

**Comprehensive
Annual Financial Report
For the Fiscal Year Ended
June 30, 2016**

City of Lenoir, North Carolina

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

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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, 2016

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, 2016.

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 17,942. 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 2015-2016, 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

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 Main Street corridor 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, 2016, 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, 2016 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 Uniform Guidance.

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

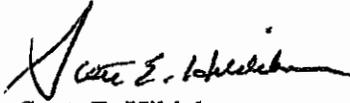
Awards – The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lenoir for its comprehensive annual financial report for the year ended June 30, 2015. This was the eighteenth consecutive 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



Scott E. Hildebran
City Manager



Danny A. Gilbert
Interim Finance Director

**List of Principal Officials
June 30, 2016**

Elected Officials

**Mayor
Mayor Pro Tempore**

Joe L. Gibbons
Ben Willis

City Council

Kim Edmisten
James Ike Perkins
T. J. Rohr
David F. Stevens
Todd H. Perdue
Crissy Thomas

Appointed Official

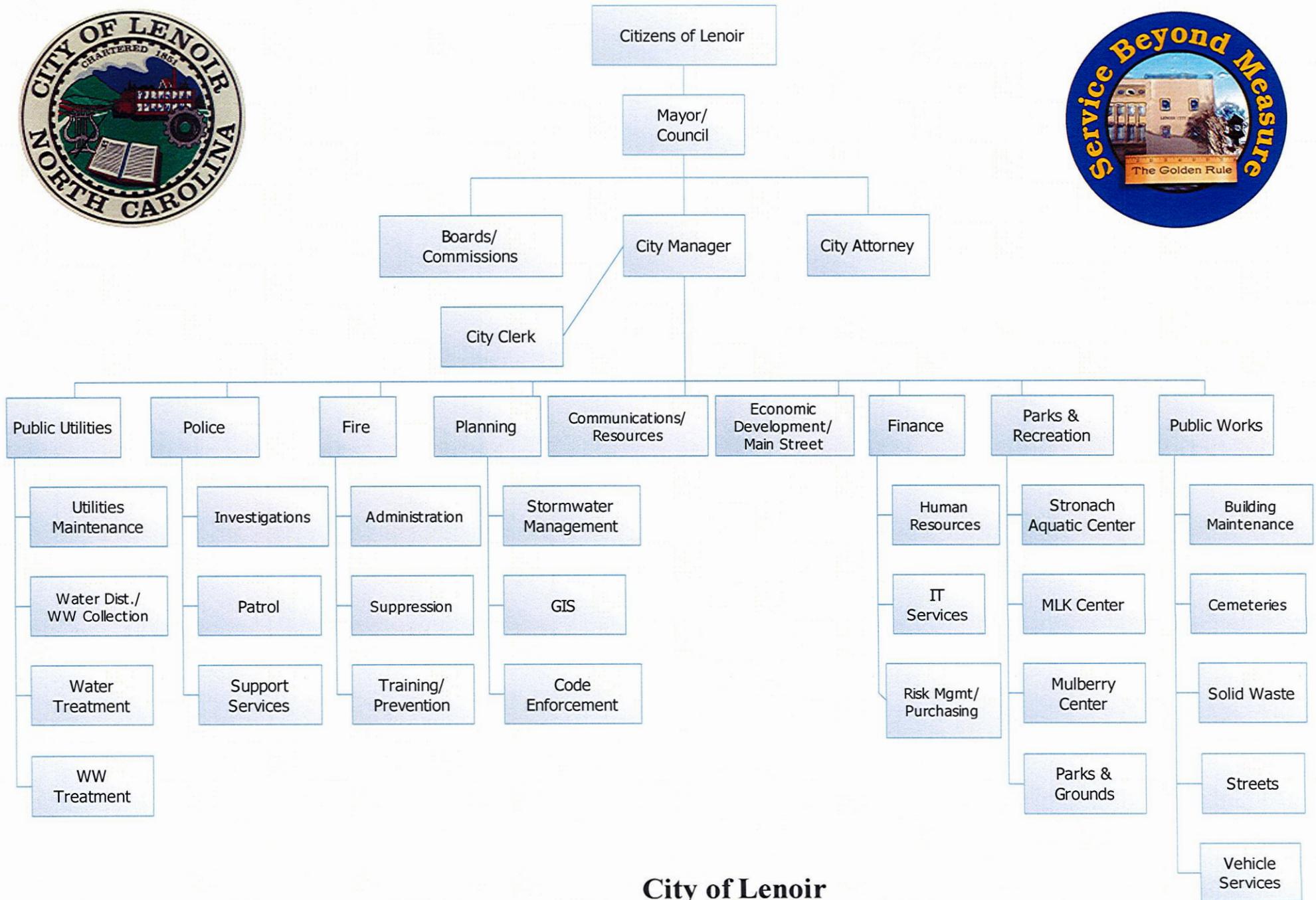
City Manager

Scott Hildebran

Department/Division Heads

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

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



City of Lenoir
Organizational Chart



Government Finance Officers Association

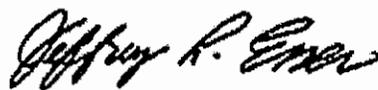
Certificate of
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in Financial
Reporting

Presented to

**City of Lenoir
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015



Executive Director/CEO

S. Eric Bowman, P.A.

CERTIFIED PUBLIC ACCOUNTANT

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, 2016, 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 11 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 the 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, 2016, 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 67 through 68, respectively, and the Local Government Employee's Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 69 through 70 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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 20, 2016 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 20, 2016

Management's Discussion and Analysis
For the Year ended June 30, 2016

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, 2016. 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

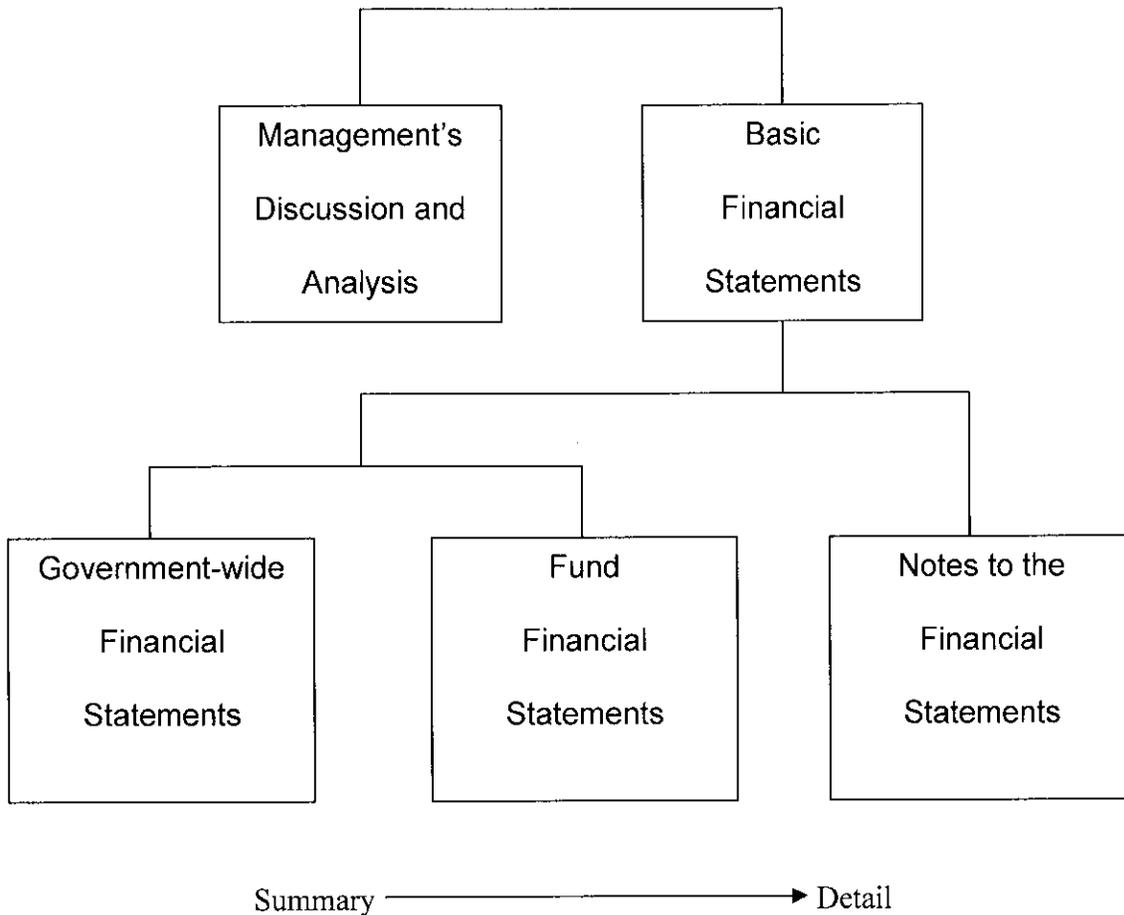
- The assets of the City of Lenoir exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$66,811,081 (*net position*).
- The government's total net position increased by \$1,285,644 with a \$251,744 increase in governmental activities and a \$1,033,870 increase 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 \$7,437,200 an increase of \$887,384 in comparison with the prior year. Approximately 70.61 percent of this total amount or \$5,251,510 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 \$4,554,559 or 25.33 percent of total general fund expenditures for the fiscal year.
- The City of Lenoir's total debt increased by \$1,544,927 or 11.05 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, 2016

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, 2016

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, 2016

employees. Required supplementary information can be found beginning on page 67 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 \$66,811,081 as of June 30, 2016 (figure 2).

The City of Lenoir's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 8,103,503	\$ 7,998,681	\$ 3,809,181	\$ 4,170,862	\$ 11,912,684	\$ 12,169,543
Capital Assets	25,323,436	25,408,199	48,137,760	46,308,137	73,461,196	71,716,336
Deferred Outflows of Resources	399,119	306,427	214,910	165,000	614,029	471,427
Total Assets	<u>\$ 33,826,058</u>	<u>\$ 33,713,307</u>	<u>\$ 52,161,851</u>	<u>\$ 50,643,999</u>	<u>\$ 85,987,909</u>	<u>\$ 84,357,306</u>
Long-Term Liabilities	\$ 2,914,719	\$ 2,340,485	\$ 12,606,025	\$ 11,635,332	\$ 15,520,744	\$ 13,975,817
Other Liabilities	2,384,173	1,779,114	742,358	519,206	3,126,531	2,298,320
Total Liabilities	<u>\$ 5,298,892</u>	<u>\$ 4,119,599</u>	<u>\$ 13,348,383</u>	<u>\$ 12,154,538</u>	<u>\$ 18,647,275</u>	<u>\$ 16,274,137</u>
Deferred Inflows of Resources	<u>\$ 344,209</u>	<u>\$ 1,662,525</u>	<u>\$ 185,344</u>	<u>\$ 895,207</u>	<u>\$ 529,553</u>	<u>\$ 2,557,732</u>
Net Position:						
Net Investment in Capital Assets	\$ 22,408,717	\$ 23,067,714	\$ 35,531,735	\$ 34,672,805	\$ 57,940,452	\$ 57,740,519
Restricted	2,185,690	2,064,013			2,185,690	2,064,013
Unrestricted	3,588,550	2,799,456	3,096,389	2,921,449	6,684,939	5,720,905
Total Net Position	<u>\$ 28,182,957</u>	<u>\$ 27,931,183</u>	<u>\$ 38,628,124</u>	<u>\$ 37,594,254</u>	<u>\$ 66,811,081</u>	<u>\$ 65,525,437</u>

Figure 2

The largest portion of the City of Lenoir's net position 86.72 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 3.27% 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 \$6,684,939 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

Management's Discussion and Analysis
For the Year ended June 30, 2016

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 96.52
- Adherence to the adopted budget

Governmental activities: Governmental activities increased the City's net position by \$251,774. (Figure 3) Key elements of this increase are as follows:

- Revenues exceeded budgeted projections

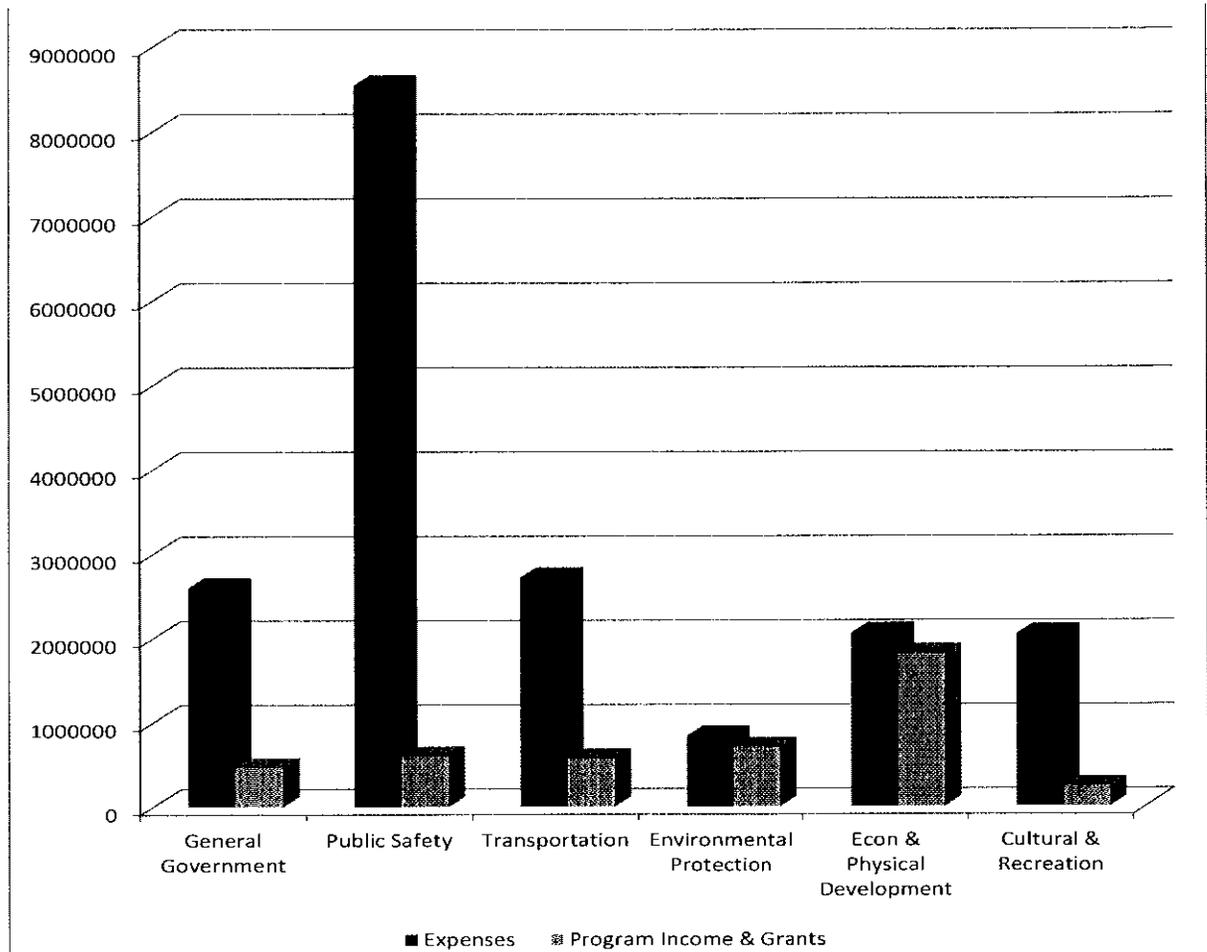
**City of Lenoir Changes in Net Position
Figure 3**

	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,586,960	\$ 1,803,839	\$ 8,008,234	\$ 7,919,136	\$ 9,595,194	\$ 9,722,975
Operating grants and contributions	2,456,352	1,960,332	-	-	2,456,352	1,960,332
Capital grants and contributions	346,740	267,678	87,956	201,294	434,696	468,972
General revenues:						
Property taxes	7,940,493	7,983,791	-	-	7,940,493	7,983,791
Other taxes	3,394,782	3,425,571	-	-	3,394,782	3,425,571
Unrestricted intergovernmental	2,515,699	2,329,079	-	-	2,515,699	2,329,079
Other	880,452	565,502	101,300	150,374	981,752	715,876
Total revenues	<u>19,121,478</u>	<u>18,335,792</u>	<u>8,197,490</u>	<u>8,270,804</u>	<u>27,318,968</u>	<u>26,606,596</u>
Expenses:						
General government	2,603,033	4,322,095	-	-	2,603,033	4,322,095
Public safety	8,548,540	7,800,350	-	-	8,548,540	7,800,350
Transportation	2,723,651	2,160,348	-	-	2,723,651	2,160,348
Environmental protection	841,519	947,928	-	-	841,519	947,928
Economic and physical development	2,062,599	741,650	-	-	2,062,599	741,650
Culture and recreational	2,048,795	1,807,111	-	-	2,048,795	1,807,111
Interest and fees	41,567	36,863	-	-	41,567	36,863
Water and sewer			7,163,620	7,135,710	7,163,620	7,135,710
Total expenses	<u>18,869,704</u>	<u>17,816,345</u>	<u>7,163,620</u>	<u>7,135,710</u>	<u>26,033,324</u>	<u>24,952,055</u>
Change in net position	251,774	519,447	1,033,870	1,135,094	1,285,644	1,654,541
Net position, July 1	27,931,183	27,411,736	37,594,254	36,459,160	65,525,437	63,870,896
Net position, June 30	<u>\$ 28,182,957</u>	<u>\$ 27,931,183</u>	<u>\$ 38,628,124</u>	<u>\$ 37,594,254</u>	<u>\$ 66,811,081</u>	<u>\$ 65,525,437</u>

