accounting)  
(unaudited)

	Fiscal Year				
	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
<b>Expenses</b>					
Governmental activities:					
General government	\$ 2,521,169	\$ 3,195,538	\$ 3,046,921	\$ 3,179,927	\$ 4,322,095
Public safety	8,609,721	8,215,430	8,207,917	8,048,078	7,800,350
Transportation	2,131,705	2,097,876	2,347,838	2,261,096	2,160,348
Environmental protection	829,299	703,246	855,159	842,366	947,928
Economic and physical development	1,683,790	2,197,798	1,355,971	1,282,460	741,650
Culture and recreation	2,051,873	2,196,855	2,007,287	2,040,197	1,807,111
Interest and fees	106,965	90,971	65,475	47,645	36,863
Total governmental activities expenses	<u>17,934,522</u>	<u>18,697,714</u>	<u>17,886,568</u>	<u>17,701,769</u>	<u>17,816,345</u>
Business-type activities:					
Water and sewer	6,748,649	7,049,311	6,961,985	7,112,339	7,135,710
Total primary government expenses	<u>\$ 24,683,171</u>	<u>\$ 25,747,025</u>	<u>\$ 24,848,553</u>	<u>\$ 24,814,108</u>	<u>\$ 24,952,055</u>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
General government	\$ 777,946	\$ 1,059,899	\$ 410,011	\$ 516,150	\$ 342,440
Public safety	194,263	180,689	411,362	383,282	416,602
Transportation	21,151	29,707	19,484	9,772	34,234
Environmental protection	556,164	629,383	630,546	626,488	632,824
Economic and physical development	106,171	4,851	2,300	3,100	1,425
Culture and recreation	216,991	212,195	263,552	214,129	376,314
Operating grants and contributions	2,006,622	2,871,333	1,685,037	1,702,475	1,960,332
Capital grants and contributions	868,037	202,102	365,146	225,658	267,678
Total governmental activities program revenues	<u>4,747,345</u>	<u>5,190,159</u>	<u>3,787,438</u>	<u>3,681,054</u>	<u>4,031,849</u>
Business-type activities:					
Charges for services:					
Water and sewer	7,241,793	7,575,832	7,777,598	7,947,875	7,919,136
Operating grants and contributions	1,374,704	-	-	-	-
Capital grants and contributions	-	500,000	-	-	201,294
Total business-type activities program revenues	<u>8,616,497</u>	<u>8,075,832</u>	<u>7,777,598</u>	<u>7,947,875</u>	<u>8,120,430</u>
Total primary government program revenues	<u>\$ 13,363,842</u>	<u>\$ 13,265,991</u>	<u>\$ 11,565,036</u>	<u>\$ 11,628,929</u>	<u>\$ 12,152,279</u>
<b>Net (Expense)/Revenue</b>					
Governmental activities	\$ (13,187,177)	\$ (13,507,555)	\$ (14,099,130)	\$ (14,020,715)	\$ (13,784,496)
Business-type activities	1,867,848	1,026,521	815,613	835,536	984,720
Total primary government net expense	<u>\$ (11,319,329)</u>	<u>\$ (12,481,034)</u>	<u>\$ (13,283,517)</u>	<u>\$ (13,185,179)</u>	<u>\$ (12,799,776)</u>

Table 2, (Page 4)  
City of Lenoir  
Changes in Net Position  
Last Ten Fiscal Years  
(accrual basis of accounting)  
(unaudited)

	Fiscal Year				
	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
<b>General Revenues and Other Changes in Net Position</b>					
Governmental activities:					
Ad valorem taxes	\$ 7,370,866	\$ 6,824,494	\$ 7,514,078	\$ 7,544,703	\$ 7,983,791
Other taxes and licenses	3,762,006	3,840,310	3,902,194	3,516,230	3,425,571
Unrestricted intergovernmental	1,524,091	1,539,309	1,743,940	2,046,411	2,329,079
Miscellaneous	229,488	86,751	260,959	469,942	280,748
Gain (loss) on sale of fixed assets		16,794	(74,023)	20,993	22,065
Payment from ABC Board	207,532	219,868	213,630	223,333	259,307
Interest earned on investments	10,351	7,163	6,564	2,885	3,382
<b>Total governmental activities</b>	<b>13,104,334</b>	<b>12,534,689</b>	<b>13,567,342</b>	<b>13,824,497</b>	<b>14,303,943</b>
Business-type activities:					
Miscellaneous	44,429	49,674	78,318	419,534	149,263
Interest earned on investments	4,248	3,059	2,476	1,246	1,111
<b>Total business-type activities</b>	<b>48,677</b>	<b>52,733</b>	<b>80,794</b>	<b>420,780</b>	<b>150,374</b>
<b>Total primary government</b>	<b>\$ 13,153,011</b>	<b>\$ 12,587,422</b>	<b>\$ 13,648,136</b>	<b>\$ 14,245,277</b>	<b>\$ 14,454,317</b>
<b>Changes in Net Position</b>					
Governmental activities	\$ (82,843)	\$ (972,866)	\$ (531,788)	\$ (196,218)	\$ 519,447
Business-type activities	1,916,525	1,079,254	896,407	1,256,316	1,135,094
<b>Total primary government</b>	<b>\$ 1,833,682</b>	<b>\$ 106,388</b>	<b>\$ 364,619</b>	<b>\$ 1,060,098</b>	<b>\$ 1,654,541</b>

**Table 3**  
**City of Lenoir, North Carolina**  
**Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)  
(unaudited)

	Fiscal Year				
	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
<b>General Fund</b>					
NonSpendable					
Restricted	\$ 2,120,509	\$ 3,414,011	3,525,760	2,498,565	2,116,002
Assigned					
Unassigned	2,285,977	3,188,151	3,319,100	3,653,831	3,760,253
<b>Total general fund</b>	<b>\$ 4,406,486</b>	<b>\$ 6,602,162</b>	<b>\$ 6,844,860</b>	<b>\$ 6,152,396</b>	<b>\$ 5,876,255</b>
<b>All Other Governmental Funds</b>					
NonSpendable	\$ 779,053	\$ 230,543	\$ 240,783	\$ 248,177	\$ 251,441
Restricted	491,232	695,086	952,521	520,420	187,512
Unassigned					
<b>Total all other governmental funds</b>	<b>\$ 1,270,285</b>	<b>\$ 925,629</b>	<b>\$ 1,193,304</b>	<b>\$ 768,597</b>	<b>\$ 438,953</b>

