

**Comprehensive
Annual Financial Report
For the Fiscal Year Ended
June 30, 2014**

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
J. I. PERKINS
T. J. ROHR
D. F. STEVENS
R. R. STILWELL
C. D. THOMAS
B. K. WILLIS

September 10, 2014

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, 2014.

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

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

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

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

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

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

City of Lenoir Profile

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

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

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

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

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

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

North Carolina General Statutes also provide for capital projects and special revenue grants to be adopted for the life of the project and/or grant. The City of Lenoir has several such projects included in this report. These include the Fairview Street Bridge, downtown streetscape, the greenway, 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 2013-2014. 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 2013-2014. 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 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, 2014, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations relative to grant administration.

Other information

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

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

Awards – The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lenoir for its comprehensive annual financial report for the year ended June 30, 2013. This was the sixteenth 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

A handwritten signature in black ink, appearing to read 'Danny Gilbert', with a stylized flourish at the end.

Danny Gilbert
Assistant City Manager/Finance Director

City of Lenoir, North Carolina

**List of Principal Officials
June 30, 2014**

Elected Officials

**Mayor
Mayor Pro Tempore
City Council**

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

Appointed Official

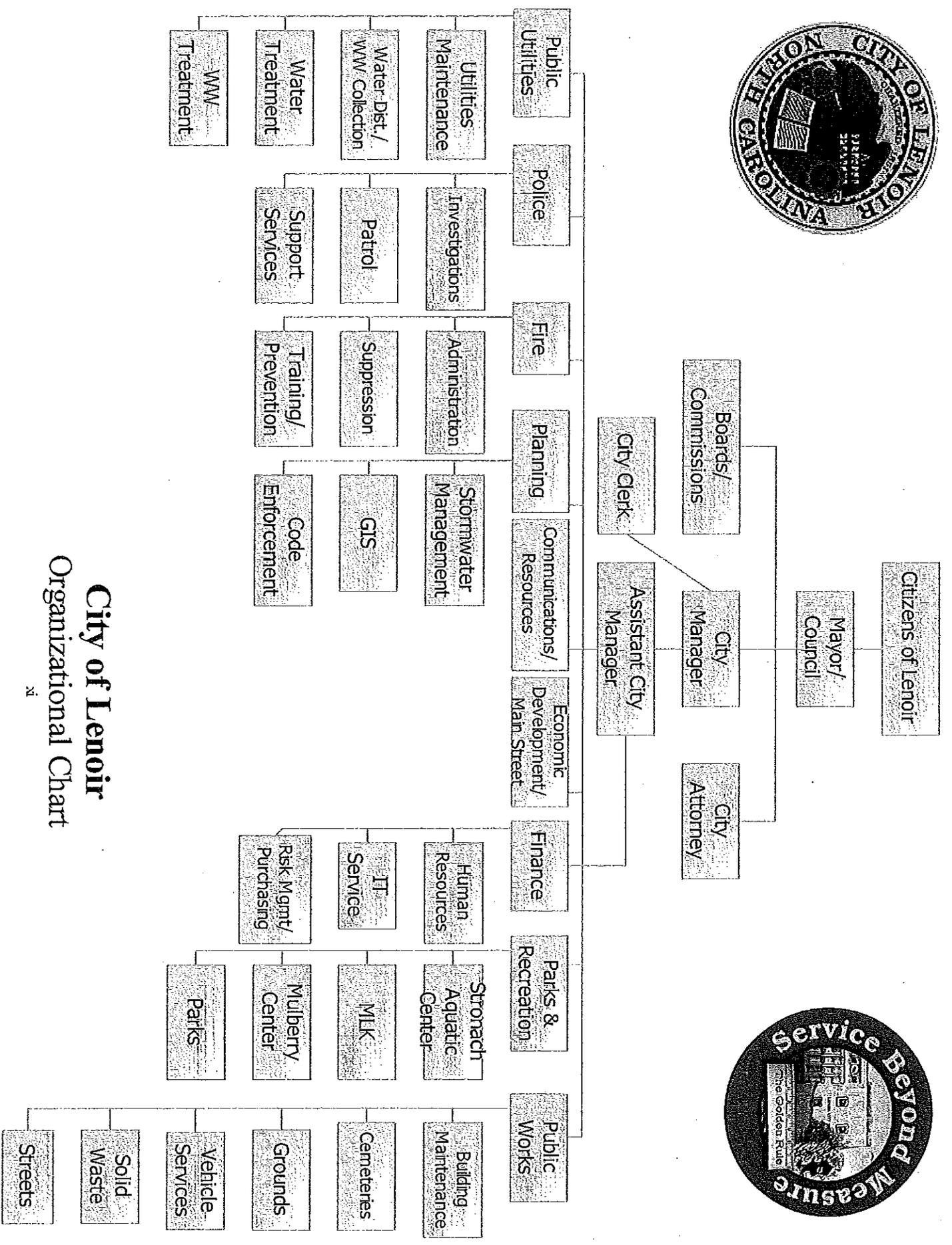
City Manager

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, 2013

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, 2014, 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 14 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the other Post Employment Benefit and the Law Enforcement Officer's Special Separation Allowance Schedules of Funding Process Employer Contributions on page 4 through 15 and 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

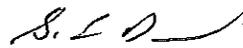
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lenoir's basic financial statements. The introductory information, combining and individual fund financial statements, budgetary schedules, other schedules, and statistical section 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 10, 2014 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 10, 2014

City of Lenoir, North Carolina

Management's Discussion and Analysis For the Year ended June 30, 2014

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, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

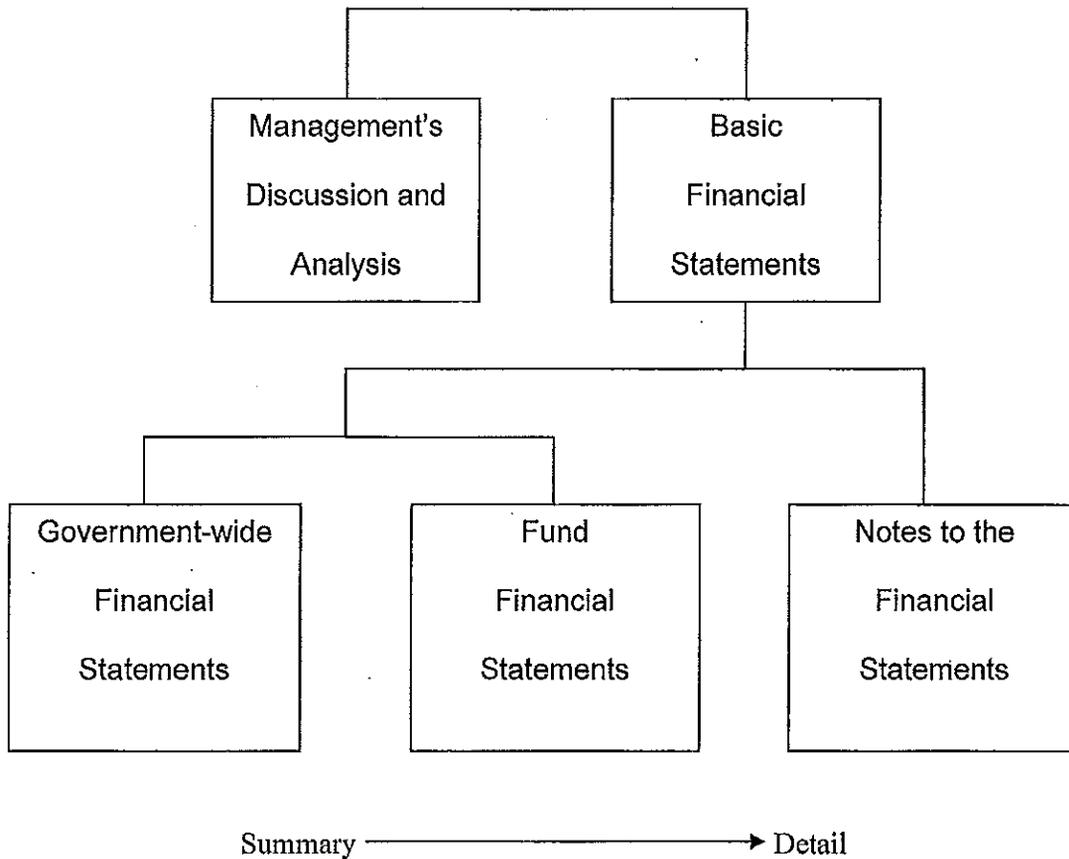
- The assets of the City of Lenoir exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$65,379,889 (*net position*).
- The government's total net position increased by \$1,060,098 with a \$196,218 decrease in governmental activities and a \$1,256,316 increase 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 \$5,836,171 an increase of \$294,059 in comparison with the prior year. Approximately 65.16 percent of this total amount or \$3,802,351 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 \$3,574,740 or 21.90 percent of total general fund expenditures for the fiscal year.
- The City of Lenoir's total debt decreased by \$2,125,702 or 15.37 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, 2014

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, 2014

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, 2014

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 \$65,379,889 as of June 30, 2014 (figure 2).