Management's Discussion and Analysis
For the Year ended June 30, 2016

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

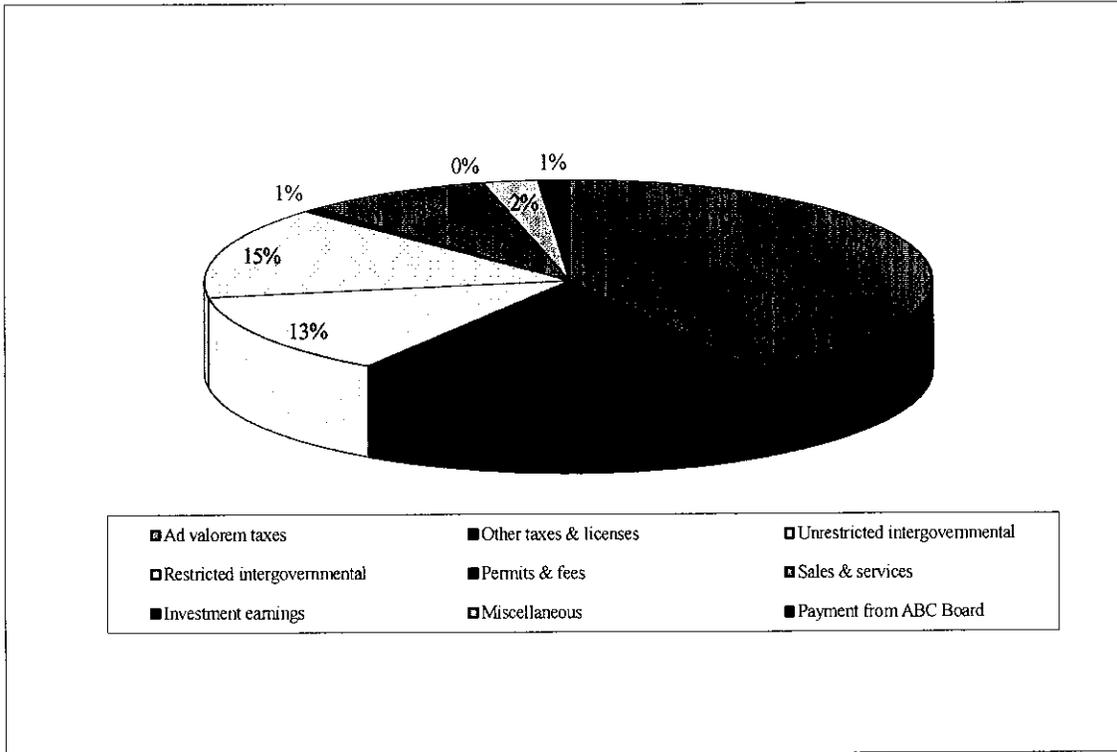
City of Lenoir
Expenses and Program Revenues and Operating Grants – Governmental Activities
Figure 4



Management's Discussion and Analysis
For the Year ended June 30, 2016

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 \$1,033,870. Key elements of this increase are as follows:

- Expenditures less than budgeted amounts

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 \$4,554,559, while total fund balance reached \$6,788,632. 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 25.33 percent of total General Fund expenditures, while total fund balance represents 37.76 percent of that same amount. The increase in unassigned fund balance of \$492,956 is due mainly to increases in Local Options Sales tax revenue of approximately \$128,000 and Utility Sales tax of approximately \$189,000.

At June 30, 2016, the governmental funds of City of Lenoir reported a combined fund balance of \$7,437,200 a 13.55 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. The Special Revenue Fund increased \$158,935 due to increase in program income in the Home Investments Program.

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, Economic and Physical Development and Cultural and Recreation increased by \$2,550,496, while Environmental Protection decreased by \$5,000. The increase in budget was primarily for 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

City of Lenoir, North Carolina

Management’s Discussion and Analysis
For the Year ended June 30, 2016

position of the Water and Sewer Fund at the end of the fiscal year amounted to \$3,096,389. The fund’s net position increased by \$1,033,870. The factors concerning 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, 2016, totals \$73,461,196 (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	
	2016	2015	2016	2015	2016	2015
Land	\$ 2,992,357	\$ 2,961,785	\$ 251,714	\$ 251,714	\$ 3,244,071	\$ 3,213,499
Buildings and improvements	6,809,213	7,018,462	-	-	6,809,213	7,018,462
Infrastructure	11,327,657	11,793,755	-	-	11,327,657	11,793,755
Equipment	3,124,516	2,699,351	3,519,856	3,375,873	6,644,372	6,075,224
Plant and systems			39,253,702	38,922,660	39,253,702	38,922,660
Construction in progress	1,069,693	934,846	5,112,488	3,757,890	6,182,181	4,692,736
Total	\$ 25,323,436	\$ 25,408,199	\$ 48,137,760	\$ 46,308,137	\$ 73,461,196	\$ 71,716,336

Additional information on the City’s capital assets can be found in note III. A. 4 and 5, beginning on page 43 of this report.

Long-term Debt. As of June 30, 2016, the City of Lenoir had total debt outstanding of \$10,471,807 in State and Water Pollution Control Revolving loans and installment purchase contracts of \$5,048,937. (Figure 7)

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

Figure 7

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Section 108 Loan		\$ 114,000			\$ -	\$ 114,000
Revolving Loans	-	-	10,471,807	8,631,408	10,471,807	8,631,408
Installment Purchase Contracts	2,914,719	2,226,485	2,134,218	3,003,924	5,048,937	5,230,409
Total	\$ 2,914,719	\$ 2,340,485	\$ 12,606,025	\$ 11,635,332	\$ 15,520,744	\$ 13,975,817

The above debt of the City of Lenoir increased by \$1,544,927 (11.05%) 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 \$158,538,263.

Additional information regarding the City of Lenoir's long-term debt can be found beginning on page 59 of this report.

Economic Factors and Next Year's Budgets and Rates

During fiscal year 2015-2016, 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 Excelsa Pharma Sciences and Google.

Management's Discussion and Analysis
For the Year ended June 30, 2016

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, 2017

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, 2016. The General Fund budget was based on less than 3.00 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 2.00 percent increase in expenditures funded with a rate increase of 3 percent.

In addition, improvements to the Water Plant will be funded by a \$6.5 million Drinking Water Loan.

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, 2016
(Exhibit A)

	Governmental Activities	Business Type Activities	Total Primary Government	Component Units		Total Reporting Unit
				City of Lenoir ABC Board	City of Lenoir LTDA	
Assets						
Cash and cash equivalents	\$ 5,985,301	\$ 3,068,549	\$ 9,053,850	\$ 252,966	\$ 96,214	\$ 9,403,030
Cash and cash equivalents - restricted	256,624	129,505	386,129			386,129
Taxes receivable (net)	164,655		164,655			164,655
Accounts receivable (net)	789,282	536,049	1,325,331		7,855	1,333,186
Other receivables	907,641		907,641			907,641
Inventories		75,078	75,078	346,297		421,375
Prepaid expenses			-	3,308		3,308
Capital assets:						
Nondepreciable Capital Assets	4,062,050	5,364,202	9,426,252			9,426,252
Depreciable Capital Assets	21,261,386	42,773,558	64,034,944	440,574		64,475,518
Total assets	33,426,939	51,946,941	85,373,880	1,043,145	104,069	86,521,094
Deferred Outflows of Resources	399,119	214,910	614,029	43,505		657,534
Liabilities						
Accounts payable	501,648	144,114	645,762	158,675	18	804,455
Accrued liabilities			-	82,361		82,361
Compensated Absences	311,828	71,378	383,206			383,206
Customer deposits		129,505	129,505			129,505
Long term obligations:						
Due in less than one year	897,656	1,638,822	2,536,478			2,536,478
Due in more than one year	2,017,063	10,967,203	12,984,266			12,984,266
Post Employment benefits	448,322	71,489	519,811			519,811
Pension Obligations	370,509		370,509			370,509
Compensated Absences	255,132	58,400	313,532			313,532
Net Pension Liability	496,734	267,472	764,206	12,342		776,548
Total liabilities	5,298,892	13,348,383	18,647,275	253,378	18	18,900,671
Deferred Inflows of Resources	344,209	185,344	529,553	6,415		535,968
Net Position						
Net investment in capital assets	22,408,717	35,531,735	57,940,452	440,574		58,381,026
Restricted for:						
Cemetery (Nonexpendable)	257,429		257,429			257,429
Stabilization by State Statute	1,546,866		1,546,866		7,855	1,554,721
Public Safety	381,395		381,395			381,395
Unrestricted	3,588,550	3,096,389	6,684,939	386,283	96,196	7,167,418
Total Net Position	\$ 28,182,957	\$ 38,628,124	\$ 66,811,081	\$ 826,857	\$ 104,051	\$ 67,741,989

City of Lenoir, North Carolina

Statement of Activities
 Year Ended June 30, 2016
 (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			
Primary government:										
Governmental activities:										
General government	\$ 2,603,033	\$ 307,754	\$ 158,970		\$ (2,136,309)		\$ (2,136,309)			\$ (2,136,309)
Public safety	8,548,540	330,033	266,429		(7,952,078)		(7,952,078)			(7,952,078)
Transportation	2,723,651		572,266		(2,151,385)		(2,151,385)			(2,151,385)
Environmental protection	841,519	703,382			(138,137)		(138,137)			(138,137)
Economic and physical development	2,062,599	9,135	1,458,687	346,740	(248,037)		(248,037)	(83,183)		(331,220)
Culture and recreation	2,048,795	236,656			(1,812,139)		(1,812,139)			(1,812,139)
Interest and fees	41,567				(41,567)		(41,567)			(41,567)
Total governmental activities	<u>18,869,704</u>	<u>1,586,960</u>	<u>2,456,352</u>	<u>346,740</u>	<u>(14,479,652)</u>	<u>-</u>	<u>(14,479,652)</u>	<u>-</u>	<u>(83,183)</u>	<u>(14,562,835)</u>
Business-type activities:										
Water and sewer activity	7,163,620	8,008,234		87,956	-	932,570	932,570			932,570
Total business-type activities	<u>7,163,620</u>	<u>8,008,234</u>	<u>-</u>	<u>87,956</u>	<u>-</u>	<u>932,570</u>	<u>932,570</u>	<u>-</u>	<u>-</u>	<u>932,570</u>
Total primary government	\$ 26,033,324	\$ 9,595,194	\$ 2,456,352	\$ 434,696	(14,479,652)	932,570	(13,547,082)			(13,630,265)
Alcohol and store activity	\$ 2,969,335	\$ 3,300,204			-	-	-	330,869		330,869
Total component units	\$ 2,969,335	\$ 3,300,204	\$ -	\$ -	-	-	-	330,869	(83,183)	330,869
General revenues:										
Ad valorem taxes					7,940,493		7,940,493			7,940,493
Sales Taxes					3,394,782		3,394,782			3,394,782
License					1,060		1,060			1,060
Gross Receipts on Rental Vehicles					3,517		3,517			3,517
Occupancy Taxes								90,028		90,028
Utility Sales Taxes					2,432,636		2,432,636			2,432,636
Beer and Wine Taxes					78,486		78,486			78,486
Miscellaneous					604,938	97,140	702,078			702,078
Payment from ABC Board					265,555		265,555			265,555
Profit distributions								(304,399)		(304,399)
Interest earned on investments					9,959	4,160	14,119	657	129	14,905
Total general revenues					<u>14,731,426</u>	<u>101,300</u>	<u>14,832,726</u>	<u>(303,742)</u>	<u>90,157</u>	<u>14,619,141</u>
Change in net position					251,774	1,033,870	1,285,644	27,127	6,974	1,319,745
Net Position - beginning					27,931,183	37,594,254	65,525,437	799,730	97,077	66,422,244
Net Position - ending					<u>\$ 28,182,957</u>	<u>\$ 38,628,124</u>	<u>\$ 66,811,081</u>	<u>\$ 826,857</u>	<u>\$ 104,051</u>	<u>\$ 67,741,989</u>

City of Lenoir, North Carolina

Balance Sheet
Governmental Funds
June 30, 2016
(Exhibit C)

	General	Special Revenue Fund	Non Major Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 5,680,664	\$ 304,637	\$ -	\$ 5,985,301
Cash and cash equivalents-restricted			256,624	256,624
Taxes receivable (net)	164,655			164,655
Accounts receivable (net)	789,282			789,282
Other receivables	602,929	77,167	227,545	907,641
Due From Other Funds	154,655			154,655
Total assets	<u>\$ 7,392,185</u>	<u>\$ 381,804</u>	<u>\$ 484,169</u>	<u>\$ 8,258,158</u>
Liabilities:				
Accounts payable	438,898	5,000	57,750	501,648
Due to other funds			154,655	154,655
Total liabilities	<u>438,898</u>	<u>5,000</u>	<u>212,405</u>	<u>656,303</u>
Deferred Inflow of Resources:				
Unavailable Property Taxes	164,655			164,655
Total Deferred Inflows of Resources	<u>164,655</u>	<u>-</u>	<u>-</u>	<u>164,655</u>
Fund balances:				
Non Spendable				
Cemetery Care			257,429	257,429
Restricted				
Stabilization by State Statute	1,546,866			1,546,866
Substance Control	83,468			83,468
Public Safety	297,927			297,927
Assigned				
To Future Capital Projects			14,335	14,335
Land Development	305,812			305,812
To Future Economic Development		376,804		376,804
Unassigned	4,554,559			4,554,559
Total fund balances	<u>6,788,632</u>	<u>376,804</u>	<u>271,764</u>	<u>7,437,200</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,392,185</u>	<u>\$ 381,804</u>	<u>\$ 484,169</u>	<u>\$ 8,258,158</u>

City of Lenoir, North Carolina

**Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
June 30, 2016
(Exhibit C-1)**

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

Ending fund balance - governmental funds	\$	7,437,200
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		25,323,436
Deferred outflows of resources related to pensions are not reported in the funds.		399,119
Liability for earned revenues are considered deferred inflow of resources in the funds.		164,655
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		(5,141,453)
Net position of governmental activities	\$	<u>28,182,957</u>

City of Lenoir, North Carolina

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016
(Exhibit D)

	General	Special Revenue Fund	Non Major Governmental Funds	Total Governmental Funds
Revenues				
Ad valorem taxes	\$ 8,065,223			\$ 8,065,223
Other taxes and licenses	3,399,359			3,399,359
Unrestricted intergovernmental revenues	2,511,122			2,511,122
Restricted intergovernmental revenues	1,124,665	1,775,724	226,741	3,127,130
Permits and fees	140,186			140,186
Sales and services	1,446,774			1,446,774
Investment earnings	9,826	1	132	9,959
Miscellaneous	280,600		300	280,900
Payment from ABC Board	265,555			265,555
Total revenues	<u>17,243,310</u>	<u>1,775,725</u>	<u>227,173</u>	<u>19,246,208</u>
Expenditures				
Current:				
General Government	3,802,309			3,802,309
Public safety	8,151,282	343		8,151,625
Transportation	2,171,511			2,171,511
Environmental protection	747,116			747,116
Economic and physical development	532,275	1,499,545		2,031,820
Cultural and recreational	1,852,262			1,852,262
Capital projects			134,848	134,848
Debt service:				
Principal retirement	683,766	114,000		797,766
Interest and fees	38,665	2,902		41,567
Total expenditures	<u>17,979,186</u>	<u>1,616,790</u>	<u>134,848</u>	<u>19,730,824</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(735,876)</u>	<u>158,935</u>	<u>92,325</u>	<u>(484,616)</u>
Other financing sources (uses)				
Issuance of installment purchase debt	1,372,000			1,372,000
Transfers	(80,000)		80,000	-
Total other financing sources (uses)	<u>1,292,000</u>	<u>-</u>	<u>80,000</u>	<u>1,372,000</u>
Net change in fund balances	556,124	158,935	172,325	887,384
Fund balance - beginning	<u>6,232,508</u>	<u>217,869</u>	<u>99,439</u>	<u>6,549,816</u>
Fund balance - ending	<u>\$ 6,788,632</u>	<u>\$ 376,804</u>	<u>\$ 271,764</u>	<u>\$ 7,437,200</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, 2016
(Exhibit D-1)**

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

Net change in fund balances - total governmental funds	\$	887,384
 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 less than depreciation.		(84,763)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(124,730)
 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.		(574,234)
 Contributions to the pension plan in the current year are not included in the statement of activities		399,119
 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>(251,002)</u>
Change in net position of governmental activities	\$	<u>251,774</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, 2016
(Exhibit E)

