

**Comprehensive
Annual Financial Report
For the Fiscal Year Ended
June 30, 2013**

City of Lenoir, North Carolina

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

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CITY MANAGER
W. LANE BAILEY

CITY OF LENOIR
NORTH CAROLINA

MAYOR
JOSEPH L. GIBBONS

CITY COUNCIL
T. H. PERDUE
M. F. PERRY
H. L. PRICE
T. J. ROHR
D. F. STEVENS
R. R. STILWELL
B. K. WILLIS

September 16, 2013

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, 2013.

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 18,123. 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, the Fit Community project, 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

Small business growth in Lenoir has been impacted by national economic trends as evidenced by fewer business start-ups during fiscal year 2012-2013. The number of new jobs in the downtown area showed a slight decrease due to the loss of several jobs resulting from the closure of various retail stores. Private investment in building renovations continued but at a lower rate than in previous years.

Major initiatives

Unemployment in the region and the turmoil in the national economy contributed to an increase in vacant retail space in Lenoir during fiscal year 2012-2013. The 308,141 square feet of vacant retail space includes the relocation and consolidation of two furniture and home furnishing businesses which are typically among the hardest hit during a recession. Private investment in the downtown revitalization area was less than the previous year. Vacant and underutilized industrial and manufacturing space continues to be a challenge for Lenoir.

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

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

Financial information

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

Single audit – As a recipient of Federal and State financial assistance, the City also is responsible for maintaining an adequate internal control structure to ensure compliance with applicable laws and regulations related to those programs. The results of the City's single audit for the fiscal year ended June 30, 2013, 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, 2013 have been prepared in conformity with generally accepted accounting principles. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the federal Single audit Act of 1984 and related OMB Circular A-133.

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

Awards – The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lenoir for its comprehensive annual financial report for the year ended June 30, 2012. This was the fifteenth 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



W. Lane Bailey
City Manager



Danny Gilbert
Assistant City Manager/Finance Director

City of Lenoir, North Carolina

**List of Principal Officials
June 30, 2013**

Elected Officials

**Mayor
Mayor Pro Tempore
City Council**

Joe L. Gibbons
T. J. Rohr
Ron Stilwell
Merlin F. Perry
H. Lewis Price
David F. Stevens
Todd H. Perdue
Ben Willis

Appointed Official

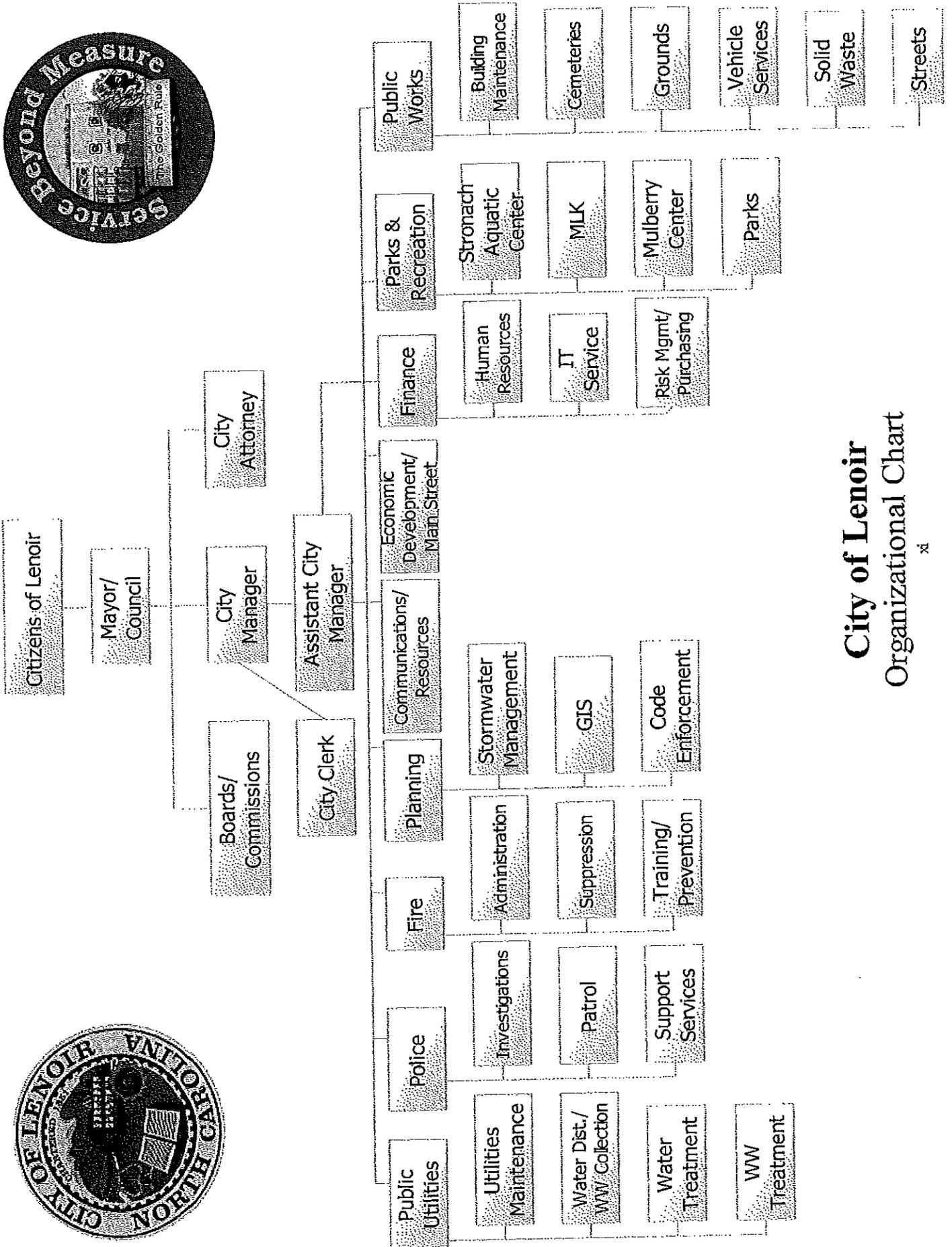
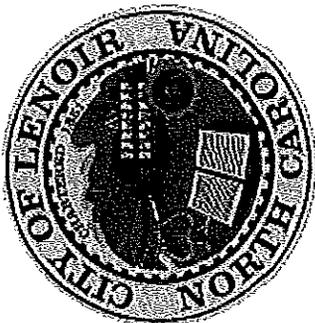
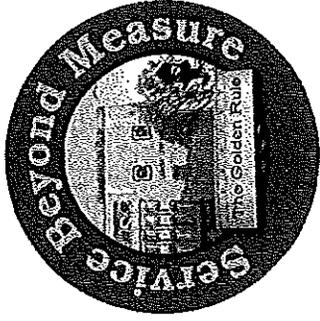
City Manager

W. Lane Bailey

Department/Division Heads

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

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



City of Lenoir

Organizational Chart



Government Finance Officers Association

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

Presented to

**City of Lenoir
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012



Executive Director/CEO

S. Eric Bowman, P.A.

CERTIFIED PUBLIC ACCOUNTANT

403 South Green Street
P.O. Box 1476
Morganton, NC 28680-1476
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, 2013, and the related notes to the financial statements, which collectively comprise the City of Lenoir's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or

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

error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based upon our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lenoir, North Carolina as of June 30, 2013, 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 16 and 60 through 61, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary and Other Information

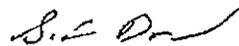
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lenoir's basic financial statements. The introductory information, combining and individual fund financial statements, budgetary schedules, other schedules, and statistical section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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2013 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 30, 2013

City of Lenoir, North Carolina

Management's Discussion and Analysis For the Year ended June 30, 2013

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, 2013. 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

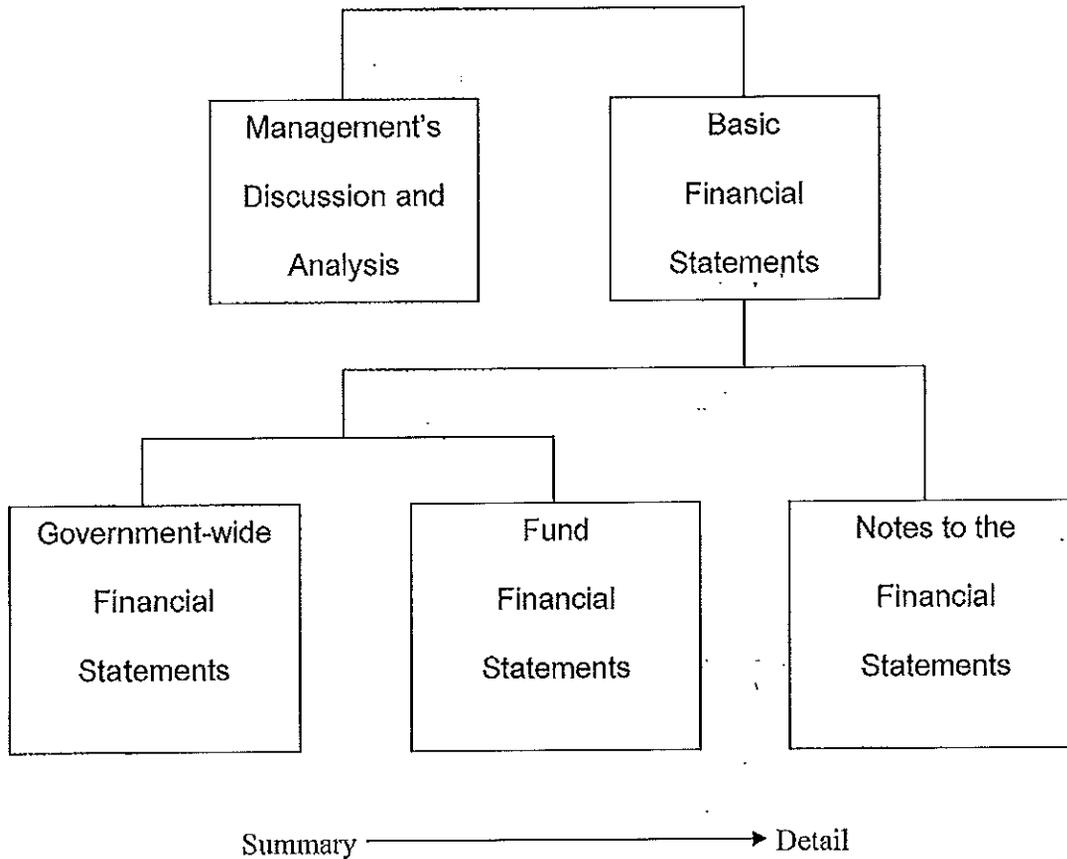
- The assets of the City of Lenoir exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$64,319,791 (*net position*).
- The government's total net position increased by \$364,619 with a \$531,788 decrease in governmental activities and an \$896,407 increase in 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 \$5,542,112 an increase of \$221,508 in comparison with the prior year. Approximately 62.28 percent of this total amount or \$3,451,379 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 \$3,211,745 or 19.80 percent of total general fund expenditures for the fiscal year.
- The City of Lenoir's total debt decreased by \$2,682,244 or 16.25 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.

City of Lenoir, North Carolina

Management's Discussion and Analysis For the Year ended June 30, 2013

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.

City of Lenoir, North Carolina

Management's Discussion and Analysis
For the Year ended June 30, 2013

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, 2013

employees. Required supplementary information can be found beginning on page 60 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 \$64,319,791 as of June 30, 2013 (figure 2).

The City of Lenoir's Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	\$ 6,121,954	\$ 5,916,236	\$ 3,917,058	\$ 3,917,058	\$ 10,039,012	\$ 9,833,294
Capital Assets	25,434,237	26,898,831	44,762,651	45,883,335	70,196,888	72,717,166
Total Assets	\$ 31,556,191	\$ 32,810,057	\$ 48,679,709	\$ 49,800,393	\$ 80,235,900	\$ 82,610,460
Long-Term Liabilities	\$ 2,712,801	\$ 3,360,824	\$ 12,303,834	\$ 14,519,076	\$ 15,016,635	\$ 17,879,900
Other Liabilities	251,160	328,656	480,727	446,732	731,887	775,388
Total Liabilities	\$ 2,963,961	\$ 3,689,480	\$ 12,784,561	\$ 14,965,808	\$ 15,748,522	\$ 18,655,288
Membership Paid in Advance	\$ 3,431				\$ 3,431	\$ -
Deferred Inflows of Resources	\$ 3,431	\$ -	\$ -	\$ -	\$ 3,431	\$ -
Net Position						
Net Investment in capital assets	\$ 23,908,648	\$ 24,742,318	\$ 32,458,799	\$ 31,523,163	\$ 56,367,447	\$ 56,265,481
Restricted	2,000,733	2,052,764			2,000,733	2,052,764
Unrestricted	2,589,418	2,325,506	3,272,193	3,311,422	5,861,611	5,686,927
Total Net Position	\$ 28,588,799	\$ 29,120,587	\$ 35,730,992	\$ 34,834,585	\$ 64,319,791	\$ 63,955,172

Figure 2

The largest portion of the City of Lenoir's net position (87.6 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

City of Lenoir, North Carolina

Management's Discussion and Analysis

For the Year ended June 30, 2013

(3.25%) represents resources that are subject to external restrictions on how they may be used or that are not spendable. The remaining balance of unrestricted net position (\$5,861,611) may be used to meet the government's ongoing obligations to citizens and creditors. The increase in net position is due mainly to the reduction of debt paid during the fiscal year.

Several particular aspects of the City's financial operations influenced the total unassigned net assets:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 95.44
- Adherence to the adopted budget

Governmental activities: Governmental activities decreased the City's net position by \$531,788. (Figure 3) Key elements of this decrease are as follows:

- Depreciation of capital assets

City of Lenoir Changes in Net Position
Figure 3

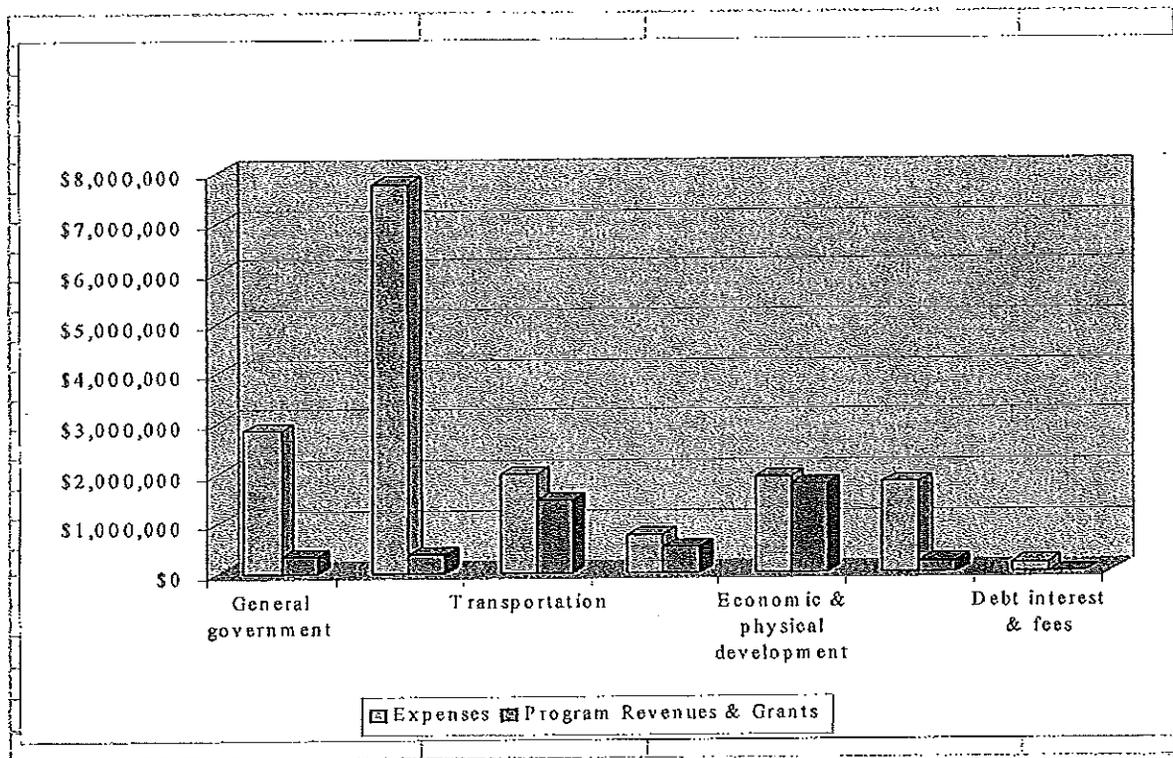
	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 1,737,255	\$ 2,117,724	\$ 7,777,598	\$ 7,575,832	\$ 9,514,853	\$ 9,693,556
Operating grants and contributions	1,685,037	2,871,333	-	-	1,685,037	2,871,333
Capital grants and contributions	365,146	202,102	-	500,000	365,146	702,102
General revenues:						
Property taxes	7,514,078	6,824,494	-	-	7,514,078	6,824,494
Other taxes	3,902,194	3,840,310	-	-	3,902,194	3,840,310
Unrestricted intergovernmental	1,743,940	1,538,309	-	-	1,743,940	1,538,309
Other	407,130	330,576	80,794	52,733	487,924	383,309
Total revenues	<u>17,354,780</u>	<u>17,724,848</u>	<u>7,858,392</u>	<u>8,128,565</u>	<u>25,213,172</u>	<u>25,853,413</u>
Expenses:						
General government	3,046,921	3,195,538	-	-	3,046,921	3,195,538
Public safety	8,207,917	8,215,430	-	-	8,207,917	8,215,430
Transportation	2,347,838	2,097,876	-	-	2,347,838	2,097,876
Environmental protection	855,159	703,246	-	-	855,159	703,246
Economic and physical development	1,355,971	2,197,798	-	-	1,355,971	2,197,798
Culture and recreational	2,007,287	2,196,855	-	-	2,007,287	2,196,855
Interest and fees	65,475	90,971	-	-	65,475	90,971
Water and sewer	-	-	6,961,985	7,049,311	6,961,985	7,049,311
Total expenses	<u>17,886,568</u>	<u>18,697,714</u>	<u>6,961,985</u>	<u>7,049,311</u>	<u>24,848,553</u>	<u>25,747,025</u>
Change in net position	(531,788)	(972,866)	896,407	1,079,254	364,619	106,388
Net position, July 1	29,120,587	30,093,453	34,834,585	33,755,331	63,955,172	63,848,784
Net position, June 30	<u>\$ 28,588,799</u>	<u>\$ 29,120,587</u>	<u>\$ 35,730,992</u>	<u>\$ 34,834,585</u>	<u>\$ 64,319,791</u>	<u>\$ 63,955,172</u>

City of Lenoir, North Carolina

Management's Discussion and Analysis
For the Year ended June 30, 2013

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

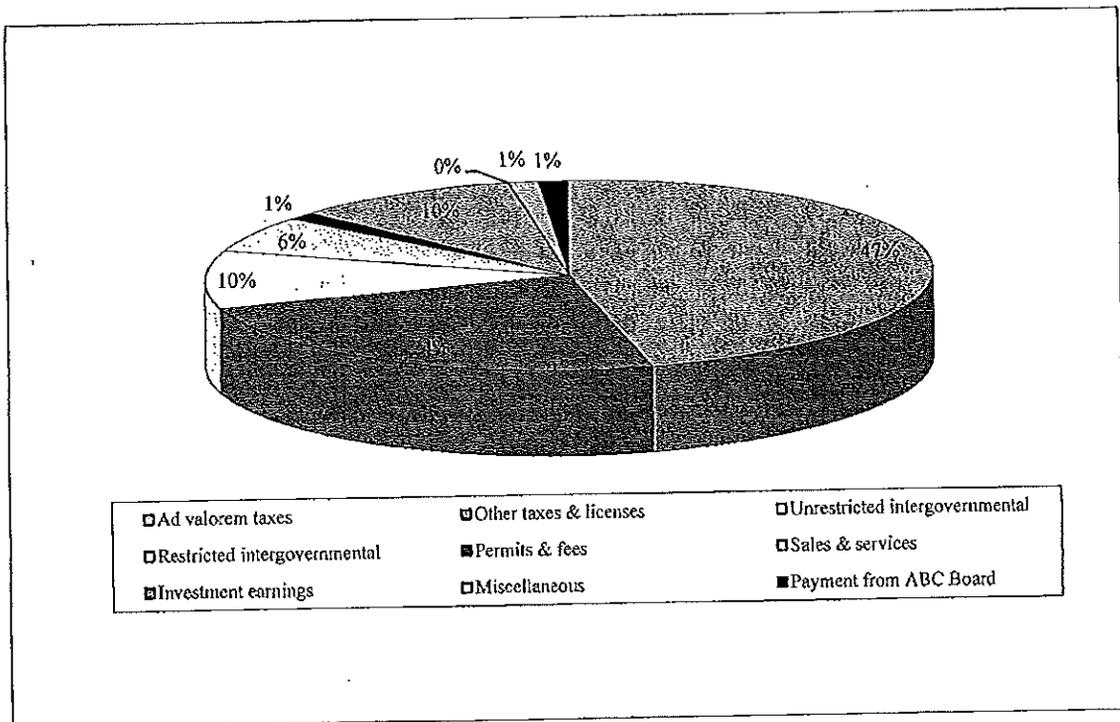


City of Lenoir, North Carolina

Management's Discussion and Analysis
For the Year ended June 30, 2013

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 \$896,407. Key elements of this increase are as follows:

- Reduction of debt

City of Lenoir, North Carolina

Management's Discussion and Analysis
For the Year ended June 30, 2013

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 \$3,679,923, while total fund balance reached \$5,514,342. 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 22.69 percent of total General Fund expenditures, while total fund balance represents 33.99 percent of that same amount. The increase in unassigned fund balance is due mainly to the strict adherence to the budget.