	Fiscal Year				
	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
<b>General Fund</b>					
NonSpendable	\$ 29,608	\$ 34,643	\$ 6,827		
Restricted	2,012,151	1,762,940	1,827,592	1,777,269	1,807,016
Assigned	610,557	555,964	468,178	396,760	363,889
Unassigned	2,898,417	3,028,662	3,211,745	3,574,740	4,081,603
<b>Total general fund</b>	<b>\$ 5,548,733</b>	<b>\$ 5,382,209</b>	<b>\$ 5,514,342</b>	<b>\$ 5,748,769</b>	<b>\$ 6,232,508</b>
<b>All Other Governmental Funds</b>					
NonSpendable	\$ 253,553	\$ 255,181	\$ 258,314	\$ 258,551	\$ 256,997
Restricted					
Unassigned	(238,358)	(316,786)	(228,544)	(169,149)	60,311
<b>Total all other governmental funds</b>	<b>\$ 15,195</b>	<b>\$ (61,605)</b>	<b>\$ 27,770</b>	<b>\$ 87,402</b>	<b>\$ 317,308</b>

Table 4, (Page 1)  
City of Lenoir, North Carolina  
Changes in Fund Balances, Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)  
(unaudited)

	Fiscal Year				
	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
<b>Revenues</b>					
Ad valorem taxes	\$ 7,054,808	\$ 7,021,088	\$ 7,058,906	\$ 8,127,462	\$ 7,274,284
Other taxes and licenses	2,992,602	3,249,329	3,964,985	3,717,692	3,470,522
Unrestricted intergovernmental revenues	1,165,817	1,244,682	1,424,792	1,517,749	1,464,036
Restricted intergovernmental revenues	3,253,485	3,090,169	2,974,919	2,877,185	1,110,953
Permits and fees	138,040	138,612	142,632	183,048	117,900
Sales and services	1,509,588	1,501,516	1,603,518	1,422,771	1,481,369
Investment earnings	146,230	284,435	288,351	122,034	14,578
Miscellaneous	1,027,205	2,265,656	339,070	194,559	542,745
Payment from ABC Board	207,863	164,229	152,732	292,227	216,980
<b>Total revenues</b>	<b>17,493,438</b>	<b>18,959,716</b>	<b>17,949,905</b>	<b>18,454,728</b>	<b>15,683,367</b>
<b>Expenditures</b>					
General government	2,171,212	3,648,956	2,957,706	3,984,092	2,485,008
Public safety	7,080,079	7,288,312	7,446,694	7,945,639	7,823,997
Transportation	1,176,854	1,062,932	1,232,217	1,479,813	1,359,189
Environmental protection	653,224	568,268	702,619	925,713	679,803
Economic and physical development	2,355,938	1,590,722	2,038,156	1,505,039	526,443
Cultural and recreation	1,507,834	1,675,889	1,660,371	2,138,932	1,794,162
Capital outlay	3,275,177	930,585	529,984	1,154,897	315,225
Debt service:					
Interest	98,281	203,560	146,795	158,793	106,730
Principal	717,440	837,537	1,068,530	931,228	851,467
<b>Total expenditures</b>	<b>19,036,039</b>	<b>17,806,761</b>	<b>17,781,072</b>	<b>20,224,745</b>	<b>15,942,024</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(1,542,601)</b>	<b>1,152,955</b>	<b>168,833</b>	<b>(1,770,017)</b>	<b>(248,657)</b>
<b>Other Financing Sources (Uses)</b>					
Proceeds from installment purchase	2,454,000	1,189,297	305,000	621,653	
Proceeds from disposal of capital assets	51,084		38,540	31,193	32,516
Transfers In	173,725	285,946	300,000		
Transfers out	(173,725)	(285,946)	(300,000)		(60,000)
<b>Total other financing sources (uses)</b>	<b>2,505,084</b>	<b>1,189,297</b>	<b>341,540</b>	<b>652,846</b>	<b>(27,484)</b>
<b>Net change in fund balances</b>	<b>\$ 962,483</b>	<b>\$ 2,342,252</b>	<b>\$ 510,373</b>	<b>\$ (1,117,171)</b>	<b>\$ (276,141)</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>5.18%</b>	<b>6.17%</b>	<b>7.03%</b>	<b>5.72%</b>	<b>6.13%</b>

Table 4, ( Page 2)  
City of Lenoir, North Carolina  
Changes in Fund Balances, Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)  
(unaudited)

	Fiscal Year				
	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
<b>Revenues</b>					
Ad valorem taxes	\$ 7,245,878	\$ 7,020,833	\$ 7,455,803	\$ 7,593,573	\$ 7,970,787
Other taxes and licenses	3,762,066	3,840,310	3,902,194	3,516,230	3,425,571
Unrestricted intergovernmental revenues	1,524,091	1,539,309	1,743,940	2,046,411	2,328,079
Restricted intergovernmental revenues	938,984	3,224,873	2,050,183	2,079,522	2,228,010
Permits and fees	199,682	198,548	200,737	191,572	219,678
Sales and services	1,551,101	1,669,626	1,536,518	1,561,348	1,584,161
Investment earnings	8,798	7,163	6,564	2,885	3,382
Miscellaneous	219,547	86,751	260,959	318,553	280,748
Payment from ABC Board	207,532	219,868	213,630	223,333	259,307
<b>Total revenues</b>	<b>15,657,619</b>	<b>17,805,281</b>	<b>17,370,528</b>	<b>17,533,427</b>	<b>18,300,723</b>
<b>Expenditures</b>					
General government	2,303,427	3,001,812	2,950,137	3,613,421	4,301,172
Public safety	7,981,579	7,802,219	7,859,864	7,582,589	7,979,458
Transportation	1,418,860	1,364,885	1,733,257	1,634,821	1,707,089
Environmental protection	748,417	775,384	785,039	731,850	830,334
Economic and physical development	580,395	2,187,637	1,365,763	1,280,943	1,548,040
Cultural and recreation	1,805,049	2,023,630	1,887,295	1,856,223	1,805,187
Capital Projects	656,659	265,098	10,561	507,125	222,806
Debt service:					
Interest	78,943	90,971	65,475	47,645	36,862
Principal	778,766	908,763	625,924	493,910	592,045
<b>Total expenditures</b>	<b>16,352,095</b>	<b>18,420,399</b>	<b>17,283,315</b>	<b>17,748,527</b>	<b>19,022,993</b>
Excess of revenues over (under) expenditures	(694,476)	(615,118)	87,213	(215,100)	(722,270)
<b>Other Financing Sources (Uses)</b>					
Proceeds from installment purchase	526,000	355,000		487,000	1,413,850
Proceeds from disposal of capital assets		16,794	134,295	22,169	22,065
Transfers in					
Transfers out	(138,637)				
<b>Total other financing sources (uses)</b>	<b>387,363</b>	<b>371,794</b>	<b>134,295</b>	<b>509,169</b>	<b>1,435,915</b>
<b>Net change in fund balances</b>	<b>\$ (307,113)</b>	<b>\$ (243,324)</b>	<b>\$ 221,508</b>	<b>\$ 294,059</b>	<b>\$ 713,645</b>
Debt service as a percentage of noncapital expenditures	13.10%	4.19%	2.81%	6.91%	9.71%