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 7,550,144	\$ 7,959,144	\$ 8,065,223	\$ 106,079
Other taxes and licenses	3,185,000	3,185,000	3,399,359	214,359
Unrestricted intergovernmental revenues	2,075,000	2,375,000	2,511,122	136,122
Restricted intergovernmental revenues	668,000	1,054,429	1,124,665	70,236
Permits and fees	117,500	117,500	140,186	22,686
Sales and services	1,638,060	1,638,060	1,446,774	(191,286)
Investment earnings	10,200	10,200	9,826	(374)
Miscellaneous	187,500	195,000	280,600	85,600
Payment from ABC Board	207,500	207,500	265,555	58,055
Total revenues	<u>15,638,904</u>	<u>16,741,833</u>	<u>17,243,310</u>	<u>501,477</u>
EXPENDITURES				
Current:				
General Government	2,529,081	3,945,293	3,802,309	142,984
Public safety	7,770,511	8,088,940	8,151,282	(62,342)
Transportation	1,669,562	2,153,561	2,171,511	(17,950)
Environmental protection	754,213	749,213	747,116	2,097
Economic and physical development	351,351	560,968	532,275	28,693
Cultural and recreational	1,720,846	1,843,085	1,852,262	(9,177)
Debt service:				
Principal retirement	793,727	793,727	683,766	109,961
Interest and fees	49,613	49,163	38,665	10,498
Total expenditures	<u>15,638,904</u>	<u>18,183,950</u>	<u>17,979,186</u>	<u>204,764</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(1,442,117)</u>	<u>(735,876)</u>	<u>706,241</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from disposal of capital assets	-	25,000	-	(25,000)
Proceeds from installment purchase	-	1,372,000	1,372,000	-
Transfers in (out):				
From Special Revenue Fund	-	145,117	-	(145,117)
To Capital Projects	-	(100,000)	(80,000)	20,000
Total other financing sources (uses)	<u>-</u>	<u>1,442,117</u>	<u>1,292,000</u>	<u>(150,117)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>556,124</u>	<u>\$ 556,124</u>
FUND BALANCE - BEGINNING			<u>6,232,508</u>	
FUND BALANCE - ENDING			<u>\$ 6,788,632</u>	

City of Lenoir, North Carolina

Statement of Net Position

Proprietary Funds

June 30, 2016

(Exhibit F)

	<u>Enterprise Fund</u>
	<u>Water and Sewer Fund</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 3,068,549
Accounts receivable (net)	536,049
Inventories	75,078
Restricted Cash and cash equivalents	129,505
Total current assets	<u>3,809,181</u>
Noncurrent assets	
Capital assets, net	<u>48,137,760</u>
Total assets	<u>51,946,941</u>
Deferred Outflows of Resources	<u>214,910</u>
Liabilities	
Current liabilities	
Accounts payable	144,114
Installment purchase contracts - current	1,005,609
Revolving loan payable - current	633,213
Customer deposits payable from Restricted Assets	129,505
Compensated absences payable	71,378
Total current liabilities	<u>1,983,819</u>
Noncurrent liabilities	
Revolving loan payable	9,838,594
Installment purchase contracts payable	1,128,609
OPEB Liability	71,489
Compensated absences payable	58,400
Net Pension Liability	267,472
Total noncurrent liabilities	<u>11,364,564</u>
Total liabilities	<u>13,348,383</u>
Deferred Inflows of Resources	<u>185,344</u>
Net Position	
Net investment in capital assets	35,531,735
Unrestricted Net Position	3,096,389
Total Net Position	<u>\$ 38,628,124</u>

City of Lenoir, North Carolina

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

Proprietary Funds

Year Ended June 30, 2016

(Exhibit G)

	Enterprise Fund
	Water and Sewer Fund
Operating revenues	
Water sales	\$ 5,023,739
Wastewater treatment charges	2,724,463
Water and sewer taps	31,936
Late payment charges	228,096
Miscellaneous	97,140
Total operating revenues	<u>8,105,374</u>
Operating expenses	
Rhodhiss Water Treatment Plant	1,228,414
Water distribution	1,424,038
Water resources	557,244
Wastewater collection	683,150
Wastewater pretreatment	1,129,571
Gunpowder Wastewater Treatment Plant	532,962
Lower Creek Wastewater Treatment Plant	175,775
Depreciation	1,249,665
Total operating expenses	<u>6,980,819</u>
Operating income (loss)	<u>1,124,555</u>
Nonoperating revenue (expense)	
Interest earned on investments	4,160
Interest paid on long-term debt	(182,801)
Total nonoperating revenue (expense)	<u>(178,641)</u>
Income (loss) before transfers and contributions	945,914
Capital contributions	<u>87,956</u>
Change in Net Position	1,033,870
Total Net Position - beginning	<u>37,594,254</u>
Total Net Position - ending	<u>\$ 38,628,124</u>

City of Lenoir, North Carolina

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2016

(Exhibit H)

	<u>Enterprise Fund</u> <u>Water</u> <u>and Sewer</u> <u>Fund</u>
Operating activities	
Cash received from customers and users	\$ 8,087,923
Cash paid to suppliers for goods and services	(3,771,936)
Cash paid for employee benefits	(2,183,292)
Customer deposits received	36,865
Net cash provided by (used in) operating activities	<u>2,169,560</u>
Capital and related financing activities	
Net proceeds from financing	2,394,861
Grant received	87,956
Acquisition and construction of capital assets	(3,079,287)
Principal paid on debt	(1,424,169)
Interest paid on debt	(182,801)
Net cash provided (used) by capital and related financing activities	<u>(2,203,440)</u>
Investing activities	
Interest on investments	4,160
Net cash provided (used) in investing activities	<u>4,160</u>
Net increase in cash and cash equivalents/investments	<u>(29,720)</u>
Cash and cash equivalents/investments	
Beginning of year	<u>3,227,774</u>
End of year	<u>\$ 3,198,054</u>

City of Lenoir, North Carolina

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2016

(Exhibit H)

	<u>Enterprise Fund</u> <u>Water</u> <u>and Sewer</u> <u>Fund</u>
Reconciliation of operating income (loss)	
to net cash provided by	
(used in) operating activities	
Operating income (loss)	\$ 1,124,555
Adjustments to reconcile operating income (loss)	
to net cash provided by (used in) operating	
activities:	
Depreciation	1,249,665
Change in assets and liabilities	
(Increase) decrease in accounts receivable and accruals	(17,451)
(Increase) decrease in inventory	(3,985)
Increase (decrease) in accounts payable and	
accrued liabilities	(90,517)
Increase (decrease) in customer deposits	36,865
Increase (decrease) in compensated absence payable	3,167
Increase (decrease) in OPEB	6,165
(Increase) decrease in deferred outflows	(49,910)
Increase (decrease) in deferred inflows	(709,863)
(Increase) decrease in Net Pension Asset	353,397
Increase (decrease) in Net Pension Liability	267,472
Total adjustments	<u>1,045,005</u>
Net cash provided by (used in) operating activities	<u>\$ 2,169,560</u>

City of Lenoir, North Carolina

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2016

(Exhibit I)

	Agency Fund
<hr/>	
Assets	
Cash and cash equivalents	\$ 59,080
Total assets	<u>\$ 59,080</u>
Liabilities	
Due to agency	\$ 59,080
Total liabilities	<u>\$ 59,080</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

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. Since the city of Lenoir appoints the LTDA Board, it can also impose its will thus meeting the criteria for inclusion as a component unit. 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 units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2016

revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct 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 seven Special Revenue Fund projects including the Governor's Highway Safety Grant, 2013, 2014 and 2015

Community Development Entitlement Grants; and 2013, 2014 and 2015 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 two projects within the Capital Project Fund: the Fairview Street Bridge and Greenway projects.

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.

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2016

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 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 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 deferred inflows of resources.

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

position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data - 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, 2016, 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, 2016. The ordinances increased appropriations by \$2,545,046 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

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2016

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 ABC Board's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT-Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

In accordance with State law, the City sometimes has investments 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 represents the nonexpendable portion of the cemetery funds. Customer deposits represent cash received before any services are supplied.

City of Lenoir Restricted Cash

Governmental Activities

Permanent Funds	Non expendable portion	\$256,624
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Business Type Activities

Water and Sewer Fund	Customer Deposits	\$129,505
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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 donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition 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 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 position. 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 expensed over the life of the debt.

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

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 the 2016 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 one item that meets the criterion for this category-deferrals of pension expense that result from the

implementation of GASB 68. The funds statements also reports an additional deferred inflow-property taxes receivable.

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.

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 – Portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

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 to Capital Projects – Portion of fund balance that has been budgeted by the Board for future capital projects.

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, of 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 liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For 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 position**– 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 \$20,745,757 consists of several elements as follows:

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)	\$ 77,853,702
Less accumulated depreciation	<u>(52,530,266)</u>
Net capital assets	25,323,436
Deferred Outflows of Revenues related to pensions are not reported in the funds	399,119
Liabilities for revenue are considered deferred inflows of resources in the fund statements	164,655
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	(2,914,719)
Compensated absences	(566,960)
Pension obligation and OPEB	(818,831)
Net Pension Liability	(496,734)
Deferred inflows of resources related to pensions are not reported in the funds	<u>(344,209)</u>
Total adjustment	<u>\$ 20,745,757</u>

- 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 \$(635,610) as follows:

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2016

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 1,505,866
Depreciation expense, the allocation of those assets over their useful lives, is recorded in the statement of activities, but not in the fund statements	(1,590,629)
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 position	(1,372,000)
Principal payments on debt owed are recorded as a use of funds in the fund statements but again affect only the statement of net position in the government-wide statements	797,766
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	(36,629)
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	(37,873)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(35,347)
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	(124,730)
Pension Expense	(141,153)
Contribution to the pension plan in the current year and not included in the statement of activities	399,119
 Total adjustment	 <u>\$ (635,610)</u>

II. STEWARDSHIP, COMPLIANCE and ACCOUNTABILITY

A. Excess of Expenditures over Appropriations - For the year ended June 30, 2016, expenditures exceeded budgeted amounts at the department level as follows:

<u>Fund/Department</u>	<u>Excess</u>	<u>Fund/Department</u>	<u>Excess</u>
General Fund:		Enterprise Fund:	
Recreation	\$10,595	Rhodhiss Plant	<u>\$63,144</u>
Police	8,242		
Fire	54,100		
Streets	<u>17,950</u>		
Total	<u>\$90,887</u>		

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.

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 \$3,748,175 and a bank balance of \$8,750,759. Of the bank balance, \$1,000,000 was

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2016

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 \$96,214 and a bank balance of \$96,214. 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, 2016, 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>\$ 5,758,899</u>	<u>\$ 5,758,899</u>

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2016

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

General Fund:	
Allowance for Uncollectible Property Taxes Receivable	\$ 1,513,281
Allowance for Miscellaneous General Fund Receivables	27,035
Total	<u>1,540,316</u>
Water and Sewer Fund:	
Allowance for Uncollectible Water and Sewer Receivables	<u>200,000</u>

Receivables net of allowances at June 30, 2016 were as follows at the government wide level:

<u>Accounts</u>	<u>Customers</u>	<u>Taxes</u>	<u>Local Option Sales Tax</u>	<u>Other Governmental Units</u>	<u>Total</u>
<u>\$728,581</u>	<u>\$637,942</u>	<u>\$164,655</u>	<u>\$587,775</u>	<u>\$278,674</u>	<u>\$2,397,627</u>

City of Lenoir, North Carolina
Notes to the Financial Statements
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4. General Capital Assets

The capital asset activity for the governmental activities as of June 30, 2016 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,961,785	\$ 30,572		\$ 2,992,357
Construction work in progress	934,846	134,847		1,069,693
Total capital assets not being depreciated	<u>3,896,631</u>	<u>165,419</u>	-	<u>4,062,050</u>
Capital assets being depreciated:				
Buildings and improvements	14,765,929	99,985		14,865,914
Infrastructure	43,925,454			43,925,454
Equipment	13,759,822	1,240,462		15,000,284
Total capital assets being depreciated	<u>72,451,205</u>	<u>1,340,447</u>	-	<u>73,791,652</u>
Less accumulated depreciation for:				
Buildings and improvements	7,747,467	309,234		8,056,701
Infrastructure	32,131,699	466,098		32,597,797
Equipment	11,060,471	815,297		11,875,768
Total accumulated depreciation	<u>50,939,637</u>	<u>\$ 1,590,629</u>	<u>\$ -</u>	<u>52,530,266</u>
Total capital assets being depreciated, net	<u>21,511,568</u>	<u>(250,182)</u>		<u>21,261,386</u>
Total capital assets - governmental activities	<u>\$ 25,408,199</u>	<u>\$ (84,763)</u>		<u>\$ 25,323,436</u>

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

General Government	\$119,456
Public Safety	486,525
Transportation	592,052
Environmental Protection	109,408
Economic and Physical Development	42,753
Cultural and Recreational	<u>240,435</u>
Total Depreciation Expense	<u>\$1,590,629</u>

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2016

5. Business-Type Capital Assets

The capital asset activity for the business-type activities at June 30, 2016, 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	3,757,890	1,354,598		5,112,488
Total capital assets not being depreciated	<u>4,009,604</u>	<u>1,354,598</u>	<u>-</u>	<u>5,364,202</u>
Capital assets being depreciated:				
Plant and systems	61,213,867	1,384,759		62,598,626
Equipment	6,651,717	339,931		6,991,648
Total capital assets being depreciated	<u>67,865,584</u>	<u>1,724,690</u>	<u>-</u>	<u>69,590,274</u>
Less accumulated depreciation for:				
Plant and systems	22,291,207	1,053,717		23,344,924
Equipment	3,275,844	195,948		3,471,792
Total accumulated depreciation	<u>25,567,051</u>	<u>1,249,665</u>	<u>\$ -</u>	<u>26,816,716</u>
Total capital assets being depreciated, net	<u>42,298,533</u>	<u>475,025</u>		<u>42,773,558</u>
Total capital assets - business type activities (Water and Sewer Fund)	<u>\$ 46,308,137</u>	<u>\$ 1,829,623</u>		<u>\$ 48,137,760</u>

6. Construction Commitments – The City of Lenoir has the following construction projects as of June 30, 2016.

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Powell Road Sewer	\$ 432,871	\$ 3,042,729
Meadowood Sewer	1,286,819	111,706
Gunpowder Improvements	3,446,048	48,621

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2016

7. Component Unit Capital Assets

The capital assets of the ABC Board at June 30, 2016, 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	<u>155,849</u>	<u>-</u>	<u>-</u>	<u>155,849</u>
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	<u>801,317</u>	<u>25,314</u>	<u>(104,451)</u>	<u>722,180</u>
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	<u>477,569</u>	<u>\$ 36,271</u>	<u>\$ (104,451)</u>	<u>409,389</u>
Total capital assets being depreciated, net	<u>323,748</u>			<u>312,791</u>
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

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, 2016, was 7.15% of compensation for law enforcement officers and 6.87% 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

City of Lenoir, North Carolina
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to the pension plan from the City of Lenoir were \$614,029 for the year ended June 30, 2016.

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, 2016, the City reported a liability of \$764,206 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial Valuation as of December 31, 2014. The total pension liability was rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the City's proportion was 0.1703%, which was a decrease of 0.93% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense of \$217,160. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows of Resources
Diff. of expected and actual experience	\$ -	\$ 179,632
Changes of assumptions	-	-
Net diff. in projected & actual earnings on pension plan investments	-	217,567
Changes in proportion and diff. between city contributions and proportionate share of contributions	-	132,354
City contributions subsequent to the measurement date	<u>614,029</u>	<u>-</u>
Total	<u>\$ 614,029</u>	<u>\$ 529,553</u>

City of Lenoir, North Carolina
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\$614,029 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 liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ (293,425)
2017	(293,425)
2018	(292,907)
2019	350,204
2020	
Thereafter	
Total	<u>\$ (529,553)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2014 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, 2014 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

City of Lenoir, North Carolina
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projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as if June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	<u>100.0%</u>	

The information above is based on 30 years expectations developed with the consulting actuary for the 2014 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.

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

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.25%, 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:

	1% Decrease <u>(6.25%)</u>	Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
City's proportionate share of the Net pension liability (asset)	\$5,328,915	\$ 764,206	\$(3,081,460)

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, 2015, 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>55</u>
Total	<u>60</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.

City of Lenoir, North Carolina
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For the Year Ended June 30, 2016

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, 2015 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.0% 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:

Annual required contribution	\$124,627
Interest on net pension obligation	16,694
Adjustment to annual required pension contribution	<u>(29,340)</u>
Annual pension cost	\$111,981
Employer Benefits Paid	<u>75,352</u>
Increase(decrease) in net pension obligation	\$36,629
Net pension obligation beginning of fiscal year	<u>333,880</u>
Net pension obligation end of year	<u><u>\$370,509</u></u>

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2016

The following schedule contains trend information for fiscal years ending June 30, 2014, 2015 and 2016.