The City of Lenoir's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$ 6,505,527	\$ 6,121,954	\$ 3,736,029	\$ 3,917,058	\$ 10,241,556	\$ 10,039,012
Capital Assets	25,030,412	25,434,237	43,954,377	44,762,651	68,984,789	70,196,888
Total Assets	\$ 31,535,939	\$ 31,556,191	\$ 47,690,406	\$ 48,679,709	\$ 79,226,345	\$ 80,235,900
Long-Term Liabilities	\$ 1,518,679	\$ 2,712,801	\$ 10,185,060	\$ 12,303,834	\$ 11,703,739	\$ 15,016,635
Other Liabilities	1,624,679	251,160	518,038	480,727	2,142,717	731,887
Total Liabilities	\$ 3,143,358	\$ 2,963,961	\$ 10,703,098	\$ 12,784,561	\$ 13,846,456	\$ 15,748,522
Memberships Paid in Advance	-	3,431	-	-	-	3,431
Deferred Inflows of Resources	\$ -	\$ 3,431	\$ -	\$ -	\$ -	\$ 3,431
Net Position:						
Net Investment in Capital Assets	\$ 23,511,733	\$ 23,908,648	\$ 33,769,317	\$ 32,458,799	\$ 57,281,050	\$ 56,367,447
Restricted	2,033,820	2,090,733			2,033,820	2,090,733
Unrestricted	2,847,028	2,589,418	3,217,991	3,272,193	6,065,019	5,861,611
Total Net Position	\$ 28,392,581	\$ 28,588,799	\$ 36,987,308	\$ 35,730,992	\$ 65,379,889	\$ 64,319,791

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 (3.11%) represents resources that are subject to external restrictions on how they may be used or that are not spendable. The remaining balance of unrestricted net position (\$6,065,019) 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.

City of Lenoir, North Carolina

Management's Discussion and Analysis
For the Year ended June 30, 2014

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 94.48
- Adherence to the adopted budget

Governmental activities: Governmental activities decreased the City's net position by \$196,218. (Figure 3) Key elements of this decrease are as follows:

- Depreciation of capital assets

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

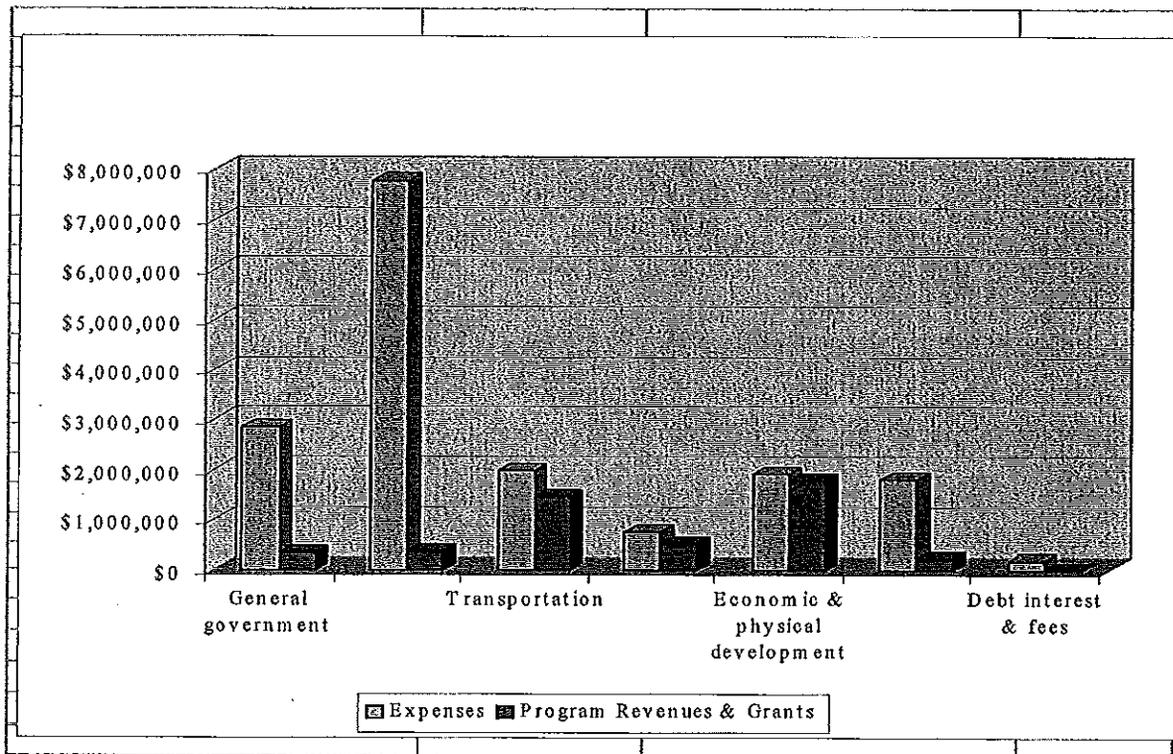
	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 1,752,921	\$ 1,737,255	\$ 7,947,875	\$ 7,777,598	\$ 9,700,796	\$ 9,514,853
Operating grants and contributions	1,702,475	1,685,037	-	-	1,702,475	1,685,037
Capital grants and contributions	225,658	365,146			225,658	365,146
General revenues:						
Property taxes	7,544,703	7,514,078	-	-	7,544,703	7,514,078
Other taxes	3,516,230	3,902,194	-	-	3,516,230	3,902,194
Unrestricted intergovernmental	2,046,411	1,743,940	-	-	2,046,411	1,743,940
Other	717,153	407,130	420,780	80,794	1,137,933	487,924
Total revenues	<u>17,505,551</u>	<u>17,354,780</u>	<u>8,368,655</u>	<u>7,858,392</u>	<u>25,874,206</u>	<u>25,213,172</u>
Expenses:						
General government	3,179,927	3,046,921	-	-	3,179,927	3,046,921
Public safety	8,048,078	8,207,917	-	-	8,048,078	8,207,917
Transportation	2,261,096	2,347,838	-	-	2,261,096	2,347,838
Environmental protection	842,366	855,159	-	-	842,366	855,159
Economic and physical development	1,282,460	1,355,971	-	-	1,282,460	1,355,971
Culture and recreational	2,040,197	2,007,287	-	-	2,040,197	2,007,287
Interest and fees	47,645	65,475	-	-	47,645	65,475
Water and sewer			7,112,339	6,961,985	7,112,339	6,961,985
Total expenses	<u>17,701,769</u>	<u>17,886,568</u>	<u>7,112,339</u>	<u>6,961,985</u>	<u>24,814,108</u>	<u>24,848,553</u>
Change in net position	(196,218)	(531,788)	1,256,316	896,407	1,060,098	364,619
Net position, July 1	28,588,799	29,120,587	35,730,992	34,834,585	64,319,791	63,955,172
Net position, June 30	<u>\$ 28,392,581</u>	<u>\$ 28,588,799</u>	<u>\$ 36,987,308</u>	<u>\$ 35,730,992</u>	<u>\$ 65,379,889</u>	<u>\$ 64,319,791</u>