**Table 5**  
**City of Lenoir, North Carolina**  
**Assessed Value of Taxable Property**  
**Last Ten Fiscal Years**  
(unaudited)

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Public Service Companies</b>	<b>Less: Tax-Exempt Property</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>
2014-2015	\$ 1,233,668,756	\$ 718,193,985	\$ 51,204,570	\$ 27,488,880	\$ 1,975,578,431	\$ 0.580
2013-2014 *	\$ 1,130,125,353	\$ 498,978,974	\$ 50,029,243	\$ 27,462,677	\$ 1,651,670,893	\$ 0.560
2012-2013	\$ 1,292,901,589	\$ 327,303,390	\$ 53,176,053	\$ 199,850,139	\$ 1,473,530,893	\$ 0.560
2011-2012	\$ 1,255,742,776	\$ 264,497,419	\$ 46,472,323	\$ 182,117,594	\$ 1,384,594,924	\$ 0.540
2010-2011	\$ 1,278,228,976	\$ 241,451,644	\$ 47,030,270	\$ 182,808,563	\$ 1,383,902,327	\$ 0.540
2009-2010	\$ 1,295,925,277	\$ 178,707,495	\$ 47,677,991	\$ 179,894,259	\$ 1,294,738,526	\$ 0.540
2008-2009	\$ 1,278,292,193	\$ 342,060,097	\$ 52,755,382	\$ 180,616,306	\$ 1,439,735,997	\$ 0.540
2007-2008	\$ 1,035,914,424	\$ 240,938,577	\$ 48,887,415	\$ 16,267,165	\$ 1,260,585,849	\$ 0.540
2006-2007	\$ 1,018,965,821	\$ 230,768,919	\$ 45,431,078	\$ 16,267,165	\$ 1,233,467,588	\$ 0.540
2005-2006 *	\$ 995,405,224	\$ 259,007,632	\$ 40,670,706	\$ 15,925,498	\$ 1,238,487,371	\$ 0.540

Notes: Real and personal property assessed by Caldwell County.

\* Quadrennial reappraisal of real and personal property.

Public service companies values certified by State of North Carolina.

Property assessed at 100% of value.

**Table 6**  
**City of Lenoir, North Carolina**  
**Direct and Overlapping Property Tax Rates**  
**Last Ten Fiscal Years**  
(rate per \$100 of assessed value)  
(unaudited)

Fiscal Year	City Direct Rates		Overlapping Rates			Total Direct & Overlapping Rate
	City of Lenoir Basic Rate	Downtown Service District	Caldwell County Basic Rate	Rescue Squad		
2014-2015	\$ 0.5800	\$ 0.2500	\$ 0.6000	\$ 0.0085	\$	1.1885
2013-2014	\$ 0.5800	\$ 0.2500	\$ 0.6000	\$ 0.0085	\$	1.1885
2012-2013	\$ 0.5600	\$ 0.2500	\$ 0.6299	\$ 0.0085	\$	1.1984
2011-2012	\$ 0.5400	\$ 0.2500	\$ 0.6599	\$ 0.0085	\$	1.2084
2010-2011	\$ 0.5400	\$ 0.2500	\$ 0.6599	\$ 0.0085	\$	1.2084
2009-2010	\$ 0.5400	\$ 0.2500	\$ 0.6599	\$ 0.0085	\$	1.2084
2008-2009	\$ 0.5400	\$ 0.2500	\$ 0.6599	\$ 0.0085	\$	1.2084
2007-2008	\$ 0.5400	\$ 0.2500	\$ 0.6599	\$ 0.0085	\$	1.2084
2006-2007	\$ 0.5400	\$ 0.2500	\$ 0.5399	\$ 0.0085	\$	1.0884
2005-2006	\$ 0.5400	\$ 0.2500	\$ 0.5399	\$ 0.0085	\$	1.0884

Source: Caldwell County Tax Assessor

Notes: The tax rates are set by the governing bodies of the City of Lenoir and Caldwell County during their annual budget processes and are effective as of July 1 for the preceding January 1 valuation.  
All property owners within the Downtown Service District pay their direct tax rate in addition to the basic City of Lenoir rate.  
All City of Lenoir property owners pay the Caldwell County basic and Rescue Squad rates.