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Annual pension cost	\$ 80,898	\$ 103,642	\$ 111,981
Percentage of APC Contributed	128.94%	73.62%	67.29%
Net Pension Obligation	\$ 306,541	\$ 333,880	\$ 370,509

Funded Status and Funding Progress

As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$1,392,024. The covered payroll (annual payroll of active employees covered by the plan) was \$2,281,424, and the ratio of the UAAL to the covered payroll was 61.02 percent.

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 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, 2016 were \$181,964 which consisted of \$102,703 from the City and \$79,261 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, 2014, 2015, and 2016 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.

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

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2016

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, 2016, there were fourteen 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, 2016, the City recognized \$130,955 of expenditures for retiree health benefits or 1.50% of annual payroll. The current ARC rate is 2.02 of annual covered payroll.

Membership in the plan included the following at December 31, 2015, the date of the latest actuarial valuation:

	General <u>Employees</u>	Public Safety <u>Officers</u>
Retirees receiving benefits	6	8
Active plan members	<u>136</u>	<u>108</u>
Total	142	116

- 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 (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:

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2016

Annual Required Contribution	\$174,142
Interest on Net OPEB Obligation	19,031
Adjustment to Annual Required Contribution	<u>(18,180)</u>
Annual OPEB Cost	174,993
Contributions Made	<u>(130,955)</u>
Increase in Net OPEB Obligation	44,038
Net OPEB Liability, July 1, 2015	<u>\$475,773</u>
Net OPEB Liability, June 30, 2016	<u><u>\$519,811</u></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	<u>Three Year Trend Information</u>		
	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Liability
<u>Ended</u>	<u>Cost</u>	<u>Contributed</u>	<u>Liability</u>
2016	\$174,993	74.8%	\$519,811
2015	\$174,944	84.3%	\$475,773
2014	\$106,751	70.0%	\$448,263

As of December 31, 2015, 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 \$2,071,870. The covered payroll (annual payroll of active employees covered by the plan) was \$8,633,690. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2016

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, 2015 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 7.75 % 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, 2015 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)		Unfunded AAL (UAAL) (b-a)	Funded Ratio (a:b)	UAAL as a % of Covered Payroll	
		Projected Unit Credit (b)				Covered Payroll	(b-a:c)
12/31/2015	\$0	\$2,071,870		\$2,071,870	0%	\$8,633,690	24.0%
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%

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2016	\$174,142	75.2%
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%

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2016

Notes to the Required Schedules:

The information presented in the required supplementary schedule for the year ended 2015 was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest valuation follows:

Valuation Date	12/31/2015
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	7.75%– 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.

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.

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2016

3. Payables – Payables and accrued liabilities at June 30, 2016 were as follows at the government-wide level:

	<u>Vendors</u>	<u>Benefits</u>	<u>Total</u>
Governmental Activities:	<u>\$ 501,648</u>		<u>\$ 501,648</u>
Business-type activities:	<u>\$ 144,114</u>		<u>\$ 144,114</u>

4. Deferred Outflows/Inflows of Resources

Deferred outflows of resources is comprised of the following:

Contributions to Pension Plan in the Current Fiscal Year	<u>\$ 614,029</u>
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Deferred Inflows of Resources at year-end is comprised of the following:

	<u>Fund Statements</u>	<u>Government Wide</u>
Taxes receivable, less penalties (General Fund)	\$ 164,655	\$ -
Differences between expected and actual experience		179,632
Net difference between projected and actual earnings on pension plan investments		217,567
Changes in proportion and differences between employer contributions and proportionate share of contributions		132,354
Total	<u>\$ 164,655</u>	<u>\$ 529,553</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, 2016 the loan balance was \$2,084,100 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, 2016 the loan balance was \$2,922,171 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, 2016 the loan balance was \$274,788 at an interest rate of 0% for a term of 20 years.
2. The City of Lenoir has received a loan for Gunpowder Wastewater Treatment improvements. As of June 30, 2016 the amount drawn down was \$3,817,471 at an interest rate of 0% for a term of 20 years. The City is making payments based on the total loan of \$4,170,000.
3. The City of Lenoir has received a loan for Meadowood Wastewater Treatment improvements. As of June 30, 2016, the loan balance was \$1,373,278 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:

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2016

DESCRIPTION	COST	DATE	TERM	RATE	PAYMENT AMOUNT AND FREQUENCY
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	\$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
Capital Equipment	\$1,372,000	5/4/2016	4 years	1.47%	\$88,429 quarterly

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2016

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>				
2017	897,656	41,788	1,005,609	42,315
2018	878,088	27,893	498,651	22,610
2019	703,877	14,898	262,680	13,520
2020	349,238	5,679	268,954	7,247
2021	85,861	1,603	98,324	1,840
Total	2,914,720	91,861	2,134,218	87,532
<u>Revolving Loans</u>				
2017	-	-	633,213	116,558
2018	-	-	633,213	108,812
2019	-	-	633,213	101,065
2020	-	-	633,213	93,319
2021	-	-	633,213	85,572
2022-2026	-	-	3,166,067	311,667
2027-2031	-	-	3,017,203	118,008
2032-2036	-	-	1,468,224	4,055
Total	-	-	10,817,559	939,056
Total Debt Due	\$ 2,914,720	\$ 91,861	\$ 12,951,777	\$ 1,026,588

The following is a summary of changes in long-term obligations for the year-ended June 30, 2016:

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2016

	July 1, 2015	Additions	Payments	June 30, 2016	Long-term Liabilities
Governmental activities:					
Installment purchase contracts	\$ 2,226,485	\$ 1,372,000	\$ 683,766	\$ 2,914,719	\$ 897,656
Compensated absences	531,613	35,347		566,960	311,828
Section 108 Loan	114,000		114,000		
Pension obligation	333,880	36,629		370,509	-
Post employment benefits	410,449	37,873		448,322	-
Net Pension Liability		496,734		496,734	
Total governmental activities	\$ 3,616,427	\$ 1,978,583	\$ 797,766	\$ 4,797,244	\$ 1,209,484
	Balance July 1, 2015	Additions	Payments	Balance June 30, 2016	Current Portion of Long-term Liabilities
Business-type activities:					
Installment purchase contracts	\$ 3,003,924		\$ 869,706	\$ 2,134,218	\$ 1,005,609
Revolving loans	8,631,408	2,394,861	554,462	10,471,807	633,213
Compensated absences	126,611	68,367	65,200	129,778	71,378
Post employment benefits	65,324	6,165		71,489	
Net Pension Liability		267,472		267,472	
Total business-type activities	\$ 11,827,267	\$ 2,736,865	\$ 1,489,368	\$ 13,074,764	\$ 1,710,200

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, 2016, the City of Lenoir had a legal debt margin of \$158,538,263.

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2016

e. Interfund Activity

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

	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund		\$ 80,000
Capital Projects	\$ 80,000	
Total	<u>\$ 80,000</u>	<u>\$ 80,000</u>

Transfers from the general fund to the nonmajor governmental funds were for matching funds.

2. Interfund receivables and payables at June 30, 2016 are composed as follows:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$154,655	
Non-Major Governmental Funds		\$154,655

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:

Total fund balance – General Fund	\$6,788,632
Less:	
Stabilization by State Statute	1,546,866
Substance Control	83,468
Public Safety	<u>297,927</u>
Remaining Fund Balance	<u>\$4,860,371</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 \$50,149 to the Airport Authority during the year ended June 30, 2016.

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, 2016. 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 \$213,836 for membership fees and miscellaneous services to the Council during the year ended June 30, 2016.

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. 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 20, 2016, which is the date the financial statements were available to be issued.

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, 2016

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)
12/31/2015	\$ -	\$ 1,392,024	\$ 1,392,024	0.00%	\$ 2,281,424	61.02%
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%

	Annual Required Contribution	Percentage Contributed
6/30/2016	\$ 124,627	60.46%
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%

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, 2016

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)
12/31/2015	\$ -	\$ 2,071,870	\$ 2,071,870	0.00%	\$ 8,633,690	24.00%
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, 2016

	Annual Required Contribution	Percentage Contributed
6/30/2016	\$ 174,142	75.20%
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 2016 was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	12/31/2015	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	7.75 - 5.0%
Asset Valuation Method	Market Value	Year of Ultimate Trend Rate	2022

* - 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 Three Fiscal Years**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
City of Lenoir's proportion of the net pension Liability (asset) (%)	0.17028	0.17121	0.17480
City of Lenoir's proportion of the net pension Liability (asset) (\$)	764,206	(1,009,704)	2,107,011
City of Lenoir's covered-employee payroll	\$ 8,853,134	\$ 8,793,080	\$ 8,391,018
City of Lenoir's proportion of the net pension Liability (asset) as a percentage of its covered-employee payroll	8.63%	(11.48%)	25.11%
Plan fiduciary net position as a percentage of the total pension liability	98.09%	102.64%	94.35%

City of Lenoir, North Carolina

City of Lenoir' Contributions

**Required Supplementary Information
Last Three Fiscal Years**

Local Government Employees' Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 614,029	\$ 631,871	\$ 1,146,176
Contributions in relation to the contractually required contribution	<u>614,029</u>	<u>631,871</u>	<u>1,146,176</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Lenoir's covered-employee payroll	\$ 8,853,134	\$ 8,793,080	\$ 8,391,018
Contributions as a percentage of covered- employee payroll	6.94%	7.19%	13.66%

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, 2016
(Schedule 1)**

	<u>2016</u>
Assets	
Cash and cash equivalents	\$ 5,680,664
Taxes receivable (net)	164,655
Accounts receivable (net)	789,282
Other receivables	602,929
Due from other funds	154,655
Total assets	<u>\$ 7,392,185</u>
Liabilities:	
Accounts payable	<u>\$ 438,898</u>
Deferred Inflow of Resources	
Unavailable Property Taxes	164,655
Total deferred inflow of resources	<u>\$ 164,655</u>
Fund balances:	
Restricted	
Stabilization by State Statute	1,546,866
Substance Control	83,468
Public Safety	297,927
Assigned	
Land Development	305,812
Unassigned	4,554,559
Total fund balances	<u>6,788,632</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,392,185</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, 2016

(Schedule 2, Page 1)

	2016		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
REVENUES:			
Ad valorem taxes			
Taxes - Net of discounts	\$ 7,869,144	\$ 8,002,405	\$ 133,261
Penalties and interest	90,000	62,818	(27,182)
Total	7,959,144	8,065,223	106,079
Other taxes and licenses:			
Local option sales tax	3,160,000	3,394,782	234,782
Privilege licenses	21,000	1,060	(19,940)
Gross receipts on rental vehicles	4,000	3,517	(483)
Total	3,185,000	3,399,359	214,359
Unrestricted intergovernmental revenues:			
Utilities Sales tax	2,295,000	2,432,636	137,636
Beer and wine tax	80,000	78,486	(1,514)
Total	2,375,000	2,511,122	136,122
Restricted intergovernmental revenues:			
State Street - Aid allocation	570,000	572,266	2,266
Grants	474,429	545,399	70,970
Substance Control	10,000	7,000	(3,000)
Total	1,054,429	1,124,665	70,236
Permits and fees:			
Public safety fees and charges	96,500	110,029	13,529
Public works fees	15,000	21,022	6,022
Planning department fees and charges	6,000	9,135	3,135
Total	117,500	140,186	22,686
Sales and services:			
Bulk container service and sales	2,000	8,493	6,493
Solid waste fees	695,000	703,382	8,382
Cemetery lots and marker sales	100,000	119,136	19,136
Recreation department fees- centers and parks	71,000	84,560	13,560
Recreation department fees- aquatic/fitness center	123,500	134,461	10,961
Concessions	11,800	17,635	5,835
Telephone collection fees	16,560	19,044	2,484
Fire line charges	220,000	220,004	4

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, 2016

(Schedule 2, Page 2)

	2016		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
REVENUES (Continued)			
Sales and services (Continued)			
Rentals	\$ 13,200	\$ 11,000	(2,200)
Vehicle maintenance contracts	385,000	129,059	(255,941)
Total	1,638,060	1,446,774	(191,286)
Interest on investments	10,200	9,826	(374)
Miscellaneous:			
Contributions			\$ -
Other	195,000	280,600	85,600
Total	195,000	280,600	85,600
Payment from Component Unit:			
City of Lenoir ABC Board			
Law enforcement	7,500	15,555	8,055
Profit distribution	200,000	250,000	50,000
Total	207,500	265,555	58,055
Total revenues	16,741,833	17,243,310	501,477
EXPENDITURES			
General Government:			
Administrative:			
Salaries and wages		724,460	
Personnel benefits		193,431	
Professional services		98,021	
Telephone and postage		13,610	
Utilities		15,969	
Travel and training		42,088	
Maintenance - building and equipment		5,340	
Advertising and printing		8,896	
Tax collection fees		33,858	
Supplies		55,561	
Contracted services		125,199	
Dues and subscriptions		46,149	
Insurance and bonds		20,779	
Contribution to Foothills Regional			
Airport		50,149	
Economic development		212,444	
Capital improvements and equipment		9,982	
Other operating expenses		52,624	
Reimbursement of administrative costs for Water Fund		(326,105)	
Total Administrative	1,506,286	1,382,455	123,831
Building Maintenance:			
Salaries and wages		190,507	
Personnel benefits		71,891	
Telephone and postage		1,990	
Maintenance - building and equipment		10,786	
Supplies		5,512	

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, 2016

(Schedule 2, Page 3)

	2016		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
EXPENDITURES (Continued)			
General Government (Continued)			
Building Maintenance (Continued)			
Uniforms		\$ 1,671	
Insurance and bonds		7,114	
Other operating expenses		9,506	
Reimbursement of administrative costs for Water Fund		(13,692)	
Total Building Maintenance	285,877	285,285	592
Engineering:			
Salaries and wages		117,447	
Personnel benefits		32,788	
Professional services		99,544	
Telephone and postage		2,403	
Utilities		21,417	
Maintenance - building and equipment		46,858	
Travel and training		933	
Supplies		8,599	
Uniforms		835	
Contracted services		6,022	
Dues and subscriptions		1,188	
Insurance and bonds		14,118	
Other operating expenses		2,320	
Reimbursement of administrative costs for Water Fund		(49,331)	
Total Engineering	311,550	305,141	6,409
Cemetery:			
Salaries and wages		29,338	
Personnel benefits		11,668	
Telephone and postage		420	
Utilities		6,428	
Maintenance - building and equipment		24,902	
Supplies		5,236	
Contracted services		10,530	
Purchase for resale		32,022	
Insurance and bonds		6,171	
Other operating expenses		189	
Total Cemetery	129,629	126,904	2,725
Vehicle Services:			
Salaries and wages		125,979	
Personnel benefits		46,376	

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, 2016

(Schedule 2, Page 4)

	2016		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
EXPENDITURES (Continued)			
General Government (Continued)			
Vehicle Services (Continued)			
Telephone and postage		\$ 1,940	
Utilities		4,590	
Maintenance - building and equipment		19,179	
Travel and training		3,351	
Departmental supplies		257,669	
Uniforms		3,977	
Contracted services		464	
Capital improvements and equipment		1,209,363	
Insurance and bonds		9,379	
Other operating expenses		160,522	
Reimbursement of administrative costs for Water Fund		(140,265)	
Total Vehicle Services	1,711,951	1,702,524	9,427
Total General Government	3,945,293	3,802,309	142,984
Public Safety:			
Police:			
Salaries and wages		2,586,550	
Personnel benefits		1,037,506	
Professional services		3,971	
Telephone and postage		58,892	
Utilities		31,973	
Travel and training		38,071	
Maintenance - building and equipment		394,245	
Supplies		76,838	
Uniforms		97,821	
Contracted services		137,900	
Insurance and bonds		145,652	
Substance Control		19,688	
Police benefit		7,436	
Capital improvements and equipment		27,687	
D.A.R.E.		3,587	
Explorer Post 246		614	
Adopt-A-Cop		5,780	
Other operating expenses		32,592	
Total Police	4,698,561	4,706,803	(8,242)
Fire:			
Salaries and wages		2,073,280	
Personnel benefits		748,078	

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, 2016

(Schedule 2, Page 5)

	2016		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
EXPENDITURES (Continued)			
Public Safety (Continued)			
Fire (Continued)			
Telephone and postage		\$ 9,488	
Utilities		42,663	
Travel and training		17,226	
Maintenance - building and equipment		82,135	
Supplies		17,610	
Uniforms		17,655	
Contracted services		20,246	
Dues and subscriptions		4,982	
Insurance and bonds		89,255	
Other operating expenses		117	
Capital Improvement		30,572	
Grant Expenditures		291,172	
Total Fire	3,390,379	3,444,479	(54,100)
Total Public Safety	8,088,940	8,151,282	(62,342)
Transportation:			
Streets:			
Salaries and wages		400,201	
Personnel benefits		156,306	
Professional services		38,140	
Telephone and postage		3,750	
Utilities		395,448	
Travel and training		448	
Maintenance - building and equipment		144,837	
Street repairs and maintenance		965,612	
Supplies		6,575	
Street signs and pavement marking		59,718	
Uniforms		5,345	
Insurance and bonds		32,804	
Reimbursement of administrative costs for Water Fund		(42,743)	
Other operating expenses		5,070	
Total Transportation	2,153,561	2,171,511	(17,950)
Environmental Protection:			
Sanitation:			
Salaries and wages		334,909	
Personnel benefits		134,874	
Telephone and postage		12,358	
Travel and training		75	
Maintenance - building and equipment		109,211	
Supplies		9,822	
Advertising and printing		3,312	
Insurance and bonds		26,472	
Uniforms		5,485	