At June 30, 2013, the governmental funds of City of Lenoir reported a combined fund balance of \$5,542,112 a 4.17 percent increase over last year. Included in this change in fund balance are decreases in the Special Revenue Fund and in the Capital Projects Fund.

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

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

General Government, Transportation, and Environmental Protection were increased by \$1,007,858, while Public Safety and Cultural & Recreation decreased by \$320,059. The resulting \$687,799 increase was funded by a combination of increased revenues and appropriated fund balance. The increase in budget was for economic development grants and street repairs.

Proprietary Funds. The City of Lenoir's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unassigned net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$3,272,193. The fund's net position increased by \$896,407. The factors concerning the

City of Lenoir, North Carolina

Management's Discussion and Analysis
For the Year ended June 30, 2013

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, 2013, totals \$70,196,888 (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

City of Lenoir's Capital Assets

Figure 6

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land	\$ 2,920,697	\$ 3,124,711	\$ 239,714	\$ 239,714	\$ 3,160,411	\$ 3,364,425
Buildings and improvements	7,587,070	7,885,810	-	-	7,587,070	7,885,810
Infrastructure	12,265,677	12,816,469	-	-	12,265,677	12,816,469
Equipment	2,283,802	2,772,405	3,556,390	3,607,922	5,840,192	6,380,327
Plant and systems			40,951,538	42,035,699	40,951,538	42,035,699
Construction in progress	376,991	294,436	15,009	-	392,000	294,436
Total	\$ 25,434,237	\$ 26,893,831	\$ 44,762,651	\$ 45,883,335	\$ 70,196,888	\$ 72,777,166

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

Long-term Debt. As of June 30, 2013, the City of Lenoir had total debt outstanding of \$6,243,763 in a State and Water Pollution Control Revolving loans, \$324,000 in a Section 108 Loan and installment purchase contracts of \$7,261,678. (Figure 7)

City of Lenoir, North Carolina

Management's Discussion and Analysis
For the Year ended June 30, 2013

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

Figure 7

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Section 108 Loan	\$ 324,000	\$ 420,000			\$ 324,000	\$ 420,000
Revolving Loans	-	-	6,243,763	6,818,254	6,243,763	6,818,254
Installment Purchase Contracts	1,201,589	1,731,513	6,060,089	7,541,918	7,261,678	9,273,431
Total	\$ 1,525,589	\$ 2,151,513	\$ 12,303,852	\$ 14,360,172	\$ 13,829,441	\$ 16,511,685

The above debt of the City of Lenoir decreased by \$2,682,244 (16.25%) 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 \$112,812,353.

Additional information regarding the City of Lenoir's long-term debt can be found in note III. B. 5 beginning on page 54 of this report.

Economic Factors and Next Year's Budgets and Rates

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.

During fiscal year 2011-2012, the economic impact of the national recession was mirrored in the economic health of Lenoir. The double-digit unemployment rate for the Hickory-Lenoir-Morganton MSA, led to less disposable income for many Lenoir

City of Lenoir, North Carolina

Management's Discussion and Analysis
For the Year ended June 30, 2013

residents. Small job gains in micro business start-ups were counteracted by an equal number of job losses due to business closures. Private investment dollars, especially in downtown, declined from previous years as local banks were less likely to extend loans for building renovations or property acquisition.

The City continues to construct additional segments to our greenway. We now have approximately 8.0 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.

Residential growth currently taking place on the northern and western portions of Caldwell County is particularly encouraging for the future development of retail and service businesses within the City.

Budget Highlights for the Fiscal Year Ending June 30, 2014

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, 2013. The General Fund budget was based on less than 4.98 percent decrease in total revenues and expenditures from the prior year. No new general governmental fees were added.

Business-Type Activities: Again in light of economic pressures, the City of Lenoir, in the last 3 to 4 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 0.69 percent increase in expenditures funded with a slight rate increase.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, City of Lenoir, P.O. Box 958, Lenoir, N.C. 28645.

Basic Financial Statements

City of Lenoir, North Carolina
Statement of Net Position
June 30, 2013
(Exhibit A)

	Component Units					Total Reporting Unit
	Governmental Activities	Business Type Activities	Total Primary Government	City of Lenoir ABC Board	City of Lenoir LTDA	
Assets						
Cash and cash equivalents	\$ 4,258,432	\$ 2,958,831	\$ 7,217,263	\$ 218,800	\$ 44,759	\$ 7,480,822
Cash and cash equivalents - restricted	255,509	118,060	373,569			373,569
Taxes receivable (net)	325,251	605,430	925,251		5,393	325,251
Accounts receivable (net)	644,635	70,581	1,250,065			1,255,458
Other receivables	631,300		631,300	223,900		631,300
Inventories		6,827	70,581	3,116		294,481
Prepaid items			6,827			9,943
Capital assets:						
Nondepreciable Capital Assets	3,297,688	254,723	3,552,411			3,552,411
Depreciable Capital Assets	22,136,549	44,507,928	66,644,477	492,860		67,137,337
Total assets	31,556,191	48,515,553	80,071,744	938,676	50,152	81,060,572
Liabilities						
Accounts payable	251,160	201,145	452,305	104,613	2,964	559,882
Accrued liabilities				73,879		73,879
Compensated Absences	499,660	112,740	612,400			612,400
Pension Obligation	329,953		329,953			329,953
Post Employment benefits	357,599	48,764	406,363			406,363
Customer deposits		118,060	118,060			118,060
Long term obligations:						
Due in less than one year	464,240	2,109,755	2,573,995			2,573,995
Due in more than one year	1,061,349	10,194,097	11,255,446			11,255,446
Total liabilities	2,963,961	12,784,561	15,748,522	178,492	2,964	15,929,978
Deferred Inflows of Resources						
Memberships Paid in Advance	3,431		3,431			3,431
Total Deferred Inflows of Resources	3,431		3,431			3,431
Net Position						
Net investment in capital assets	23,908,648	32,458,799	56,367,447	492,860	5,393	56,860,307
Restricted	2,090,733		2,090,733	87,230		2,183,356
Unrestricted	2,589,418	3,272,193	5,861,611	180,094	41,795	6,083,500
Total Net Position	\$ 28,588,799	\$ 35,730,992	\$ 64,319,791	\$ 760,184	\$ 47,188	\$ 65,127,163

City of Lenoir, North Carolina
Statement of Activities
Year Ended June 30, 2013
(Exhibit B)

Functions/Programs	Net (Expense) Revenue and Changes in Net Position										
	Program Revenues				Primary Government Business-type Activities				Component Units		Total Reporting Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	City of Lenoir ABC Board	City of Lenoir LTDA		
Primary government activities:											
General government:	\$ 3,046,921	\$ 410,011	\$ 304,048	\$ (2,332,862)	\$ (2,332,862)	\$ (2,332,862)	\$ (2,332,862)			\$ (2,332,862)	
Public safety:	8,207,917	411,362	21,350	(7,750,015)	(7,750,015)	(7,750,015)	(7,750,015)			(7,750,015)	
Transportation:	2,347,838	19,484	5,714	(1,752,701)	(1,752,701)	(1,752,701)	(1,752,701)			(1,752,701)	
Environmental protection:	855,159	630,546		(224,613)	(224,613)	(224,613)	(224,613)		(74,311)	(338,974)	
Economic and physical development:	1,355,971	2,300	34,034	(263,763)	(263,763)	(263,763)	(263,763)			(1,709,701)	
Culture and recreation:	2,007,287	263,552		(1,709,701)	(1,709,701)	(1,709,701)	(1,709,701)			(1,709,701)	
Interest and fees:	65,475			(65,475)	(65,475)	(65,475)	(65,475)			(65,475)	
Total governmental activities:	17,886,568	1,737,235	365,146	(14,099,130)	(14,099,130)	(14,099,130)	(14,099,130)		(74,311)	(14,173,441)	
Business-type activities:											
Water and sewer activity:	6,961,985	7,777,598				815,613	815,613			815,613	
Total business-type activity:	6,961,985	7,777,598				815,613	815,613			815,613	
Total primary government:	24,848,553	9,514,833	365,146	(14,099,130)	(14,099,130)	(13,283,517)	(13,283,517)			(13,357,828)	
Alcohol and store activity:	2,688,566	2,959,317						250,751		250,751	
Total component units:	2,688,566	2,959,317						250,751	(74,311)	250,751	
General revenues:											
Ad valorem taxes:				7,514,078	7,514,078					7,514,078	
Sales taxes:				3,541,552	3,541,552					3,541,552	
Privilege license:				288,630	288,630					288,630	
Motor Vehicle Tags:				68,960	68,960					68,960	
Gross Receipts on Rental Vehicles:				3,052	3,052				63,335	3,052	
Occupancy Taxes:				1,670,769	1,670,769					1,670,769	
Franchise Taxes:				73,171	73,171					73,171	
Beer and Wine Taxes:				260,959	260,959				8	339,285	
Miscellaneous:				(74,023)	(74,023)					(74,023)	
Loss on sale of capital assets:				213,630	213,630					213,630	
Payment from ABC Board:								(244,874)		(244,874)	
Profit distributions:				6,564	6,564			790		9,850	
Interest earned on investments:				80,794	80,794			(244,076)		9,850	
Total general revenues:				13,567,342	13,567,342			63,335		13,467,395	
Change in net assets:				(531,788)	(531,788)			6,675	(10,976)	360,318	
Net Position - beginning:				29,120,587	29,120,587			753,509	58,164	64,766,845	
Net Position - ending:				28,588,799	28,588,799			760,184	47,188	65,127,163	

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

City of Lenoir, North Carolina

Balance Sheet
 Governmental Funds
 June 30, 2013
 (Exhibit C)

	General	Special Revenue Fund	Non Major Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 4,258,432	\$ -	\$ -	\$ 4,258,432
Cash and cash equivalents-restricted			255,509	255,509
Taxes receivable (net)	325,251			325,251
Accounts receivable (net)	644,635			644,635
Other receivables	598,447		32,853	631,300
Prepaid items	6,827			6,827
Due From Other Funds	252,115			252,115
Total assets	<u>\$ 6,085,707</u>	<u>\$ -</u>	<u>\$ 288,362</u>	<u>\$ 6,374,069</u>
Liabilities:				
Accounts payable	242,683	2,750	5,727	251,160
Due to other funds		121,536	130,579	252,115
Total liabilities	<u>242,683</u>	<u>124,286</u>	<u>136,306</u>	<u>503,275</u>
Deferred Inflow of Resources:				
Unavailable Property Taxes	325,251			325,251
Memberships Paid In Advance	3,431			3,431
Total Deferred Inflows of Resources	<u>328,682</u>	<u>-</u>	<u>-</u>	<u>328,682</u>
Fund balances:				
Non Spendable				
Prepaid Items	6,827			6,827
Cemetery Care			256,314	256,314
Restricted				
Stabilization by State Statute	1,495,197			1,495,197
Substance Control	34,468			34,468
Public Safety	297,927			297,927
Assigned				
Land Development	468,178			468,178
Unassigned	3,211,745	(124,286)	(104,258)	2,983,201
Total fund balances	<u>5,514,342</u>	<u>(124,286)</u>	<u>152,056</u>	<u>5,542,112</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,085,707</u>	<u>\$ -</u>	<u>\$ 288,362</u>	<u>\$ 6,374,069</u>

City of Lenoir, North Carolina

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

June 30, 2013

(Exhibit C-1)

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

Ending fund balance - governmental funds	\$ 5,542,112
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	25,434,237
Liability for earned revenues are considered deferred inflow of resources in the funds.	325,251
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.	<u>(2,712,801)</u>
Net position of governmental activities	<u>\$ 28,588,799</u>

City of Lenoir, North Carolina

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2013
 (Exhibit D)

	General	Special Revenue Fund	Non Major Governmental Funds	Total Governmental Funds
Revenues				
Ad valorem taxes	\$ 7,455,803			\$ 7,455,803
Other taxes and licenses	3,902,194			3,902,194
Unrestricted intergovernmental revenues	1,743,940			1,743,940
Restricted intergovernmental revenues	1,024,165	1,020,304	5,714	2,050,183
Permits and fees	200,737			200,737
Sales and services	1,536,518			1,536,518
Investment earnings	5,431		1,133	6,564
Miscellaneous	259,034		1,925	260,959
Payment from ABC Board	213,630			213,630
Total revenues	<u>16,341,452</u>	<u>1,020,304</u>	<u>8,772</u>	<u>17,370,528</u>
Expenditures				
Current:				
General Government	2,950,137			2,950,137
Public safety	7,841,887	17,977		7,859,864
Transportation	1,733,257			1,733,257
Environmental protection	785,039			785,039
Economic and physical development	521,437	844,326		1,365,763
Cultural and recreational	1,815,302	71,993		1,887,295
Capital projects			10,561	10,561
Debt service:				
Principal retirement	529,924	96,000		625,924
Interest and fees	46,631	18,844		65,475
Total expenditures	<u>16,223,614</u>	<u>1,049,140</u>	<u>10,561</u>	<u>17,283,315</u>
Excess (deficiency) of revenues over (under) expenditures	<u>117,838</u>	<u>(28,836)</u>	<u>(1,789)</u>	<u>87,213</u>
Other financing sources (uses)				
Proceeds from disposal of capital assets	134,295			134,295
Transfers:	(120,000)		120,000	
Total other financing sources (uses)	<u>14,295</u>	<u>-</u>	<u>120,000</u>	<u>134,295</u>
Net change in fund balances	<u>132,133</u>	<u>(28,836)</u>	<u>118,211</u>	<u>221,508</u>
Fund balance - beginning	<u>5,382,209</u>	<u>(95,450)</u>	<u>33,845</u>	<u>5,320,604</u>
Fund balance - ending	<u>\$ 5,514,342</u>	<u>\$ (124,286)</u>	<u>\$ 152,056</u>	<u>\$ 5,542,112</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, 2013
 (Exhibit D-1)

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

Net change in fund balances - total governmental funds	\$	221,508
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.		(1,251,276)
Revenues in the fund statements not recorded in the government wide		(134,295)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(15,748)
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.		625,924
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>22,099</u>
Change in net position of governmental activities	<u>\$</u>	<u>(531,788)</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, 2013

(Exhibit E)

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 7,312,479	\$ 7,312,479	\$ 7,455,803	\$ 143,324
Other taxes and licenses	3,865,447	3,865,447	3,902,194	36,747
Unrestricted intergovernmental revenues	1,515,000	1,515,000	1,743,940	228,940
Restricted intergovernmental revenues	727,988	1,027,718	1,024,165	(3,553)
Permits and fees	229,000	229,000	200,737	(28,263)
Sales and services	1,648,134	1,648,134	1,536,518	(111,616)
Investment earnings	40,400	40,400	5,431	(34,969)
Miscellaneous	113,300	113,300	259,034	145,734
Payment from ABC Board	207,500	207,500	213,630	6,130
Total revenues	<u>15,659,248</u>	<u>15,958,978</u>	<u>16,341,452</u>	<u>382,474</u>
EXPENDITURES				
Current:				
General Government	2,357,974	2,954,833	2,950,137	4,696
Public safety	7,962,625	7,849,624	7,841,887	7,737
Transportation	1,382,261	1,739,261	1,733,257	6,004
Environmental protection	731,827	785,826	785,039	787
Economic and physical development	521,313	521,313	521,437	(124)
Cultural and recreational	2,031,666	1,824,608	1,815,302	9,306
Debt service:				
Principal retirement	529,926	529,926	529,924	2
Interest and fees	46,656	46,656	46,631	25
Total expenditures	<u>15,564,248</u>	<u>16,252,047</u>	<u>16,223,614</u>	<u>28,433</u>
Excess (deficiency) of revenues over (under) expenditures	<u>95,000</u>	<u>(293,069)</u>	<u>117,838</u>	<u>410,907</u>
OTHER FINANCING SOURCES (USES)				
Appropriated fund balance		388,069		(388,069)
Proceeds from disposal of capital assets	25,000	25,000	134,295	109,295
Transfers out:				
To Capital Projects	(120,000)	(120,000)	(120,000)	-
Total other financing sources (uses)	<u>(95,000)</u>	<u>293,069</u>	<u>14,295</u>	<u>(278,774)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>132,133</u>	<u>\$ 132,133</u>
FUND BALANCE - BEGINNING			<u>5,382,209</u>	
FUND BALANCE - ENDING			<u>\$ 5,514,342</u>	

City of Lenoir, North Carolina

Statement of Net Position

Proprietary Funds

June 30, 2013

(Exhibit F)

	<u>Enterprise Fund</u>
	Water and Sewer Fund
	<u>Fund</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 2,958,831
Accounts receivable (net)	605,430
Inventories	70,581
Restricted Cash and cash equivalents	118,060
Total current assets	<u>3,752,902</u>
Noncurrent assets	
Capital assets, net	44,762,651
Total noncurrent assets	<u>44,762,651</u>
Total assets	<u>48,515,553</u>
Liabilities	
Current liabilities	
Accounts payable	201,145
Installment purchase contracts - current	1,535,263
Revolving loan payable - current	574,492
Customer deposits	118,060
Compensated absences payable	72,000
Total current liabilities	<u>2,500,960</u>
Noncurrent liabilities	
Revolving loan payable	5,669,271
Installment purchase contracts payable	4,524,826
OPBB Liability	48,764
Compensated absences payable	40,740
Total noncurrent liabilities	<u>10,283,601</u>
Total liabilities	<u>12,784,561</u>
Net Position	
Net investment in capital assets	32,458,799
Unrestricted Net Position	3,272,193
Total Net Position	<u>\$ 35,730,992</u>