City of Lenoir, North Carolina

Management's Discussion and Analysis
For the Year ended June 30, 2014

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

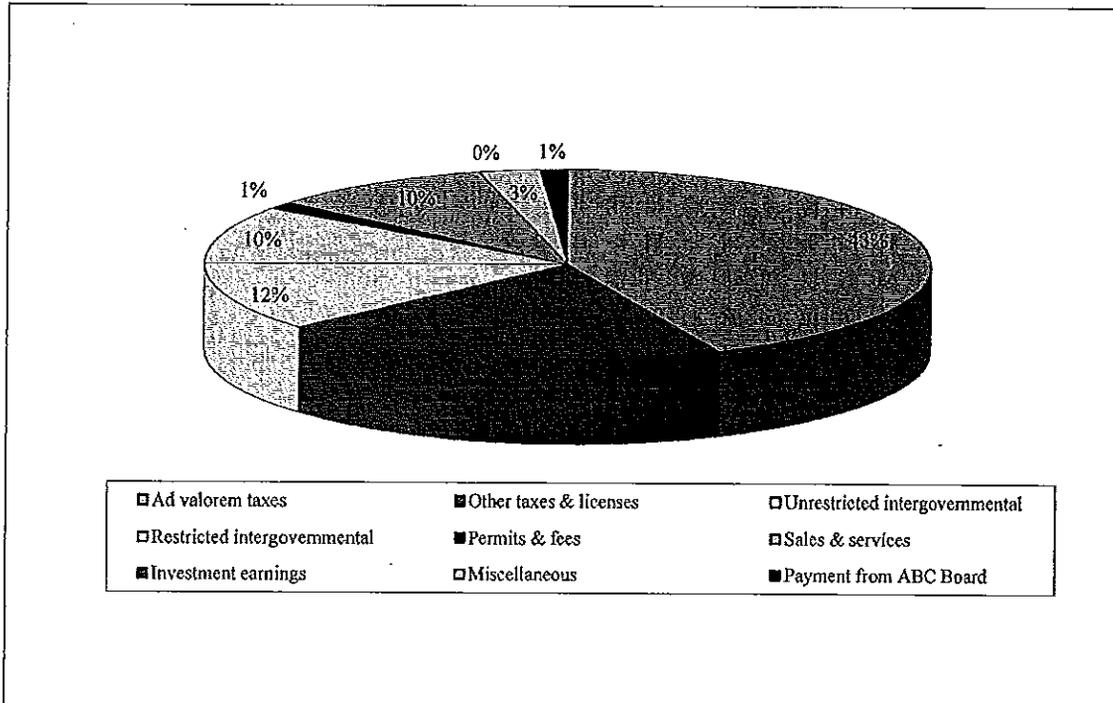


City of Lenoir, North Carolina

Management's Discussion and Analysis
For the Year ended June 30, 2014

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

Revenue by Source – Governmental Activities
Figure 5



Business-type activities: Business-type activities increased the City of Lenoir's net position by \$1,256,316. 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, 2014

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 \$3,574,740, while total fund balance reached \$5,748,769. 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 21.90 percent of total General Fund expenditures, while total fund balance represents 35.22 percent of that same amount. The increase in unassigned fund balance is due mainly to the strict adherence to the budget.

At June 30, 2014, the governmental funds of City of Lenoir reported a combined fund balance of \$5,836,171 a 5.31 percent increase over last year. Included in this change in fund balance are increases in the Special Revenue Fund and in the Capital Projects Fund.

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

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

General Government, Public Safety, Transportation, and Environmental Protection were increased by \$1,734,120, while Environmental Protection decreased by \$26,000. The resulting \$1,708,120 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 \$3,217,991. The fund's net position increased by \$1,256,316. The factors concerning

City of Lenoir, North Carolina

Management's Discussion and Analysis
For the Year ended June 30, 2014

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

Capital Asset and Debt Administration

Capital assets. The City of Lenoir's investment in capital assets for its governmental and business-type activities as of June 30, 2014, totals \$68,984,789 (net of accumulated depreciation). (Figure 6) These assets include buildings, infrastructure, land, equipment, plant and systems, and vehicles.

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

- Major bridge construction
- Gunpowder Wastewater Plant Improvements

City of Lenoir's Capital Assets

Figure 6

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land	\$ 2,961,785	\$ 2,920,697	\$ 251,714	\$ 239,714	\$ 3,213,499	\$ 3,160,411
Buildings and improvements	7,315,837	7,587,070	-	-	7,315,837	7,587,070
Infrastructure	11,617,759	12,265,677	-	-	11,617,759	12,265,677
Equipment	2,250,913	2,283,802	3,449,352	3,556,390	5,700,265	5,840,192
Plant and systems			39,935,940	40,951,538	39,935,940	40,951,538
Construction in progress	884,118	376,991	317,371	15,009	1,201,489	392,000
Total	\$ 25,030,412	\$ 25,434,237	\$ 43,954,377	\$ 44,762,651	\$ 68,984,789	\$ 70,196,888

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, 2014, the City of Lenoir had total debt outstanding of \$5,669,271 in State and Water Pollution Control Revolving loans, \$222,000 in a Section 108 Loan and installment purchase contracts of \$5,812,468. (Figure 7)

City of Lenoir, North Carolina

Management's Discussion and Analysis
For the Year ended June 30, 2014

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

Figure 7

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Section 108 Loan	\$ 222,000	\$ 324,000			\$ 222,000	\$ 324,000
Revolving Loans	-	-	5,669,271	6,243,763	5,669,271	6,243,763
Installment Purchase Contracts	1,296,679	1,201,589	4,515,789	6,060,089	5,812,468	7,261,678
Total	\$ 1,518,679	\$ 1,525,589	\$ 10,185,060	\$ 12,303,852	\$ 11,703,739	\$ 13,829,441

The above debt of the City of Lenoir decreased by \$2,125,702 (15.37%) 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 \$132,304,486.

Additional information regarding the City of Lenoir's long-term debt can be found beginning on page 53 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 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, 2014

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 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.

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, 2015

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, 2014. The General Fund budget was based on less than 3.11 percent increase in total revenues and expenditures from the prior year. This included a two cent property tax increase.

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 1.27 percent increase in expenditures funded with a slight rate increase.

Requests for Information

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

Basic Financial Statements

City of Lenoir, North Carolina
Statement of Net Position
June 30, 2014
(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	\$ 4,486,223	\$ 2,973,883	\$ 7,460,106	\$ 231,287	\$ 59,106	\$	7,750,499
Cash and cash equivalents - restricted	255,746	125,535	381,281				381,281
Taxes receivable (net)	276,381	574,638	1,286,499		6,986		276,381
Accounts receivable (net)	711,861	61,973	775,316				1,293,485
Other receivables	775,316						775,316
Inventories			61,973	242,389			304,362
Prepaid items				6,377			6,377
Capital assets:							
Nondepreciable Capital Assets	3,845,903	569,085	4,414,988				4,414,988
Depreciable Capital Assets	21,184,509	43,385,292	64,569,801	479,597			65,049,398
Total assets	31,335,939	47,690,406	79,226,345	959,650	66,092		80,252,087
Liabilities							
Accounts payable	392,975	207,661	600,636				719,736
Accrued liabilities				119,100			76,975
Compensated Absences	538,424	123,318	661,742				661,742
Pension Obligation	386,739	386,739	386,739				386,739
Post Employment benefits	306,541	61,524	368,065				368,065
Customer deposits		125,535	125,535				125,535
Long term obligations:							
Due in less than one year	506,039	1,843,363	2,349,402				2,349,402
Due in more than one year	1,012,640	8,341,697	9,354,337				9,354,337
Total liabilities	3,143,358	10,703,098	13,846,456	196,075	-		14,042,531
Net Position							
Net investment in capital assets	23,511,733	33,769,317	57,281,050	479,597			57,760,647
Restricted for:							
Cemetery (Nonexpendable)	256,551		256,551				256,551
Stabilization by State Statute	1,444,335		1,444,335		6,986		1,451,321
Public Safety	332,934		332,934				332,934
Unrestricted	2,847,028	3,217,991	6,065,019	283,978	59,106		6,408,103
Total Net Position	\$ 28,392,581	\$ 36,987,308	\$ 65,379,889	\$ 763,575	\$ 66,092	\$	\$ 66,209,556

City of Lenoir, North Carolina
Statement of Activities
Year Ended June 30, 2014
(Exhibit B)