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, 2016

(Schedule 2, Page 6)

	2016		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
EXPENDITURES (Continued)			
Environmental Protection (Continued)			
Sanitation (Continued)			
Purchases for resale		\$ 4,900	
Tipping fees		71,412	
Recycling services		28,993	
Other operating expenses		2,262	
Capital Outlay		3,031	
Total Environmental Protection	749,213	747,116	2,097
Economic and Physical Development:			
Downtown District:			
Salaries and wages		46,686	
Personnel benefits		14,355	
Professional services		3,407	
Telephone and postage		1,614	
Travel and training		4,523	
Maintenance - equipment and streetscape		8,866	
Advertising and printing		5,589	
Departmental supplies		2,743	
Contracted services		13,624	
Events and promotions		21,060	
Façade incentive grants		13,749	
Dues and subscriptions		955	
Other operating expenses		14,592	
Total Downtown District	177,617	151,763	25,854
Planning:			
Salaries and wages		226,778	
Personnel benefits		72,644	
Professional services		85,108	
Contracted services		4,222	
Telephone and postage		3,357	
Travel and training		9,111	
Maintenance - equipment		848	
Advertising and printing		817	
Supplies		5,537	
Dues and subscriptions		1,867	
Insurance and bonds		12,809	
Building demolition		20,700	
Other operating expenses		1,830	
Reimbursement for administrative costs for Water Fund		(65,116)	
Total Planning	383,351	380,512	2,839
Total Economic and Physical Development	560,968	532,275	28,693

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, 2016

(Schedule 2, Page 7)

	2016		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
EXPENDITURES (Continued)			
Culture and Recreation:			
Recreation Centers and Parks:			
Salaries and wages		\$ 429,937	
Personnel benefits		138,192	
Professional services		248	
Basketball league		8,551	
Softball & baseball leagues		8,350	
Miscellaneous leagues and programs		61,049	
Harambee Festival		12,708	
Telephone and postage		5,907	
Utilities		103,334	
Travel and training		4,908	
Insurance and bonds		35,705	
Maintenance - building and equipment		176,323	
Supplies		44,019	
Advertising and printing		5,100	
Uniforms		258	
Contracted services		37,222	
Concessions and purchases for resale		3,528	
Other operating expenses		4,262	
Total Recreation Centers and Parks	1,069,006	1,079,601	(10,595)
Aquatic and Fitness Center:			
Salaries and wages		265,075	
Personnel benefits		70,392	
Telephone and postage		7,926	
Utilities		65,246	
Travel and training		2,217	
Maintenance - building and equipment		18,287	
Supplies		39,691	
Uniforms		712	
Advertising and printing		538	
Contracted services		16,675	
Dues and Subscriptions		378	
Concessions and purchases for resale		5,472	
Insurance and bonds		7,293	
Other operating expenses		1,471	
Total Aquatic and Fitness Center	501,980	501,373	607
Landscaping:			
Salaries and wages		156,344	
Personnel benefits		63,424	
Telephone and postage		1,924	
Utilities		5,062	
Maintenance - building and equipment		16,575	
Supplies		18,097	

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, 2016

(Schedule 2, Page 8)

	2016		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
EXPENDITURES (Continued)			
Culture and Recreation (Continued)			
Landscaping (Continued)			
Uniforms		\$ 3,939	
Contracted services		400	
Insurance and bonds		5,050	
Other operating expenses		473	
Total Landscaping	272,099	271,288	811
Total Culture and Recreation	1,843,085	1,852,262	(9,177)
Debt Service:			
Principal	793,727	683,766	109,961
Interest	49,163	38,665	10,498
Total Debt Service	842,890	722,431	120,459
Total Expenditures	18,183,950	17,979,186	204,764
REVENUES OVER/(UNDER) EXPENDITURES	(1,442,117)	(735,876)	706,241
OTHER FINANCING SOURCES (USES):			
Proceeds from sale of capital assets	25,000		(25,000)
Installment purchase issuance	1,372,000	1,372,000	-
Transfers in (out):			
From Special Revenue Fund	145,117		(145,117)
To Capital Projects Fund	(100,000)	(80,000)	20,000
Total other financing sources (uses)	1,442,117	1,292,000	(150,117)
REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$ -	556,124	\$ 556,124
FUND BALANCE:			
Beginning of year		6,232,508	
End of year		\$ 6,788,632	

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, 2016

(Schedule 3)

	<u>2016</u>
Assets	
Cash and cash equivalents	\$ 304,637
Grants Receivable	77,167
Total assets	<u>\$ 381,804</u>
Liabilities and fund balances	
Liabilities:	
Accounts payable	5,000
Total liabilities	<u>5,000</u>
Fund balances:	
Unassigned	376,804
Total fund balances	<u>376,804</u>
Total liabilities and fund balances	<u>\$ 381,804</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, 2016
 (Schedule 4, Page 1)

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total To Date	
GOVERNOR'S HIGHWAY SAFETY GRANT:					
Revenues:					
Intergovernmental	10,000	31,341		31,341	21,341
Interest earned on investments	-	1	1	2	2
Total revenues	10,000	31,342	1	31,343	21,343
Expenditures:					
Departmental Supplies	3,000	5,636		5,636	(2,636)
Training	3,000	5,516	343	5,859	(2,859)
Capital equipment	4,000	20,487	-	20,487	(16,487)
Total expenditures	10,000	31,639	343	31,982	(21,982)
Expenditures (over) revenues	-	(297)	(342)	(639)	(639)

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, 2016
(Schedule 4, Page 2)

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total To Date	
2013 COMMUNITY DEVELOPMENT					
BLOCK GRANT:					
Revenues:					
Intergovernmental	155,258	123,356	31,902	155,258	-
Expenditures:					
Debt principal	124,206	83,765	31,902	115,667	8,539
Debt interest		8,539		8,539	(8,539)
Administration	31,052	31,052		31,052	-
Total expenditures	155,258	123,356	31,902	155,258	-
Expenditures (over) revenues	-	-	-	-	-
2014 COMMUNITY DEVELOPMENT					
BLOCK GRANT:					
Revenues:					
Intergovernmental	155,004	31,000	90,621	121,621	(33,383)
Expenditures:					
Debt principal and Interest	85,000		85,000	85,000	-
Public Facilities Improvements	39,004		5,621	5,621	33,383
Administration	31,000	31,000	-	31,000	-
Total expenditures	155,004	31,000	90,621	121,621	33,383
Expenditures (over) revenues	-	-	-	-	-
2015 COMMUNITY DEVELOPMENT					
BLOCK GRANT:					
Revenues:					
Intergovernmental	144,253	-	28,870	28,870	(115,383)
Expenditures:					
Public Facilities Improvement	115,383	-	-	-	115,383
Administration	28,870	-	28,870	28,870	-
Total expenditures	144,253	-	28,870	28,870	115,383
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, 2016
(Schedule 4, Page 3)

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
2013 UNIFOUR HOME CONSORTIUM:					
Revenues:					
Intergovernmental	777,392	614,892	225,000	839,892	62,500
Program income	200,000	227,229		227,229	27,229
Total revenue	<u>977,392</u>	<u>842,121</u>	<u>225,000</u>	<u>1,067,121</u>	<u>89,729</u>
Expenditures:					
Downpayment assistance	512,175	534,195	-	534,195	(22,020)
Program Income	-	-	-	-	-
CHDO	155,478	123,478	32,000	155,478	-
Administration	77,739	77,767		77,767	(28)
Multi-family housing	232,000	39,000	193,000	232,000	-
Total expenditures	<u>977,392</u>	<u>774,440</u>	<u>225,000</u>	<u>999,440</u>	<u>(22,048)</u>
Expenditures (over) revenues	-	67,681	-	67,681	67,681
2014 UNIFOUR HOME CONSORTIUM:					
Revenues:					
Intergovernmental	816,600	139,931	554,179	694,110	(122,490)
Program Income	200,000	254,285		254,285	54,285
Total revenue	<u>1,016,600</u>	<u>394,216</u>	<u>554,179</u>	<u>948,395</u>	<u>(68,205)</u>
Expenditures:					
Downpayment assistance	512,450	169,401	396,834	566,235	(53,785)
Program Income	-	-	-	-	-
CHDO	122,490				122,490
Administration	81,660	81,660		81,660	-
Multi-family housing	300,000		300,000	300,000	-
Total expenditures	<u>1,016,600</u>	<u>251,061</u>	<u>696,834</u>	<u>947,895</u>	<u>68,705</u>
Expenditures (over) revenues	-	143,155	(142,655)	500	500

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, 2016
(Schedule 4, Page 4)

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
2015 UNIFOUR HOME CONSORTIUM:					
Revenues:					
Intergovernmental	749,490		528,115	528,115	(221,375)
Program income	230,000		317,037	317,037	87,037
Total revenue	979,490	-	845,152	845,152	(134,338)
Expenditures:					
Downpayment assistance	441,935		118,165	118,165	323,770
CHDO	112,500			-	112,500
Administration	90,055		90,055	90,055	-
Multi-family housing	335,000		335,000	335,000	-
Total expenditures	979,490	-	543,220	543,220	436,270
Expenditures (over) revenues	-	-	301,932	301,932	301,932
Expenditures (over) revenues - all grants	\$ -	\$ 210,539	\$ 158,935	\$ 369,474	\$ 369,474
Other financing sources:					
Transfers from General Fund		7,330	-	7,330	7,330
Expenditures (over) revenues and other financing sources- all grants	\$ -	\$ 217,869	158,935	\$ 376,804	\$ 376,804
FUND BALANCE:					
Beginning of year			217,869		
End of year			\$ 376,804		

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, 2016

(Schedule 5)

	Capital Project Fund	Permanent Fund	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents-restricted	-	256,624	256,624
Other receivables	226,740	805	227,545
Total assets	<u>\$ 226,740</u>	<u>\$ 257,429</u>	<u>\$ 484,169</u>
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 57,750	\$ -	\$ 57,750
Due to other funds	154,655	-	154,655
Total liabilities	<u>212,405</u>	<u>-</u>	<u>212,405</u>
Fund balances:			
Restricted Cementary Care	-	257,429	257,429
Unassigned	14,335	-	14,335
Total fund balances	<u>14,335</u>	<u>257,429</u>	<u>271,764</u>
Total liabilities and fund balances	<u>\$ 226,740</u>	<u>\$ 257,429</u>	<u>\$ 484,169</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, 2016
 (Schedule 6)

	Capital Project Fund	Permanent Fund	Total Nonmajor Governmental Funds
Revenues			
Restricted intergovernmental revenues	\$ 226,741	\$ -	\$ 226,741
Investment earnings	-	132	132
Miscellaneous		300	300
Total revenues	<u>226,741</u>	<u>432</u>	<u>227,173</u>
Expenditures			
Current:			
Capital projects	134,848	-	134,848
Total expenditures	<u>134,848</u>	<u>-</u>	<u>134,848</u>
Excess (deficiency) of revenues over (under) expenditures	<u>91,893</u>	<u>432</u>	<u>92,325</u>
Other financing sources (uses)			
From General Fund	80,000	-	80,000
Total other financing sources (uses)	<u>80,000</u>	<u>-</u>	<u>80,000</u>
Net change in fund balances	171,893	432	172,325
Fund balance - beginning	<u>(157,558)</u>	<u>256,997</u>	<u>99,439</u>
Fund balance - ending	<u>\$ 14,335</u>	<u>\$ 257,429</u>	<u>\$ 271,764</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, 2016

(Schedule 7)

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
GREENWAY PROJECT:					
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	<u>410,635</u>	<u>428,679</u>	<u>-</u>	<u>428,679</u>	<u>18,044</u>
Expenditures:					
Administrative	4,200	70,786	-	70,786	(66,586)
Property acquisition	632,492	229,885	-	229,885	402,607
Construction	544,486	890,578	61,860	952,438	(407,952)
Total expenditures	<u>1,181,178</u>	<u>1,191,249</u>	<u>61,860</u>	<u>1,253,109</u>	<u>(71,931)</u>
Expenditures (over) revenues	<u>(770,543)</u>	<u>(762,570)</u>	<u>(61,860)</u>	<u>(824,430)</u>	<u>(53,887)</u>
FAIRVIEW BRIDGE					
Revenues:					
NC Highway Grant	720,000	582,465	226,741	809,206	89,206
Expenditures:					
Engineering	200,000	326,396	-	326,396	(126,396)
Construction	700,000	574,682	72,988	647,670	52,330
Total expenditures	<u>900,000</u>	<u>901,078</u>	<u>72,988</u>	<u>974,066</u>	<u>(74,066)</u>
Expenditures (over) revenues	<u>(180,000)</u>	<u>(318,613)</u>	<u>153,753</u>	<u>(164,860)</u>	<u>15,140</u>
Expenditures (over) under revenues- all projects	(950,543)	(1,081,183)	91,893	(989,290)	(38,747)
OTHER FINANCING SOURCES(USES):					
Financing issuances	142,500	142,500	-	142,500	-
Transfer from General Fund	808,043	781,125	80,000	861,125	53,082
Total other financing sources	<u>950,543</u>	<u>923,625</u>	<u>80,000</u>	<u>1,003,625</u>	<u>53,082</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (157,558)</u>	<u>\$ 171,893</u>	<u>\$ 14,335</u>	<u>\$ 14,335</u>
Fund balance beginning of year			(157,558)		
Fund balance end of year			<u>\$ 14,335</u>		

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, 2016

(Schedule 8)

	2016		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
Revenues:			
Sales	\$ 500	\$ 300	(200)
Interest earned on investments		132	132
Total revenues	<u>500</u>	<u>432</u>	<u>(68)</u>
Revenues over expenditures	<u>500</u>	<u>432</u>	<u>(68)</u>
Revenues and other sources under expenditures and other uses	<u>500</u>	<u>432</u>	<u>(68)</u>
Fund Balance:			
Beginning of year		<u>256,997</u>	
End of year		<u>\$ 257,429</u>	

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.

Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For Fiscal Year Ended June 30, 2016
(Schedule 9)

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2016</u>
<u>CheckFree Pay</u>				
Assets				
Cash and cash equivalents	\$ 13,949	\$ 21,686	\$ 31,938	\$ 3,697
Total assets	<u>\$ 13,949</u>	<u>\$ 21,686</u>	<u>\$ 31,938</u>	<u>\$ 3,697</u>
Liabilities				
Due to other funds	\$ 13,949	\$ 21,686	\$ 31,938	\$ 3,697
Total liabilities	<u>\$ 13,949</u>	<u>\$ 21,686</u>	<u>\$ 31,938</u>	<u>\$ 3,697</u>
<u>Flex Spending</u>				
Assets				
Cash and cash equivalents	\$ 1,951	\$ 72,189	\$ 18,757	\$ 55,383
Total assets	<u>\$ 1,951</u>	<u>\$ 72,189</u>	<u>\$ 18,757</u>	<u>\$ 55,383</u>
Liabilities				
Due to other funds	\$ 1,951	\$ 72,189	\$ 18,757	\$ 55,383
Total liabilities	<u>\$ 1,951</u>	<u>\$ 72,189</u>	<u>\$ 18,757</u>	<u>\$ 55,383</u>
<u>Total All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 15,900	\$ 93,875	\$ 50,695	\$ 59,080
Total assets	<u>\$ 15,900</u>	<u>\$ 93,875</u>	<u>\$ 50,695</u>	<u>\$ 59,080</u>
Liabilities				
Due to other funds	\$ 15,900	\$ 93,875	\$ 50,695	\$ 59,080
Total liabilities	<u>\$ 15,900</u>	<u>\$ 93,875</u>	<u>\$ 50,695</u>	<u>\$ 59,080</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, 2016

(Schedule 10)

	<u>2016</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 3,068,549
Accounts receivable (net)	536,049
Inventories	75,078
Restricted Cash and cash equivalents	129,505
Total current assets	<u>3,809,181</u>
Noncurrent assets	
Capital assets, net	<u>48,137,760</u>
Total assets	<u>51,946,941</u>
Deferred Outflows of Resources	<u>214,910</u>
Liabilities	
Current liabilities	
Accounts payable	144,114
Installment purchase contracts - current	1,005,609
Revolving loan payable - current	633,213
Customer deposits payable from Restricted Assets	129,505
Compensated absences payable	71,378
Total current liabilities	<u>1,983,819</u>
Noncurrent liabilities	
Revolving loan payable	9,838,594
Installment purchase contracts payable	1,128,609
OPEB Liability	71,489
Compensated absences payable	58,400
Net Pension Liability	267,472
Total noncurrent liabilities	<u>11,364,564</u>
Total liabilities	<u>13,348,383</u>
Deferred Inflows of Resources	<u>185,344</u>
Net Position	
Net investment in capital assets	35,531,735
Unrestricted Net Position	3,096,389
Total Net Position	<u>\$ 38,628,124</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, 2016