City of Lenoir, North Carolina

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

Proprietary Funds

Year Ended June 30, 2013

(Exhibit G)

	<u>Enterprise Fund</u>
	<u>Water and Sewer Fund</u>
Operating revenues	
Water sales	\$ 5,007,352
Wastewater treatment charges	2,498,344
Water and sewer taps	20,532
Late payment charges	251,370
Miscellaneous	78,318
Total operating revenues	<u>7,855,916</u>
Operating expenses	
Rhodhiss Water Treatment Plant	1,189,579
Water distribution	1,094,348
Water resources	491,894
Wastewater collection	540,591
Wastewater pretreatment	177,193
Gunpowder Wastewater Treatment Plant	532,464
Lower Creek Wastewater Treatment Plant	1,211,332
Depreciation	1,237,304
Total operating expenses	<u>6,474,705</u>
Operating income (loss)	<u>1,381,211</u>
Nonoperating revenue (expense)	
Interest earned on investments	2,476
Interest paid on long-term debt	<u>(487,280)</u>
Total nonoperating revenue (expense)	<u>(484,804)</u>
Change in Net Position	896,407
Total Net Position - beginning, as previously reported	<u>34,834,585</u>
Total Net Position - ending	<u>\$ 35,730,992</u>

City of Lenoir, North Carolina

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2013

(Exhibit H)

	<u>Enterprise Fund</u>
	<u>Water and Sewer Fund</u>
Operating activities	
Cash received from customers and users	\$ 7,788,110
Cash paid to suppliers for goods and services	(2,943,336)
Cash paid for employee benefits	(2,422,806)
Customer deposits returned	(3,385)
Net cash provided by (used in)	
operating activities	<u>2,418,583</u>
Capital and related financing activities	
Acquisition and construction of capital assets	(116,620)
Principal paid on debt	(2,056,320)
Interest paid on debt	(487,280)
Net cash provided (used) by capital and	
related financing activities	<u>(2,660,220)</u>
Investing activities	
Interest on investments	2,476
Net cash provided (used) in investing activities	<u>2,476</u>
Net increase in cash and cash	
equivalents/investments	<u>(239,161)</u>
Cash and cash equivalents/investments	
Beginning of year	<u>3,316,052</u>
End of year	<u>\$ 3,076,891</u>

City of Lenoir, North Carolina

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2013

(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)	\$ 1,381,211
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	1,237,304
Change in assets and liabilities	
(Increase) decrease in accounts receivable and accruals	(67,806)
(Increase) decrease in inventory	(7,199)
Increase (decrease) in accounts payable and accrued liabilities	(124,142)
Increase (decrease) in customer deposits	(3,385)
Increase (decrease) in compensated absence payable	1,350
Increase (decrease) in OPEB	1,250
Total adjustments	<u>1,037,372</u>
Net cash provided by (used in) operating activities	<u>\$ 2,418,583</u>

City of Lenoir, North Carolina

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2013

(Exhibit I)

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ 12,261
Total assets	<u>\$ 12,261</u>
Liabilities	
Due to agency	\$ 12,261
Total liabilities	<u>\$ 12,261</u>

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS

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

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

City of Lenoir Board of Alcoholic Control

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

Lenoir Tourism Development Authority Board

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

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2013

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 ten Special Revenue Fund projects including the Governor's Highway Safety Grant, Fit Community Grant; PARTF Grant,

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2013

2009, 2010, 2011 and 2012 Community Development Entitlement Grants; and 2010, 2011 and 2012 Unifour HOME Consortium Grants.

The City Reports the following nonmajor governmental funds:

Capital Project Fund

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

Permanent Fund

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

The City reports the following major enterprise fund:

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

The City reports the following fund type:

Agency Fund - Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the City holds on behalf of others. The City maintains the following agency fund: CheckFree Pay which accounts for collection of payments of AT&T and Piedmont Natural Gas 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, 2013

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

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, Caldwell County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the City of Lenoir and its special downtown district known as Main Street Lenoir. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in Caldwell County from March 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes, which were billed during this period, are shown as a receivable in these financial statements and are offset by deferred revenues.

Sales taxes collected and held by the State at year-end on behalf of the city are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues, which are unearned at year-end, are recorded as unearned revenues.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2013

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, 2013, 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, 2013. The ordinances increased appropriations by \$726,199 in the City's General Fund and \$0 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, 2013

quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT); a SEC-registered mutual fund.

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

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

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

2a. Restricted Assets - Permanent Fund restricted cash of \$255,509 represents the nonexpendable portion of the cemetery funds. Customer deposits of \$118,060 are also shown as restricted cash.

3. Ad Valorem Taxes Receivable - According to the North Carolina General Statutes, ad valorem taxes levied on July 1, the beginning of the fiscal year, are due September 1 but penalties do not accrue until the following January 6 when taxes are considered past due and the property is subject to lien. The taxes levied are based on the assessed values as of January 1, 2012. 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.

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2013

6. Capital Assets – Capital assets are defined by the City as assets with an initial individual cost of more than \$1,000. The City and the ABC Board’s capital assets are recorded at historical cost when purchased or fair market value at the time of donation. Certain items acquired in earlier years are recorded at estimated historical cost. General infrastructure assets acquired prior to July 1, 2002, consist of the road, bridges and drainage networks that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical costs. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

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

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

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

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

7. Long-Term Obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method.

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2013

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 and expenses over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of 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 Inflow of Resources -- In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The city has two items that meet the criterion for this category -- property taxes receivable and memberships paid in advance.

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

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

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2013

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

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

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

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

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

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

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2013

estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

G. Reconciliation of Government-Wide and Fund Financial Statements

- 1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets** – The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of \$23,046,687 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)	\$ 73,661,794
Less accumulated depreciation	<u>(48,227,557)</u>
Net capital assets	25,434,237
Liabilities for revenue are considered deferred inflows of resources in the fund statements	325,251
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	(1,525,589)
Compensated absences	(499,660)
Pension obligation	<u>(687,552)</u>
Total adjustment	<u>\$ 23,046,687</u>

City of Lenoir, North Carolina
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For the Year Ended June 30, 2013

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 \$(753,296) as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 485,810
Depreciation expense, the allocation of those assets over their useful lives, is recorded in the statement of activities, but not in the fund statements	(1,737,086)
Principal payments on debt owed are recorded as a use of funds in the fund statements but again affect only the statement of net assets in the government-wide statements	625,924
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	13,215
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	(9,161)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	18,045
Sale of Fixed Assets recorded in the fund statement	(134,295)
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	58,275
Gain on Sale of Fixed Assets	(74,023)
Total adjustment	<u>\$ (753,296)</u>

II. STEWARDSHIP, COMPLIANCE and ACCOUNTABILITY

A. **Excess of Expenditures over Appropriations** - For the year ended June 30, 2013, 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	
Economic Development	\$1,488	Lower Creek Plant	\$10,938
		Interest Paid	53,010

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

B. The Special Revenue Fund and Capital Project Fund had fund balance deficit of \$124,286 and \$104,258 respectively. The General Fund will fund the deficit in future years.

III. DETAIL NOTES ON ALL FUNDS

A. Assets

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

Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the unit or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City, LTDA or the ABC Board under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each Pooling Method depository. The City, LTDA and ABC Board have no policy regarding outstanding risk for deposits.

At year-end, the City's deposits, including fiduciary funds, had a carrying amount of \$2,448,853 and a bank balance of \$2,511,364. Of the bank balance, \$1,000,000 was

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2013

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 \$214,400 and a bank balance of \$210,812. The bank balance was covered by federal depository insurance.

At year-end, the LTDA's deposits had a carrying amount of \$44,667 and a bank balance of \$44,667. 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, 2013, 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>\$ 5,152,255</u>	<u>\$ 5,152,255</u>

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2013

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

General Fund:	
Allowance for Uncollectible Property Taxes Receivable	\$ 881,127
Allowance for Miscellaneous General Fund Receivables	<u>27,035</u>
Subtotal	<u>908,162</u>
Water and Sewer Fund:	
Allowance for Uncollectible Water and Sewer Receivables	<u>200,000</u>
 Total	 <u><u>\$ 1,108,162</u></u>

4. General Capital Assets

The capital asset activity for the governmental activities as of June 30, 2013 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,124,711		\$ (204,014)	\$ 2,920,697
Construction work in progress	<u>294,436</u>	<u>82,555</u>		<u>376,991</u>
Total capital assets not being depreciated	<u>3,419,147</u>	<u>82,555</u>	<u>(204,014)</u>	<u>3,297,688</u>
Capital assets being depreciated:				
Buildings and improvements	14,739,873			14,739,873
Infrastructure	<u>43,122,548</u>			<u>43,122,548</u>
Equipment	<u>12,314,777</u>	<u>403,255</u>	<u>(216,347)</u>	<u>12,501,685</u>
Total capital assets being depreciated	<u>70,177,198</u>	<u>403,255</u>	<u>(216,347)</u>	<u>70,364,106</u>
Less accumulated depreciation for:				
Buildings and improvements	6,854,063	298,740		7,152,803
Infrastructure	<u>30,306,079</u>	<u>550,792</u>		<u>30,856,871</u>
Equipment	<u>9,542,372</u>	<u>887,554</u>	<u>(212,043)</u>	<u>10,217,883</u>
Total accumulated depreciation	<u>46,702,514</u>	<u>\$ 1,737,086</u>	<u>\$ (212,043)</u>	<u>48,227,557</u>
Total capital assets being depreciated, net	<u>23,474,684</u>			<u>22,136,549</u>
Total capital assets - governmental activities	<u>\$ 26,893,831</u>			<u>\$ 25,434,237</u>

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2013

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

General Government	\$163,951
Public Safety	559,390
Transportation	689,769
Environmental Protection	97,895
Economic and Physical Development	5,141
Cultural and Recreational	<u>220,940</u>
Total Depreciation Expense	\$1,737,086

5. Business-Type Capital Assets

The capital asset activity for the business-type activities at June 30, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities (Water and Sewer Fund)				
Capital assets not being depreciated:				
Land	\$ 239,714			\$ 239,714
Construction work in progress	-	15,009		15,009
Total capital assets not being depreciated	<u>239,714</u>	<u>15,009</u>	<u>-</u>	<u>254,723</u>
Capital assets being depreciated:				
Plant and systems	61,213,867			61,213,867
Equipment	6,433,424	101,611	(79,285)	6,455,750
Total capital assets being depreciated	<u>67,647,291</u>	<u>101,611</u>	<u>(79,285)</u>	<u>67,669,617</u>
Less accumulated depreciation for:				
Plant and systems	19,178,168	1,084,161		20,262,329
Equipment	2,825,502	153,143	(79,285)	2,899,360
Total accumulated depreciation	<u>22,003,670</u>	<u>\$ 1,237,304</u>	<u>\$ (79,285)</u>	<u>23,161,689</u>
Total capital assets being depreciated, net	<u>45,643,621</u>			<u>44,507,928</u>
Total capital assets - business type activities (Water and Sewer Fund)	<u>\$ 45,883,335</u>			<u>\$ 44,762,651</u>

6. Construction Commitments – The City of Lenoir has no active construction projects as of June 30, 2013.

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2013

7. Component Unit Capital Assets

The capital assets of the ABC Board at June 30, 2013, 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>155,849</u>
Capital assets being depreciated:				
Buildings and improvements	563,616			563,616
Store equipment	168,684	2,381		171,065
Office equipment	49,272			49,272
Total capital assets being depreciated	<u>739,496</u>	<u>2,381</u>	-	<u>783,953</u>
Less accumulated depreciation for:				
Buildings and improvements	278,817	16,083		294,900
Store equipment	108,047	12,307		120,354
Office equipment	27,771	3,917		31,688
Total accumulated depreciation	<u>319,249</u>	<u>\$ 32,307</u>	<u>\$ -</u>	<u>446,942</u>
Total capital assets being depreciated, net	<u>420,247</u>			<u>337,011</u>
Total capital assets	<u>\$ 576,096</u>			<u>\$ 492,860</u>

B. Liabilities

1. Pension Plan 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 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. 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.

2. Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially

City of Lenoir, North Carolina
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determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 13.28% and 13.49%, respectively, of annual covered payroll. The contribution requirements of members and of the City of Lenoir are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2011, 2012, and 2012 were \$1,006,031, \$1,164,712 and \$1,145,939 respectively. The contributions made by the City equaled the required contributions for each year.

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, 2012, the Separation Allowance's membership consisted of:

Retirees currently receiving benefits	7
Terminated employees entitled to but not yet receiving benefits	0
Active plan members	<u>54</u>
Total	<u><u>61</u></u>

2. Summary of Significant Accounting Policies.

Basis of Accounting. The City has chosen to fund the Separation Allowance on a pay- as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

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

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2013

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, 2012 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return, compounded annually, (net of administrative expenses) and (b) projected salary increases of from 4.25% to 7.85% per year of which 3.00% is assumed due to inflation and the balance to merit or seniority. The assumptions did not include post-retirement benefit increases. The City of Lenoir has chosen not to set aside funds to pay benefits and administration costs. These expenditures are paid as they come due.

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

Annual required contribution	\$87,355
Interest on net pension obligation	17,158
Adjustment to annual required pension contribution	<u>(21,356)</u>
Annual pension cost	\$83,157
Employer Benefits Paid	<u>96,372</u>
Increase(decrease) in net pension obligation	(\$13,215)
Net pension obligation beginning of fiscal year	<u>343,168</u>
Net pension obligation end of year	<u><u>\$329,953</u></u>

The following schedule contains trend information for fiscal years ending June 30, 2011, 2012 and 2013.

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Annual pension cost	\$ 89,088	\$ 86,467	\$ 83,157
Percentage of APC Contributed	110.35%	87.20%	115.89%
Net Pension Obligation	\$ 332,096	\$ 343,168	\$ 329,953

City of Lenoir, North Carolina
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For the Year Ended June 30, 2013

Additional information as of the latest actuarial valuation follows:

Valuation Date	12/31/2012	Actuarial Assumptions:	
Actuarial Cost Method	Projected Unit Credit	Investment Rate of Return	5.00%
Amortization Method	Level % of pay closed	Projected Salary Increase	4.25%-7.85%
Remaining Amortization	19 Years	Includes Inflation at	3.00%
Asset Valuation Method	Market Value	Cost of Living Adj.	N/A

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

c. Supplemental Retirement Income Plan for Law Enforcement

1. Plan Description. The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G. S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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, 2013 were \$166,492 which consisted of \$100,560 from the City and \$65,932 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

City of Lenoir, North Carolina
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determined rate. The ABC Board's current rate for employees not engaged in law enforcement is 16.34% 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, 2011, 2012, and 2013 were \$23,443, \$22,798 and \$26,743 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 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, 2013, there were sixteen employees who had retired with 30 years of service who were receiving the 50 percent-premium-coverage benefit and four 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, 2013, the City recognized \$71,732 of expenditures for retiree health benefits or 0.82% of annual payroll. The current ARC rate is 0.94% of annual covered payroll.

City of Lenoir, North Carolina
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Membership in the plan included the following at December 31, 2012, the date of the latest actuarial valuation:

	General Employees	Public Safety Officers
Retirees receiving benefits	8	16
Active plan members	<u>146</u>	<u>122</u>
Total	154	138

- 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.
- 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:

Annual Required Contribution	\$ 81,890
Interest on Net OPEB Obligation	15,383
Adjustment to Annual Required Contribution	<u>(15,130)</u>
Annual OPEB Cost	82,143
Contributions Made	<u>(71,732)</u>
Increase in Net OPEB Obligation	10,411
Net OPEB Liability, July 1, 2012	<u>\$395,952</u>
Net OPEB Liability, June 30, 2013	<u>\$406,363</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:

City of Lenoir, North Carolina
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<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Liability</u>
2013	\$82,143	87.3%	\$406,363
2012	\$111,670	74.8%	\$395,952
2011	\$209,836	40.76%	\$367,821
2010	\$79,417	125.16%	\$243,508
2009	\$164,091	55.63%	\$164,091

As of December 31, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits, and thus, the unfunded actuarial accrued liability (UAAL) was \$1,126,070. The covered payroll (annual payroll of active employees covered by the plan) was \$8,754,716. 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.

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, 2011 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 9.5 % to 5%. The UAAL is being amortized as a level dollar percentage of projected payroll on an open basis. The remaining amortization

City of Lenoir, North Carolina
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period at December 31, 2011 was 30 years. Assumed inflation rate of 3.00% was also used.

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a:b)	Covered Payroll	UAAL as a % of Covered Payroll (b-a:c)
12/31/2011	\$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
2013	\$81,890	87.6%
2012	\$111,670	74.8%
2011	\$209,836	40.76%
2010	\$79,417	125.16%
2009	\$164,091	55.63%

Notes to the Required Schedules:

The information presented in the required supplementary schedule for the year ended 2011 was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest valuation follows:

Valuation Date	12/31/2011
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Pay Open
Remaining Amortization Period	30 Years
Asset Valuation Method	Market Value

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Actuarial Assumptions:

Investment Rate of Return	4.0%
Includes Inflation at	3.00%
Medical Cost Trend Rate	9.5%– 5.0%
Year of Ultimate Trend Rate	2018

The information presented for the years ending June 30, 2010, 2011 & 2013 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.