Table 7  
City of Lenoir, North Carolina  
Principal Property Taxpayers  
Current Year and Ten Years Ago  
(unaudited)

Taxpayers	2004				2014			
	Taxable Assessed Value	Rank	Total City Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Total City Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Broyhill/Heritage Home Group	\$ 74,676,997	1	\$ 1,139,732,910	6.55%	\$ 16,936,379	5	\$ 1,975,578,431	0.86%
Bernhardt Furniture Company	33,528,537	2		2.94%	19,311,647	3		0.98%
Kincaid Furniture Company, Inc.	20,405,506	3		1.79%	14,360,376	7		0.73%
Yale/Nacco Materials Handling Corp.	13,235,240	4		1.56%				
Duke Energies	13,506,937	5			24,470,745	2		1.24%
BellSouth	11,972,292	6		1.05%				
Thomasville Furniture Industries	11,545,102	7		1.01%				
Neptco, Inc.	11,777,254	8		1.03%				
Meridian Automotive	10,513,187	9		0.92%	15,589,959	6		0.79%
Lowe' Home Improvement	8,990,632	10		0.79%				
Google/Tapaha					754,989,369	1		38.22%
Wal-Mart					17,613,934	4		0.89%
Blue Ridge Electric					14,587,750	6		0.74%
Vantage foods (MDI)					14,252,983	8		0.72%
Greer Labs					14,078,514	9		0.71%
Sealed Air					13,436,541	10		0.68%
<b>Total</b>	<b>\$ 210,151,684</b>		<b>\$ 1,139,732,910</b>	<b>17.65%</b>	<b>\$ 919,628,197</b>		<b>\$ 1,975,578,431</b>	<b>46.55%</b>

Source: Caldwell County Tax Assessor

**Table 8**  
**City of Lenoir, North Carolina**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**  
(unaudited)

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2015	\$ 8,014,444	\$ 7,693,343	95.99%		\$ 7,693,343	95.99%
2014	\$ 7,797,546	\$ 7,367,200	94.48%	\$ 113,493	\$ 7,480,693	95.94%
2013	\$ 7,614,484	\$ 7,176,790	94.25%	\$ 214,682	\$ 7,391,472	97.07%
2012	\$ 7,249,166	\$ 6,764,851	93.32%	\$ 292,450	\$ 7,057,301	97.35%
2011	\$ 7,274,696	\$ 6,782,376	93.23%	\$ 283,708	\$ 7,066,084	97.13%
2010	\$ 7,414,997	\$ 6,982,155	94.16%	\$ 404,053	\$ 7,386,208	99.61%
2009	\$ 8,360,977	\$ 7,938,577	94.95%	\$ 324,669	\$ 8,263,246	98.83%
2008	\$ 7,256,869	\$ 6,833,707	94.17%	\$ 333,852	\$ 7,167,559	98.77%
2007	\$ 7,142,878	\$ 6,823,643	95.53%	\$ 254,975	\$ 7,078,618	99.10%
2006	\$ 7,112,171	\$ 6,819,748	95.89%	\$ 226,973	\$ 7,046,721	99.08%

**Table 9**  
**City of Lenoir, North Carolina**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
(unaudited)

Fiscal Year Ended June 30	Governmental Activities			Business-type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Installment Purchase Contracts	Section 108 Loan	Revolving Loan	Installment Purchase Contracts				
2015	\$ -	\$ 2,226,485	\$ 114,000	\$ 8,631,408	\$ 3,003,924	\$ 13,975,817	*	\$ 783	
2014	\$ -	\$ 1,296,679	\$ 222,000	\$ 5,669,271	\$ 4,515,789	\$ 11,703,739	0.25%	\$ 653	
2013	\$ -	\$ 1,201,586	\$ 324,000	\$ 6,243,763	\$ 6,060,089	\$ 13,829,438	0.20%	\$ 763	
2012	\$ -	\$ 1,731,513	\$ 420,000	\$ 6,818,254	\$ 7,541,918	\$ 16,511,685	0.17%	\$ 911	
2011	\$ -	\$ 2,193,276	\$ 512,000	\$ 3,557,397	\$ 8,972,267	\$ 15,234,940	0.18%	\$ 834	
2010	\$ -	\$ 2,446,042	\$ 598,000	\$ 3,949,253	\$ 10,367,183	\$ 17,360,478	0.16%	\$ 911	
2009	\$ -	\$ 3,297,509	\$ 680,000	\$ 1,214,959	\$ 11,785,145	\$ 16,977,613	0.17%	\$ 896	
2008	\$ -	\$ 3,530,084	\$ 757,000	\$ 1,457,951	\$ 13,196,821	\$ 18,941,856	0.14%	\$ 999	
2007	\$ -	\$ 4,291,535	\$ 831,000	\$ 1,700,943	\$ 14,544,131	\$ 21,367,609	0.13%	\$ 1,150	
2006	\$ -	\$ 3,870,775	\$ 900,000	\$ 1,943,935	\$ 15,888,695	\$ 22,603,405	0.12%	\$ 1,223	

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.  
See Table 13 for personal income and population data.

\* denotes not available

**Table 10**  
**City of Lenoir, North Carolina**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**  
(unaudited)

<b>Fiscal Year Ended June 30</b>	<b>General Obligation Bonds</b>	<b>Percentage of Actual Taxable Value of Property</b>	<b>Per Capita</b>
2015	\$ -	0.00%	\$ -
2014	\$ -	0.00%	\$ -
2013	\$ -	0.00%	\$ -
2012	\$ -	0.00%	\$ -
2011	\$ -	0.00%	\$ -
2010	\$ -	0.00%	\$ -
2009	\$ -	0.00%	\$ -
2008	\$ -	0.00%	\$ -
2007	\$ -	0.00%	\$ -
2006	\$ -	0.00%	\$ -

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.  
See Table 13 for personal income and population data.

**Table 11**  
**City of Lenoir, North Carolina**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2015**  
(unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
<b>Debt repaid with property taxes</b>			
Caldwell County General Obligation Bonds	\$ 835,000	27.63%	\$ 230,711
<b>Other debt</b>			
Caldwell County equity purchase contracts	43,771,174	27.63%	<u>12,093,975</u>
Subtotal, overlapping debt			12,324,686
<b>Lenoir direct debt</b>			2,340,485
<b>Total direct and overlapping debt</b>			<u><u>\$ 14,665,171</u></u>

**Sources:** Assessed value data used to estimate applicable percentages provided by the Caldwell County assessor. Debt outstanding provided by each governmental unit.

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

For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable property values. Applicable percentages were estimated by determining the portion of another government unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value. This approach was also used for Caldwell County's other debt.