(Schedule 11, Part I)

	2016		VARIANCE
	BUDGET	ACTUAL	POSITIVE (NEGATIVE)
REVENUES:			
Operating revenues:			
Water sales	\$ 5,197,759	\$ 5,023,739	\$ (174,020)
Wastewater treatment charges	2,665,190	2,724,463	59,273
Water and sewer taps	20,000	31,936	11,936
Late payment/reconnect fees	229,000	228,096	(904)
Miscellaneous	72,000	97,140	25,140
Total operating revenues	8,183,949	8,105,374	(78,575)
Nonoperating revenues:			
Interest on investments	1,250	4,125	2,875
TOTAL REVENUES	<u>\$8,185,199</u>	<u>\$8,109,499</u>	<u>(\$75,700)</u>

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, 2016

(Schedule 11, Part II, Page 1)

EXPENDITURES:	2016		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
Rhodhiss Water Treatment Plant:			
Salaries and wages		\$ 314,647	
Personnel benefits		120,892	
Telephone and postage		5,363	
Utilities		322,994	
Travel and training		573	
Maintenance:			
Building and grounds		3,953	
Equipment		45,528	
Motor equipment operation and maintenance		15,479	
Departmental supplies		16,742	
Uniforms		3,420	
Contracted services		218,340	
State testing		6,004	
Chemicals		135,982	
Insurance and bonds		21,357	
Utility service fees		127,450	
Miscellaneous		11,346	
Total Rhodhiss Water Treatment Plant	1,306,926	1,370,070	(63,144)
Water Distribution:			
Salaries and wages		392,232	
Personnel benefits		145,149	
Telephone and postage		57,353	
Utilities		57,563	
Travel and training		2,214	
Maintenance:			
Equipment		13,963	
Distribution system		32,659	
Motor equipment operation and maintenance		150,613	
Departmental supplies		249,904	
Uniforms		3,905	
Insurance and bonds		65,116	
Contracted services		110,849	
Service extensions		2,880	
Miscellaneous		5,771	
Utility service fees		127,450	
Economic development		5,000	
Total Water Distribution	1,647,154	1,422,621	224,533
Water Resources			
Salaries and wages		266,006	
Personnel benefits		88,505	
Professional services		137,901	

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, 2016

(Schedule 11, Part II, Page 2)

EXPENDITURES (Continued)	2016		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
Water Resources (Continued)			
Travel and training		\$ 3,244	
Telephone and postage		3,578	
Equipment maintenance		12,313	
Motor equipment operation and maintenance		22,260	
Departmental supplies		4,382	
Uniforms		1,700	
Contracted services		555	
Insurance and bonds		888	
Miscellaneous		14,864	
Total Water Resources	559,325	556,196	3,129
Wastewater Collection			
Salaries and wages		169,394	
Personnel benefits		66,302	
Professional services		1,918	
Telephone and postage		904	
Utilities		30,924	
Travel and training		905	
Maintenance:			
Equipment		2,005	
Sewage collection system		52,336	
Motor equipment operation and maintenance		116,627	
Departmental supplies		11,480	
Uniforms		3,000	
Contracted services		27,443	
Infiltration		1,818	
Insurance and bonds		60,090	
Miscellaneous		9,876	
Utility service fees		127,450	
Total Wastewater Collection	723,997	682,472	41,525
Lower Creek Wastewater Treatment Plant:			
Salaries and wages		330,555	
Personnel benefits		127,216	
Telephone and postage		5,467	
Utilities		217,421	
Travel and training		1,391	
Maintenance:			
Building and grounds		942	
Equipment		71,121	
Motor equipment operation and maintenance		56,376	
Departmental supplies		49,735	
Uniforms		2,260	
Contracted services		17,590	
Chemicals		96,655	
Insurance and bonds		21,695	
Miscellaneous		2,402	
Utility service fees		127,450	
Total Lower Creek Wastewater Treatment Plant	1,171,640	1,128,276	43,364

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, 2016

(Schedule 11, Part II, Page 3)

EXPENDITURES (Continued)	2016		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
Gunpowder Wastewater Treatment Plant:			
Salaries and wages		\$ 56,231	
Personnel benefits		14,376	
Telephone and postage		4,088	
Utilities		157,852	
Professional Fees		14,050	
Maintenance:			
Building and grounds		7	
Equipment		13,235	
Motor equipment operation and maintenance		51,340	
Departmental supplies		14,330	
Uniforms		1,464	
Contracted services		5,614	
Chemicals		55,232	
Insurance and bonds		17,065	
Miscellaneous		381	
Utility service fees		127,450	
Total Gunpowder Wastewater Treatment Plant	577,768	532,715	45,053
Wastewater Pretreatment:			
Salaries and wages		66,191	
Personnel benefits		25,596	
Travel and training		300	
Equipment maintenance		688	
Motor equipment operation and maintenance		1,378	
Uniforms		301	
Supplies		14,566	
Contracted services		62,911	
Miscellaneous		430	
Total Wastewater Pretreatment	181,409	172,361	9,048
Budgetary appropriations:			
Interest paid	182,805	182,801	4
Debt principal	1,424,175	1,424,169	6
Capital outlay:			
Equipment	410,000	339,931	70,069
Total budgetary appropriations	2,016,980	1,946,901	70,079
TOTAL EXPENDITURES	\$ 8,185,199	\$ 7,811,612	\$ 373,587

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, 2016

(Schedule 11, Part III)

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

	2016 Actual
Total revenues and other financing sources on Schedule 11, Part I, Water and Sewer	\$ 8,109,499
Total expenditures on Schedule 7, Part II, Water and Sewer	<u>7,811,612</u>
Revenues and other sources over (under) expenditures and other uses:	<u>297,887</u>

Reconciling items:

Debt principal	1,424,169
(Increase) decrease in OPEB Liability	(6,165)
Capital outlay	339,931
Interest earned Capital Projects	35
Increase in accrued vacation pay	(3,167)
Depreciation expense	(1,249,665)
Grant Received Capital Projects	87,956
Increase in Inventory	3,985
Increase in Deferred Outflows	49,910
Decrease in Deferred Inflows	709,863
Decrease in Net Pension Assets	(353,397)
Increase in Net Pension Liability	(267,472)
Total reconciling items	<u>735,983</u>
Change in Net Position (Exhibit G)	<u>\$ 1,033,870</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, 2016

(Schedule 12, Page 1)

	Project Authorization	Prior Years	Current Year	Total To Date	Variance Positive (Negative)
Meadowood Sewer					
Revenues:					
Clean Water Trust Fund Loan	\$ 1,575,000		\$ 1,373,278	\$ 1,373,278	\$ (201,722)
Expenditures:					
Engineering	144,000	15,573	50,687	66,260	77,740
Construction	1,398,525		1,302,572	1,302,572	95,953
Contingency	32,475			-	32,475
Closing Fee	31,500		31,500	31,500	-
Total expenditures	1,606,500	15,573	1,384,759	1,400,332	206,168
Expenditures (under) revenues	(31,500)	(15,573)	(11,481)	(27,054)	4,446
Other financing sources (uses):					
Transfers From Other Funds	31,500			-	(31,500)
Revenues and other financing sources over (under) expenditures and other financing uses	-	(15,573)	(11,481)	(27,054)	(27,054)
Gunpowder Creek WWTP Improvements					
Revenues:					
Clean Water Trust Fund Loan	\$ 4,170,000	\$ 3,092,344	\$ 933,627	4,025,971	\$ (144,029)
Interest Earned		12	35	47	47
Total revenues	4,170,000	3,092,356	933,662	4,026,018	(143,982)
Expenditures:					
Engineering	493,000	366,009	98,623	464,632	28,368
Construction	3,677,000	2,772,366	837,002	3,609,368	67,632
Closing Fee	77,000	83,400		83,400	(6,400)
Total expenditures	4,247,000	3,221,775	935,625	4,157,400	89,600
Expenditures (under) revenues	(77,000)	(129,419)	(1,963)	(131,382)	(54,382)
Other financing sources (uses):					
Transfers From Other Funds	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	-	(129,419)	(1,963)	(131,382)	(131,382)

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, 2016

(Schedule 12, Page 2)

	Project Authorization	Prior Years	Current Year	Total To Date	Variance Positive (Negative)
Powell Road Greenway Sewer:					
Revenues:					
Clean Water Trust Fund Loan	\$ 289,250	\$ 201,293	\$ 87,957	289,250	-
Clean Water Trust Fund Grant	289,250	201,294	87,956	289,250	-
Total revenues	<u>578,500</u>	<u>402,587</u>	<u>175,913</u>	<u>578,500</u>	<u>-</u>
Expenditures:					
Engineering	66,060	77,871	587	78,458	(12,398)
Administration	11,570	33,199	104,732	137,931	(126,361)
Construction	488,040	421,472		421,472	66,568
Contingency	24,400			-	24,400
Total expenditures	<u>590,070</u>	<u>532,542</u>	<u>105,319</u>	<u>637,861</u>	<u>(47,791)</u>
Expenditures (under) revenues	(11,570)	(129,955)	70,594	(59,361)	(47,791)
Other financing sources (uses):					
Transfers From Other Funds	<u>11,570</u>			-	(11,570)
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (129,955)</u>	<u>\$ 70,594</u>	<u>\$ (59,361)</u>	<u>\$ (59,361)</u>
Rhodhiss Water					
Revenues:					
Drinking Water Loan	\$ 6,540,000			-	(6,540,000)
Expenditures:					
Engineering	864,000		271,400	271,400	592,600
Construction	5,160,000		33,840	33,840	5,126,160
Closing Fees	130,800			-	130,800
Contingency	516,000			-	516,000
Total expenditures	<u>6,670,800</u>	<u>-</u>	<u>305,240</u>	<u>305,240</u>	<u>6,365,560</u>
Expenditures (under) revenues	(130,800)	-	(305,240)	(305,240)	(174,440)
Other financing sources (uses):					
Transfer from Other Funds	<u>130,800</u>			-	(130,800)
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (305,240)</u>	<u>\$ (305,240)</u>	<u>\$ (305,240)</u>

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, 2016

(Schedule 12, Page 3)

Steele College Sewer

Revenues:

Drinking Water Loan	\$ 273,000	-	-	-	(273,000)
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Expenditures:

Engineering	20,000	7,900	7,900	12,100	
Construction	370,000	514	514	369,486	
Total expenditures	<u>390,000</u>	<u>-</u>	<u>8,414</u>	<u>8,414</u>	<u>381,586</u>

Expenditures (under) revenues	(117,000)	-	(8,414)	(8,414)	108,586
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Other financing sources (uses):

Transfer from Other Funds	<u>117,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(117,000)</u>
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Revenues and other financing sources over (under) expenditures and other financing uses

<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,414)</u>	<u>\$ (8,414)</u>	<u>\$ (8,414)</u>
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Total Water and Sewer Capital Project Fund

<u>\$ -</u>	<u>\$ (274,947)</u>	<u>\$ (256,504)</u>	<u>\$ (531,451)</u>	<u>\$ (531,451)</u>
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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, 2016

(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	1,141,911	1,141,911
In certificates of deposit	2,537,184	2,537,184
Total Cash	<u>3,681,080</u>	<u>3,681,080</u>
Investments - North Carolina Capital		
Management Trust	2,739,075	2,739,075
Term Trust	3,019,824	\$ 3,019,824
Total Investments	<u>5,758,899</u>	<u>5,758,899</u>
Total Cash and Investments	<u>\$ 9,439,979</u>	<u>\$ 9,439,979</u>
Distribution by Funds:		
Governmental Fund types	\$ 6,241,925	\$ 6,241,925
Enterprise Fund	3,198,054	3,198,054
Total	<u>\$ 9,439,979</u>	<u>\$ 9,439,979</u>

City of Lenoir, North Carolina

Schedule of Ad Valorem Taxes Receivable

June 30, 2016

(Schedule 14)

Fiscal Year	Uncollected Balance 7/1/2015	Additions	Collections and Credits	Uncollected Balance 6/30/2016
2015-2016	\$ -	\$ 8,345,390	\$ 8,054,641	\$ 290,749
2014-2015	321,101		68,005	253,096
2013-2014	316,853		30,023	286,830
2012-2013	223,012		16,956	206,056
2011-2012	191,865		8,402	183,463
2010-2011	208,612		12,575	196,037
2009-2010	28,789		95	28,694
2008-2009	97,731		3,366	94,365
2007-2008	89,310		11,918	77,392
2006-2007	64,260		3,006	61,254
2005-2006	65,450		65,450	-
Total	\$ 1,606,983	\$ 8,345,390	\$ 8,274,437	1,677,936
Less allowance for uncollectible ad valorem taxes receivable:				
Ad valorem and vehicle			\$ 1,474,476	
Downtown Service District			38,805	1,513,281
Ad valorem taxes receivable - net				<u>\$ 164,655</u>
Reconciliation with revenues:				
Ad valorem taxes (Schedule 2)				\$ 8,065,223
Discounts allowed				207,849
Prior year releases				139
Amounts written off per statute of limitations				64,044
Subtotal				<u>8,337,255</u>
Less penalties and interest collected				<u>62,818</u>
Total collections and credits				<u>\$ 8,274,437</u>

City of Lenoir, North Carolina

Analysis of Current Tax Levy

June 30, 2016

(Schedule 15)

	Total Property Valuation	Rate	Amount of Levy	Total Levy	
				Property Excluding Vehicles	Motor Vehicles
Original levy:					
Ad Valorem	\$ 2,046,337,931	\$ 0.58	\$ 11,868,760	\$ 11,868,760	
Downtown Service District	13,378,800	0.25	33,447	33,447	
Motor Vehicles:					
General	116,020,862	0.58	672,921		\$ 672,921
Discoveries			373,419	373,419	
Releases			(4,603,157)	(4,603,157)	-
Total for year	<u>2,175,737,593</u>		8,345,390	7,672,469	672,921
Less uncollected tax at June 30, 2016 (schedule 14)			<u>290,749</u>	<u>290,749</u>	-
Current year's taxes collected			<u>\$ 8,054,641</u>	<u>\$ 7,381,720</u>	<u>\$ 672,921</u>
Percent current year collected			96.52%	96.21%	100.00%

City of Lenoir, North Carolina

Capital Assets Used in the Operation of Governmental Funds
 Schedule by Function and Activity
 June 30, 2016
 (Schedule 16)

Function and Activity	Land	Buildings and Improvements	Machinery and Equipment	Infrastructure	Construction in Progress	Total
General government:						
Administrative	\$ 842,376	\$ 880,701	\$ 792,649	\$ 759,098	\$ -	\$ 3,274,824
Vehicle services	-	-	326,688	-	-	326,688
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	1,507,939	1,603,894	759,098	-	4,956,031
Public Safety:						
Police	170,165	1,606,695	4,319,073	-	-	6,095,933
Fire	237,774	692,229	3,831,376	-	-	4,761,379
Total public safety	407,939	2,298,924	8,150,449	-	-	10,857,312
Transportation:						
Streets	55,277	3,973,098	2,426,245	42,085,910	978,203	49,518,733
Environmental protection:						
Sanitation	9,500	19,969	1,424,272	-	-	1,453,741
Economic & physical development:						
Planning & Main Street	-	12,233	91,351	-	-	103,584
Recreation and culture:						
Recreation	1,507,206	6,770,845	814,547	1,069,840	91,490	10,253,927
Landscaping	10	396,104	314,259	-	-	710,373
Total recreation & culture	1,507,216	7,166,949	1,128,806	1,069,840	91,490	10,964,300
Total governmental funds capital assets	\$ 3,065,032	\$ 14,979,112	\$ 14,825,017	\$ 43,914,848	\$ 1,069,693	\$ 77,853,702