3. Payables – Payables and accrued liabilities at June 30, 2013 were as follows at the government-wide level:

	<u>Vendors</u>	<u>Benefits</u>	<u>Total</u>
Governmental Activities:	<u>\$ 242,683</u>		<u>\$ 242,683</u>
Business-type activities:	<u>\$ 201,145</u>		<u>\$ 201,145</u>

4. Deferred Inflows of Resources – Deferred inflows of resources at year-end is comprised of the following:

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2013

	<u>Unavailable</u>	<u>Unearned</u>
Taxes receivable (General Fund)	\$ 325,251	\$ -
Membership and fees paid in advance (General Fund)	3,431	3,431
Total	<u>\$ 328,682</u>	<u>\$ 3,431</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, 2013 the loan balance was \$2,530,692 at an interest rate of 2.485% for a term of 20 years.

b. Water Pollution Control Revolving Loan

On September 30, 1998 the City of Lenoir assumed a loan offered from the Water Pollution Control Revolving Loan Fund identified as Federal Project #CS370393-03 and State Project #E-SRF-T-97-0082. The project was for the upgrade and expansion of the Lower Creek Wastewater Treatment Plant from 4.08 MGD to 6.0 MGD. As of June 30, 2013 the total loan balance was \$242,993 with an interest rate of 2.6% for a term of fifteen (15) years.

c. Drinking Water Revolving Loan

The City of Lenoir has received a loan for raw water intake improvements. As of June 30, 2013 the loan balance was \$3,470,078 at an interest rate of 2.22% 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, 2013

DESCRIPTION	COST	DATE	TERM	RATE	FREQUENCY
Water and WW plant residuals management refinancing annexation lines	\$ 8,360,000	Refunded 12/24/2003	17.5 years	3.20%	\$302,907 semi-annual
Water & Sewer lines - Town of Hudson	\$ 1,206,484	Refunded 11/12/2003	15 years	3.97%	\$67,465 semi-annual
Utility Line Extension - Phase I 2001 Annexation	\$ 3,237,053	6-27-02	15 years	4.29%	\$144,608 semi-annual
Utility Line Extension - Phase II 2001 Annexation	\$ 2,658,000	12/2/02	15 years	4.09%	\$119,415 semi-annual
Utility Line Extension - Phase III 2001 Annexation	\$ 1,550,000	6/19/03	15 years	3.91%	\$68,780 semi-annual
Water Lines purchased from Caldwell County	\$ 373,490	12/13/2005	9 years	non-interest bearing	\$37,349 annually
Rhodhiss Water Treatment Plant renovations and utility line construction	\$ 2,700,000	6/30/2005	15 years	3.81%	\$92,544 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	8/26/2006	15 years	3.81%	\$88,634 semi-annual
Capital Equipment	\$673,897	11/16/2006	7 years	3.70%	\$2,740 quarterly
Capital Equipment	\$526,000	1/6/2011	4 years	2.16%	\$34,404 quarterly
Capital Equipment	\$355,000	1/19/2012	4 years	1.90%	\$23,083 quarterly

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2013

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>				
2014	362,240	33,760	1,535,263	217,984
2015	278,352	25,133	1,487,108	160,650
2016	131,699	19,137	862,251	111,517
2017	85,859	15,538	1,019,921	80,266
2018	85,859	12,267	508,546	38,402
2019-2023	257,580	17,174	647,000	36,965
Total	1,201,589	123,009	6,060,089	645,784
<u>Section 108 Loan</u>				
2014	102,000	13,854	-	-
2015	108,000	8,540	-	-
2016	114,000	2,901	-	-
Total	324,000	25,295	-	-
<u>Revolving Loans</u>				
2014	-	-	574,492	142,956
2015	-	-	331,500	132,050
2016	-	-	331,500	124,304
2017	-	-	331,500	116,558
2018	-	-	331,499	108,812
2019-2023	-	-	1,657,500	427,862
2024-2028	-	-	1,657,500	234,204
2029-2033	-	-	1,028,272	52,021
Total	-	-	6,243,763	1,338,767
Total Debt Due	\$ 1,525,589	\$ 148,304	\$ 12,303,852	\$ 1,984,551

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2013

The following is a summary of changes in long-term obligations for the year-ended June 30, 2013:

	Balance July 1, 2012	Additions	Payments	Balance June 30, 2013	Portion of Long-term Liabilities
Governmental activities:					
Installment purchase contracts	\$ 1,731,513		\$ (529,924)	\$ 1,201,589	\$ 362,240
Compensated absences	517,705		(18,045)	499,660	298,000
Section 108 Loan	420,000		(96,000)	324,000	102,000
Pension obligation	343,168		(13,215)	329,953	-
Post employment benefits	348,438	9,161		357,599	-
Total governmental activities	\$ 3,360,824	\$ 9,161	\$ (657,184)	\$ 2,712,801	\$ 762,240

	Balance July 1, 2012	Additions	Payments	Balance June 30, 2013	Current Portion of Long-term Liabilities
Business-type activities:					
Installment purchase contracts	\$ 7,541,918		\$ (1,481,829)	\$ 6,060,089	\$ 1,535,263
Revolving loan	6,818,254		(574,491)	6,243,763	574,492
Compensated absences	111,390	1,350		112,740	72,000
Post employment benefits	47,514	1,250		48,764	
Total business-type activities	\$ 14,519,076	\$ 2,600	\$ (2,056,320)	\$ 12,465,356	\$ 2,181,755

For the governmental activities compensated absences are liquidated by the General Fund, and for the business-type activities compensated absences are liquidated by the Water and Sewer Fund.

At June 30, 2013, the City of Lenoir had a legal debt margin of \$112,812,353.

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2013

e. Interfund Activity

1. Transfers in (out) for the year ended June 30, 2013 are summarized below:

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

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

2. Interfund receivables and payables at June 30, 2013 are composed as follows:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$252,115	
Special Revenue Fund		\$121,536
Non-Major Governmental Funds		\$130,579

The outstanding balances between funds result mainly from working capital loans made to other fund are to be reimbursed in the subsequent years.

f. Fund Balance

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

<u>Total fund balance – General Fund</u>	<u>\$5,514,342</u>
Less:	
Prepaid Items	6,827
Stabilization by State Statute	1,495,197
Substance Control	34,468
Public Safety	<u>297,927</u>
Remaining Fund Balance	<u>\$3,679,923</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 \$27,466 to the Airport Authority during the year ended June 30, 2013.

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, 2013. 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 \$132,209 for membership fees and miscellaneous services to the Council during the year ended June 30, 2013.

VI. RELATED ORGANIZATIONS

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

VII. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES AND COMMITMENTS

A. Federal and State Assisted Programs - The City has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant.

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2013

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 30, 2013, which is the date the financial statements were available to be issued.

IX. Change in Accounting Principles

The city implemented Governmental Accounting Standards Board (GASB) Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and net Position, and Statement 65, Items Previously reported as Assets and Liabilities, in the fiscal year ending June 30 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replace with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Liabilities, Deferred Inflows of Resources and Net Position.

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 and Schedule of Funding Progress and Employer Contributions for Other Post-Employment Benefits (OPEB).

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, 2013

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)
12/31/2012	\$ -	\$ 834,999	\$ 834,999	0.00%	\$ 1,892,355	44.12%
12/31/2011	\$ -	\$ 746,570	\$ 746,570	0.00%	\$ 2,039,207	36.61%
12/31/2010	\$ -	\$ 805,420	\$ 805,420	0.00%	\$ 2,151,296	37.44%
12/31/2009	\$ -	\$ 884,789	\$ 884,789	0.00%	\$ 1,993,571	44.38%
12/31/2008	\$ -	\$ 769,785	\$ 769,785	0.00%	\$ 1,998,704	38.51%
12/31/2007	\$ -	\$ 708,037	\$ 708,037	0.00%	\$ 1,955,275	36.21%
12/31/2006	\$ -	\$ 687,345	\$ 687,345	0.00%	\$ 1,917,798	35.84%
12/31/2005	\$ -	\$ 675,027	\$ 675,027	0.00%	\$ 1,930,693	34.96%
12/31/2004	\$ -	\$ 674,050	\$ 674,050	0.00%	\$ 1,887,699	35.71%
12/31/2003	\$ -	\$ 560,999	\$ 560,999	0.00%	\$ 1,608,177	34.88%

	Annual Required Contribution	Percentage Contributed
6/30/2013	\$ 96,372	110.32%
6/30/2012	\$ 89,673	84.08%
6/30/2011	\$ 90,295	108.88%
6/30/2010	\$ 75,825	148.28%
6/30/2009	\$ 70,725	158.28%
6/30/2008	\$ 68,204	129.58%
6/30/2007	\$ 69,292	105.64%
6/30/2006	\$ 71,731	89.70%
6/30/2005	\$ 64,728	89.02%
6/30/2004	\$ 31,819	50.35%

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	12/31/2011	Actuarial Assumptions:	
Actuarial Cost Method	Projected Unit Credit	Investment Rate of Return	5.00%
Amortization Method	Level percent of pay closed	Projected Salary Increase	4.25% - 7.85%
Remaining Amortization Period	19 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, 2013

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)
12/31/2011	\$ -	\$ 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, 2013

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

Notes to the Required Schedules:

The information presented in the required supplementary schedule for the year ended 2011 was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	12/31/2011	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	9.5 - 5.0%
Asset Valuation Method	Market Value	Year of Ultimate Trend Rate	2018

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

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, 2013
(Schedule 1)

	<u>2013</u>
Assets	
Cash and cash equivalents	\$ 4,258,432
Taxes receivable (net)	325,251
Accounts receivable (net)	644,635
Other receivables	598,447
Prepaid items	6,827
Due from other funds	252,115
Total assets	<u>\$ 6,085,707</u>
Liabilities:	
Accounts payable	<u>\$ 242,683</u>
Deferred Inflow of Resources	
Unavailable Property Taxes	325,251
Memberships Paid in Advance	3,431
Total deferred inflow of resources	<u>\$ 328,682</u>
Fund balances:	
Non Spendable	
Prepaid Items	6,827
Restricted	
Stabilization by State Statute	1,495,197
Substance Control	34,468
Public Safety	297,927
Assigned	
Land Development	468,178
Unassigned	
Unassigned	3,211,745
Total fund balances	<u>5,514,342</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,085,707</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, 2013

(Schedule 2, Page 1)

	2013		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
REVENUES:			
Ad valorem taxes			
Taxes - Net of discounts	\$ 7,218,379	\$ 7,379,255	\$ 160,876
Penalties and interest	94,100	76,548	(17,552)
Total	7,312,479	7,455,803	143,324
Other taxes and licenses:			
Local option sales tax	3,599,947	3,541,552	(58,395)
Privilege licenses	190,000	288,630	98,630
Motor vehicle tags	71,500	68,960	(2,540)
Gross receipts on rental vehicles	4,000	3,052	(948)
Total	3,865,447	3,902,194	36,747
Unrestricted intergovernmental revenues:			
Utilities franchise tax	1,430,000	1,670,769	240,769
Beer and wine tax	85,000	73,171	(11,829)
Total	1,515,000	1,743,940	228,940
Restricted intergovernmental revenues:			
State Street - Aid allocation	565,000	569,939	4,939
Contribution from Caldwell County	124,988	124,988	-
Grants	299,730	304,048	4,318
Substance Control	38,000	25,190	(12,810)
Total	1,027,718	1,024,165	(3,553)
Permits and fees:			
Public safety fees and charges	203,000	178,953	(24,047)
Public works fees	20,000	19,484	(516)
Planning department fees and charges	6,000	2,300	(3,700)
Total	229,000	200,737	(28,263)
Sales and services:			
Bulk container service and sales	1,000	3,544	2,544
Solid waste fees	610,000	627,002	17,002
Cemetery lots and marker sales	115,000	63,339	(51,661)
Recreation department fees- centers and parks	89,884	70,893	(18,991)
Recreation department fees- aquatic/fitness center	119,750	120,844	1,094
Concessions	7,000	8,476	1,476
Telephone collection fees	12,000	6,757	(5,243)
Fire line charges	230,000	232,409	2,409

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, 2013

(Schedule 2, Page 2)

	2013		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
REVENUES (Continued)			
Sales and services (Continued)			
Rentals	\$ 13,500	\$ 13,200	(300)
Vehicle maintenance contracts	450,000	390,054	(59,946)
Total	1,648,134	1,536,518	(111,616)
Interest on investments	40,400	5,431	(34,969)
Miscellaneous:			
Other	113,300	259,034	145,734
Total	113,300	259,034	145,734
Payment from Component Unit:			
City of Lenoir ABC Board			
Law enforcement	7,500	3,801	(3,699)
Profit distribution	200,000	209,829	9,829
Total	207,500	213,630	6,130
Total revenues	15,958,978	16,341,452	382,474
EXPENDITURES			
General Government:			
Administrative:			
Salaries and wages	729,723	720,483	9,240
Personnel benefits	222,187	211,486	10,701
Professional services	50,500	172,104	(121,604)
Telephone and postage	29,500	20,420	9,080
Utilities	16,000	15,353	647
Travel and training	40,000	49,392	(9,392)
Maintenance - building and equipment	16,000	4,653	11,347
Advertising and printing	8,000	9,954	(1,954)
Tax collection fees	15,000	20,970	(5,970)
Supplies	61,500	69,517	(8,017)
Contracted services	113,500	134,301	(20,801)
Dues and subscriptions	46,000	41,041	4,959
Insurance and bonds	31,352	36,571	(5,219)
Contribution to Foothills Regional			
Airport	56,000	27,466	28,534
Economic development	304,069	243,058	61,001
Capital improvements and equipment	61,000	47,534	13,466
Other operating expenses	109,449	81,807	27,642
Reimbursement of administrative costs for Water Fund	(327,826)	(326,572)	(1,254)
Total Administrative	1,581,954	1,579,548	2,406
Building Maintenance:			
Salaries and wages	161,731	177,657	(15,926)
Personnel benefits	71,009	70,526	483
Telephone and postage	2,000	3,310	(1,310)
Travel and training	500	91	409
Maintenance - building and equipment	32,000	16,930	15,070
Supplies	5,000	4,125	875

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, 2013

(Schedule 2, Page 3)

	2013		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
EXPENDITURES (Continued)			
General Government (Continued)			
Building Maintenance (Continued)			
Uniforms	\$ 2,600	\$ 1,993	\$ 607
Contracted services	500	3,380	(2,880)
Insurance and bonds	8,000	6,778	1,222
Other operating expenses	2,500	2,223	277
Reimbursement of administrative costs for Water Fund	(12,000)	(13,599)	1,599
Total Building Maintenance	273,840	273,414	426
Engineering:			
Salaries and wages	109,641	109,636	5
Personnel benefits	37,518	37,038	480
Professional services	97,000	71,426	25,574
Telephone and postage	5,000	4,143	857
Utilities	19,200	22,583	(3,383)
Maintenance - building and equipment	9,500	27,792	(18,292)
Travel and training	1,500	3,282	(1,782)
Supplies	2,800	6,056	(3,256)
Uniforms	650	869	(219)
Contracted services	157,730	156,021	1,709
Dues and subscriptions	1,100	919	181
Insurance and bonds	15,100	15,389	(289)
Other operating expenses	1,800	1,806	(6)
Reimbursement of administrative costs for Water Fund	(44,000)	(42,710)	(1,290)
Total Engineering	414,539	414,250	289
Cemetery:			
Salaries and wages	27,226	27,227	(1)
Personnel benefits	11,334	11,292	42
Telephone and postage	1,000	2,325	(1,325)
Utilities	12,000	4,678	7,322
Maintenance - building and equipment	3,500	7,561	(4,061)
Supplies	6,000	2,234	3,766
Uniforms	400	-	400
Contracted services	-	4,395	(4,395)
Purchase for resale	59,000	63,382	(4,382)
Insurance and bonds	6,600	5,592	1,008
Other operating expenses	2,000	138	1,862
Total Cemetery	129,060	128,824	236
Vehicle Services:			
Salaries and wages	113,636	112,849	787
Personnel benefits	51,124	53,150	(2,026)

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, 2013

(Schedule 2, Page 4)

	2013		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
EXPENDITURES (Continued)			
General Government (Continued)			
Vehicle Services (Continued)			
Telephone and postage	\$ 2,030	\$ 3,273	\$ (1,243)
Utilities	16,650	11,507	5,143
Maintenance - building and equipment	17,000	48,277	(31,277)
Travel and training	4,000	6,252	(2,252)
Departmental supplies	60,000	74,369	(14,369)
Uniforms	3,000	3,863	(863)
Contracted services	2,000	2,705	(705)
Capital improvements and equipment	70,000	13,284	56,716
Insurance and bonds	9,900	8,388	1,512
Other operating expenses	296,100	314,598	(18,498)
Reimbursement of administrative costs for Water Fund	(90,000)	(98,414)	8,414
Total Vehicle Services	555,440	554,101	1,339
Total General Government	2,954,833	2,950,137	4,696
Public Safety:			
Police:			
Salaries and wages	2,685,466	2,593,134	92,332
Personnel benefits	1,031,974	993,179	38,795
Professional services	5,000	791	4,209
Telephone and postage	58,630	64,758	(6,128)
Utilities	28,000	26,654	1,346
Travel and training	27,510	33,287	(5,777)
Maintenance - building and equipment	222,248	305,711	(83,463)
Supplies	51,800	62,316	(10,516)
Uniforms	31,090	31,805	(715)
Contracted services	73,770	73,895	(125)
Insurance and bonds	157,120	132,532	24,588
Substance Control	17,000	28,894	(11,894)
Police benefit	10,000	9,205	795
Capital improvements and equipment	117,000	149,419	(32,419)
D.A.R.E.	6,000	2,278	3,722
Explorer Post 246	2,000	633	1,367
Adopt-A-Cop	5,000	8,152	(3,152)
Other operating expenses	15,850	27,584	(11,734)
Total Police	4,545,458	4,544,227	1,231
Fire:			
Salaries and wages	2,027,398	2,147,709	(120,311)
Personnel benefits	865,863	810,551	55,312

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, 2013

(Schedule 2, Page 5)

	2013		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
EXPENDITURES (Continued)			
Public Safety (Continued)			
Fire (Continued)			
Professional services	\$ 1,000	\$ -	\$ 1,000
Telephone and postage	17,190	19,927	(2,737)
Utilities	36,782	38,791	(2,009)
Travel and training	19,500	15,668	3,832
Maintenance - building and equipment	99,000	96,758	2,242
Supplies	33,180	21,765	11,415
Uniforms	30,400	22,786	7,614
Contracted services	54,500	24,819	29,681
Dues and subscriptions	5,000	3,567	1,433
Insurance and bonds	98,650	83,285	15,365
Other operating expenses	15,703	12,034	3,669
Total Fire	<u>3,304,166</u>	<u>3,297,660</u>	<u>6,506</u>
Total Public Safety	<u>7,849,624</u>	<u>7,841,887</u>	<u>7,737</u>
Transportation:			
Streets:			
Salaries and wages	400,726	372,509	28,217
Personnel benefits	162,526	145,733	16,793
Professional services	10,000	21,890	(11,890)
Telephone and postage	2,000	2,943	(943)
Utilities	354,000	363,904	(9,904)
Travel and training	1,500	619	881
Maintenance - building and equipment	141,000	191,998	(50,998)
Street repairs and maintenance	592,000	483,629	108,371
Supplies	8,000	22,363	(14,363)
Street signs and pavement marking	65,000	36,961	28,039
Uniforms	6,950	3,622	3,328
Capital improvements and equipment		75,188	(75,188)
Insurance and bonds	34,559	31,473	3,086
Reimbursement of administrative costs for Water Fund	(45,000)	(22,457)	(22,543)
Other operating expenses	6,000	2,882	3,118
Total Transportation	<u>1,739,261</u>	<u>1,733,257</u>	<u>6,004</u>
Environmental Protection:			
Sanitation:			
Salaries and wages	321,674	296,223	25,451
Personnel benefits	134,752	124,736	10,016
Telephone and postage	8,000	10,780	(2,780)
Travel and training	2,000	-	2,000
Maintenance - building and equipment	186,000	176,365	9,635
Supplies	2,500	1,919	581
Advertising and printing	1,000	3,257	(2,257)
Insurance and bonds	28,000	23,723	4,277
Uniforms	5,000	3,677	1,323

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, 2013

(Schedule 2, Page 6)

	2013		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
EXPENDITURES (Continued)			
Environmental Protection (Continued)			
Sanitation (Continued)			
Purchases for resale	\$ 6,200	\$ 5,600	\$ 600
Tipping fees	63,000	85,760	(22,760)
Recycling services	25,000	21,043	3,957
Capital Improvements	-	27,775	(27,775)
Other operating expenses	2,700	4,181	(1,481)
Total Environmental Protection	<u>785,826</u>	<u>785,039</u>	<u>787</u>
Economic and Physical Development:			
Downtown District:			
Salaries and wages	70,259	69,970	289
Personnel benefits	24,928	25,123	(195)
Professional services	2,000	2,228	(228)
Telephone and postage	2,700	3,131	(431)
Travel and training	4,500	1,823	2,677
Maintenance - equipment and streetscape	4,000	5,850	(1,850)
Advertising and printing	5,000	6,527	(1,527)
Departmental supplies	2,809	3,079	(270)
Contracted services	12,000	21,558	(9,558)
Events and promotions	4,500	2,337	2,163
Façade incentive grants	25,000	26,625	(1,625)
Dues and subscriptions	2,500	790	1,710
Other operating expenses	18,800	11,443	7,357
Total Downtown District	<u>178,996</u>	<u>180,484</u>	<u>(1,488)</u>
Planning:			
Salaries and wages	201,596	192,826	8,770
Personnel benefits	74,297	60,833	13,464
Professional services	19,000	39,354	(20,354)
Contracted services	14,500	31,200	(16,700)
Telephone and postage	4,800	5,199	(399)
Travel and training	5,000	3,454	1,546
Maintenance - equipment	5,500	2,843	2,657
Advertising and printing	4,000	1,684	2,316
Supplies	9,322	4,648	4,674
Dues and subscriptions	2,500	425	2,075
Insurance and bonds	13,700	11,608	2,092
Capital improvements and equipment	28,500	22,553	5,947
Building demolition	-	6,465	(6,465)
Other operating expenses	1,500	633	867
Reimbursement for administrative costs for Water Fund	(41,898)	(42,772)	874
Total Planning	<u>342,317</u>	<u>340,953</u>	<u>1,364</u>
Total Economic and Physical Development	<u>521,313</u>	<u>521,437</u>	<u>(124)</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, 2013