**Table 12**  
**City of Lenoir, North Carolina**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**  
(unaudited)

Calculation of legal debt margin as of June 30, 2015:

Assessed valuation - January 1, 2014	\$ 2,045,107,283	
Debt Limit - 8% of assessed value		\$ 163,608,583
Gross long-term debt	\$ 13,976,817	
Less statutory deductions		
Bonds applicable to water system	<u>                    -</u>	<u>13,976,817</u>
Legal debt margin		<u><u>\$ 149,631,766</u></u>

	Fiscal Year				
	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Debt limit	\$ 102,141,496	\$ 102,277,255	\$ 104,757,860	\$ 119,399,309	\$ 114,986,842
Total net debt applicable to limit	<u>22,603,405</u>	<u>21,387,609</u>	<u>18,968,321</u>	<u>19,543,613</u>	<u>17,360,478</u>
Legal debt margin	<u>\$ 79,538,091</u>	<u>\$ 80,889,646</u>	<u>\$ 85,791,539</u>	<u>\$ 99,855,696</u>	<u>\$ 97,626,364</u>
Total net debt applicable to the limit as a percentage of debt limit	22.13%	20.91%	18.10%	16.37%	15.10%

	Fiscal Year				
	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Debt limit	\$ 115,475,983	\$ 118,214,283	\$ 126,641,794	\$ 144,008,225	\$ 163,608,583
Total net debt applicable to limit	<u>18,879,854</u>	<u>16,502,686</u>	<u>13,829,441</u>	<u>11,703,739</u>	<u>13,976,817</u>
Legal debt margin	<u>\$ 96,596,129</u>	<u>\$ 101,711,597</u>	<u>\$ 112,812,353</u>	<u>\$ 132,304,486</u>	<u>\$ 149,631,766</u>
Total net debt applicable to the limit as a percentage of debt limit	16.35%	13.96%	10.92%	8.13%	8.54%

Note: Under N. C. Statutes the City's outstanding debt should not exceed 8% of total assessed property value less statutory deductions.

**Table 13**  
**City of Lenoir, North Carolina**  
**Demographic and Economic Statistics**  
**Last Ten Calendar Years**  
(unaudited)

<b>Calendar Year</b>	<b>Population</b>	<b>Personal Income (In Millions)</b>	<b>Per Capita Personal Income</b>	<b>Unemployment Rate</b>
2014	17,842	*	*	7.2%
2013	17,912	\$ 2,379	\$ 29,012	7.5%
2012	18,123	\$ 2,304	\$ 28,121	12.9%
2011	18,123	\$ 2,240	\$ 27,261	13.5%
2010	18,261	\$ 2,238	\$ 26,958	12.4%
2009	19,064	\$ 2,235	\$ 27,969	13.4%
2008	18,952	\$ 2,246	\$ 28,127	10.7%
2007	18,954	\$ 2,162	\$ 27,240	7.4%
2006	18,588	\$ 2,177	\$ 27,520	7.8%
2005	18,479	\$ 2,086	\$ 26,480	7.8%

Sources: Per capita personal income and personal income are for Caldwell County and is provided by the U.S. Bureau of Economic Analysis.  
Population is for the City of Lenoir and provided by the U.S. Census. Unemployment rate is for the City of Lenoir and provided by the N.C. Employment Security Commission

\* indicates not available

**Table 14**  
**City of Lenoir, North Carolina**  
**Principal Employers**  
**Current Year and Ten Years Ago**  
(unaudited)

Employer	2014		2004	
	Range of Employees	Rank	Range of Employees	Rank
Caldwell County Schools	1,000+	1		
Merchants Distributors	1,000+	2		
Bernhardt Furniture Co., Inc.	1,000+	3	1,000+	2
Caldwell Memorial Hospital	500-999	4	500-999	4
Broyhill Furniture/Hertiage Home Group	500-999	5	1,000+	1
Caldwell Community College and Tech Institute	500-999	6		
Caldwell County	500-999	7	500-999	
Wal-Mart Associates, Inc.	500-999	8		5
Fairfield Chair Co.	250-499	9	250-499	10
Greer Laboratories	250-499	10		
Skill Creations	250-499	11		
City of Lenoir	250-499	12		
Rpm Wood Finishes Group	250-499	13		
Foothills Temporary Employment	100-249	14		
Avery Dennison	100-249	15		
Bemis Manufacturing	100-249	16		
Fairvalue Store	100-249	17		
NC Dept of Public Safety	100-249	18		
Sealed Air Corporation	100-249	19	250-499	8
Food Lion	100-249	20		
Kincaid Furniture Co., Inc.			1,000+	3
Homecare Management Corp.			250-499	6
Meridian Automotive Systems			250-499	7
Nacco Materials Handling Group, Inc.			250-499	9

Source: Employment Security Commission of NC

**Note:**

Employment data is only available in ranges.

Data for 2004 is only available for top ten employers.

Table 15  
City of Lenoir, North Carolina  
Full-time-Equivalent City Government Employees by Function/Program  
Last Ten Fiscal Years  
(unaudited)

	Full-time-Equivalent Employees as of June 30				
	2006	2007	2008	2009	2010
<b>General Government</b>					
Administrative	10.0	12.5	10.5	14.0	13.0
Building Maintenance	5.0	5.0	5.0	6.0	6.0
Engineering	3.0	3.0	3.0	3.0	2.0
Cemeteries		1.0	1.0	1.0	1.0
Vehicle Services	4.0	4.0	4.0	4.0	4.0
<b>Public Safety</b>					
Police	70.5	73.0	78.0	76.0	76.0
Fire	60.0	60.0	63.0	65.0	65.0
<b>Transportation</b>					
Streets	15.0	12.0	13.0	14.5	14.5
<b>Environmental Protection</b>					
Sanitation	12.0	13.0	11.5	12.5	12.5
<b>Economic and Physical Development</b>					
Downtown District	2.0	2.0	2.0	2.0	2.0
Planning	3.0	4.0	4.0	5.0	6.0
<b>Culture and Recreation</b>					
Centers and Parks	9.0	14.0	31.0	29.0	26.0
Aquatic and Fitness Center	17.0	18.5	22.0	22.5	21.0
Landscaping	6.5	6.0	8.0	6.5	6.5
<b>Water and Sewer Utility</b>					
Bernhardt Water Treatment Plant	8.0	9.0	9.0	9.0	9.0
Water Distribution	17.0	15.0	17.0	13.0	14.0
Water Resources				6.0	5.0
Wastewater Collection	6.0	6.0	6.0	6.0	6.0
Wastewater Pretreatment	3.0	3.0	3.0	3.0	3.0
Gunpowder and Lower Creek Wastewater Treatment Plants	11.0	11.0	11.0	11.0	11.0
<b>Total</b>	<b>262.0</b>	<b>272.0</b>	<b>302.0</b>	<b>309.0</b>	<b>305.5</b>