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				
	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Governmental activities					
Net investment in capital assets	\$ 22,797,645	\$ 22,986,647	\$ 24,252,972	\$ 23,881,197	\$ 24,687,510
Restricted	887,159	1,102,646	752,328	319,048	2,068,699
Unrestricted	6,041,293	6,416,440	5,440,565	5,996,460	3,495,229
Total governmental activities net position	<u>\$ 29,726,097</u>	<u>\$ 30,505,733</u>	<u>\$ 30,445,865</u>	<u>\$ 30,196,705</u>	<u>\$ 30,251,438</u>
Business-type activities					
Net investment in capital assets	\$ 23,447,459	\$ 24,623,994	\$ 26,673,159	\$ 28,630,531	\$ 30,152,606
Unrestricted	\$ 5,984,846	\$ 6,086,897	\$ 4,853,315	\$ 3,208,275	\$ 3,602,725
Total business-type activities net position	<u>\$ 29,432,305</u>	<u>\$ 30,710,891</u>	<u>\$ 31,526,474</u>	<u>\$ 31,838,806</u>	<u>\$ 33,755,331</u>
Primary government					
Net investment in capital assets	\$ 46,245,104	\$ 47,610,641	\$ 50,926,131	\$ 52,511,728	\$ 54,840,116
Restricted	887,159	1,102,646	752,328	319,048	2,068,699
Unrestricted	12,026,139	12,503,337	10,293,880	9,204,735	6,329,412
Total primary government net position	<u>\$ 59,158,402</u>	<u>\$ 61,216,624</u>	<u>\$ 61,972,339</u>	<u>\$ 62,035,511</u>	<u>\$ 63,238,227</u>
	Fiscal Year				
	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Governmental activities					
Net investment in capital assets	\$ 24,742,318	\$ 23,908,648	\$ 23,511,733	\$ 23,067,714	\$ 22,408,717
Restricted	1,628,404	2,090,733	2,033,820	2,064,013	2,185,690
Unrestricted	2,749,865	2,589,418	2,847,028	2,799,456	3,588,550
Total governmental activities net position	<u>\$ 29,120,587</u>	<u>\$ 28,588,799</u>	<u>\$ 28,392,581</u>	<u>\$ 27,931,183</u>	<u>\$ 28,182,957</u>
Business-type activities					
Net investment in capital assets	\$ 31,523,163	\$ 32,458,799	\$ 33,769,317	\$ 34,672,805	\$ 35,531,735
Unrestricted	\$ 3,311,422	\$ 3,272,193	\$ 3,217,991	\$ 2,921,449	\$ 3,096,389
Total business-type activities net position	<u>\$ 34,834,585</u>	<u>\$ 35,730,992</u>	<u>\$ 36,987,308</u>	<u>\$ 37,594,254</u>	<u>\$ 38,628,124</u>
Primary government					
Net investment in capital assets	\$ 56,265,481	\$ 56,367,447	\$ 57,281,050	\$ 57,740,519	\$ 57,940,452
Restricted	1,628,404	2,090,733	2,033,820	2,064,013	2,185,690
Unrestricted	6,061,287	5,861,611	6,065,019	5,720,905	6,684,939
Total primary government net position	<u>\$ 63,955,172</u>	<u>\$ 64,319,791</u>	<u>\$ 65,379,889</u>	<u>\$ 65,525,437</u>	<u>\$ 66,811,081</u>

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

	Fiscal Year				
	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Expenses					
Governmental activities:					
General government	\$ 2,532,093	\$ 2,842,285	\$ 3,147,449	\$ 2,688,903	\$ 2,521,169
Public safety	7,571,235	7,782,866	8,462,402	8,474,676	8,609,721
Transportation	1,877,492	1,964,505	2,278,315	2,128,596	2,131,705
Environmental protection	615,014	745,097	754,872	772,091	829,299
Economic and physical development	1,580,054	1,920,170	1,453,317	1,955,860	1,683,790
Culture and recreation	1,836,837	1,809,285	2,234,821	2,025,347	2,051,873
Interest and fees	203,560	186,902	158,792	124,370	106,965
Total governmental activities expenses	16,216,285	17,251,110	18,489,968	18,169,843	17,934,522
Business-type activities:					
Water and sewer	6,742,217	6,740,901	6,790,236	7,012,770	6,748,649
Total primary government expenses	\$ 22,958,502	\$ 23,992,011	\$ 25,280,204	\$ 25,182,613	\$ 24,683,171
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 300,365	\$ 273,237	\$ 498,629	\$ 664,933	\$ 777,946
Public safety	323,431	339,085	151,214	196,711	194,263
Transportation	355,179	466,496	-	19,926	21,151
Environmental protection	454,131	515,359	525,142	562,743	556,164
Economic and physical development		276,584	210,111	238,413	106,171
Culture and recreation	207,022	151,973	225,302	253,693	216,991
Operating grants and contributions	3,787,830	2,258,081	1,831,041	2,227,212	2,006,622
Capital grants and contributions	802,339	394,448	800,431	752,229	868,037
Total governmental activities program revenues	6,230,297	4,675,263	4,241,870	4,915,860	4,747,345
Business-type activities:					
Charges for services:					
Water and sewer	7,803,997	7,474,691	7,472,724	7,220,490	7,241,793
Operating grants and contributions	-	-	-	-	1,374,704
Capital grants and contributions	1,153,392	12,979	-	-	-
Total business-type activities program revenues	8,957,389	7,487,670	7,472,724	7,220,490	8,616,497
Total primary government program revenues	\$ 15,187,686	\$ 12,162,933	\$ 11,714,594	\$ 12,136,350	\$ 13,363,842
Net (Expense)/Revenue					
Governmental activities	\$ (9,985,988)	\$ (12,575,847)	\$ (14,248,098)	\$ (13,253,983)	\$ (13,187,177)
Business-type activities	2,215,172	746,769	682,488	207,720	1,867,848
Total primary government net expense	\$ (7,770,816)	\$ (11,829,078)	\$ (13,565,610)	\$ (13,046,263)	\$ (11,319,329)

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

	Fiscal Year				
	2006-2007	2006-2007	2008-2009	2009-2010	2010-2011
General Revenues and Other Changes in Net Position					
Governmental activities:					
Ad valorem taxes	\$ 6,995,180	\$ 6,995,180	\$ 8,076,972	\$ 7,206,622	\$ 7,370,866
Other taxes and licenses	3,249,329	3,249,329	3,717,692	3,470,522	3,762,006
Unrestricted intergovernmental	1,244,682	1,244,682	1,517,749	1,464,036	1,524,091
Miscellaneous	765,656	765,656	435,693	598,575	229,488
Gain (loss) on sale of fixed assets			25,862	29,815	
Transfers	-	-			
Payment from ABC Board	164,229	164,229	292,227	216,980	207,532
Interest earned on investments	284,435	284,435	122,035	18,273	10,351
Total governmental activities	12,703,511	12,703,511	14,188,230	13,004,823	13,104,334
Business-type activities:					
Miscellaneous	37,690	37,690	55,100	94,946	44,429
Gain (loss) on sale of fixed assets	-	-			
Transfers	-	-			
Interest earned on investments	257,750	257,750	77,995	9,666	4,248
Total business-type activities	295,440	295,440	133,095	104,612	48,677
Total primary government	\$ 12,998,951	\$ 12,998,951	\$ 14,321,325	\$ 13,109,435	\$ 13,153,011
Changes in Net Position					
Governmental activities	\$ 2,717,523	\$ 127,664	\$ (59,868)	\$ (249,160)	\$ (82,843)
Business-type activities	2,510,612	1,042,209	815,583	312,332	1,916,525
Total primary government	\$ 5,228,135	\$ 1,169,873	\$ 755,715	\$ 63,172	\$ 1,833,682

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

	Fiscal Year				
	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>
Expenses					
Governmental activities:					
General government	\$ 3,195,538	\$ 3,046,921	\$ 3,179,927	\$ 4,322,095	\$ 2,603,033
Public safety	8,215,430	8,207,917	8,048,078	7,800,350	8,548,540
Transportation	2,097,876	2,347,838	2,261,096	2,160,348	2,723,651
Environmental protection	703,246	855,159	842,366	947,928	841,519
Economic and physical development	2,197,798	1,355,971	1,282,460	741,650	2,062,599
Culture and recreation	2,196,855	2,007,287	2,040,197	1,807,111	2,048,795
Interest and fees	90,971	65,475	47,645	36,863	41,567
Total governmental activities expenses	<u>18,697,714</u>	<u>17,886,568</u>	<u>17,701,769</u>	<u>17,816,345</u>	<u>18,869,704</u>
Business-type activities:					
Water and sewer	7,049,311	6,961,985	7,112,339	7,135,710	7,163,620
Total primary government expenses	<u>\$ 25,747,025</u>	<u>\$ 24,848,553</u>	<u>\$ 24,814,108</u>	<u>\$ 24,952,055</u>	<u>\$ 26,033,324</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 1,059,899	\$ 410,011	\$ 516,150	\$ 342,440	\$ 307,754
Public safety	180,689	411,362	383,282	416,602	330,033
Transportation	29,707	19,484	9,772	34,234	-
Environmental protection	629,383	630,546	626,488	632,824	703,382
Economic and physical development	4,851	2,300	3,100	1,425	9,135
Culture and recreation	212,195	263,552	214,129	376,314	236,656
Operating grants and contributions	2,871,333	1,685,037	1,702,475	1,960,332	2,456,352
Capital grants and contributions	202,102	365,146	225,658	267,678	346,740
Total governmental activities program revenues	<u>5,190,159</u>	<u>3,787,438</u>	<u>3,681,054</u>	<u>4,031,849</u>	<u>4,390,052</u>
Business-type activities:					
Charges for services:					
Water and sewer	7,575,832	7,777,598	7,947,875	7,919,136	8,008,234
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	500,000	-	-	201,294	87,956
Total business-type activities program revenues	<u>8,075,832</u>	<u>7,777,598</u>	<u>7,947,875</u>	<u>8,120,430</u>	<u>8,096,190</u>
Total primary government program revenues	<u>\$ 13,265,991</u>	<u>\$ 11,565,036</u>	<u>\$ 11,628,929</u>	<u>\$ 12,152,279</u>	<u>\$ 12,486,242</u>
Net (Expense)/Revenue					
Governmental activities	\$ (13,507,555)	\$ (14,099,130)	\$ (14,020,715)	\$ (13,784,496)	\$ (14,479,652)
Business-type activities	1,026,521	815,613	835,536	984,720	932,570
Total primary government net expense	<u>\$ (12,481,034)</u>	<u>\$ (13,283,517)</u>	<u>\$ (13,185,179)</u>	<u>\$ (12,799,776)</u>	<u>\$ (13,547,082)</u>

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

	Fiscal Year				
	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
General Revenues and Other Changes in Net Position					
Governmental activities:					
Ad valorem taxes	\$ 6,824,494	\$ 7,514,078	\$ 7,544,703	\$ 7,983,791	\$ 7,940,493
Other taxes and licenses	3,840,310	3,902,194	3,516,230	3,425,571	3,394,782
Unrestricted intergovernmental	1,539,309	1,743,940	2,046,411	2,329,079	2,515,699
Miscellaneous	86,751	260,959	469,942	280,748	604,938
Gain (loss) on sale of fixed assets	16,794	(74,023)	20,993	22,065	
Payment from ABC Board	219,868	213,630	223,333	259,307	265,555
Interest earned on investments	7,163	6,564	2,885	3,382	9,959
Total governmental activities	<u>12,534,689</u>	<u>13,567,342</u>	<u>13,824,497</u>	<u>14,303,943</u>	<u>14,731,426</u>
Business-type activities:					
Miscellaneous	49,674	78,318	419,534	149,263	97,140
Interest earned on investments	3,059	2,476	1,246	1,111	4,160
Total business-type activities	<u>52,733</u>	<u>80,794</u>	<u>420,780</u>	<u>150,374</u>	<u>101,300</u>
Total primary government	<u>\$ 12,587,422</u>	<u>\$ 13,648,136</u>	<u>\$ 14,245,277</u>	<u>\$ 14,454,317</u>	<u>\$ 14,832,726</u>
Changes in Net Position					
Governmental activities	\$ (972,866)	\$ (531,788)	\$ (196,218)	\$ 519,447	\$ 251,774
Business-type activities	1,079,254	896,407	1,256,316	1,135,094	1,033,870
Total primary government	<u>\$ 106,388</u>	<u>\$ 364,619</u>	<u>\$ 1,060,098</u>	<u>\$ 1,654,541</u>	<u>\$ 1,285,644</u>

Table 3
City of Lenoir, North Carolina
Fund Balances, Governmental Funds
Last Ten Fiscal Years

(modified accrual basis of accounting)
(unaudited)

	Fiscal Year				
	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
General Fund					
NonSpendable					\$ 29,608
Restricted	\$ 3,414,011	3,525,760	2,498,565	2,116,002	2,012,151
Assigned					610,557
Unassigned	3,188,151	3,319,100	3,653,831	3,760,253	2,896,417
Total general fund	<u>\$ 6,602,162</u>	<u>\$ 6,844,860</u>	<u>\$ 6,152,396</u>	<u>\$ 5,876,255</u>	<u>\$ 5,548,733</u>
All Other Governmental Funds					
NonSpendable	\$ 230,543	\$ 240,783	\$ 248,177	\$ 251,441	\$ 253,553
Restricted	695,086	952,521	520,420	187,512	
Unassigned					(238,358)
Total all other governmental funds	<u>\$ 925,629</u>	<u>\$ 1,193,304</u>	<u>\$ 768,597</u>	<u>\$ 438,953</u>	<u>\$ 15,195</u>

	Fiscal Year				
	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
General Fund					
NonSpendable	\$ 34,643	\$ 6,827			
Restricted	1,762,940	1,827,592	1,777,269	1,807,016	1,928,261
Assigned	555,964	468,178	396,760	363,889	305,812
Unassigned	3,028,662	3,211,745	3,574,740	4,061,603	4,554,559
Total general fund	<u>\$ 5,382,209</u>	<u>\$ 5,514,342</u>	<u>\$ 5,748,769</u>	<u>\$ 6,232,508</u>	<u>\$ 6,788,632</u>
All Other Governmental Funds					
NonSpendable	\$ 255,181	\$ 256,314	\$ 256,551	\$ 256,997	\$ 257,429
Restricted					
Assigned					14,335
Unassigned	(316,786)	(228,544)	(169,149)	60,311	376,804
Total all other governmental funds	<u>\$ (61,605)</u>	<u>\$ 27,770</u>	<u>\$ 87,402</u>	<u>\$ 317,308</u>	<u>\$ 648,568</u>

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				
	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Revenues					
Ad valorem taxes	\$ 7,021,088	\$ 7,058,906	\$ 8,127,462	\$ 7,274,284	\$ 7,245,878
Other taxes and licenses	3,249,329	3,964,985	3,717,692	3,470,522	3,762,006
Unrestricted intergovernmental revenues	1,244,682	1,424,792	1,517,749	1,464,036	1,524,091
Restricted intergovernmental revenues	3,090,169	2,974,919	2,877,185	1,110,953	938,984
Permits and fees	138,612	142,632	183,048	117,900	199,682
Sales and services	1,501,516	1,603,518	1,422,771	1,481,369	1,551,101
Investment earnings	284,435	288,351	122,034	14,578	8,798
Miscellaneous	2,265,656	339,070	194,559	542,745	219,547
Payment from ABC Board	164,229	152,732	292,227	216,980	207,532
Total revenues	<u>18,959,716</u>	<u>17,949,905</u>	<u>18,454,728</u>	<u>15,693,367</u>	<u>15,657,619</u>
Expenditures					
General government	3,648,956	2,957,706	3,984,092	2,485,008	2,303,427
Public safety	7,288,312	7,446,694	7,945,639	7,823,997	7,981,579
Transportation	1,062,932	1,232,217	1,479,813	1,359,189	1,418,860
Environmental protection	568,268	702,619	925,713	679,803	748,417
Economic and physical development	1,590,722	2,038,156	1,505,639	526,443	580,395
Cultural and recreation	1,675,889	1,660,371	2,138,932	1,794,162	1,805,049
Capital outlay	930,585	529,984	1,154,897	315,225	656,659
Debt service:					
Interest	203,560	146,795	158,793	106,730	78,943
Principal	837,537	1,066,530	931,228	851,467	778,766
Total expenditures	<u>17,806,761</u>	<u>17,781,072</u>	<u>20,224,745</u>	<u>15,942,024</u>	<u>16,352,095</u>
Excess of revenues over (under) expenditures	<u>1,152,955</u>	<u>168,833</u>	<u>(1,770,017)</u>	<u>(248,657)</u>	<u>(694,476)</u>
Other Financing Sources (Uses)					
Proceeds from installment purchase	1,189,297	305,000	621,653		526,000
Proceeds from disposal of capital assets		36,540	31,193	32,516	
Transfers in	285,946	300,000			
Transfers out	<u>(285,946)</u>	<u>(300,000)</u>		<u>(60,000)</u>	<u>(138,637)</u>
Total other financing sources (uses)	<u>1,189,297</u>	<u>341,540</u>	<u>652,846</u>	<u>(27,484)</u>	<u>387,363</u>
Net change in fund balances	<u>\$ 2,342,252</u>	<u>\$ 510,373</u>	<u>\$ (1,117,171)</u>	<u>\$ (276,141)</u>	<u>\$ (307,113)</u>
Debt service as a percentage of noncapital expenditures	6.17%	7.03%	5.72%	6.13%	13.10%