(Schedule 2, Page 7)

	2013		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
EXPENDITURES (Continued)			
Culture and Recreation:			
Recreation Centers and Parks:			
Salaries and wages	\$ 402,826	\$ 433,352	\$ (30,526)
Personnel benefits	159,148	148,175	10,973
Professional services	1,000	420	580
Basketball league	9,500	6,969	2,531
Softball & baseball leagues	10,000	9,757	243
Miscellaneous leagues and programs	52,826	47,944	4,882
Harambee Festival	9,500	14,043	(4,543)
Telephone and postage	13,982	9,867	4,115
Utilities	79,000	95,065	(16,065)
Travel and training	7,800	5,884	1,916
Insurance and bonds	33,800	30,950	2,850
Capital improvements and equipment	12,000	10,418	1,582
Maintenance - building and equipment	98,000	89,370	8,630
Supplies	47,420	37,199	10,221
Dues and subscriptions	250	80	170
Advertising and printing	5,500	5,717	(217)
Uniforms	1,812	613	1,199
Contracted services	24,085	23,681	404
Concessions and purchases for resale	10,000	7,108	2,892
Other operating expenses	7,965	3,003	4,962
Total Recreation Centers and Parks	986,414	979,615	6,799
Aquatic and Fitness Center:			
Salaries and wages	260,234	251,561	8,673
Personnel benefits	81,031	75,146	5,885
Miscellaneous leagues and programs	500	-	500
Telephone and postage	4,050	8,194	(4,144)
Utilities	69,500	72,397	(2,897)
Travel and training	3,076	5,580	(2,504)
Maintenance - building and equipment	20,500	23,062	(2,562)
Supplies	41,026	48,306	(7,280)
Uniforms	1,238	628	610
Advertising and printing	6,342	1,887	4,455
Contracted services	12,825	14,466	(1,641)
Dues and Subscriptions	500	320	180
Concessions and purchases for resale	6,500	4,671	1,829
Insurance and bonds	7,800	6,608	1,192
Other operating expenses	2,012	2,333	(321)
Total Aquatic and Fitness Center	517,134	515,159	1,975
Landscaping:			
Salaries and wages	124,115	131,729	(7,614)
Personnel benefits	54,153	55,596	(1,443)
Telephone and postage	2,000	2,253	(253)
Utilities	4,000	1,451	2,549
Travel and training	2,000	67	1,933
Maintenance - building and equipment	36,000	40,843	(4,843)
Supplies	30,000	35,597	(5,597)

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, 2013

(Schedule 2, Page 8)

	2013		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
EXPENDITURES (Continued)			
Culture and Recreation (Continued)			
Landscaping (Continued)			
Uniforms	\$ 3,000	\$ 1,349	\$ 1,651
Contracted services	-	29,271	(29,271)
Capital improvements and equipment	60,000	18,238	41,762
Insurance and bonds	2,792	2,365	427
Other operating expenses	3,000	1,769	1,231
Total Landscaping	<u>321,060</u>	<u>320,528</u>	<u>532</u>
Total Culture and Recreation	<u>1,824,608</u>	<u>1,815,302</u>	<u>9,306</u>
Debt Service:			
Principal	529,926	529,924	2
Interest	46,656	46,631	25
Total Debt Service	<u>576,582</u>	<u>576,555</u>	<u>27</u>
Total Expenditures	<u>16,252,047</u>	<u>16,223,614</u>	<u>28,433</u>
REVENUES OVER/(UNDER) EXPENDITURES	<u>(293,069)</u>	<u>117,838</u>	<u>410,907</u>
OTHER FINANCING SOURCES (USES):			
Appropriated fund balance	388,069		(388,069)
Proceeds from sale of capital assets	25,000	134,295	109,295
Transfers out:			
To Capital Projects Fund	<u>(120,000)</u>	<u>(120,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>293,069</u>	<u>14,295</u>	<u>(278,774)</u>
REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>132,133</u>	<u>\$ 132,133</u>
FUND BALANCE:			
Beginning of year		<u>5,382,209</u>	
End of year		<u>\$ 5,514,342</u>	

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; Fit Community Grant; PARTF Grant; 2009, 2010, 2011 and 2012 CDBG Entitlement Programs, and 2010, 2011, and 2012 Unifour HOME Consortium Programs.

City of Lenoir, North Carolina

Special Revenue Fund
Supplemental Balance Sheets
June 30, 2013
(Schedule 3)

	<u>2013</u>
Assets	
Cash and cash equivalents	\$ -
Total assets	<u>\$ -</u>
Liabilities and fund balances	
Liabilities:	
Accounts payable	2,750
Due to other funds	<u>121,536</u>
Total liabilities	<u>124,286</u>
Fund balances:	
Unassigned	<u>(124,286)</u>
Total fund balances	<u>(124,286)</u>
Total liabilities and fund balances	<u>\$ -</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, 2013
 (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	3,166	21,350	24,516	14,516
Interest earned on investments	-	1	-	1	1
Total revenues	10,000	3,167	21,350	24,517	14,517
Expenditures:					
Departmental Supplies	3,000	3,198	2,438	5,636	(2,636)
Training	3,000	2,337	2,648	4,985	(1,985)
Capital equipment	4,000	3,139	12,891	16,030	(12,030)
Total expenditures	10,000	8,674	17,977	26,651	(16,651)
Expenditures (over) revenues	-	(5,507)	3,373	(2,134)	(2,134)
FIT COMMUNITY GRANT:					
Revenues:					
Intergovernmental	65,000	55,799	-	55,799	(9,201)
Expenditures:					
Dept Supplies	125,000	123,725	-	123,725	1,275
Total expenditures	125,000	123,725	-	123,725	1,275
Expenditures (over) revenues	(60,000)	(67,926)	-	(67,926)	(7,926)
PARTI GRANT					
Revenues:					
Intergovernmental	175,000	54,271	34,034	88,305	(86,695)
Expenditures:					
Dept Supplies	100,000	45,075	-	45,075	54,925
Contract Services	50,000	-	-	-	50,000
Capital Expenditures	200,000	100,083	71,993	172,076	27,924
Total expenditures	350,000	145,158	71,993	217,151	132,849
Expenditures (over) revenues	(175,000)	(90,887)	(37,959)	(128,846)	46,154

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, 2013
 (Schedule 4, Page 2)

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total To Date	
2009 COMMUNITY DEVELOPMENT BLOCK GRANT:					
Revenues:					
Intergovernmental	186,143	163,683		163,683	(22,460)
Expenditures:					
Debt principal	117,297	84,300	-	84,300	32,997
Debt interest	-	12,938	-	12,938	(12,938)
Sidewalk Project	39,522	17,062	-	17,062	22,460
Administration	29,324	33,324	-	33,324	(4,000)
Total expenditures	186,143	147,624	-	147,624	38,519
Expenditures (over) revenues	-	16,059	-	16,059	16,059
2010 COMMUNITY DEVELOPMENT BLOCK GRANT:					
Revenues:					
Intergovernmental	131,687	149,621	31,104	180,725	49,038
Expenditures:					
Debt principal	105,350	-	-	-	105,350
Sidewalk Project	-	22,460	-	22,460	(22,460)
Administration	26,337	31,653	-	31,653	(5,316)
Total expenditures	131,687	54,113	-	54,113	77,574
Expenditures (over) revenues	-	95,508	31,104	126,612	126,612
2011 COMMUNITY DEVELOPMENT BLOCK GRANT:					
Revenues:					
Intergovernmental	131,690	26,338	83,740	110,078	(21,612)
Expenditures:					
Debt principal	105,352	92,000	-	92,000	13,352
Debt interest	-	23,567	-	23,567	(23,567)
Administration	26,338	26,338	-	26,338	-
Total expenditures	131,690	141,905	-	141,905	(10,215)
Expenditures (over) revenues	-	(115,567)	83,740	(31,827)	(31,827)

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, 2013
 (Schedule 4, Page 3)

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total To Date	
2012 COMMUNITY DEVELOPMENT BLOCK GRANT:					
Revenues:					
Intergovernmental	147,527	-	29,050	29,050	(118,477)
Expenditures:					
Debt principal	118,477	-	96,000	96,000	22,477
Debt interest	-	-	18,844	18,844	(18,844)
Administration	29,050	-	29,050	29,050	-
Total expenditures	147,527	-	143,894	143,894	3,633
Expenditures (over) revenues	-	-	(114,844)	(114,844)	(114,844)
2010 UNIFOUR HOME CONSORTIUM:					
Revenues:					
Intergovernmental	1,177,272	1,096,409	58,863	1,155,272	(22,000)
Program income	150,000	99,725	-	99,725	(50,275)
Total revenue	1,327,272	1,196,134	58,863	1,254,997	(72,275)
Expenditures:					
Downpayment assistance	478,004	482,504	-	482,504	(4,500)
Program Income	150,000	64,652	-	64,652	85,348
CHDO	176,591	117,728	58,863	176,591	-
Administration	117,727	126,300	-	126,300	(8,573)
Multi-family housing	404,950	404,950	-	404,950	-
Total expenditures	1,327,272	1,196,134	58,863	1,254,997	72,275
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, 2013
 (Schedule 4, Page 4)

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total To Date	
2011 UNIFOUR HOME CONSORTIUM:					
Revenues:					
Intergovernmental	1,036,727	522,409	386,531	908,940	(127,787)
Program income	100,000	132,739	-	132,739	32,739
Total revenue	<u>1,136,727</u>	<u>655,148</u>	<u>386,531</u>	<u>1,041,679</u>	<u>(95,048)</u>
Expenditures:					
Downpayment assistance	394,545	324,737	35,808	360,545	34,000
Program Income	100,000	122,239	-	122,239	(22,239)
CHDO	155,510	-	27,723	27,723	127,787
Administration	103,672	145,172	3,000	148,172	(44,500)
Multi-family housing	383,000	63,000	320,000	383,000	-
Total expenditures	<u>1,136,727</u>	<u>655,148</u>	<u>386,531</u>	<u>1,041,679</u>	<u>95,048</u>
Expenditures (over) revenues	-	-	-	-	-
2012 UNIFOUR HOME CONSORTIUM:					
Revenues:					
Intergovernmental	824,401	-	168,279	168,279	(656,122)
Program income	150,000	-	207,353	207,353	57,353
Total revenue	<u>974,401</u>	<u>-</u>	<u>375,632</u>	<u>375,632</u>	<u>(598,769)</u>
Expenditures:					
Downpayment assistance	450,300	-	112,839	112,839	337,461
Program Income	150,000	-	151,603	151,603	(1,603)
CHDO	123,661	-	-	-	123,661
Administration	82,440	-	105,440	105,440	(23,000)
Multi-family housing	168,000	-	-	-	168,000
Total expenditures	<u>974,401</u>	<u>-</u>	<u>369,882</u>	<u>369,882</u>	<u>604,519</u>
Expenditures (over) revenues	-	-	5,750	5,750	5,750
Expenditures (over) revenues - all grants	<u>\$ (235,000)</u>	<u>\$ (168,320)</u>	<u>\$ (28,836)</u>	<u>\$ (197,156)</u>	<u>\$ 37,844</u>
Other financing sources:					
Transfers to General Fund	235,000	20,598	-	20,598	(214,402)
Expenditures (over) revenues - all grants	<u>\$ -</u>	<u>\$ (147,722)</u>	<u>(28,836)</u>	<u>\$ (176,558)</u>	<u>\$ (176,558)</u>
FUND BALANCE:					
Beginning of year			(95,450)		
End of year			<u>\$ (124,286)</u>		

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, 2013
 (Schedule 5)

	Capital Project Fund	Permanent Fund	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents-restricted	-	255,509	255,509
Other receivables	32,048	805	32,853
Total assets	<u>\$ 32,048</u>	<u>\$ 256,314</u>	<u>\$ 288,362</u>
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 5,727	\$ -	\$ 5,727
Due to other funds	130,579	-	130,579
Total liabilities	<u>136,306</u>	<u>-</u>	<u>136,306</u>
Fund balances:			
Restricted Cementary Care	-	256,314	256,314
Unassigned	(104,258)	-	(104,258)
Total fund balances	<u>(104,258)</u>	<u>256,314</u>	<u>152,056</u>
Total liabilities and fund balances	<u>\$ 32,048</u>	<u>\$ 256,314</u>	<u>\$ 288,362</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, 2013
(Schedule 6)**

	Capital Project Fund	Permanent Fund	Total Nonmajor Governmental Funds
Revenues			
Restricted intergovernmental revenues	\$ 5,714	\$ -	\$ 5,714
Investment earnings	-	1,133	1,133
Miscellaneous	1,925	-	1,925
Total revenues	<u>7,639</u>	<u>1,133</u>	<u>8,772</u>
Expenditures			
Current:			
Capital projects	10,561	-	10,561
Total expenditures	<u>10,561</u>	<u>-</u>	<u>10,561</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,922)</u>	<u>1,133</u>	<u>(1,789)</u>
Other financing sources (uses)			
From General Fund	120,000	-	120,000
Total other financing sources (uses)	<u>120,000</u>	<u>-</u>	<u>120,000</u>
Net change in fund balances	117,078	1,133	118,211
Fund balance - beginning	<u>(221,336)</u>	<u>255,181</u>	<u>33,845</u>
Fund balance - ending	<u>\$ (104,258)</u>	<u>\$ 256,314</u>	<u>\$ 152,056</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, 2013

(Schedule 7, Page 1)

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
STREETSCAPE PROJECT:					
Revenues:					
NC municipal agreement	650,000	599,215	-	599,215	(50,785)
Contributions from Outside Agency	25,000	25,800	-	25,800	800
Interest earned on investments	-	71,822	-	71,822	71,822
Paver revenue	44,700	154,637	1,925	156,562	111,862
Total revenue	<u>719,700</u>	<u>851,474</u>	<u>1,925</u>	<u>853,399</u>	<u>133,699</u>
Expenditures:					
Engineering	81,850	134,556	-	134,556	(52,706)
Paving Harper Ave	400,000	350,210	-	350,210	49,790
Construction	1,484,650	1,227,453	-	1,227,453	257,197
Public Square	169,700	446,679	189	446,868	(277,168)
Contingency	45,500	-	-	-	45,500
Total expenditures	<u>2,181,700</u>	<u>2,158,898</u>	<u>189</u>	<u>2,159,087</u>	<u>22,613</u>
Expenditures (over) revenues	<u>(1,462,000)</u>	<u>(1,307,424)</u>	<u>1,736</u>	<u>(1,305,688)</u>	<u>156,312</u>
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	860,948	1,270	862,218	(317,732)
Total expenditures	<u>1,181,178</u>	<u>1,161,619</u>	<u>1,270</u>	<u>1,162,889</u>	<u>18,289</u>
Expenditures (over) revenues	<u>(770,543)</u>	<u>(732,940)</u>	<u>(1,270)</u>	<u>(734,210)</u>	<u>36,333</u>

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, 2013

(Schedule 7, Page 2)

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
FAIRVIEW BRIDGE					
Revenues:					
NC Highway Grant	<u>720,000</u>	<u>144,665</u>	<u>5,714</u>	<u>150,379</u>	<u>(569,621)</u>
Expenditures:					
Engineering	<u>200,000</u>	<u>198,113</u>	<u>9,102</u>	<u>207,215</u>	<u>(7,215)</u>
Construction	<u>700,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>700,000</u>
Total expenditures	<u>900,000</u>	<u>198,113</u>	<u>9,102</u>	<u>207,215</u>	<u>692,785</u>
Expenditures (over) revenues	<u>(180,000)</u>	<u>(53,448)</u>	<u>(3,388)</u>	<u>(56,836)</u>	<u>123,164</u>
Expenditures (over) under revenues - all projects	<u>(2,412,543)</u>	<u>(2,093,812)</u>	<u>(2,922)</u>	<u>(2,096,734)</u>	<u>315,809</u>
OTHER FINANCING SOURCES(USES):					
Financing issuances	<u>1,604,500</u>	<u>1,094,550</u>	<u>-</u>	<u>1,094,550</u>	<u>(509,950)</u>
Transfer from General Fund	<u>808,043</u>	<u>476,700</u>	<u>120,000</u>	<u>596,700</u>	<u>(211,343)</u>
Total other financing sources	<u>2,412,543</u>	<u>1,571,250</u>	<u>120,000</u>	<u>1,691,250</u>	<u>(721,293)</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>(522,562)</u>	<u>117,078</u>	<u>\$ (405,484)</u>	<u>\$ (405,484)</u>
Fund balance beginning of year		<u>301,226</u>	<u>(221,336)</u>		
Fund balance end of year		<u>\$ (221,336)</u>	<u>\$ (104,258)</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, 2013

(Schedule 8)

	2013		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
Revenues:			
Interest earned on investments	1,133	1,133	-
Total revenues	1,133	1,133	-
Revenues over expenditures	1,133	1,133	-
Revenues and other sources under expenditures and other uses	1,133	1,133	-
Fund Balance:			
Beginning of year		255,181	
End of year		\$ 256,314	

Agency Fund

The Agency Fund accounts for payments received by the City of Lenoir and remitted to CheckFree Pay on behalf of AT & T and Piedmont Natural Gas and Flexcare payments.