	Full-time-Equivalent Employees as of June 30				
	2011	2012	2013	2014	2015
<b>General Government</b>					
Administrative	14.5	15.5	12.5	14.0	13.5
Building Maintenance	6.0	6.0	6.0	6.0	6.0
Engineering	2.0	2.0	2.0	2.0	2.0
Cemeteries	1.0	1.0	1.0	1.0	1.0
Vehicle Services	4.0	4.0	4.0	4.0	4.0
<b>Public Safety</b>					
Police	77.5	77.0	70.0	69.0	70.0
Fire	66.0	66.0	59.0	59.0	57.5
<b>Transportation</b>					
Streets	14.5	14.5	14.0	14.5	14.5
<b>Environmental Protection</b>					
Sanitation	13.5	12.5	11.5	12.5	12.5
<b>Economic and Physical Development</b>					
Downtown District	2.0	2.0	2.0	2.0	2.0
Planning	5.0	5.0	4.0	5.0	5.0
<b>Culture and Recreation</b>					
Centers and Parks	27.5	25.0	20.5	25.0	25.5
Aquatic and Fitness Center	22.0	22.0	22.5	21.0	25.0
Landscaping	7.5	9.5	8.0	8.0	8.0
<b>Water and Sewer Utility</b>					
Bernhardt Water Treatment Plant	9.0	9.0	9.0	9.0	9.0
Water Distribution	14.0	14.0	13.0	12.5	12.5
Water Resources	7.0	7.0	7.0	7.0	6.0
Wastewater Collection	5.0	4.5	4.5	5.5	5.5
Wastewater Pretreatment	3.0	3.0	3.0	3.0	3.0
Gunpowder and Lower Creek Wastewater Treatment Plants	11.0	11.0	11.0	11.0	11.0
<b>Total</b>	<b>312.0</b>	<b>310.5</b>	<b>284.5</b>	<b>291.0</b>	<b>293.5</b>

Table 16  
City of Lenoir, North Carolina  
Operating Indicators by Function/Program  
Last Ten Fiscal Years  
(unaudited)

Date of Incorporation: 1851  
Form of Government: Council and Manager  
Area In Square Miles: 18.1

Program/Function	Fiscal Year				
	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
<b>Police</b>					
Physical arrests	1,878	2,099	1,842	1,861	1,918
Incident reports	2,242	2,087	2,169	2,136	2,221
Parking violations	1,768	1,484	1,442	1,029	858
Citations issued	4,432	3,850	2,837	2,082	2,548
<b>Fire</b>					
Calls answered	2,406	2,599	2,417	2,414	2,566
Inspections	422	490	379	311	405
<b>Sanitation</b>					
Refuse collected (tons per day)	48.68	45.71	34.77	27.58	22.92
<b>Streets</b>					
Street resurfacing (miles)	2.75	1.00	1.50	1.36	0.75
<b>Parks and Recreation</b>					
Aquatic/Fitness memberships	540	1,085	508	743	1,353
Aquatic/Fitness admissions	*		7,369	7,440	9,046
Youth sports participants	366	612	1,008	1,040	1,034
Adult sports participants	203	320	395	558	324
<b>Water system</b>					
New connections	78	56	39	35	25
Water main breaks	52	43	43	38	17
Number of utility customers	9,544	9,647	9,702	9,743	9,670
Daily avg consumption in million gallons	6.3	6.4	6.2	5.8	5.6
<b>Wastewater system</b>					
Number of utility customers	7,851	8,324	8,403	8,463	8,320
Daily avg treatment in million gallons	2.92	3.41	3.41	3.82	4.25

Program/Function	Fiscal Year				
	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
<b>Police</b>					
Physical arrests	1,935	2,179	2,121	2,357	2,134
Incident reports	2,051	1,946	2,007	2,066	2,140
Parking violations	863	349	575	690	688
Citations issued	2,571	2,846	2,683	3,344	3,264
<b>Fire</b>					
Calls answered	2,563	2,431	2,610	2,610	2,731
Inspections	311	297	355	337	310
<b>Sanitation</b>					
Refuse collected (tons per day)	27.26	25.93	23.54	23.98	25.15
<b>Streets</b>					
Street resurfacing (miles)	0.75	0.00	1.49	2.20	2.97
<b>Parks and Recreation</b>					
Aquatic/Fitness memberships	1,053	1,906	2,078	2,379	2,775
Aquatic/Fitness admissions	11,552	11,640	11,509	19,919	37,122
Youth sports participants	1045	1070	1115	1155	1190
Adult sports participants	288	265	235	125	100
<b>Water system</b>					
New connections	30	25	21	22	18
Water main breaks	28	35	29	30	28
Number of utility customers	9,673	9,583	9,684	9,657	
Daily avg consumption in million gallons	6.2	7.2	5.5	6.1	6.4
<b>Wastewater system</b>					
Number of utility customers	8,209	8,110	8,002	7,862	
Daily avg treatment in million gallons	3.43	3.14	3.99	3.41	3.65

Sources: Various City departments  
\* indicates not available

**Table 17**  
**City of Lenoir, North Carolina**  
**Capital Asset Statistics by Function/Program**  
**Last Ten Fiscal Years**  
**(unaudited)**