Functions/Programs Primary government:	Program Revenues				Net (Expense) Revenue and Changes in Net Position				Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	City of Lenoir ABC Board	City of Lenoir LTDA	Total	
										Reporting Unit	Unit
Governmental activities:											
General government:	\$ 3,179,927	\$ 516,150			\$ (2,663,777)	\$ (2,663,777)				\$ (2,663,777)	
Public safety	8,048,078	383,282	88,628		(7,576,168)	(7,576,168)				(7,576,168)	
Transportation	2,261,096	9,772	603,145	171,149	(1,477,030)	(1,477,030)				(1,477,030)	
Environmental protection	842,366	626,488			(215,878)	(215,878)				(215,878)	
Economic and physical development	1,282,460	3,100	1,010,702	54,509	(268,658)	(268,658)				(268,658)	
Culture and recreation	2,040,197	214,129			(1,771,559)	(1,771,559)				(1,771,559)	
Interest and fees	47,645				(47,645)	(47,645)				(47,645)	
Total governmental activities:	17,701,769	1,752,921	1,702,475	225,658	(14,020,715)	(14,020,715)				(14,020,715)	
Business-type activities:											
Water and sewer activity	7,112,339	7,947,875				835,536	835,536			835,536	
Total business-type activity	7,112,339	7,947,875				835,536	835,536			835,536	
Total primary government:	24,814,108	9,700,796	1,702,475	225,658	(14,020,715)	(13,185,179)				(13,238,158)	
Alcohol and store activity	2,688,566	2,939,317					238,326			238,326	
Total component units	2,688,566	2,939,317					238,326			238,326	
General revenues:											
Ad valorem taxes					7,544,703	7,544,703				7,544,703	
Sales taxes					3,311,542	3,311,542				3,311,542	
Privilege license					162,778	162,778				162,778	
Motor Vehicle Tags					38,640	38,640				38,640	
Gross Receipts on Rental Vehicles					3,270	3,270				3,270	
Occupancy Taxes									71,883	71,883	
Franchise Taxes					1,968,089	1,968,089				1,968,089	
Beer and Wine Taxes					78,322	78,322				78,322	
Miscellaneous					469,942	469,942				469,942	
Gain on sale of capital assets					20,993	20,993			19,119	20,993	
Payment from ABC Board					223,333	223,333				223,333	
Profit distributions											
Interest earned on investments					2,885	2,885				2,885	
Total general revenues					13,824,497	14,245,277				14,245,277	
Change in net position					(196,218)	1,060,098			3,391	18,904	
Net Position - beginning					28,588,799	55,730,992				760,184	
Net Position - ending					28,392,581	56,791,090				779,088	
					\$ 56,987,308	\$ 65,379,889				\$ 763,575	
										\$ 66,092	
										\$ 66,209,556	

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

City of Lenoir, North Carolina

Balance Sheet
 Governmental Funds
 June 30, 2014
 (Exhibit C)

	General	Special Revenue Fund	Non Major Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 4,398,116	\$ 88,107	\$ -	\$ 4,486,223
Cash and cash equivalents-restricted			255,746	255,746
Taxes receivable (net)	276,381			276,381
Accounts receivable (net)	711,861			711,861
Other receivables	540,603	69,500	165,213	775,316
Due From Other Funds	191,871			191,871
Total assets	<u>\$ 6,118,832</u>	<u>\$ 157,607</u>	<u>\$ 420,959</u>	<u>\$ 6,697,398</u>
Liabilities:				
Accounts payable	93,682	2,526	296,767	392,975
Due to other funds			191,871	191,871
Total liabilities	<u>93,682</u>	<u>2,526</u>	<u>488,638</u>	<u>584,846</u>
Deferred Inflow of Resources:				
Unavailable Property Taxes	276,381			276,381
Total Deferred Inflows of Resources	<u>276,381</u>	<u>-</u>	<u>-</u>	<u>276,381</u>
Fund balances:				
Non Spendable				
Cemetery Care			256,551	256,551
Restricted				
Stabilization by State Statute	1,444,335			1,444,335
Substance Control	35,007			35,007
Public Safety	297,927			297,927
Assigned				
Land Development	396,760			396,760
Unassigned	3,574,740	155,081	(324,230)	3,405,591
Total fund balances	<u>5,748,769</u>	<u>155,081</u>	<u>(67,679)</u>	<u>5,836,171</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,118,832</u>	<u>\$ 157,607</u>	<u>\$ 420,959</u>	<u>\$ 6,697,398</u>

City of Lenoir, North Carolina

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

June 30, 2014

(Exhibit C-1)

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

Ending fund balance - governmental funds	\$ 5,836,171
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	25,030,412
Liability for earned revenues are considered deferred inflow of resources in the funds.	276,381
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.	<u>(2,750,383)</u>
Net position of governmental activities	<u>\$ 28,392,581</u>

City of Lenoir, North Carolina

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2014
 (Exhibit D)

	General	Special Revenue Fund	Non Major Governmental Funds	Total Governmental Funds
Revenues				
Ad valorem taxes	\$ 7,593,573			\$ 7,593,573
Other taxes and licenses	3,516,230			3,516,230
Unrestricted intergovernmental revenues	2,046,411			2,046,411
Restricted intergovernmental revenues	791,992	1,123,122	164,408	2,079,522
Permits and fees	191,572			191,572
Sales and services	1,561,348			1,561,348
Investment earnings	2,648		237	2,885
Miscellaneous	315,808		2,745	318,553
Payment from ABC Board	223,333			223,333
Total revenues	16,242,915	1,123,122	167,390	17,533,427
Expenditures				
Current:				
General Government	3,613,421			3,613,421
Public safety	7,577,783	4,806		7,582,589
Transportation	1,634,821			1,634,821
Environmental protection	731,850			731,850
Economic and physical development	550,033	730,910		1,280,943
Cultural and recreational	1,789,038	67,185		1,856,223
Capital projects			507,125	507,125
Debt service:				
Principal retirement	391,910	102,000		493,910
Interest and fees	33,791	13,854		47,645
Total expenditures	16,322,647	918,755	507,125	17,748,527
Excess (deficiency) of revenues over (under) expenditures	(79,732)	204,367	(339,735)	(215,100)
Other financing sources (uses)				
Issuance of installment purchase debt	487,000			487,000
Proceeds from disposal of capital assets	22,159			22,159
Transfers	(195,000)	75,000	120,000	-
Total other financing sources (uses)	314,159	75,000	120,000	509,159
Net change in fund balances	234,427	279,367	(219,735)	294,059
Fund balance - beginning	5,514,342	(124,286)	152,056	5,542,112
Fund balance - ending	\$ 5,748,769	\$ 155,081	\$ (67,679)	\$ 5,836,171

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, 2014

(Exhibit D-1)

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

Net change in fund balances - total governmental funds	\$	294,059
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.		(402,659)
Revenues in the fund statements not recorded in the government wide		(22,159)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(27,877)
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.		6,910
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>(44,492)</u>
Change in net position of governmental activities	\$	<u>(196,218)</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, 2014
 (Exhibit E)

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 7,205,892	\$ 7,205,892	\$ 7,593,573	\$ 387,681
Other taxes and licenses	3,309,447	3,647,447	3,516,230	(131,217)
Unrestricted intergovernmental revenues	1,560,000	2,010,000	2,046,411	36,411
Restricted intergovernmental revenues	636,000	761,000	791,992	30,992
Permits and fees	217,000	217,000	191,572	(25,428)
Sales and services	1,601,690	1,601,690	1,561,348	(40,342)
Investment earnings	27,200	27,200	2,648	(24,552)
Miscellaneous	165,500	261,620	315,808	54,188
Payment from ABC Board	207,500	207,500	223,333	15,833
Total revenues	<u>14,930,229</u>	<u>15,939,349</u>	<u>16,242,915</u>	<u>303,566</u>
EXPENDITURES				
Current:				
General Government	2,356,788	3,616,909	3,613,421	3,488
Public safety	7,497,321	7,593,319	7,577,783	15,536
Transportation	1,377,365	1,648,366	1,634,821	13,545
Environmental protection	748,488	722,488	731,850	(9,362)
Economic and physical development	538,781	609,780	550,033	59,747
Cultural and recreational	1,776,458	1,812,459	1,789,038	23,421
Debt service:				
Principal retirement	426,133	426,133	391,910	34,223
Interest and fees	38,895	38,895	33,791	5,104
Total expenditures	<u>14,760,229</u>	<u>16,468,349</u>	<u>16,322,647</u>	<u>145,702</u>
Excess (deficiency) of revenues over (under) expenditures	<u>170,000</u>	<u>(529,000)</u>	<u>(79,732)</u>	<u>449,268</u>
OTHER FINANCING SOURCES (USES)				
Appropriated fund balance		212,000		(212,000)
Proceeds from disposal of capital assets	25,000	25,000	22,159	(2,841)
Proceeds from installment purchase		487,000	487,000	-
Transfers out:				
To Special Revenue Fund	(75,000)	(75,000)	(75,000)	-
To Capital Projects	(120,000)	(120,000)	(120,000)	-
Total other financing sources (uses)	<u>(170,000)</u>	<u>529,000</u>	<u>314,159</u>	<u>(214,841)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>234,427</u>	<u>\$ 234,427</u>
FUND BALANCE - BEGINNING			<u>5,514,342</u>	
FUND BALANCE - ENDING			<u>\$ 5,748,769</u>	