City of Lenoir, North Carolina

Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For Fiscal Year Ended June 30, 2013
(Schedule 9)

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2013</u>
<u>CheckFree Pay</u>				
Assets				
Cash and cash equivalents	\$ 1,734	\$ 11,140	\$ 1,358	\$ 11,516
Total assets	<u>\$ 1,734</u>	<u>\$ 11,140</u>	<u>\$ 1,358</u>	<u>\$ 11,516</u>
Liabilities				
Due to other funds	\$ 1,734	\$ 11,140	\$ 1,358	\$ 11,516
Total liabilities	<u>\$ 1,734</u>	<u>\$ 11,140</u>	<u>\$ 1,358</u>	<u>\$ 11,516</u>
<u>Flex Spending</u>				
Assets				
Cash and cash equivalents	\$ 9,374	\$ 58,964	\$ 67,593	\$ 745
Total assets	<u>\$ 9,374</u>	<u>\$ 58,964</u>	<u>\$ 67,593</u>	<u>\$ 745</u>
Liabilities				
Due to other funds	\$ 9,374	\$ 58,964	\$ 67,593	\$ 745
Total liabilities	<u>\$ 9,374</u>	<u>\$ 58,964</u>	<u>\$ 67,593</u>	<u>\$ 745</u>
<u>Total All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 11,108	\$ 70,104	\$ 68,951	\$ 12,261
Total assets	<u>\$ 11,108</u>	<u>\$ 70,104</u>	<u>\$ 68,951</u>	<u>\$ 12,261</u>
Liabilities				
Due to other funds	\$ 11,108	\$ 70,104	\$ 68,951	\$ 12,261
Total liabilities	<u>\$ 11,108</u>	<u>\$ 70,104</u>	<u>\$ 68,951</u>	<u>\$ 12,261</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, 2013
 (Schedule 10)

	<u>2013</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 2,958,831
Accounts receivable (net)	605,430
Inventories	70,581
Restricted Cash and cash equivalents	118,060
Total current assets	<u>3,752,902</u>
Noncurrent assets	
Capital assets, net	44,762,651
Total noncurrent assets	<u>44,762,651</u>
Total assets	<u>48,515,553</u>
Liabilities	
Current liabilities	
Accounts payable	201,145
Installment purchase contracts - current	1,535,263
Revolving loan payable - current	574,492
Customer deposits	118,060
Compensated absences payable	72,000
Total current liabilities	<u>2,500,960</u>
Noncurrent liabilities	
Revolving loan payable	5,669,271
Installment purchase contracts payable	4,524,826
OPEB Liability	48,764
Compensated absences payable	40,740
Total noncurrent liabilities	<u>10,283,601</u>
Total liabilities	<u>12,784,561</u>
Net Position	
Net investment in capital assets	32,458,799
Unrestricted Net Position	3,272,193
Total Net Position	<u>\$ 35,730,992</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, 2013

(Schedule 11, Part I)

	2013		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
REVENUES:			
Operating revenues:			
Water sales	\$ 5,146,406	\$ 5,007,352	\$ (139,054)
Wastewater treatment charges	2,539,714	2,498,344	(41,370)
Water and sewer taps	40,000	20,532	(19,468)
Late payment/reconnect fees	235,000	251,370	16,370
Miscellaneous	53,000	78,318	25,318
Total operating revenues	<u>8,014,120</u>	<u>7,855,916</u>	<u>(158,204)</u>
Nonoperating revenues:			
Interest on investments	10,000	2,476	(7,524)
TOTAL REVENUES	<u>\$8,024,120</u>	<u>\$7,858,392</u>	<u>(\$165,728)</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, 2013

(Schedule 11, Part II, Page 1)

EXPENDITURES:	2013		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
Rhodhiss Water Treatment Plant:			
Salaries and wages	\$ 278,555	\$ 282,461	\$ (3,906)
Personnel benefits	118,916	117,223	1,693
Telephone and postage	2,700	3,701	(1,001)
Utilities	263,000	344,583	(81,583)
Travel and training	1,900	1,551	349
Maintenance:			
Building and grounds	10,000	7,076	2,924
Equipment	60,000	29,708	30,292
Motor equipment operation and mainten	7,000	7,445	(445)
Departmental supplies	15,000	18,633	(3,633)
Uniforms	3,000	-2,985	15
Contracted services	126,000	69,863	56,137
State testing	17,000	4,386	12,614
Chemicals	209,667	163,312	46,355
Insurance and bonds	22,842	20,730	2,112
Utility service fees	105,147	109,305	(4,158)
Miscellaneous	8,700	6,617	2,083
Total Rhodhiss Water Treatment Plant	1,249,427	1,189,579	59,848
Water Distribution:			
Salaries and wages	305,655	410,565	(104,910)
Personnel benefits	163,584	163,981	(397)
Professional services	55,000	18,917	36,083
Telephone and postage	38,000	51,747	(13,747)
Utilities	55,000	32,310	22,690
Travel and training	1,500	981	519
Maintenance:			
Equipment	7,000	20,420	(13,420)
Distribution system	49,000	16,540	32,460
Motor equipment operation and mainten	52,000	64,420	(12,420)
Departmental supplies	95,000	54,809	40,191
Uniforms	4,000	2,272	1,728
Insurance and bonds	68,000	57,612	10,388
Contracted services	80,000	74,013	5,987
Service extensions	5,000	-	5,000
Subdivision reimbursement	-	720	(720)
Miscellaneous	5,500	3,728	1,772
Utility service fees	105,147	109,305	(4,158)
Economic development	25,000	10,657	14,343
Total Water Distribution	1,114,386	1,092,997	21,389
Water Resources			
Salaries and wages	250,919	252,365	(1,446)
Personnel benefits	91,648	90,476	1,172
Professional services	78,000	97,038	(19,038)

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, 2013

(Schedule 11, Part II, Page 2)

EXPENDITURES (Continued)	2013		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
Water Resources (Continued)			
Travel and training	\$ 2,500	\$ 2,410	\$ 90
Telephone and postage	3,500	3,274	226
Equipment maintenance	39,000	14,666	24,334
Motor equipment operation and mainten	15,400	20,383	(4,983)
Departmental supplies	5,000	4,858	142
Uniforms	1,200	1,419	(219)
Contracted services	30,981	1,058	29,923
Insurance and bonds	950	944	6
Miscellaneous	3,850	3,003	847
Total Water Resources	<u>522,948</u>	<u>491,894</u>	<u>31,054</u>
Wastewater Collection			
Salaries and wages	125,648	118,714	6,934
Personnel benefits	53,846	42,012	11,834
Professional services	25,000	20,833	4,167
Telephone and postage	1,000	946	54
Utilities	19,500	33,635	(14,135)
Travel and training	1,500	1,085	415
Maintenance:			
Equipment	8,000	7,541	459
Sewage collection system	42,724	44,004	(1,280)
Motor equipment operation and mainten	50,000	44,215	5,785
Departmental supplies	15,000	11,360	3,640
Uniforms	2,500	2,849	(349)
Contracted services	30,000	50,119	(20,119)
Subdivision reimbursement	35,000	720	34,280
Insurance and bonds	53,809	50,806	3,003
Miscellaneous	25,500	2,447	23,053
Service extensions	5,000	-	5,000
Utility service fees	105,147	109,305	(4,158)
Total Wastewater Collection	<u>599,174</u>	<u>540,591</u>	<u>58,583</u>
Lower Creek Wastewater Treatment Plant:			
Salaries and wages	287,558	292,445	(4,887)
Personnel benefits	119,736	116,114	3,622
Professional services	5,000	1,180	3,820
Telephone and postage	4,000	3,403	597
Utilities	295,000	342,045	(47,045)
Travel and training	2,000	426	1,574
Maintenance:			
Building and grounds	5,000	5,526	(526)
Equipment	60,000	45,562	14,438
Motor equipment operation and mainten	15,000	14,729	271
Departmental supplies	20,000	27,328	(7,328)
Uniforms	1,500	3,044	(1,544)
Contracted services	68,500	152,353	(83,853)
Chemicals	180,000	75,592	104,408
Insurance and bonds	23,203	20,580	2,623
Miscellaneous	7,500	450	7,050
Utility service fees	105,147	109,305	(4,158)
Total Lower Creek Wastewater Treatment Plant	<u>1,199,144</u>	<u>1,210,082</u>	<u>(10,938)</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, 2013

(Schedule 11, Part II, Page 3)

EXPENDITURES (Continued)	2013		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
Gunpowder Wastewater Treatment Plant:			
Salaries and wages	\$ 47,541	\$ 47,538	\$ 3
Personnel benefits	15,585	15,105	480
Professional services	5,000	41,814	(36,814)
Telephone and postage	3,000	3,700	(700)
Utilities	143,000	156,895	(13,895)
Travel and training	500	-	500
Maintenance:			
Building and grounds	6,500	101	6,399
Equipment	107,000	28,685	78,315
Motor equipment operation and mainten	13,000	20,892	(7,892)
Departmental supplies	10,000	4,923	5,077
Uniforms	1,600	1,898	(298)
Contracted services	8,000	23,029	(15,029)
Chemicals	60,000	63,213	(3,213)
Insurance and bonds	17,605	14,916	2,689
Miscellaneous	3,200	450	2,750
Utility service fees	105,147	109,305	(4,158)
Total Gunpowder Wastewater Treatment Plant	546,678	532,464	14,214
Wastewater Pretreatment:			
Salaries and wages	99,599	99,960	(361)
Personnel benefits	37,751	37,069	682
Travel and training	250	404	(154)
Equipment maintenance	1,000	-	1,000
Motor equipment operation and mainten	2,000	1,626	374
Uniforms	450	472	(22)
Supplies	14,000	10,448	3,552
Contracted services	30,000	27,014	2,986
Miscellaneous	1,000	200	800
Total Wastewater Pretreatment	186,050	177,193	8,857
Budgetary appropriations:			
Interest paid	434,270	487,280	(53,010)
Debt principal	2,069,043	2,056,320	12,723
Capital outlay:			
Equipment	103,000	101,611	1,389
Total budgetary appropriations	2,606,313	2,645,211	(38,898)
TOTAL EXPENDITURES	\$ 8,024,120	\$ 7,880,011	\$ 144,109

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, 2013

(Schedule 11, Part III)

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

	2013 Actual
Total revenues and other financing sources on Schedule 7, Part I, Water and Sewer	\$ 7,858,392
Total expenditures on Schedule 7, Part II, Water and Sewer	<u>7,880,011</u>
Revenues and other sources over (under) expenditures and other uses:	<u>(21,619)</u>
Reconciling items:	
Debt principal	2,056,320
(Increase) decrease in OPEB Liability	(1,250)
Capital outlay	101,611
(Increase) decrease in accrued vacation pay	(1,351)
Depreciation expense	<u>(1,237,304)</u>
Total reconciling items	<u>918,026</u>
Change in Net Position (Exhibit G)	<u>\$ 896,407</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 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, 2013

(Schedule 12, Page 1)

	Project Authorization	Prior Years	Current Year	Total To Date	Variance Positive (Negative)
Gunpowder Creek WWTP Improvements					
Revenues:					
Clean Water Trust Fund Grant	\$ 3,850,000			-	\$ (3,850,000)
Total revenues	3,850,000	-	-	-	(3,850,000)
Expenditures:					
Engineering	493,000		1,749	1749	(491,251)
Construction	3,052,000			-	(3,052,000)
Contingency	305,000			-	(305,000)
Closing Fee	77,000			-	(77,000)
Total expenditures	3,927,000	-	1,749	1,749	(3,925,251)
Expenditures (under) revenues					
Other financing sources (uses):					
Transfers from Water Fund	77,000			-	(77,000)
Total Other financing sources(uses):	77,000	-	-	-	(77,000)
Revenues and other financing sources over (under) expenditures and other financing uses					
	-	-	(1,749)	(1,749)	(1,749)
Powell Road Greenway Sewer:					
Revenues:					
Clean Water Trust Fund Grant	\$ 578,500			-	(578,500)
Total revenues	578,500	-	-	-	(578,500)
Expenditures:					
Engineering	115,700		13,260	13260	(102,440)
Construction	462,800			-	(462,800)
Total expenditures	578,500	-	13,260	13,260	(565,240)
Expenditures (under) revenues					
	-	-	(13,260)	(13,260)	(13,260)
Total Water and Sewer Capital Project Fund					
	\$ -	\$ -	\$ (15,009)	\$ (15,009)	\$ (15,009)

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, 2013

(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	(97,807)	(97,807)
In certificates of deposit	2,534,399	2,534,399
Total Cash	<u>2,438,577</u>	<u>2,438,577</u>
Investments - North Carolina Capital		
Management Trust	2,147,600	2,147,600
Term Trust	3,004,655	\$ 3,004,655
Total Cash and Investments	<u>\$ 7,590,832</u>	<u>\$ 7,590,832</u>
Distribution by Funds:		
Governmental Fund types	\$ 4,513,941	\$ 4,513,941
Enterprise Fund	3,076,891	3,076,891
Total	<u>\$ 7,590,832</u>	<u>\$ 7,590,832</u>

City of Lenoir, North Carolina

Schedule of Ad Valorem Taxes Receivable
 June 30, 2013
 (Schedule 14)

Fiscal Year	Uncollected Balance 7/1/2012	Additions	Collections and Credits	Uncollected Balance 6/30/2013
2012-2013	\$ -	\$ 7,614,484	\$ 7,176,790	\$ 437,694
2011-2012	484,315		218,362	265,953
2010-2011	328,581		36,788	291,793
2009-2010	69,691		27,785	41,906
2008-2009	123,654		9,012	114,642
2007-2008	107,083		5,633	101,450
2006-2007	78,185		2,136	76,049
2005-2006	69,873		597	69,276
2004-2005	34,596		310	34,286
2003-2004	40,763		231	40,532
2002-2003	34,379		34,379	-
Total	\$ 1,371,120	\$ 7,614,484	\$ 7,512,023	1,473,581

Less allowance for uncollectible ad valorem taxes receivable:

Ad valorem and vehicle	\$ 1,113,229	
Downtown Service District	35,101	1,148,330
Ad valorem taxes receivable - net		<u>\$ 325,251</u>

Reconciliation with revenues:

Ad valorem taxes	\$ 7,455,803
Discounts allowed	97,342
Prior year releases	1,749
Amounts written off per statute of limitations	<u>33,677</u>
Subtotal	<u>7,588,571</u>
Less penalties and interest collected	<u>76,548</u>

Total collections and credits

\$ 7,512,023

City of Lenoir, North Carolina

Analysis of Current Tax Levy

June 30, 2013

(Schedule 15)

	Total Property Valuation	Rate	Amount of Levy	Total Levy	
				Property Excluding Vehicles	Motor Vehicles
Original levy:					
Ad Valorem	\$ 1,473,530,893	\$ 0.56	\$ 8,251,773	\$ 8,251,773	
Downtown Service District	14,793,200	0.25	36,983	36,983	
Motor Vehicles:					
General	94,635,536	0.56	529,959		\$ 529,959
Downtown Service District	62,800	0.25	157		\$ 157
Discoveries			314,427	314,427	
Releases			(1,518,815)	(1,507,962)	(10,853)
Total for year	<u>1,583,022,429</u>		7,614,484	7,095,221	519,263
Less uncollected tax at June 30, 2013 (schedule 14)			<u>437,694</u>	<u>323,749</u>	<u>113,945</u>
Current year's taxes collected			<u>\$ 7,176,790</u>	<u>\$ 6,771,472</u>	<u>\$ 405,318</u>
Percent current year collected			94.25%	95.44%	78.06%

*Capital Assets Used in the Operation of
Governmental Funds*

City of Lenoir, North Carolina

Capital Assets Used in the Operation of Governmental Funds

Schedule by Function and Activity

June 30, 2013

(Schedule 16)

Function and Activity	Land	Buildings and Improvements	Machinery and Equipment	Infrastructure	Construction in Progress	Total
General government:						
Administrative	\$ 801,288	\$ 882,537	\$ 768,567	\$ 759,098	\$ -	\$ 3,211,490
Vehicle services	-	-	293,824	-	-	293,824
Building maintenance	-	-	106,484	-	-	106,484
Public works administration	137,051	477,074	278,059	-	-	892,184
Cemeteries	105,673	150,164	75,248	-	-	331,085
Total general government	1,044,012	1,509,775	1,522,182	759,098	-	4,835,067
Public Safety:						
Police	170,165	1,606,695	3,750,761	-	-	5,527,621
Fire	207,202	692,229	3,014,622	-	-	3,914,053
Total public safety	377,367	2,298,924	6,765,383	-	-	9,441,674
Transportation:						
Streets	55,277	3,145,937	1,858,801	42,065,910	194,353	47,840,278
Environmental protection:						
Sanitation	9,500	19,989	1,421,241	-	-	1,450,710
Economic & physical development:						
Planning & Main Street	-	12,233	82,930	-	-	95,163
Recreation and culture:						
Recreation	1,507,206	6,475,783	586,372	1,069,840	182,638	9,821,838
Landscaping	10	396,104	280,949	-	-	677,063
Total recreation & culture	1,507,216	6,871,887	867,321	1,069,840	182,638	10,498,901
Total governmental funds capital assets	\$ 2,993,372	\$ 13,858,725	\$ 12,517,857	\$ 43,914,848	\$ 376,991	\$ 73,661,794

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. The City implemented Statement 34 as of June 30, 2003; tables presenting government-wide information include information beginning in that year.

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

	Fiscal Year				
	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Governmental activities					
Net investment in capital assets	\$ 21,624,643	\$ 22,061,411	\$ 22,394,419	\$ 22,797,645	\$ 22,986,647
Restricted	555,638	535,140	783,977	887,159	1,102,646
Unrestricted	3,297,785	3,202,086	3,820,178	6,041,293	6,416,440
Total governmental activities net position	\$ 25,478,066	\$ 25,798,637	\$ 27,008,574	\$ 29,726,097	\$ 30,505,733
Business-type activities					
Net investment in capital assets	\$ 20,769,721	\$ 22,091,119	\$ 22,490,872	\$ 23,447,459	\$ 24,623,994
Unrestricted	1,806,445	1,972,867	4,430,621	5,984,846	6,086,897
Total business-type activities net position	\$ 22,576,166	\$ 24,063,986	\$ 26,921,693	\$ 29,432,305	\$ 30,710,891
Primary government					
Net investment in capital assets	\$ 42,394,364	\$ 44,152,530	\$ 44,885,291	\$ 46,245,104	\$ 47,610,641
Restricted	555,638	535,140	783,977	887,159	1,102,646
Unrestricted	5,104,230	5,174,953	8,250,999	12,026,139	12,503,337
Total primary government net position	\$ 48,054,232	\$ 49,862,623	\$ 53,930,267	\$ 59,158,402	\$ 61,216,624
	Fiscal Year				
	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
Governmental activities					
Net investment in capital assets	\$ 24,252,972	\$ 23,881,197	\$ 24,687,510	\$ 24,742,318	\$ 23,908,648
Restricted	752,328	319,048	2,068,699	1,628,404	2,090,733
Unrestricted	5,440,565	5,996,460	3,495,229	2,749,865	2,589,418
Total governmental activities net position	\$ 30,445,865	\$ 30,196,705	\$ 30,251,438	\$ 29,120,587	\$ 28,588,799
Business-type activities					
Net investment in capital assets	\$ 26,673,159	\$ 28,630,531	\$ 30,152,606	\$ 31,523,163	\$ 32,458,799
Unrestricted	4,853,315	3,208,275	3,602,725	3,311,422	3,272,193
Total business-type activities net position	\$ 31,526,474	\$ 31,838,806	\$ 33,755,331	\$ 34,834,585	\$ 35,730,992
Primary government					
Net investment in capital assets	\$ 50,926,131	\$ 52,511,728	\$ 54,840,116	\$ 56,265,481	\$ 56,367,447
Restricted	752,328	319,048	2,068,699	1,628,404	2,090,733
Unrestricted	10,293,860	9,204,735	6,329,412	6,061,287	5,861,611
Total primary government net position	\$ 61,972,339	\$ 62,035,511	\$ 63,238,227	\$ 63,955,172	\$ 64,319,791