Program/Function	Fiscal Year				
	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
<b>Police</b>					
Stations	1	1	1	1	1
Substations	5	5	5	5	5
Patrol units	59	52	52	52	52
<b>Fire</b>					
Stations	2	2	2	2	2
<b>Sanitation</b>					
Collection trucks	6	6	6	6	7
<b>Streets</b>					
Miles of paved streets	119.66	119.79	120.52	121.55	121.55
Miles of unpaved streets	3.02	2.69	2.64	2.64	2.64
Street lights	2,461	2,545	2,556	2,567	2,575
<b>Parks and Recreation</b>					
Community centers	3	4	4	4	4
Parks	2	4	4	4	4
Swimming pools	2	2	2	2	2
Tennis courts	8	8	8	8	8
Baseball/softball diamonds	8	10	10	10	10
Soccer fields	11	11	12	12	12
Miles of greenway	4.38	7.20	7.80	8.00	8.00
<b>Water system</b>					
Miles of water lines	207.8	207.8	208.0	219.4	219.4
Fire hydrants	991	992	992	1,070	1,070
Storage capacity (millions of gallons)	13.4	13.4	13.4	13.4	13.4
Maximum daily capacity (millions of gallons)	12	12	12	12	12
Treatment Plants	1	1	1	1	1
<b>Wastewater system</b>					
Miles of sewage lines	196.07	205.07	205.07	215.11	215.11
Miles of storm sewers	20	20	20	20	20
Maximum daily capacity (millions of gallons)	8	8	8	8	8
Treatment Plants	2	2	2	2	2
Program/Function	Fiscal Year				
	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
					6.0
<b>Police</b>					
Stations	1	1	1	1	1
Substations	5	5	2	2	2
Patrol units	52	52	47	47	47
<b>Fire</b>					
Stations	2	2	2	2	2
<b>Sanitation</b>					
Collection trucks	7	7	7	7	7
<b>Streets</b>					
Miles of paved streets	121.55	121.55	121.55	121.55	121.55
Miles of unpaved streets	2.64	2.64	2.39	2.39	2.39
Street lights	2,577	2,576	2,833	2,633	2,633
<b>Parks and Recreation</b>					
Community centers	4	4	4	4	4
Parks	4	4	4	4	4
Swimming pools	2	2	2	2	2
Tennis courts	8	8	8	8	8
Baseball/softball diamonds	10	10	10	10	10
Soccer fields	12	12	12	12	12
Miles of greenway	10.00	10.00	10.00	10.00	10.00
<b>Water system</b>					
Miles of water lines	219.4	219.4	219.4	219.4	219.4
Fire hydrants	1,070	1,070	1,070	1,070	1,070
Storage capacity (millions of gallons)	13.4	13.4	13.4	13.4	13.4
Maximum daily capacity (millions of gallons)	12	12	12	12	12
Treatment Plants	1	1	1	1	1
<b>Wastewater system</b>					
Miles of sewage lines	215.11	215.11	215.11	215.11	215.11
Miles of storm sewers	20	20	20	20	20
Maximum daily capacity (millions of gallons)	8	8	8	8	8
Treatment Plants	2	2	2	2	2

# **S. Eric Bowman, P.A.**

**CERTIFIED PUBLIC ACCOUNTANT**

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Report On Internal Control Over Financial Reporting  
And on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed In Accordance With  
Government Auditing Standards

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lenoir, North Carolina, as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprises the City of Lenoir's basic financial statements, and have issued our report thereon dated September 12, 2015. Our report includes a reference to other auditors who audited the financial statements of the City of Lenoir ABC Board, as described in our report on the City of Lenoir's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the City of Lenoir ABC Board were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

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

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

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2015-001 and 2015-002 that we consider to be significant deficiencies.

#### Compliance and Other Matters

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

#### City of Lenoir's Response to Findings

City of Lenoir's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### Purpose of this Report

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



S. Eric Bowman, P.A.  
Certified Public Accountant

Morganton, North Carolina  
September 12, 2015

# **S. Eric Bowman, P.A.**

**CERTIFIED PUBLIC ACCOUNTANT**

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403 South Green Street  
P.O. Box 1476  
Morganton, NC 28680  
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Report On Compliance For Each of Its Major Federal Programs;  
Report on Internal Control Over Compliance;  
In Accordance With OMB Circular A-133;  
and the State Single Audit Implementation Act

## **Independent Auditor's Report**

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

### **Report on Compliance for Each of Its Major Federal Programs**

We have audited the City of Lenoir, North Carolina, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on the City of Lenoir's major federal programs for the year ended June 30, 2015. The City of Lenoir's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the City of Lenoir's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Lenoir's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

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

**Opinion on Its Major Federal Program**

In our opinion, the City of Lenoir complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

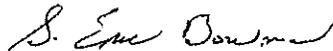
**Report on Internal Control Over Compliance**

Management of the City of Lenoir is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Lenoir's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Lenoir's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



S. Eric Bowman, P.A.  
Certified Public Accountant

Morganton, North Carolina  
September 12, 2015

# **S. Eric Bowman, P.A.**

**CERTIFIED PUBLIC ACCOUNTANT**

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403 South Green Street  
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Report On Compliance For Its Major State Program;  
Report on Internal Control Over Compliance;  
In Accordance With OMB Circular A-133; and the  
State Single Audit Implementation Act

## **Independent Auditor's Report**

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

### **Report on Compliance for Its Major State Program**

We have audited the City of Lenoir, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on the City of Lenoir's major state program for the year ended June 30, 2015. The City of Lenoir's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state program.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the City of Lenoir's major state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City of Lenoir's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

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

**Opinion on Its Major State Program**

In our opinion, the City of Lenoir complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended June 30, 2015.

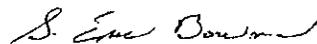
**Report on Internal Control Over Compliance**

Management of the City of Lenoir is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Lenoir's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



S. Eric Bowman, P.A.  
Certified Public Accountant

Morganton, North Carolina  
September 12, 2015

CITY OF LENOIR, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- \* Material weakness(es) identified?                   \_\_\_yes            X no
- \* Significant deficiencies identified  
that are not considered to be  
material weaknesses   X yes            \_\_\_none reported
- Noncompliance material to financial  
statements noted   \_\_\_yes            X no

Federal Awards

Internal control over major federal programs:

- \* Material weakness(es) identified?                   \_\_\_yes            X no
- \* Significant deficiencies identified  
that are not considered to be  
material weaknesses   \_\_\_yes            X none reported

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

Any audit findings disclosed that are required  
to be reported in accordance with Section\  
510(a) of Circular A-133                                       \_\_\_yes            X no

Identification of major federal programs:

<u>CFDA Number</u>	<u>Names of Federal Program or Cluster</u>
14.239	<u>U.S. Department of Housing and Urban Development</u> Home Investments Partnership
66.458	<u>U.S. Environmental Protection Agency</u> Clean Water Revolving Loan

CITY OF LENOIR, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

Section I. Summary of Auditor's Results

Dollar threshold used to distinguish between  
Type A and Type B Programs \$300 000

Auditee qualified as low-risk auditee? X yes     no

State Awards

Internal control over major State programs:

\* Material weakness(es) identified?     yes X no

\* Significant deficiencies identified  
that are not considered to be  
material weaknesses     yes X none reported

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

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

Identification of major State programs:

Program Name

Powell Bill Program

Section II. Findings Related to the Audit of the Basic  
Financial Statements of City of Lenoir:

Internal Controls Over Financial Reporting

2015-001

Condition: The City does not incorporate an  
internal audit function (person).