City of Lenoir, North Carolina

Statement of Net Position

Proprietary Funds

June 30, 2014

(Exhibit F)

	<u>Enterprise Fund</u>
	<u>Water and Sewer Fund</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 2,973,883
Accounts receivable (net)	574,638
Inventories	61,973
Restricted Cash and cash equivalents	125,535
Total current assets	<u>3,736,029</u>
Noncurrent assets	
Capital assets, net	43,954,377
Total noncurrent assets	<u>43,954,377</u>
Total assets	<u>47,690,406</u>
Liabilities	
Current liabilities	
Accounts payable	207,661
Installment purchase contracts - current	1,511,863
Revolving loan payable - current	331,500
Customer deposits	125,535
Compensated absences payable	72,000
Total current liabilities	<u>2,248,559</u>
Noncurrent liabilities	
Revolving loan payable	5,337,771
Installment purchase contracts payable	3,003,926
OPEB Liability	61,524
Compensated absences payable	51,318
Total noncurrent liabilities	<u>8,454,539</u>
Total liabilities	<u>10,703,098</u>
Net Position	
Net investment in capital assets	33,769,317
Unrestricted Net Position	3,217,991
Total Net Position	<u>\$ 36,987,308</u>

City of Lenoir, North Carolina

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

Proprietary Funds

Year Ended June 30, 2014

(Exhibit G)

	<u>Enterprise Fund</u>
	<u>Water and Sewer Fund</u>
Operating revenues	
Water sales	\$ 5,077,965
Wastewater treatment charges	2,610,365
Water and sewer taps	26,200
Late payment charges	233,345
Miscellaenous	419,534
Total operating revenues	<u>8,367,409</u>
Operating expenses	
Rhodhiss Water Treatment Plant	1,318,980
Water distribution	1,151,172
Water resources	546,608
Wastewater collection	540,337
Wastewater pretreatment	183,078
Gunpowder Wastewater Treatment Plant	504,918
Lower Creek Wastewater Treatment Plant	1,296,962
Depreciation	1,230,635
Total operating expenses	<u>6,772,690</u>
Operating income (loss)	<u>1,594,719</u>
Nonoperating revenue (expense)	
Interest earned on investments	1,410
Interest paid on long-term debt	(339,813)
Total nonoperating revenue (expense)	<u>(338,403)</u>
Change in Net Position	1,256,316
Total Net Position - beginning, as previously reported	<u>35,730,992</u>
Total Net Position - ending	<u>\$ 36,987,308</u>

City of Lenoir, North Carolina

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2014

(Exhibit H)

	<u>Enterprise Fund</u>	
	<u>Water</u>	
	<u>and Sewer</u>	
	<u>Fund</u>	
Operating activities		
Cash received from customers and users	\$	8,398,201
Cash paid to suppliers for goods and services		(3,090,015)
Cash paid for employee benefits		(2,413,578)
Customer deposits returned		7,475
Net cash provided by (used in) operating activities		<u>2,902,083</u>
Capital and related financing activities		
Acquisition and construction of capital assets		(422,361)
Principal paid on debt		(2,118,792)
Interest paid on debt		(339,813)
Net cash provided (used) by capital and related financing activities		<u>(2,880,966)</u>
Investing activities		
Interest on investments		1,410
Net cash provided (used) in investing activities		<u>1,410</u>
Net increase in cash and cash equivalents/investments		<u>22,527</u>
Cash and cash equivalents/investments		
Beginning of year		<u>3,076,891</u>
End of year	\$	<u>3,099,418</u>

City of Lenoir, North Carolina

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2014

(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)	\$ 1,594,719
Adjustments to reconcile operating income (loss)	
to net cash provided by (used in) operating	
activities:	
Depreciation	1,230,635
Change in assets and liabilities	
(Increase) decrease in accounts receivable and accruals	30,792
(Increase) decrease in inventory	8,609
Increase (decrease) in accounts payable and	
accrued liabilities	6,516
Increase (decrease) in customer deposits	7,475
Increase (decrease) in compensated absence payable	10,577
Increase (decrease) in OPEB	12,760
Total adjustments	<u>1,307,364</u>
Net cash provided by (used in) operating activities	<u>\$ 2,902,083</u>

City of Lenoir, North Carolina

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2014

(Exhibit I)

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ 25,660
Total assets	<u>\$ 25,660</u>
Liabilities	
Due to agency	\$ 25,660
Total liabilities	<u>\$ 25,660</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, 2014

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 nine 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, 2014

2011, 2012 and 2013 Community Development Entitlement Grants; and 2011, 2012 and 2013 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, 2014

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 September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that are billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

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

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2014

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, 2014, 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, 2014. The ordinances increased appropriations by \$1,708,120 in the City's General Fund and \$125,000 in the City's Water and Sewer Fund.

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

E. Assets, Liabilities, and Fund Equity

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

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2014

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 \$255,746 represents the nonexpendable portion of the cemetery funds. Customer deposits of \$125,535 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, 2013. As allowed by State law, the City has established a schedule of discounts that apply to taxes, which are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

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

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

6. Capital Assets - Capital assets are defined by the City as assets with an initial individual cost of more than \$1,000. The City and the ABC Board's capital assets are recorded at historical cost when purchased or fair market value at the time of donation. Certain items acquired in earlier years are recorded at estimated historical cost. General

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2014

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. 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.

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2014

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.

The governmental fund types classify fund balances as follows:

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2014

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 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

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2014

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

- 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 \$22,556,410 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)	\$ 74,594,813
Less accumulated depreciation	(49,564,401)
Net capital assets	25,030,412
Liabilities for revenue are considered deferred inflows of resources in the fund statements	276,381
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	(1,518,679)
Compensated absences	(538,424)
Pension obligation	(693,280)
Total adjustment	\$ 22,556,410

- 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

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2014

activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$(490,277) as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 1,192,116
Depreciation expense, the allocation of those assets over their useful lives, is recorded in the statement of activities, but not in the fund statements	(1,594,775)
New debt issued during the year is recorded as a source of funds in the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net assets	(487,000)
Principal payments on debt owed are recorded as a use of funds in the fund statements but again affect only the statement of net assets in the government-wide statements	493,910
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	23,412
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	(29,140)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(38,764)
Sale of Fixed Assets recorded in the fund statement	(22,159)
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	(48,870)
Gain on Sale of Fixed Assets	20,993
	<hr/>
Total adjustment	\$ (490,277)

II. STEWARDSHIP, COMPLIANCE and ACCOUNTABILITY

A. **Excess of Expenditures over Appropriations** - For the year ended June 30, 2014, 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	
Administrative	\$18,174	Principal Paid	\$9,034
Sanitation	9,362	Capital Outlay	42,999

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

B. The Capital Project Fund had fund balance deficit of \$324,230. The General Fund will fund the deficit in future years.

III. DETAIL NOTES ON ALL FUNDS

A. Assets

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

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

At year-end, the City's deposits, including fiduciary funds, had a carrying amount of \$3,320,857 and a bank balance of \$3,489,559. Of the bank balance, \$1,000,000 was

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2014

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 \$226,887 and a bank balance of \$219,891. The bank balance was covered by federal depository insurance.