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

	Fiscal Year				
	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Expenses					
Governmental activities:					
General government	\$ 2,431,126	\$ 2,454,329	\$ 2,287,280	\$ 2,532,093	\$ 2,842,285
Public safety	7,025,752	7,476,799	7,367,978	7,571,235	7,782,866
Transportation	1,929,235	2,001,950	1,987,133	1,877,492	1,964,505
Environmental protection	692,424	734,558	709,224	615,014	745,097
Economic and physical development	2,159,820	2,161,581	2,232,939	1,580,054	1,920,170
Culture and recreation	1,610,944	1,545,599	1,650,517	1,836,837	1,809,285
Interest and fees	67,979	94,776	96,311	203,560	186,902
Total governmental activities expenses	<u>15,917,280</u>	<u>16,469,592</u>	<u>16,331,382</u>	<u>16,216,285</u>	<u>17,251,110</u>
Business-type activities:					
Water and sewer	6,085,390	5,980,258	6,180,758	6,742,217	6,740,901
Total primary government expenses	<u>\$ 22,002,670</u>	<u>\$ 22,449,850</u>	<u>\$ 22,512,140</u>	<u>\$ 22,958,502</u>	<u>\$ 23,992,011</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 719,012	\$ 842,158	\$ 919,389	\$ 300,365	\$ 273,237
Public safety	66,927	79,986	177,690	323,431	339,085
Transportation	25,274	12,316	32,916	355,179	466,496
Environmental protection	86,438	14,958	452,279	454,131	515,359
Economic and physical development	7,412	7,648	5,625	-	276,584
Culture and recreation	164,448	153,557	152,553	207,022	161,973
Operating grants and contributions	2,737,525	2,534,568	2,956,330	3,787,830	2,258,081
Capital grants and contributions	1,306,050	1,532,924	391,751	802,339	394,448
Total governmental activities program revenues	<u>5,113,086</u>	<u>5,178,115</u>	<u>6,088,513</u>	<u>6,230,297</u>	<u>4,675,263</u>
Business-type activities:					
Charges for services:					
Water and sewer	5,860,885	8,799,186	7,011,120	7,803,997	7,474,691
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	365,400	1,580,890	1,153,392	12,979
Total business-type activities program revenues	<u>5,860,885</u>	<u>7,164,586</u>	<u>8,592,010</u>	<u>8,957,389</u>	<u>7,487,670</u>
Total primary government program revenues	<u>\$ 10,973,971</u>	<u>\$ 12,342,701</u>	<u>\$ 13,680,523</u>	<u>\$ 15,187,686</u>	<u>\$ 12,162,933</u>
Net (Expense)/Revenue					
Governmental activities	\$ (10,804,194)	\$ (11,291,477)	\$ (11,242,869)	\$ (9,985,988)	\$ (12,575,847)
Business-type activities	(224,505)	1,184,328	2,411,252	2,215,172	746,769
Total primary government net expense	<u>\$ (11,028,699)</u>	<u>\$ (10,107,149)</u>	<u>\$ (8,831,617)</u>	<u>\$ (7,770,816)</u>	<u>\$ (11,829,078)</u>

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

	Fiscal Year				
	2003-2004	2004-2005	2005-2006	2006-2007	2006-2007
General Revenues and Other Changes in Net Position					
Governmental activities:					
Ad valorem taxes	\$ 5,941,565	\$ 6,404,153	\$ 7,051,605	\$ 6,995,180	\$ 6,995,180
Other taxes and licenses	2,648,948	2,844,646	2,992,602	3,249,329	3,249,329
Unrestricted intergovernmental	1,239,037	1,272,757	1,165,617	1,244,882	1,244,682
Miscellaneous	836,368	792,211	837,805	765,656	765,656
Gain (loss) on sale of fixed assets		112,461	51,084		
Transfers	582,020	(86,371)	-	-	-
Payment from ABC Board	228,609	218,371	207,863	164,229	164,229
Interest earned on investments	45,437	53,823	146,230	284,435	284,435
Total governmental activities	11,521,984	11,612,051	12,452,806	12,703,511	12,703,511
Business-type activities:					
Miscellaneous	150,274	151,235	274,373	37,690	37,690
Gain (loss) on sale of fixed assets	-	-	-	-	-
Transfers	(582,020)	86,371	-	-	-
Interest earned on investments	49,185	65,885	172,082	257,750	257,750
Total business-type activities	(382,661)	303,491	446,455	295,440	295,440
Total primary government	\$ 11,139,403	\$ 11,915,542	\$ 12,899,261	\$ 12,998,951	\$ 12,998,951
Changes in Net Position					
Governmental activities	\$ 717,790	\$ 320,574	\$ 1,209,937	\$ 2,717,523	\$ 127,664
Business-type activities	(607,086)	1,487,819	2,857,707	2,510,612	1,042,209
Total primary government	\$ 110,704	\$ 1,808,393	\$ 4,067,644	\$ 5,228,135	\$ 1,169,873

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

	Fiscal Year				
	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
Expenses					
Governmental activities:					
General government	\$ 3,147,449	\$ 2,688,903	\$ 2,521,169	\$ 3,195,538	\$ 3,046,921
Public safety	8,462,402	8,474,676	8,609,721	8,215,430	8,207,917
Transportation	2,278,315	2,128,596	2,131,705	2,097,876	2,347,838
Environmental protection	754,872	772,091	829,299	703,246	855,159
Economic and physical development	1,453,317	1,955,860	1,683,790	2,197,798	1,355,971
Culture and recreation	2,234,821	2,025,347	2,051,873	2,196,855	2,007,287
Interest and fees	158,792	124,370	106,965	90,971	65,475
Total governmental activities expenses	18,489,968	18,189,843	17,934,522	18,697,714	17,886,568
Business-type activities:					
Water and sewer	6,790,236	7,012,770	6,748,649	7,049,311	6,961,985
Total primary government expenses	\$ 25,280,204	\$ 25,182,613	\$ 24,683,171	\$ 25,747,025	\$ 24,848,553
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 498,629	\$ 664,933	\$ 777,946	\$ 1,059,899	\$ 410,011
Public safety	151,214	196,711	194,263	180,689	411,362
Transportation	-	19,926	21,151	29,707	19,484
Environmental protection	525,142	562,743	556,164	629,383	630,546
Economic and physical development	210,111	238,413	106,171	4,851	2,300
Culture and recreation	226,302	253,693	216,991	212,195	263,552
Operating grants and contributions	1,831,041	2,227,212	2,006,822	2,871,333	1,685,037
Capital grants and contributions	800,431	752,229	868,037	202,102	365,146
Total governmental activities program revenues	4,241,870	4,915,860	4,747,345	5,190,159	3,787,438
Business-type activities:					
Charges for services:					
Water and sewer	7,472,724	7,220,490	7,241,793	7,575,832	7,777,598
Operating grants and contributions	-	-	1,374,704	-	-
Capital grants and contributions	-	-	-	500,000	-
Total business-type activities program revenues	7,472,724	7,220,490	8,616,497	8,075,832	7,777,598
Total primary government program revenues	\$ 11,714,594	\$ 12,136,350	\$ 13,363,842	\$ 13,265,991	\$ 11,565,036
Net (Expense)/Revenue					
Governmental activities	\$ (14,248,098)	\$ (13,253,983)	\$ (13,187,177)	\$ (13,507,555)	\$ (14,099,130)
Business-type activities	682,488	207,720	1,867,848	1,026,521	815,613
Total primary government net expense	\$ (13,565,610)	\$ (13,046,263)	\$ (11,319,329)	\$ (12,481,034)	\$ (13,283,517)

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

	Fiscal Year				
	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
General Revenues and Other Changes in Net Position					
Governmental activities:					
Ad valorem taxes	\$ 8,076,972	\$ 7,206,622	\$ 7,370,866	\$ 6,824,494	\$ 7,514,078
Other taxes and licenses	3,717,692	3,470,522	3,762,006	3,840,310	3,902,194
Unrestricted intergovernmental	1,517,749	1,464,036	1,524,091	1,539,309	1,743,940
Miscellaneous	435,693	598,575	229,488	86,751	260,959
Gain (loss) on sale of fixed assets	25,862	29,815		16,794	(74,023)
Payment from ABC Board	292,227	216,980	207,532	219,868	213,630
Interest earned on investments	122,035	18,273	10,351	7,163	6,564
Total governmental activities	<u>14,188,230</u>	<u>13,004,823</u>	<u>13,104,334</u>	<u>12,534,689</u>	<u>13,567,342</u>
Business-type activities:					
Miscellaneous	55,100	94,946	44,429	49,674	78,318
Interest earned on investments	77,995	9,666	4,248	3,059	2,476
Total business-type activities	<u>133,095</u>	<u>104,612</u>	<u>48,677</u>	<u>52,733</u>	<u>80,794</u>
Total primary government	<u>\$ 14,321,325</u>	<u>\$ 13,109,435</u>	<u>\$ 13,153,011</u>	<u>\$ 12,587,422</u>	<u>\$ 13,648,136</u>
Changes in Net Position					
Governmental activities	\$ (69,868)	\$ (249,160)	\$ (82,843)	\$ (972,868)	\$ (531,788)
Business-type activities	815,583	312,332	1,916,525	1,079,254	896,407
Total primary government	<u>\$ 755,715</u>	<u>\$ 63,172</u>	<u>\$ 1,833,682</u>	<u>\$ 106,388</u>	<u>\$ 364,619</u>

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

	Fiscal Year				
	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
General Fund					
NonSpendable					3,525,760
Restricted	\$ 1,573,129	\$ 1,769,710	\$ 2,120,509	\$ 3,414,011	
Assigned	\$ 470,000				
Unassigned	1,797,042	2,024,895	2,285,977	3,188,151	3,319,100
Total general fund	<u>\$ 3,840,171</u>	<u>\$ 3,794,675</u>	<u>\$ 4,406,486</u>	<u>\$ 6,602,162</u>	<u>\$ 6,844,860</u>
All Other Governmental Funds					
NonSpendable	\$ 263,170	\$ 276,356	\$ 779,053	\$ 230,543	\$ 240,783
Restricted	264,023	162,025	491,232	695,086	952,621
Unassigned					
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 925,629</u>	<u>\$ 1,193,304</u>

	Fiscal Year				
	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
General Fund					
NonSpendable			\$ 29,608	\$ 34,643	\$ 6,827
Restricted	2,468,565	2,116,002	2,012,151	1,702,940	1,827,592
Assigned			610,557	555,964	468,178
Unassigned	3,653,831	3,760,253	2,896,417	3,028,662	3,211,745
Total general fund	<u>\$ 6,152,396</u>	<u>\$ 5,876,255</u>	<u>\$ 5,548,733</u>	<u>\$ 5,382,209</u>	<u>\$ 5,514,342</u>
All Other Governmental Funds					
NonSpendable	\$ 246,177	\$ 251,441	\$ 253,553	\$ 255,181	\$ 256,314
Restricted	520,420	187,512			
Unassigned			(238,358)	(316,788)	(228,544)
Total all other governmental funds	<u>\$ 766,597</u>	<u>\$ 438,953</u>	<u>\$ 15,195</u>	<u>\$ (61,605)</u>	<u>\$ 27,770</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				
	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Revenues					
Ad valorem taxes	\$ 5,885,658	\$ 6,352,006	\$ 7,054,808	\$ 7,021,038	\$ 7,058,906
Other taxes and licenses	2,648,948	2,844,648	2,992,602	3,249,329	3,964,985
Unrestricted intergovernmental revenues	1,239,037	1,272,757	1,165,617	1,244,692	1,424,792
Restricted intergovernmental revenues	2,737,525	2,737,468	3,253,465	3,090,169	2,974,919
Permits and fees	1,434,444	169,753	136,040	138,612	142,632
Sales and services	941,117	941,870	1,509,588	1,501,516	1,603,518
Investment earnings	45,437	53,823	146,230	284,435	288,351
Miscellaneous	636,368	2,122,215	1,027,205	2,265,656	339,070
Payment from ABC Board	228,609	218,371	207,863	164,229	152,732
Total revenues	15,997,143	16,711,829	17,493,438	18,959,716	17,949,905
Expenditures					
General government	2,363,329	2,321,369	2,171,212	3,648,956	2,957,706
Public safety	6,673,594	7,153,289	7,080,079	7,288,312	7,446,694
Transportation	1,226,825	1,198,540	1,176,854	1,082,932	1,232,217
Environmental protection	628,934	875,569	653,224	568,268	702,619
Economic and physical development	2,153,791	2,152,590	2,355,938	1,590,722	2,038,158
Cultural and recreation	1,483,969	1,411,359	1,507,834	1,875,889	1,660,371
Capital outlay	2,335,600	2,462,304	3,275,177	930,585	629,934
Debt service:					
Interest	67,980	94,775	99,281	203,560	146,795
Principal	897,871	601,831	717,440	837,537	1,068,530
Total expenditures	17,631,793	18,071,626	18,038,030	17,806,761	17,781,072
Excess of revenues over (under) expenditures	(1,634,650)	(1,359,697)	(1,542,601)	1,152,955	168,833
Other Financing Sources (Uses)					
Proceeds from installment purchase	892,500	1,199,300	2,454,000	1,189,297	305,000
Proceeds from disposal of capital assets	-	112,461	51,084	-	36,540
Transfers in	712,881	285,835	173,725	285,946	300,000
Transfers out	(130,861)	(352,006)	(173,725)	(285,946)	(300,000)
Total other financing sources (uses)	1,474,520	1,225,390	2,505,084	1,189,297	341,540
Net change in fund balances	\$ (160,130)	\$ (134,307)	\$ 962,483	\$ 2,342,252	\$ 510,373
Debt service as a percentage of noncapital expenditures	5.01%	4.46%	5.16%	6.17%	7.03%

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				
	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
Revenues					
Ad valorem taxes	\$ 8,127,462	\$ 7,274,284	\$ 7,246,876	\$ 7,020,833	\$ 7,455,803
Other taxes and licenses	3,717,692	3,470,522	3,762,006	3,840,310	3,902,194
Unrestricted intergovernmental revenues	1,517,749	1,464,036	1,524,091	1,539,309	1,743,940
Restricted intergovernmental revenues	2,877,185	1,110,953	938,984	3,224,873	2,050,183
Permits and fees	183,048	117,900	199,682	196,548	200,737
Sales and services	1,422,771	1,481,369	1,551,101	1,659,626	1,536,518
Investment earnings	122,034	14,578	8,788	7,163	6,564
Miscellaneous	194,559	542,745	219,547	86,751	260,959
Payment from ABC Board	292,227	216,980	207,532	219,868	213,630
Total revenues	18,454,728	15,693,367	15,657,618	17,805,281	17,370,528
Expenditures					
General government	3,984,092	2,485,008	2,303,427	3,001,812	2,950,137
Public safety	7,945,639	7,823,897	7,981,579	7,802,219	7,859,894
Transportation	1,479,813	1,359,189	1,418,860	1,364,885	1,733,257
Environmental protection	925,713	679,803	748,417	775,384	785,039
Economic and physical development	1,605,639	526,443	580,395	2,187,637	1,365,763
Cultural and recreation	2,138,832	1,784,162	1,805,049	2,023,830	1,887,295
Capital Projects	1,164,897	315,225	659,659	285,098	10,561
Debt service:					
Interest	158,793	106,730	78,943	90,971	65,476
Principal	931,228	851,467	778,766	908,763	625,924
Total expenditures	20,224,745	15,942,024	16,352,095	18,420,399	17,283,315
Excess of revenues over (under) expenditures	(1,770,017)	(248,657)	(694,476)	(615,118)	87,213
Other Financing Sources (Uses)					
Proceeds from installment purchase	621,653		526,000	355,000	
Proceeds from disposal of capital assets	31,193	32,516		16,794	134,295
Transfers in					
Transfers out		(60,000)	(139,637)		
Total other financing sources (uses)	652,846	(27,484)	387,363	371,794	134,295
Net change in fund balances	\$ (1,117,171)	\$ (276,141)	\$ (307,113)	\$ (243,324)	\$ 221,508
Debt service as a percentage of noncapital expenditures	5.72%	6.13%	5.46%	5.51%	4.00%

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
2012-2013	\$ 1,292,901,589	\$ 327,303,390	\$ 53,176,053	\$ 199,850,139	\$ 1,473,530,893	0.560
2011-2012	\$ 1,255,742,776	\$ 264,497,419	\$ 46,472,323	\$ 182,117,594	\$ 1,384,594,924	0.540
2010-2011	\$ 1,278,228,976	\$ 241,451,644	\$ 47,030,270	\$ 182,808,563	\$ 1,383,902,327	0.540
2009-2010	\$ 1,295,925,277	\$ 178,707,495	\$ 47,677,991	\$ 179,894,259	\$ 1,294,738,526	0.540
2008-2009	\$ 1,278,292,193	\$ 342,060,097	\$ 52,755,382	\$ 180,616,306	\$ 1,439,735,997	0.540
2007-2008	\$ 1,035,914,424	\$ 240,938,577	\$ 48,887,415	\$ 16,267,165	\$ 1,260,585,849	0.540
2006-2007	\$ 1,018,965,821	\$ 230,768,919	\$ 45,431,078	\$ 16,267,165	\$ 1,233,467,588	0.540
2005-2006	\$ 995,405,224	\$ 259,007,632	\$ 40,670,706	\$ 15,925,498	\$ 1,238,487,371	0.540
2004-2005	\$ 862,613,830	\$ 248,782,003	\$ 41,022,024	\$ 12,274,563	\$ 1,099,121,283	0.540
2003-2004	\$ 850,939,400	\$ 223,809,339	\$ 42,614,115	\$ 11,716,920	\$ 1,063,031,832	0.500

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		
2012-2013	\$ 0.5600	\$ 0.2500	\$ 0.6299	\$ 0.0085		
2011-2012	\$ 0.5400	\$ 0.2500	\$ 0.6599	\$ 0.0085		
2010-2011	\$ 0.5400	\$ 0.2500	\$ 0.6599	\$ 0.0085		
2009-2010	\$ 0.5400	\$ 0.2500	\$ 0.6599	\$ 0.0085		
2008-2009	\$ 0.5400	\$ 0.2500	\$ 0.6599	\$ 0.0085		
2007-2008	\$ 0.5400	\$ 0.2500	\$ 0.6599	\$ 0.0085		
2006-2007	\$ 0.5400	\$ 0.2500	\$ 0.5399	\$ 0.0085		
2005-2006	\$ 0.5400	\$ 0.2500	\$ 0.5399	\$ 0.0085		
2004-2005	\$ 0.5400	\$ 0.2500	\$ 0.5839	\$ 0.0071		
2003-2004	\$ 0.5000	\$ 0.2500	\$ 0.5839	\$ 0.0071		

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	2002				2012			
	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 Furniture Industries, Inc.	\$ 81,534,174	1	\$ 1,248,641,753	6.53%	\$ 21,446,261	4	\$ 1,473,530,893	1.46%
Bernhardt Furniture Company	34,231,190	2		2.74%	25,272,870	2		1.72%
Kincaid Furniture Company, Inc.	21,376,022	3		1.71%	15,234,048	8		1.03%
Yale/Nacoco Materials Handling Corp.	17,919,316	4		1.56%	23,850,245	3		1.62%
Duke Energies	13,663,673	5						
BellSouth	13,389,517	6		1.07%				
Meridian Automotive	12,911,114	7		1.03%				
Thomasville Furniture Industries	11,932,200	8		0.96%	15,589,959	6		1.06%
Bemis Manufacturing	11,789,798	9		0.94%				
Neptco, Inc.	11,735,706	10						
Google/Tapaha					283,716,383	1		19.25%
Blue Ridge Electric					18,113,679	5		1.23%
Greer Labs					15,552,368	7		1.06%
Wal-Mart					14,231,900	9		0.97%
Vantage foods (MDI)					13,533,180	10		
Total	\$ 230,462,710		\$ 1,248,641,753	17.49%	\$ 446,540,893		\$ 1,473,530,893	29.39%

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		Total Collections to Date	
		Fiscal Year of the Levy	Percentage of Levy	Amount	Percentage of Levy
2013	\$ 7,614,484	\$ 7,176,790	94.25%	\$ 7,176,790	94.25%
2012	\$ 7,249,166	\$ 6,764,851	93.32%	\$ 245,660	96.71%
2011	\$ 7,274,696	\$ 6,782,376	93.23%	\$ 225,068	96.33%
2010	\$ 7,414,997	\$ 6,982,155	94.16%	\$ 416,690	99.78%
2009	\$ 8,360,977	\$ 7,938,577	94.95%	\$ 334,902	98.95%
2008	\$ 7,256,869	\$ 6,833,707	94.17%	\$ 351,685	99.02%
2007	\$ 7,142,878	\$ 6,823,643	95.53%	\$ 267,970	99.28%
2006	\$ 7,112,171	\$ 6,819,748	95.89%	\$ 265,007	99.61%
2005	\$ 6,379,392	\$ 6,087,777	95.43%	\$ 269,568	99.65%
2004	\$ 5,977,735	\$ 5,700,813	95.37%	\$ 260,504	99.73%