Criteria: Due to the complexity and diverse  
type of financial transactions an  
internal audit function is needed.

Effect: Internal controls are less effective without an internal audit function.

Cause: Due to the size of the municipality it has not been considered cost effective.

Recommendation: Hire an additional employee familiar with governmental accounting transactions to provide this service.

Management Response: It is not economically feasible to hire additional staff at this time.

2015-002

Condition: The City overexpended several departments in the General Fund totaling \$111 918.

Criteria: All Local Governments are to adopt a balanced budget and make necessary amendments to the original budget as conditions dictate.

Effect: Funds were expended out of departments before the appropriate budget amendments were made.

Cause: Auditor reclassifications and unforeseen accounts payable.

Recommendation: The City should not expend any funds unless there is adequate amounts in the particular department budget.

Management Response: The City agrees with this finding.

Section III. Findings and Questioned Costs Related to Federal Awards:

None Reported.

Section IV. Findings and Questioned Costs Related to State Awards:

None Reported.

CITY OF LENOIR, NORTH CAROLINA

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2015

Finding: 2015-001

- A. Name of Contact Person: Danny Gilbert, Finance Officer
- B. Corrective Action: It is not economically feasible to hire additional staff at this time.
- C. Proposed Completion Date: N/A

Finding: 2015-002

- A. Name of Contact Person: Danny Gilbert, Finance Officer
- B. Corrective Action: The City will continue to amend the budget as conditions warrant.
- C. Proposed Completion Date: The Board will implement the above as soon as possible.

CITY OF LENOIR

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2014

Finding 2014-001

There was one audit finding concerning hiring an internal auditor. This is not deemed practical at this time.

Finding 2014-002

There was one audit finding relative to overexpenditures. This finding was not totally corrected even though budget amendments were made.

City of Lenoir, North Carolina

**Schedule of Federal and State Awards**  
 For the Year Ended June 30, 2015  
 (Schedule 18, Page 1)

Grantor Pass-Through Grantor Program Title	Federal CFDA Number	State Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
<b>Federal Grants:</b>						
<b>Cash Programs:</b>						
<u>U.S. Department of Housing and Urban Development</u>						
<b>Direct Program:</b>						
Community Development Block Grant	14.218		\$ 147,540	\$ _____	\$ _____	\$ 147,540
<b>Passed Through the N.C. Department of Commerce:</b>						
<b>HOME Investments Partnership Program:</b>						
Unifour HOME Consortium	14.239	M-14-DC-37-0208	139,931			139,931
Unifour HOME Consortium	14.239	M-12-DC-37-0208	284,661			284,661
Unifour HOME Consortium	14.239	M-13-DC-37-0208	412,928			412,928
Subtotal Unifour HOME Consortium			<u>837,520</u>			<u>837,520</u>
Total U.S. Department of Housing and Urban Development			<u>985,060</u>			<u>985,060</u>
<u>U.S. Department of Transportation</u>						
Passed Through the N. C. Department of Transportation:						
Street Improvements-Fairview	20.205	B-5011	267,678		66,919	334,597
Governor's Highway Safety Program	20.600	PT 2012-03	8,279			8,279
Total U.S. Department of Transportation			<u>275,957</u>		<u>66,919</u>	<u>342,876</u>
<u>U.S. Department of Justice</u>						
Direct Program:						
Federal Forfeiture	16.922		<u>2,320</u>			<u>2,320</u>
<u>U.S. Department of Homeland Security</u>						
Passed through N.C. Department of Commerce:						
Assistance to Fire Fighters	97.044	ENW-2013-F0-1234	<u>86,773</u>			<u>86,773</u>
<u>U.S. Environmental Protection Agency</u>						
Passed through N.C. Department of Environment and Natural Resources:						
Clean Water Revolving Loan	66.458	E-SRF-13-0351	3,092,344			3,092,344
Clean Water Revolving Loan Assistance	66.458	E-SRF-13-0347	201,293			201,293
Clean Water Revolving Grant	66.458	E-SRF-13-0347	201,294			201,294
Total U.S. Environmental Protection Agency			<u>3,494,931</u>			<u>3,494,931</u>
Total Federal Cash Awards			<u>\$ 4,845,041</u>	<u>\$ _____</u>	<u>\$ 66,919</u>	<u>\$ 4,911,960</u>

City of Lenoir, North Carolina

**Schedule of Federal and State Awards**  
 For the Year Ended June 30, 2015  
 (Schedule 18, Page 2)

Grantor Pass-Through Grantor Program Title	Federal CFDA Number	State Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
State Awards:						
Cash Programs						
<u>N.C. Department of Transportation</u>						
Powell Bill			\$ _____	\$ 575 844	\$ _____	\$ 575 844
<u>N.C. Department of Public Instruction</u>						
Intervention/Prevention Program			_____	88 046	_____	88 046
<u>N.C. Department of Commerce</u>						
Main Street Solutions Fund			_____	25 000	_____	25 000
<u>N.C. Department of Parks and Recreation</u>						
Partf			_____	14 975	14 975	29 950
Total State Cash Awards			_____	703 685	14 975	718 840
Total Federal and State Awards			\$ 4 845 041	\$ 703 865	\$ 80 894	\$ 5 630 800

Note 1 – Basis of Presentation:

The accompanying schedule of Federal and State awards includes the Federal and State grant activity of the City of Lenoir and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.