At year-end, the LTDA's deposits had a carrying amount of \$59,106 and a bank balance of \$59,106. 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, 2014, 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>\$ 4,544,205</u>	<u>\$ 4,544,205</u>

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2014

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

General Fund:	
Allowance for Uncollectible Property Taxes Receivable	\$ 1,322,399
Allowance for Miscellaneous General Fund Receivables	<u>27,035</u>
Subtotal	<u>1,349,434</u>
Water and Sewer Fund:	
Allowance for Uncollectible Water and Sewer Receivables	<u>200,000</u>
 Total	 <u><u>\$ 1,549,434</u></u>

4. General Capital Assets

The capital asset activity for the governmental activities as of June 30, 2014 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,920,697	\$ 41,088		\$ 2,961,785
Construction work in progress	376,991	507,127		884,118
Total capital assets not being depreciated	<u>3,297,688</u>	<u>548,215</u>	-	<u>3,845,903</u>
Capital assets being depreciated:				
Buildings and improvements	14,739,873	26,056		14,765,929
Infrastructure	43,122,548	12,398		43,134,946
Equipment	12,501,685	605,447	(259,097)	12,848,035
Total capital assets being depreciated	<u>70,364,106</u>	<u>643,901</u>	<u>(259,097)</u>	<u>70,748,910</u>
Less accumulated depreciation for:				
Buildings and improvements	7,152,803	297,289		7,450,092
Infrastructure	30,856,871	660,316		31,517,187
Equipment	10,217,883	637,170	(257,931)	10,597,122
Total accumulated depreciation	<u>48,227,557</u>	<u>\$ 1,594,775</u>	<u>\$ (257,931)</u>	<u>49,564,401</u>
Total capital assets being depreciated, net	<u>22,136,549</u>			<u>21,184,509</u>
Total capital assets - governmental activities	<u>\$ 25,434,237</u>			<u>\$ 25,030,412</u>

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2014

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

General Government	\$189,546
Public Safety	450,698
Transportation	666,092
Environmental Protection	103,628
Economic and Physical Development	6,027
Cultural and Recreational	<u>178,784</u>
Total Depreciation Expense	\$1,594,775

5. Business-Type Capital Assets

The capital asset activity for the business-type activities at June 30, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities (Water and Sewer Fund)				
Capital assets not being depreciated:				
Land	\$ 239,714	\$ 12,000		\$ 251,714
Construction work in progress	15,009	302,362		317,371
Total capital assets not being depreciated	<u>254,723</u>	<u>314,362</u>	<u>-</u>	<u>569,085</u>
Capital assets being depreciated:				
Plant and systems	61,213,867			61,213,867
Equipment	6,455,750	107,999	(20,295)	6,543,454
Total capital assets being depreciated	<u>67,669,617</u>	<u>107,999</u>	<u>(20,295)</u>	<u>67,757,321</u>
Less accumulated depreciation for:				
Plant and systems	20,262,329	1,015,598		21,277,927
Equipment	2,899,360	215,037	(20,295)	3,094,102
Total accumulated depreciation	<u>23,161,689</u>	<u>\$ 1,230,635</u>	<u>\$ (20,295)</u>	<u>24,372,029</u>
Total capital assets being depreciated, net	<u>44,507,928</u>			<u>43,385,292</u>
Total capital assets - business type activities (Water and Sewer Fund)	<u>\$ 44,762,651</u>			<u>\$ 43,954,377</u>

6. Construction Commitments – The City of Lenoir has no active construction projects as of June 30, 2014.

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2014

7. Component Unit Capital Assets

The capital assets of the ABC Board at June 30, 2014, 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	173,213		736,829
Store equipment	171,065			171,065
Office equipment	49,272			49,272
Total capital assets being depreciated	<u>739,496</u>	<u>173,213</u>	-	<u>957,166</u>
Less accumulated depreciation for:				
Buildings and improvements	294,900	14,907		309,807
Store equipment	120,354	11,802		132,156
Office equipment	31,688	3,918		35,606
Total accumulated depreciation	<u>319,249</u>	<u>\$ 30,627</u>	<u>\$ -</u>	<u>477,569</u>
Total capital assets being depreciated, net	<u>420,247</u>			<u>479,597</u>
Total capital assets	<u>\$ 576,096</u>			<u>\$ 635,446</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
Notes to the Financial Statements
For the Year Ended June 30, 2014

determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 13.61% and 13.82%, 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, 2012, 2013, and 2014 were \$1,164,712, \$1,145,939 and \$1,148,073 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, 2013, the Separation Allowance's membership consisted of:

Retirees currently receiving benefits	6
Terminated employees entitled to but not yet receiving benefits	0
Active plan members	<u>51</u>
Total	<u><u>57</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, 2014

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, 2013 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	\$91,282
Interest on net pension obligation	16,498
Adjustment to annual required pension contribution	<u>(26,882)</u>
Annual pension cost	\$80,898
Employer Benefits Paid	<u>104,310</u>
Increase(decrease) in net pension obligation	<u>(\$23,412)</u>
Net pension obligation beginning of fiscal year	<u>329,953</u>
Net pension obligation end of year	<u><u>\$306,541</u></u>

The following schedule contains trend information for fiscal years ending June 30, 2012, 2013 and 2014.

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Annual pension cost	\$ 86,467	\$ 83,157	\$ 80,898
Percentage of APC Contributed	87.20%	115.89%	128.94%
Net Pension Obligation	\$ 343,168	\$ 329,953	\$ 306,541

City of Lenoir, North Carolina
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Additional information as of the latest actuarial valuation follows:

Valuation Date	12/31/2013	Actuarial Assumptions:	
Actuarial Cost Method	Projected Unit Credit	Investment Rate of Return	5.00%
Amortization Method	Level dollar closed	Projected Salary Increase	4.25%-7.85%
Remaining Amortization	17 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, 2014 were \$169,257 which consisted of \$99,109 from the City and \$70,148 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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For the Year Ended June 30, 2014

determined rate. The ABC Board's current rate for employees not engaged in law enforcement is 16.67% 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, 2012, 2013, and 2014 were \$22,798, \$26,743 and \$28,085 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, 2014, there were seventeen employees who had retired with 30 years of service who were receiving the 50 percent-premium-coverage benefit and three employees who had retired with sufficient years of service to receive the 25 percent-premium-coverage benefits. The City finances the plan on a pay-as-you-go basis and for the fiscal year ended June 30, 2014, the City recognized \$64,851 of expenditures for retiree health benefits or 0.74% of annual payroll. The current ARC rate is 1.21% of annual covered payroll.

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2014

Membership in the plan included the following at December 31, 2013, the date of the latest actuarial valuation:

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

- 1. Summary of Significant Accounting Policies** – Post-employment expenditures are made from the City’s General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they become due.
- 2. Annual OPEB Cost and Net OPEB Obligation** - The City’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation for the healthcare benefits:

Annual Required Contribution	\$ 106,337
Interest on Net OPEB Obligation	5,544
Adjustment to Annual Required Contribution	<u>(5,130)</u>
Annual OPEB Cost	106,751
Contributions Made	<u>(64,851)</u>
Increase in Net OPEB Obligation	41,900
Net OPEB Liability, July 1, 2013	<u>\$406,363</u>
Net OPEB Liability, June 30, 2014	<u>\$448,263</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
Notes to the Financial Statements
For the Year Ended June 30, 2014

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

As of December 31, 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
2014	\$106,337	70.0%
2013	\$81,890	87.6%
2012	\$111,670	74.8%
2011	\$209,836	40.76%
2010	\$79,417	125.16%
2009	\$164,091	55.63%

Notes to the Required Schedules:

The information presented in the required supplementary schedule for the year ended 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

City of Lenoir, North Carolina
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For the Year Ended June 30, 2014

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 & 2014 was determined by using the alternative measurement method.

2. Other Employment Benefits - The City provides death benefits to law enforcement officers through the Death Benefit Plan for members of LGERS. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$20,000. All death benefit payments are made from the Death Benefit Plan. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The City considers these contributions to be immaterial.