Source: Caldwell County Tax Supervisor

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	Revolving Loan	Total Government				
2013	\$ -	\$ 1,201,586	\$ 324,000	\$ 6,243,753	\$ 6,060,059	\$ -	\$ 13,829,438	\$ -	0.17%	763	
2012	\$ -	\$ 1,731,513	\$ 420,000	\$ 6,818,254	\$ 7,541,918	\$ -	\$ 16,511,685	\$ -	0.18%	911	
2011	\$ -	\$ 2,193,276	\$ 512,000	\$ 3,557,397	\$ 8,972,267	\$ -	\$ 15,234,940	\$ -	0.16%	834	
2010	\$ -	\$ 2,446,042	\$ 598,000	\$ 3,949,253	\$ 10,367,183	\$ -	\$ 17,360,478	\$ -	0.17%	911	
2009	\$ -	\$ 3,287,509	\$ 680,000	\$ 1,214,959	\$ 11,785,145	\$ -	\$ 16,977,613	\$ -	0.14%	896	
2008	\$ -	\$ 3,530,084	\$ 757,000	\$ 1,457,951	\$ 13,196,821	\$ -	\$ 18,941,856	\$ -	0.13%	999	
2007	\$ -	\$ 4,291,535	\$ 831,000	\$ 1,700,943	\$ 14,544,131	\$ -	\$ 21,367,609	\$ -	0.12%	1,150	
2006	\$ -	\$ 3,870,775	\$ 900,000	\$ 1,943,995	\$ 15,888,695	\$ -	\$ 22,603,405	\$ -	0.14%	1,223	
2005	\$ -	\$ 3,034,215	\$ -	\$ 2,186,927	\$ 13,824,187	\$ -	\$ 19,045,329	\$ -	0.13%	1,032	
2004	\$ -	\$ 2,436,745	\$ -	\$ 2,428,919	\$ 14,337,723	\$ -	\$ 19,204,387	\$ -	0.13%	1,039	

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
2013	\$ -	0.00%	\$ -
2012	\$ -	0.00%	\$ -
2011	\$ -	0.00%	\$ -
2010	\$ -	0.00%	\$ -
2009	\$ -	0.00%	\$ -
2008	\$ -	0.00%	\$ -
2007	\$ -	0.00%	\$ -
2006	\$ -	0.00%	\$ -
2005	\$ -	0.00%	\$ -
2004	\$ -	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, 2013
(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	\$ 2,445,000	27.63%	\$ 675,554
Other debt			
Caldwell County equity purchase contracts	33,335,074	27.63%	<u>9,210,481</u>
Subtotal, overlapping debt			9,886,034
Lenoir direct debt			1,525,589
Total direct and overlapping debt			<u><u>\$ 11,411,623</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, 2013:

Assessed valuation - January 1, 2012		\$ 1,583,022,429
Debt Limit - 8% of assessed value		\$ 126,641,794
Gross long-term debt	\$ 13,829,441	
Less statutory deductions		
Bonds applicable to water system	<u> -</u>	<u>13,829,441</u>
Legal debt margin		<u><u>\$ 112,812,353</u></u>

	Fiscal Year				
	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Debt limit	\$ 91,860,804	\$ 91,178,633	\$ 102,141,498	\$ 102,277,255	\$ 104,757,860
Total net debt applicable to limit	<u>19,204,369</u>	<u>19,045,329</u>	<u>22,603,405</u>	<u>21,367,609</u>	<u>18,966,321</u>
Legal debt margin	<u><u>\$ 72,656,415</u></u>	<u><u>\$ 72,133,304</u></u>	<u><u>\$ 79,538,091</u></u>	<u><u>\$ 80,889,646</u></u>	<u><u>\$ 85,791,539</u></u>
Total net debt applicable to the limit as a percentage of debt limit	20.91%	20.89%	22.13%	20.91%	18.10%

	Fiscal Year				
	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
Debt limit	\$ 119,399,309	\$ 114,986,642	\$ 115,475,983	\$ 118,214,283	\$ 126,641,794
Total net debt applicable to limit	<u>19,543,613</u>	<u>17,390,478</u>	<u>18,879,854</u>	<u>16,502,666</u>	<u>13,829,441</u>
Legal debt margin	<u><u>\$ 99,855,696</u></u>	<u><u>\$ 97,626,364</u></u>	<u><u>\$ 96,596,129</u></u>	<u><u>\$ 101,711,617</u></u>	<u><u>\$ 112,812,353</u></u>
Total net debt applicable to the limit as a percentage of debt limit	16.37%	15.10%	16.35%	13.96%	10.92%

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
2012	18,123	*	*	12.9%
2011	18,123	\$ 2,240	\$ 27,261	13.5%
2010	18,261	\$ 2,238	\$ 26,958	12.4%
2009	19,064	\$ 2,235	\$ 27,969	13.4%
2008	18,952	\$ 2,246	\$ 28,127	10.7%
2007	18,954	\$ 2,162	\$ 27,240	7.4%
2006	18,588	\$ 2,177	\$ 27,520	7.8%
2005	18,479	\$ 2,086	\$ 26,480	7.8%
2004	18,458	\$ 2,039	\$ 26,005	7.3%
2003	18,492	\$ 1,984	\$ 25,148	7.9%

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	2013		2003	
	Range of Employees	Rank	Range of Employees	Rank
Caldwell County Schools	1,000+	1		
Merchants Distributors	1,000+	2		
Bernhardt Furniture Co., Inc.	500-999	3	1,000+	2
Caldwell Memorial Hospital	500-999	4	500-999	4
Caldwell Community College and Tech Institute	500-999	5		
Wal-Mart Associates, Inc.	500-999	6		
Caldwell County	500-999	7	500-999	5
Broyhill Furniture Industries, Inc.	250-499	8	1,000+	1
Thomasville Furniture Industries, Inc.	250-499	9		
Fairfield Chair Co.	250-499	10	250-499	10
City of Lenoir	250-499	11		
Avery Dennison	250-499	12		
Rpm Wood Finishes Group	250-499	13		
Greer Laboratories	100-249	14		
Vantage Foods	100-249	15		
Onin Staffing LLC	100-249	16		
Kincaid Furniture Co., Inc.	100-249	17	1,000+	3
Bemis Manufacturing	100-249	18		
Fairvalue Store	100-249	19		
Foothills Temporary Employment	100-249	20		
Homecare Management Corp.			250-499	6
Meridian Automotive Systems			250-499	7
Sealed Air Corporation			250-499	8
Nacco Materials Handling Group, Inc.			250-499	9

Source: Employment Security Commission of NC

Note:

Employment data is only available in ranges.

Data for 2003 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				
	2004	2005	2006	2007	2008
General Government					
Administrative	11.0	12.0	10.0	12.5	10.5
Building Maintenance	4.0	4.0	5.0	5.0	5.0
Engineering	3.0	3.0	3.0	3.0	3.0
Cemeteries	3.0	3.0		1.0	1.0
Vehicle Services	5.5	4.0	4.0	4.0	4.0
Public Safety					
Police	77.0	75.0	70.5	73.0	78.0
Fire	62.0	63.0	60.0	60.0	63.0
Transportation					
Streets	16.0	13.0	15.0	12.0	13.0
Environmental Protection					
Sanitation	13.0	11.0	12.0	13.0	11.5
Economic and Physical Development					
Downtown District	1.5	2.0	2.0	2.0	2.0
Planning	3.0	3.0	3.0	4.0	4.0
Culture and Recreation					
Centers and Parks	10.5	10.0	9.0	14.0	31.0
Aquatic and Fitness Center	14.5	15.0	17.0	18.5	22.0
Landscaping	9.0	7.0	6.5	6.0	8.0
Water and Sewer Utility					
Bernhardt Water Treatment Plant	8.5	9.0	8.0	9.0	9.0
Water Distribution	19.5	18.0	17.0	15.0	17.0
Water Resources		8.0	8.0	6.0	6.0
Wastewater Collection	7.0	3.0	3.0	3.0	3.0
Wastewater Pretreatment	3.0				
Gurpowder and Lower Creek Wastewater Treatment Plants	11.0	10.0	11.0	11.0	11.0
Total	262.0	271.0	262.0	272.0	302.0

	Full-time-Equivalent Employees as of June 30				
	2009	2010	2011	2012	2013
General Government					
Administrative	14.0	13.0	14.5	15.5	12.5
Building Maintenance	6.0	6.0	6.0	6.0	6.0
Engineering	3.0	2.0	2.0	2.0	2.0
Cemeteries	1.0	1.0	1.0	1.0	1.0
Vehicle Services	4.0	4.0	4.0	4.0	4.0
Public Safety					
Police	76.0	76.0	77.5	77.0	70.0
Fire	65.0	65.0	66.0	66.0	59.0
Transportation					
Streets	14.5	14.5	14.5	14.5	14.0
Environmental Protection					
Sanitation	12.5	12.5	13.5	12.5	11.5
Economic and Physical Development					
Downtown District	2.0	2.0	2.0	2.0	2.0
Planning	5.0	6.0	5.0	5.0	4.0
Culture and Recreation					
Centers and Parks	29.0	28.0	27.5	25.0	20.5
Aquatic and Fitness Center	22.5	21.0	22.0	22.0	22.5
Landscaping	6.5	6.5	7.5	6.5	8.0
Water and Sewer Utility					
Bernhardt Water Treatment Plant	9.0	9.0	9.0	9.0	9.0
Water Distribution	13.0	14.0	14.0	14.0	13.0
Water Resources	6.0	5.0	7.0	7.0	7.0
Wastewater Collection	6.0	6.0	5.0	4.5	4.5
Wastewater Pretreatment	3.0	3.0	3.0	3.0	3.0
Gurpowder and Lower Creek Wastewater Treatment Plants	11.0	11.0	11.0	11.0	11.0
Total	309.0	305.5	312.0	310.5	284.5

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				
	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Police					
Physical arrests	1,546	3,492	1,878	2,099	1,842
Incident reports	2,220	1,471	2,242	2,087	2,168
Parking violations	2,677	2,169	1,768	1,484	1,442
Citations issued	3,269	4,057	4,432	3,850	2,837
Fire					
Calls answered	1,879	1,927	2,406	2,599	2,417
Inspections	413	609	422	490	379
Sanitation					
Refuse collected (tons per day)	*	*	48.68	45.71	34.77
Streets					
Street resurfacing (miles)	0.00	2.75	2.75	1.00	1.50
Parks and Recreation					
Aquatic/Fitness memberships	*	*	540	1,085	506
Aquatic/Fitness admissions	*	*	*		7,369
Youth sports participants	598	556	366	612	1008
Adult sports participants	417	245	203	320	395
Water system					
New connections	39	99	78	56	39
Water main breaks	81	34	52	43	43
Number of utility customers	9,138	9,478	9,544	9,647	9,702
Daily avg consumption in million gallons	6.2	6.2	6.3	6.4	6.2
Wastewater system					
Number of utility customers	7,489	7,819	7,851	8,324	8,403
Daily avg treatment in million gallons	3.28	3.28	2.92	3.41	3.41

Program/Function	Fiscal Year				
	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
Police					
Physical arrests	1,881	1,918	1,935	2,179	2,121
Incident reports	2,135	2,221	2,051	1,946	2,007
Parking violations	1,029	858	863	349	575
Citations issued	2,082	2,548	2,571	2,846	2,683
Fire					
Calls answered	2,414	2,568	2,563	2,431	2,610
Inspections	311	405	311	297	355
Sanitation					
Refuse collected (tons per day)	27.58	22.92	27.28	25.93	23.54
Streets					
Street resurfacing (miles)	1.38	0.75	0.75	0.00	1.49
Parks and Recreation					
Aquatic/Fitness memberships	743	1,353	1,053	1,908	2,078
Aquatic/Fitness admissions	7,440	9,046	11,552	11,640	11,509
Youth sports participants	1040	1034	1045	1070	1115
Adult sports participants	558	324	288	265	235
Water system					
New connections	35	25	30	25	21
Water main breaks	38	17	28	35	29
Number of utility customers	9,743	9,670	9,673	9,583	9,684
Daily avg consumption in million gallons	5.8	5.6	6.2	7.2	5.5
Wastewater system					
Number of utility customers	8,483	8,320	8,209	8,110	8,002
Daily avg treatment in million gallons	3.82	4.25	3.43	3.14	3.99

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				
	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Police					
Stations	1	1	1	1	1
Substations	5	5	5	5	5
Patrol units	68	38	59	52	52
Fire					
Stations	2	2	2	2	2
Sanitation					
Collection trucks	6	6	6	6	6
Streets					
Miles of paved streets	110.68	110.52	119.66	119.78	120.52
Miles of unpaved streets	3.06	3.02	3.02	2.69	2.64
Street lights	2,556	2,498	2,461	2,545	2,556
Parks and Recreation					
Community centers	3	3	3	4	4
Parks	2	2	2	4	4
Swimming pools	2	2	2	2	2
Tennis courts	12	8	8	8	8
Baseball/softball diamonds	6	6	6	10	10
Soccer fields	11	11	11	11	12
Miles of greenway	0	2	4.38	7.20	7.80
Water system					
Miles of water lines	199.26	207.8	207.8	207.8	208.0
Fire hydrants	991	991	991	992	992
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	175.72	175.79	166.07	205.07	205.07
Miles of storm sewers	21	25	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				
	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
Police					
Stations	1	1	1	1	1
Substations	5	5	5	5	2
Patrol units	52	52	52	52	47
Fire					
Stations	2	2	2	2	2
Sanitation					
Collection trucks	6	7	7	7	7
Streets					
Miles of paved streets	121.55	121.55	121.55	121.55	121.55
Miles of unpaved streets	2.64	2.64	2.64	2.64	2.39
Street lights	2,567	2,575	2,577	2,576	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	8	8	8
Baseball/softball diamonds	10	10	10	10	10
Soccer fields	12	12	12	12	12
Miles of greenway	8.00	8.00	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

S. Eric Bowman, P.A.

CERTIFIED PUBLIC ACCOUNTANT

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lenoir, North Carolina, as of and for the year ended June 30, 2013 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 30, 2013. Our report includes a reference to other auditors who audited the financial statements of the City of Lenoir ABC Board, as described in our report on the City of Lenoir's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the City of Lenoir ABC Board were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

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

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

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2013-1 and 2013-2 that we consider to be significant deficiencies.

Compliance and Other Matters

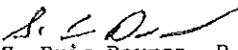
As part of obtaining reasonable assurance about whether the City of Lenoir's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material 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 30, 2013

S. Eric Bowman, P.A.

CERTIFIED PUBLIC ACCOUNTANT

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

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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 Federal Program

We have audited the City of Lenoir, North Carolina, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on the City of Lenoir's major federal program for the year ended June 30, 2013. The City of Lenoir's major federal 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 federal programs.

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal 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 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 its major federal program for the year ended June 30, 2013.

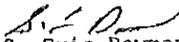
Report on Internal Control Over Compliance

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

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

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

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


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

Morganton, North Carolina
September 30, 2013

S. Eric Bowman, P.A.

CERTIFIED PUBLIC ACCOUNTANT
~~Report on Compliance For Its Major State Program;~~

Report on Internal Control Over Compliance;
In Accordance With OMB Circular A-133; and the
State Single Audit Implementation Act

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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, 2013. The City of Lenoir's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for its major state program. However, our audit does not provide a legal determination on the City of Lenoir's compliance.
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, 2013.

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

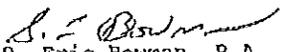
Report on Internal Control Over Compliance

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

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

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

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


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

Morganton, North Carolina
September 30, 2013

CITY OF LENOIR, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

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 no
- * Significant deficiencies identified
that are not considered to be
material weaknesses yes none reported

Noncompliance material to financial
statements noted yes no

Federal Awards

Internal control over major federal 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 federal programs: Unqualified

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

Identification of major federal programs:

<u>CFDA Number</u>	<u>Names of Federal Program or Cluster</u>
14.239	<u>U.S. Department of Housing and Urban Development</u> Home Investments Partnership

CITY OF LENOIR, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Section I. Summary of Auditor's Results

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

Auditee qualified as low-risk auditee? X yes no

State Awards

Internal control over major State programs:

* Material weakness(es) identified? yes X no

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

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

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

Identification of major State programs:

Program Name

Powell Bill Program

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

Internal Controls Over Financial Reporting

2013-1

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

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

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

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

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

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

2013-2

Condition: The City overexpended several departments in the General Fund and Enterprise Fund totaling \$1 488 and \$63 948 respectively.

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

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

Cause: Auditor reclassifications and unforeseen accounts payable.

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

Management Response: The City agrees with this finding.

Section III.

Findings and Questioned Costs Related to Federal Awards:

None Reported.

Section IV.

Findings and Questioned Costs Related to State Awards:

None Reported.

CITY OF LENOIR, NORTH CAROLINA
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2013

Finding: 2013-1

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: 2013-2

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, 2012

Finding 2012-1

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

Finding 2012-2

There was one audit finding relative to over expenditures. 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, 2013
(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.S. Department of Housing and Urban Development						
Direct Program:						
Community Development Block Grant	14.218		\$ 143,894	\$	\$	\$ 143,894
Passed Through the N.C. Department of Commerce:						
HOME Investments Partnership Program:						
Unifour HOME Consortium	14.239	M-10-DC-37-0208	58,863			58,863
Unifour HOME Consortium	14.239	M-11-DC-37-0208	386,531			386,531
Unifour HOME Consortium	14.239	M-12-DC-37-0208	168,279			168,279
Subtotal Unifour HOME Consortium			613,673			613,673
Total U.S. Department of Housing and Urban Development			757,567			757,567
U.S. Department of Transportation						
Passed Through the N. C. Department of Transportation:						
Governor's Highway Safety Program	20.600	PT 2012-03	8,308			8,308
Governor's Highway Safety Program	20.600	PT 2013-03	13,042			13,042
Street Improvements-Fairview	20.205	B-5011	5,714		1,429	7,143
Beautification Project	20.205	ER-2973K	119,784	29,946		149,730
Total U.S. Department of Transportation			146,848	29,946	1,429	178,223
U.S. Department of Justice						
Direct Program:						
Bullet Proof Vests	16.607		4,318			4,318
Total Federal Cash Awards			\$ 908,733	\$ 29,946	\$ 1,429	\$ 940,108

City of Lenoir, North Carolina

Schedule of Federal and State Awards
For the Year Ended June 30, 2013
(Schedule 18, Page 2)

Grantor Pass-Through Grantor Program Title	Federal CFDA Number	State Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
State Awards:						
Cash Programs						
N.C. Department of Transportation Powell Bill			\$ 569,939	\$ 569,939		\$ 569,939
N.C. Department of Public Instruction Intervention/Prevention Program			88,773			88,773
N.C. Department of Commerce Building Reuse and Restoration			150,000			150,000
N.C. Department of Parks and Recreation Parf Garden Grant			34,034	34,034		68,068
Total N.C. Department of Parks and Recreation			37,134	34,034		71,168
Total State Cash Awards			845,846	34,034		879,880
Total Federal and State Awards			908,733	875,792	35,463	1,819,988

Note 1 - Basis of Presentation:

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