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				
	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Revenues					
Ad valorem taxes	\$ 7,020,833	\$ 7,455,803	\$ 7,593,573	\$ 7,970,787	\$ 8,065,223
Other taxes and licenses	3,840,310	3,902,194	3,516,230	3,425,571	3,399,359
Unrestricted intergovernmental revenues	1,539,309	1,743,940	2,046,411	2,329,079	2,511,122
Restricted intergovernmental revenues	3,224,873	2,050,183	2,079,522	2,228,010	3,127,130
Permits and fees	196,548	200,737	191,572	219,678	140,186
Sales and services	1,669,626	1,536,518	1,561,348	1,584,161	1,446,774
Investment earnings	7,163	6,564	2,885	3,382	9,959
Miscellaneous	86,751	260,959	318,553	280,748	280,900
Payment from ABC Board	219,868	213,630	223,333	259,307	265,555
Total revenues	17,805,281	17,370,528	17,533,427	18,300,723	19,246,208
Expenditures					
General government	3,001,812	2,950,137	3,613,421	4,301,172	3,802,309
Public safety	7,802,219	7,859,864	7,582,589	7,979,458	8,151,625
Transportation	1,364,885	1,733,257	1,634,821	1,707,089	2,171,511
Environmental protection	775,384	785,039	731,850	830,334	747,116
Economic and physical development	2,187,637	1,365,763	1,280,943	1,548,040	2,031,820
Cultural and recreation	2,023,630	1,887,295	1,856,223	1,805,187	1,852,262
Capital Projects	265,098	10,561	507,125	222,806	134,848
Debt service:					
Interest	90,971	65,475	47,645	36,862	41,567
Principal	908,763	625,924	493,910	592,045	797,766
Total expenditures	18,420,399	17,283,315	17,748,527	19,022,993	19,730,824
Excess of revenues over (under) expenditures	(615,118)	87,213	(215,100)	(722,270)	(484,616)
Other Financing Sources (Uses)					
Proceeds from installment purchase	355,000		487,000	1,413,850	1,372,000
Proceeds from disposal of capital assets	16,794	134,295	22,159	22,065	
Transfers in					
Transfers out					
Total other financing sources (uses)	371,794	134,295	509,159	1,435,915	1,372,000
Net change in fund balances	\$ (243,324)	\$ 221,508	\$ 294,059	\$ 713,645	\$ 887,384
Debt service as a percentage of noncapital expenditures	5.51%	4.00%	3.14%	3.35%	4.28%

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

Fiscal Year	Real Property	Personal Property	Public Service Companies	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2015-2016	\$ 1,294,147,156	\$ 779,096,233	\$ 64,291,555	\$ 26,814,496	\$ 2,110,720,448	\$ 0.580
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

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		
	City of Lenoir Basic Rate	Downtown Service District		Caldwell County Basic Rate	Rescue Squad	Total Direct & Overlapping Rate
2015-2016	\$ 0.5800	\$ 0.2500		\$ 0.6000	\$ 0.0085	\$ 1.1885
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

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	2005				2015			
	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/Hertiage 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%
Total	\$ 210,151,684		\$ 1,139,732,910	17.65%	\$ 919,628,197		\$ 1,975,578,431	46.55%

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
2016	\$ 8,345,390	\$ 8,054,641	96.52%		\$ 8,054,641	96.52%
2015	\$ 8,014,444	\$ 7,693,343	95.99%	\$ 68,005	\$ 7,761,348	96.84%
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%

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				
2016	\$ -	\$ 2,914,719		\$ 10,471,807	\$ 2,134,218	\$ 15,520,744	*	\$ 870	
2015	\$ -	\$ 2,226,485	\$ 114,000	\$ 8,631,408	\$ 3,003,924	\$ 13,975,817	#VALUE!	\$ 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	

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)

Fiscal Year Ended June 30	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
2016	\$ -	0.00%	\$ -
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%	\$ -

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, 2016
(unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes			
Caldwell County General Obligation Bonds	\$ -	27.63%	\$ -
Other debt			
Caldwell County equity purchase contracts	40,282,325	27.63%	<u>11,130,006</u>
Subtotal, overlapping debt			11,130,006
Lenoir direct debt			2,914,719
Total direct and overlapping debt			<u><u>\$ 14,044,725</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, 2016:

Assessed valuation - January 1, 2015		\$ 2,175,737,593
Debt Limit - 8% of assessed value		\$ 174,059,007
Gross long-term debt	\$ 15,520,744	
Less statutory deductions		
Bonds applicable to water system	<u>-</u>	<u>15,520,744</u>
Legal debt margin		<u>\$ 158,538,263</u>

	Fiscal Year				
	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Debt limit	\$ 102,277,255	\$ 104,757,860	\$ 119,399,309	\$ 114,986,842	\$ 115,475,983
Total net debt applicable to limit	<u>21,387,609</u>	<u>18,966,321</u>	<u>19,543,613</u>	<u>17,360,478</u>	<u>18,879,854</u>
Legal debt margin	<u>\$ 80,889,646</u>	<u>\$ 85,791,539</u>	<u>\$ 99,855,696</u>	<u>\$ 97,626,364</u>	<u>\$ 96,596,129</u>
Total net debt applicable to the limit as a percentage of debt limit	20.91%	18.10%	16.37%	15.10%	16.35%

	Fiscal Year				
	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Debt limit	\$ 118,214,283	\$ 126,641,794	\$ 144,008,225	\$ 163,608,583	\$ 174,059,007
Total net debt applicable to limit	<u>16,502,686</u>	<u>13,829,441</u>	<u>11,703,739</u>	<u>13,976,817</u>	<u>15,520,744</u>
Legal debt margin	<u>\$ 101,711,597</u>	<u>\$ 112,812,353</u>	<u>\$ 132,304,486</u>	<u>\$ 149,631,766</u>	<u>\$ 158,538,263</u>
Total net debt applicable to the limit as a percentage of debt limit	13.96%	10.92%	8.13%	8.54%	8.92%

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)

Calendar Year	Population	Personal Income (In Millions)	Per Capita Personal Income	Unemployment Rate
2015	17,842	*	*	7.2%
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%

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	2015		2005	
	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 2005 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				
	2007	2008	2009	2010	2011
General Government					
Administrative	12.5	10.5	14.0	13.0	14.5
Building Maintenance	5.0	5.0	6.0	6.0	6.0
Engineering	3.0	3.0	3.0	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
Public Safety					
Police	73.0	78.0	76.0	76.0	77.5
Fire	60.0	63.0	65.0	65.0	66.0
Transportation					
Streets	12.0	13.0	14.5	14.5	14.5
Environmental Protection					
Sanitation	13.0	11.5	12.5	12.5	13.5
Economic and Physical Development					
Downtown District	2.0	2.0	2.0	2.0	2.0
Planning	4.0	4.0	5.0	6.0	5.0
Culture and Recreation					
Centers and Parks	14.0	31.0	29.0	28.0	27.5
Aquatic and Fitness Center	18.5	22.0	22.5	21.0	22.0
Landscaping	6.0	8.0	6.5	6.5	7.5
Water and Sewer Utility					
Bernhardt Water Treatment Plant	9.0	9.0	9.0	9.0	9.0
Water Distribution	15.0	17.0	13.0	14.0	14.0
Water Resources			6.0	5.0	7.0
Wastewater Collection	6.0	6.0	6.0	6.0	5.0
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
Total	272.0	302.0	309.0	305.5	312.0

	Full-time-Equivalent Employees as of June 30				
	2012	2013	2014	2015	2016
General Government					
Administrative	15.5	12.5	14.0	13.5	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	3.0
Vehicle Services	4.0	4.0	4.0	4.0	4.0
Public Safety					
Police	77.0	70.0	69.0	70.0	69.5
Fire	66.0	59.0	59.0	57.5	59.0
Transportation					
Streets	14.5	14.0	14.5	14.5	13.5
Environmental Protection					
Sanitation	12.5	11.5	12.5	12.5	12.5
Economic and Physical Development					
Downtown District	2.0	2.0	2.0	2.0	2.0
Planning	5.0	4.0	5.0	5.0	5.5
Culture and Recreation					
Centers and Parks	25.0	20.5	25.0	25.5	25.0
Aquatic and Fitness Center	22.0	22.5	21.0	25.0	27.0
Landscaping	9.5	8.0	8.0	8.0	6.0
Water and Sewer Utility					
Bernhardt Water Treatment Plant	9.0	9.0	9.0	9.0	9.0
Water Distribution	14.0	13.0	12.5	12.5	12.5
Water Resources	7.0	7.0	7.0	6.0	7.0
Wastewater Collection	4.5	4.5	5.5	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
Total	310.5	284.5	291.0	293.5	296.5

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: 19.1

Program/Function	Fiscal Year				
	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Police					
Physical arrests	2,099	1,842	1,881	1,918	1,935
Incident reports	2,087	2,168	2,136	2,221	2,051
Parking violations	1,484	1,442	1,029	858	863
Citations issued	3,850	2,837	2,062	2,548	2,571
Fire					
Calls answered	2,599	2,417	2,414	2,566	2,563
Inspections	490	379	311	405	311
Sanitation					
Refuse collected (tons per day)	45.71	34.77	27.58	22.92	27.26
Streets					
Street resurfacing (miles)	1.00	1.50	1.36	0.75	0.75
Parks and Recreation					
Aquatic/Fitness memberships	1,085	506	743	1,353	1,053
Aquatic/Fitness admissions		7,369	7,440	9,046	11,552
Youth sports participants	612	1008	1040	1034	1045
Adult sports participants	320	395	558	324	288
Water system					
New connections	56	39	35	25	30
Water main breaks	43	43	38	17	28
Number of utility customers	9,647	9,702	9,743	9,670	9,673
Daily avg consumption in million gallons	6.4	6.2	5.8	5.6	6.2
Wastewater system					
Number of utility customers	8,324	8,403	8,463	8,320	8,209
Daily avg treatment in million gallons	3.41	3.41	3.82	4.25	3.43

Program/Function	Fiscal Year				
	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Police					
Physical arrests	2,179	2,121	2,357	2,134	2,439
Incident reports	1,946	2,007	2,066	2,140	2,187
Parking violations	349	575	690	688	416
Citations issued	2,846	2,683	3,344	3,264	3,190
Fire					
Calls answered	2,431	2,810	2,610	2,731	2,941
Inspections	297	355	337	310	352
Sanitation					
Refuse collected (tons per day)	25.93	23.54	23.98	25.15	30.35
Streets					
Street resurfacing (miles)	0.00	1.49	2.20	2.97	3.19
Parks and Recreation					
Aquatic/Fitness memberships	1,906	2,078	2,379	2,775	2,665
Aquatic/Fitness admissions	11,640	11,509	19,919	37,122	36,214
Youth sports participants	1070	1115	1155	1190	1310
Adult sports participants	265	235	125	100	110
Water system					
New connections	25	21	22	18	32
Water main breaks	35	29	30	28	30
Number of utility customers	9,583	9,684	9,657	9,678	9,706
Daily avg consumption in million gallons	7.2	5.5	6.1	6.4	6.0
Wastewater system					
Number of utility customers	8,110	8,002	7,862	7,877	7,897
Daily avg treatment in million gallons	3.14	3.99	3.41	3.65	3.90

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				
	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Police					
Stations	1	1	1	1	1
Substations	5	5	5	5	5
Patrol units	52	52	52	52	52
Fire					
Stations	2	2	2	2	2
Sanitation					
Collection trucks	6	6	7	7	7
Streets					
Miles of paved streets	120.52	121.55	121.55	121.55	121.55
Miles of unpaved streets	2.64	2.64	2.64	2.64	2.64
Street lights	2,556	2,567	2,575	2,577	2,576
Parks and Recreation					
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	7.80	8.00	8.00	10.00	10.00
Water system					
Miles of water lines	208.0	219.4	219.4	219.4	219.4
Fire hydrants	992	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
Wastewater system					
Miles of sewage lines	205.07	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
Program/Function	Fiscal Year				
	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Police					
Stations	1	1	1	1	1
Substations	2	2	2	2	2
Patrol units	47	47	47	47	47
Fire					
Stations	2	2	2	2	2
Sanitation					
Collection trucks	7	7	7	7	7
Streets					
Miles of paved streets	121.55	121.55	121.55	121.55	121.55
Miles of unpaved streets	2.39	2.39	2.39	2.39	2.39
Street lights	2,633	2,633	2,633	2,633	2,633
Parks and Recreation					
Community centers	4	4	4	4	4
Parks	4	4	4	4	4
Swimming pools	2	2	2	2	2
Tennis courts	8	8	6	6	6
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
Water system					
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
Wastewater system					
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

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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, 2016 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 20 2016. 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 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 2016-001 and 2016-002 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 20, 2016

S. Eric Bowman, P.A.

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Report On Compliance For Each of Its Major Federal Programs;
Report on Internal Control Over Compliance;
Required by the Uniform Guidance
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 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, 2016. 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 federal statutes, regulations, and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, cost Principles and Audit Requirements for federal awards (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of 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 Each 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, 2016.

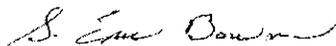
Report on Internal Control Over Compliance

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



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Report On Compliance For Its Major State Program
Report on Internal Control Over Compliance;
Required by the Uniform Guidance 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, 2016. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for federal awards (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major 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, 2016.

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 its state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



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

Morganton, North Carolina
September 20, 2016

CITY OF LENOIR, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

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 Xno
- * Significant deficiencies identified that are not considered to be material weaknesses Xyes none reported
- Noncompliance material to financial statements noted yes Xno

Federal Awards

Internal control over major federal programs:

- * Material weakness(es) identified? yes Xno
- * Significant deficiencies identified that are not considered to be material weaknesses yes Xnone 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 the Uniform Guidance yes Xno

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
97.044	<u>U.S. Department of Homeland Security</u> Assistance to Firefighters Grant

CITY OF LENOIR, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2016

Section I. Summary of Auditor's Results

Dollar threshold used to distinguish between
Type A and Type B Programs

\$750 000

Auditee qualified as low-risk auditee?

yes no

State Awards

Internal control over major State programs:

* Material weakness(es) identified?

yes no

* Significant deficiencies identified
that are not considered to be
material weaknesses

yes 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 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

2016-001

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

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

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.

Uncorrected Finding: This finding was not corrected because it was not considered economically feasible.

2016-002

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

Condition: The City overexpended several departments in the General Fund totaling \$90,887 and one department in the Enterprise Fund of \$63,144.

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, 2016

Finding: 2016-001

- 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: 2016-002

- 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, 2015

Finding 2015-001

There was one audit finding concerning hiring an internal auditor. This finding was not corrected because it was not considered economically feasible.

Finding 2015-002

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, 2016
(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
Federal Grants:						
Cash Programs:						
<u>U.S. Department of Housing and Urban Development</u>						
Direct Program:						
Community Development Block Grant - Entitlement Program	14.218		\$ 151,393	\$ -	\$ -	\$ 151,393
Passed through the N.C. Department of Commerce:						
HOME Investment Partnership Program:						
Unifour HOME Consortium	14.239	M-15-DC-37-0208	528,115			528,115
Unifour HOME Consortium	14.239	M-14-DC-37-0208	554,179			554,179
Unifour HOME Consortium	14.239	M-13-DC-37-0208	225,000			225,000
Subtotal Unifour HOME Consortium			1,307,294			1,307,294
Total U.S. Department of Housing and Urban Development			1,458,687			1,458,687
<u>U.S. Department of Transportation</u>						
Passed Through the N.C. Department of Transportation:						
Street Improvements-Fairview	20.205	B-5011	226,740		56,685	283,425
Beautification-Smith's Crossroads	20.205	ER-2973K	96,000	24,000		120,000
Total U.S. Department of Transportation			322,740	24,000	56,685	403,425
<u>U.S. Department of Justice</u>						
Direct Program:						
Federal Forfeiture	16.922		51,111			51,111
<u>Department of Homeland Security</u>						
Direct Program:						
Assistance to Fire Fighters	97.044	ENW-2014-F0-1509	266,429		13,900	280,329

City of Lenoir, North Carolina

Schedule of Federal and State Awards
 For the Year ended June 30, 2016
 (Schedule 18, (Page 2))

Federal Grants:

Cash Programs Continued:

U.S. Environmental Protection Agency

Passed through the N.C. Department of
 Environment and Natural Resources:

Clean Water Revolving Loan	66.458	CS370393-06	1,373,278	1,373,278
Clean Water Revolving Loan	66.458	E-SRF-13-0351	933,627	933,627
Clean Water Grant	66.458	E-SRF-13-0347	87,956	87,956
Clean Water Revolving Loan	66.458	E-SRF-13-0347	87,957	87,957
Total U.S. Environmental Protection Agency			<u>2,482,818</u>	<u>2,482,818</u>

U.S. Department of Treasury

Direct Program:

Equitable Sharing	21.000		<u>18,159</u>	<u>18,159</u>
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Total Federal Cash Awards

\$	<u>4,599,944</u>	\$	<u>24,000</u>	\$	<u>70,585</u>	\$	<u>4,694,529</u>
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City of Lenoir, North Carolina

Schedule of Federal and State Awards
 For the Year ended June 30, 2016
 (Schedule 18, (Page 3))

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						
N.C. Department of Transportation						
Powell Bill			\$ -	\$ 572,266	\$ -	\$ 572,266
N.C. Department of Public Instruction						
Intervention/Prevention Program			-	89,700	-	89,700
Total State Cash Awards			-	661,966	-	661,966
Total Federal and State Awards			\$ 4,599,944	\$ 685,966	\$ 70,585	\$ 5,356,495

Note 1 - Basis of Presentation:

The accompanying schedule of Federal and State awards (the Schedule) includes the federal and state award activity of the City of Lenoir under programs of the federal and state governments for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of City of Lenoir, it is not intended to and does not present the financial position, changes in net assets, or cash flows of City of Lenoir.

Note 2 - Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. City of Lenoir has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 - Loans Outstanding

The City of Lenoir had the following loan balance outstanding at June 30, 2016

Program Title	Federal CFDA	Amount Outstanding
Clean Water Revolving Loan	66.458	\$ 5,465,537