3. Payables – Payables and accrued liabilities at June 30, 2014 were as follows at the government-wide level:

	<u>Vendors</u>	<u>Benefits</u>	<u>Total</u>
Governmental Activities:	<u>\$ 392,975</u>		<u>\$ 392,975</u>
Business-type activities:	<u>\$ 207,661</u>		<u>\$ 207,661</u>

City of Lenoir, North Carolina
 Notes to the Financial Statements
 For the Year Ended June 30, 2014

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

	<u>Unavailable</u>	<u>Unearned</u>
Taxes receivable (General Fund)	<u>\$ 276,381</u>	<u>\$ -</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, 2014 the loan balance was \$2,381,828 at an interest rate of 2.485% for a term of 20 years.

b. Drinking Water Revolving Loan

The City of Lenoir has received a loan for raw water intake improvements. As of June 30, 2014 the loan balance was \$3,287,443 at an interest rate of 2.22% for a term of 20 years.

c. 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, 2014

DESCRIPTION	COST	DATE	TERM	RATE	PAYMENT AMOUNT AND FREQUENCY
Water and WW plant residuals management refinancing annexation lines	\$ 8,360,000	12/24/2003	17.5 years	3.20%	\$302,907 semi-annual
Water & Sewer lines - Town of Hudson	\$ 1,206,484	11/12/2003	15 years	3.97%	\$67,465 semi-annual
Utility Line Extension - Phase I 2001 Annexation	\$ 3,237,053	6-27-02	15 years	1.72%	\$137,579 semi-annual
Utility Line Extension - Phase II 2001 Annexation	\$ 2,658,000	12/2/02	15 years	1.93%	\$113,927 semi-annual
Utility Line Extension - Phase III 2001 Annexation	\$ 1,550,000	6/19/03	15 years	1.93%	\$65,567 semi-annual
Rhodhiss Water Treatment Plant renovations and utility line construction	\$ 2,700,000	6/30/2005	15 years	2.31%	\$88,019 semi-annual
Whitnel Pump Station	\$2,977,285	11/1/2010	20 years	2.485%	\$219,009 semi-annual
Streetscape, Recreation, & Downtown Utility Line Projects	\$1,410,000 \$1,190,000	8/27/2013	8 years	2.49%	\$49,878 semi-annual
Capital Equipment	\$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
Capital Equipment	\$487,000	5/4/2014	4 years	1.36%	\$31,325 quarterly

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2014

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>				
2015	398,039	23,094	1,511,863	90,752
2016	253,022	16,595	869,707	58,497
2017	208,841	12,472	1,005,610	42,315
2018	179,198	8,652	498,651	22,610
2019	85,859	5,879	262,680	13,520
2020-2024	171,720	5,345	367,278	9,087
Total	<u>1,296,679</u>	<u>72,037</u>	<u>4,515,789</u>	<u>236,781</u>
<u>Section 108 Loan</u>				
2015	108,000	8,540	-	-
2016	114,000	2,901	-	-
			-	-
Total	<u>222,000</u>	<u>11,441</u>	<u>-</u>	<u>-</u>
<u>Revolving Loans</u>				
2015	-	-	331,500	132,050
2016	-	-	331,500	124,305
2017	-	-	331,500	116,558
2018	-	-	331,500	108,812
2019	-	-	331,500	101,065
2020-2024	-	-	1,657,502	389,131
2025-2029	-	-	1,657,502	135,053
2030-2034	-	-	696,767	88,837
Total	<u>-</u>	<u>-</u>	<u>5,669,271</u>	<u>1,195,811</u>
Total Debt Due	<u>\$ 1,518,679</u>	<u>\$ 83,478</u>	<u>\$ 10,185,060</u>	<u>\$ 1,432,592</u>

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2014

The following is a summary of changes in long-term obligations for the year-ended June 30, 2014:

	Balance July 1, 2013	Additions	Payments	Balance June 30, 2014	Portion of Long-term Liabilities
Governmental activities:					
Installment purchase contracts	\$ 1,201,589	\$ 487,000	\$ (391,910)	\$ 1,296,679	\$ 398,039
Compensated absences	499,660	38,764		538,424	298,000
Section 108 Loan	324,000		(102,000)	222,000	108,000
Pension obligation	329,953		(23,412)	306,541	-
Post employment benefits	357,599	29,140		386,739	-
Total governmental activities	\$ 2,712,801	\$ 554,904	\$ (517,322)	\$ 2,750,383	\$ 804,039

	Balance July 1, 2013	Additions	Payments	Balance June 30, 2014	Current Portion of Long-term Liabilities
Business-type activities:					
Installment purchase contracts	\$ 6,060,089		\$ (1,544,300)	\$ 4,515,789	\$ 1,511,863
Revolving loan	6,243,763		(574,492)	5,669,271	331,500
Compensated absences	112,740	10,578		123,318	72,000
Post employment benefits	48,764	12,760		61,524	
Total business-type activities	\$ 12,465,356	\$ 23,338	\$ (2,118,792)	\$ 10,369,902	\$ 1,915,363

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, 2014, the City of Lenoir had a legal debt margin of \$132,304,486.

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2014

e. Interfund Activity

1. Transfers in (out) for the year ended June 30, 2014 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	\$ -	\$ 75,000	\$ 120,000	\$ 195,000
Total transfers out	<u>\$ -</u>	<u>\$ 75,000</u>	<u>\$ 120,000</u>	<u>\$ 195,000</u>

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

2. Interfund receivables and payables at June 30, 2014 are composed as follows:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$191,871	
Non-Major Governmental Funds		\$191,871

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

f. Fund Balance

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

<u>Total fund balance – General Fund</u>	<u>\$5,748,769</u>
Less:	
Stabilization by State Statute	1,444,335
Substance Control	35,007
Public Safety	<u>297,927</u>
Remaining Fund Balance	\$3,574,740

IV. JOINT VENTURES

The City, in conjunction with the City of Morganton, County of Caldwell, and County of Burke participates in a regional airport known as the Foothills Regional Airport Authority (Airport Authority). The Airport Authority was established by act of the North Carolina General Assembly, Session Law 2000-9, House Bill 1517, and ratified June 14, 2000. The Airport Authority is successor in interest to the former Morganton-Lenoir Airport Authority. Each participating entity appoints two members to the eight-member board. The Airport Authority is a joint venture established to facilitate economic expansion within the area and improve the quality of life for City citizens. The airport has been in existence since 1945. The City is not responsible for financing any deficits of the Airport Authority nor is it entitled to any surpluses. The City does not approve the budget of the Airport Authority. The City occasionally contributes to the Airport Authority but is not bound to do so. The City contributed \$25,546 to the Airport Authority during the year ended June 30, 2014.

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, 2014. Complete financial statements for the Airport Authority can be obtained from the airport's administrative offices at P. O. Box 3448, Morganton, NC 28680.

V. JOINTLY GOVERNED ORGANIZATION

The City, in conjunction with four counties and twelve other municipalities established the Western Piedmont Council of Governments (Council) in 1971. The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council's governing board. The City paid approximately \$168,335 for membership fees and miscellaneous services to the Council during the year ended June 30, 2014.

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, 2014

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 10, 2014, which is the date the financial statements were available to be issued.

Required Supplementary Information

This section contains the following additional information required by generally accepted accounting principles: Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance, Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance 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, 2014

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)
12/31/2013	\$ -	\$ 893,438	\$ 893,438	0.00%	\$ 1,981,423	45.09%
12/31/2012	\$ -	\$ 834,999	\$ 834,999	0.00%	\$ 1,892,355	44.12%
12/31/2011	\$ -	\$ 746,570	\$ 746,570	0.00%	\$ 2,039,207	36.61%
12/31/2010	\$ -	\$ 805,420	\$ 805,420	0.00%	\$ 2,151,296	37.44%
12/31/2009	\$ -	\$ 884,789	\$ 884,789	0.00%	\$ 1,993,571	44.38%
12/31/2008	\$ -	\$ 769,785	\$ 769,785	0.00%	\$ 1,998,704	38.51%
12/31/2007	\$ -	\$ 708,037	\$ 708,037	0.00%	\$ 1,955,275	36.21%
12/31/2006	\$ -	\$ 687,345	\$ 687,345	0.00%	\$ 1,917,798	35.84%
12/31/2005	\$ -	\$ 675,027	\$ 675,027	0.00%	\$ 1,930,693	34.96%
12/31/2004	\$ -	\$ 674,050	\$ 674,050	0.00%	\$ 1,887,699	35.71%

	Annual Required Contribution	Percentage Contributed
6/30/2014	\$ 91,282	114.27%
6/30/2013	\$ 96,372	110.32%
6/30/2012	\$ 89,673	84.08%
6/30/2011	\$ 90,295	108.88%
6/30/2010	\$ 75,825	148.28%
6/30/2009	\$ 70,725	158.28%
6/30/2008	\$ 68,204	129.58%
6/30/2007	\$ 69,292	105.64%
6/30/2006	\$ 71,731	89.70%
6/30/2005	\$ 64,728	89.02%

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, 2014

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, 2014

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

Notes to the Required Schedules:

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

Valuation Date	12/31/2011	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, 2013 and 2014 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, 2014

(Schedule 1)

	<u>2014</u>
Assets	
Cash and cash equivalents	\$ 4,398,116
Taxes receivable (net)	276,381
Accounts receivable (net)	711,861
Other receivables	540,603
Due from other funds	191,871
Total assets	<u>\$ 6,118,832</u>
Liabilities:	
Accounts payable	<u>\$ 93,682</u>
Deferred Inflow of Resources	
Unavailable Property Taxes	276,381
Total deferred inflow of resources	<u>\$ 276,381</u>
Fund balances:	
Restricted	
Stabilization by State Statute	1,444,335
Substance Control	35,007
Public Safety	297,927
Assigned	
Land Development	396,760
Unassigned	
Unassigned	3,574,740
Total fund balances	<u>5,748,769</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,118,832</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, 2014

(Schedule 2, Page 1)

	2014		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
REVENUES:			
Ad valorem taxes			
Taxes - Net of discounts	\$ 7,120,792	\$ 7,477,156	\$ 356,364
Penalties and interest	85,100	116,417	31,317
Total	<u>7,205,892</u>	<u>7,593,573</u>	<u>387,681</u>
Other taxes and licenses:			
Local option sales tax	3,371,947	3,311,542	(60,405)
Privilege licenses	200,000	162,778	(37,222)
Motor vehicle tags	71,500	38,640	(32,860)
Gross receipts on rental vehicles	4,000	3,270	(730)
Total	<u>3,647,447</u>	<u>3,516,230</u>	<u>(131,217)</u>
Unrestricted intergovernmental revenues:			
Utilities franchise tax	1,925,000	1,968,089	43,089
Beer and wine tax	85,000	78,322	(6,678)
Total	<u>2,010,000</u>	<u>2,046,411</u>	<u>36,411</u>
Restricted intergovernmental revenues:			
State Street - Aid allocation	560,000	571,645	11,645
Grants	175,000	206,500	31,500
Substance Control	26,000	13,847	(12,153)
Total	<u>761,000</u>	<u>791,992</u>	<u>30,992</u>
Permits and fees:			
Public safety fees and charges	191,000	178,700	(12,300)
Public works fees	20,000	9,772	(10,228)
Planning department fees and charges	6,000	3,100	(2,900)
Total	<u>217,000</u>	<u>191,572</u>	<u>(25,428)</u>
Sales and services:			
Bulk container service and sales	1,500	3,668	2,168
Solid waste fees	625,000	622,819	(2,181)
Cemetery lots and marker sales	100,000	81,214	(18,786)
Recreation department fees- centers and parks	87,940	69,660	(18,280)
Recreation department fees- aquatic/fitness center	124,750	135,159	10,409
Concessions	7,000	9,310	2,310
Telephone collection fees	12,000	27,069	15,069
Fire line charges	230,000	204,582	(25,418)

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, 2014

(Schedule 2, Page 2)

	2014		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
REVENUES (Continued)			
Sales and services (Continued)			
Rentals	\$ 13,500	\$ 13,200	(300)
Vehicle maintenance contracts	400,000	394,667	(5,333)
Total	1,601,690	1,561,348	(40,342)
Interest on investments	27,200	2,648	(24,552)
Miscellaneous:			
Contributions	96,120	128,120	\$ 32,000
Other	165,500	187,688	22,188
Total	261,620	315,808	54,188
Payment from Component Unit:			
City of Lenoir ABC Board			
Law enforcement	7,500	4,433	(3,067)
Profit distribution	200,000	218,900	18,900
Total	207,500	223,333	15,833
Total revenues	15,939,349	16,242,915	303,566
EXPENDITURES			
General Government:			
Administrative:			
Salaries and wages	724,989	704,126	20,863
Personnel benefits	218,359	210,534	7,825
Professional services	52,500	108,980	(56,480)
Telephone and postage	27,500	15,487	12,013
Utilities	16,000	15,062	938
Travel and training	40,000	48,681	(8,681)
Maintenance - building and equipment	16,000	6,491	9,509
Advertising and printing	8,000	10,188	(2,188)
Tax collection fees	15,000	36,363	(21,363)
Supplies	61,500	65,222	(3,722)
Contracted services	140,500	153,115	(12,615)
Dues and subscriptions	46,000	41,872	4,128
Insurance and bonds	31,352	42,784	(11,432)
Contribution to Foothills Regional			
Airport	25,546	25,546	-
Economic development	249,000	242,726	6,274
Capital improvements and equipment	166,120	126,862	39,258
Other operating expenses	114,318	113,173	1,145
Reimbursement of administrative costs for Water Fund	(324,200)	(320,554)	(3,646)
Total Administrative	1,628,484	1,646,658	(18,174)
Building Maintenance:			
Salaries and wages	179,504	179,502	2
Personnel benefits	72,362	72,361	1
Telephone and postage	2,000	2,299	(299)
Travel and training	500	-	500
Maintenance - building and equipment	28,000	15,493	12,507
Supplies	5,000	4,400	600

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, 2014

(Schedule 2, Page 3)

	2014		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
EXPENDITURES (Continued)			
General Government (Continued)			
Building Maintenance (Continued)			
Uniforms	\$ 2,600	\$ 1,968	\$ 632
Contracted services	500	3,380	(2,880)
Insurance and bonds	7,500	6,636	864
Other operating expenses	2,500	795	1,705
Reimbursement of administrative costs for Water Fund	(12,000)	(13,563)	1,563
Total Building Maintenance	<u>288,466</u>	<u>273,271</u>	<u>15,195</u>
Engineering:			
Salaries and wages	110,726	110,720	6
Personnel benefits	38,341	37,873	468
Professional services	143,000	134,162	8,838
Telephone and postage	5,000	2,802	2,198
Utilities	19,700	17,070	2,630
Maintenance - building and equipment	9,500	17,962	(8,462)
Travel and training	1,500	544	956
Supplies	2,800	2,327	473
Uniforms	650	875	(225)
Contracted services	188,000	185,790	2,210
Dues and subscriptions	1,100	933	167
Insurance and bonds	15,100	13,360	1,740
Other operating expenses	1,800	2,525	(725)
Reimbursement of administrative costs for Water Fund	(44,000)	(36,971)	(7,029)
Total Engineering	<u>493,217</u>	<u>489,972</u>	<u>3,245</u>
Cemetery:			
Salaries and wages	27,498	23,008	4,490
Personnel benefits	11,546	10,155	1,391
Telephone and postage	1,000	1,919	(919)
Utilities	12,000	6,137	5,863
Maintenance - building and equipment	4,000	5,366	(1,366)
Supplies	6,000	7,810	(1,810)
Uniforms	400	-	400
Contracted services	-	5,070	(5,070)
Purchase for resale	66,000	70,805	(4,805)
Insurance and bonds	6,600	5,839	761
Other operating expenses	1,500	84	1,416
Total Cemetery	<u>136,544</u>	<u>136,193</u>	<u>351</u>
Vehicle Services:			
Salaries and wages	113,762	111,475	2,287
Personnel benefits	51,786	52,304	(518)

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, 2014

(Schedule 2, Page 4)

	2014		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
EXPENDITURES (Continued)			
General Government (Continued)			
Vehicle Services (Continued)			
Telephone and postage	\$ 2,000	\$ 2,254	\$ (254)
Utilities	14,650	16,809	(2,159)
Maintenance - building and equipment	18,000	30,524	(12,524)
Travel and training	4,000	7,297	(3,297)
Departmental supplies	96,000	81,042	14,958
Uniforms	3,000	4,348	(1,348)
Contracted services	2,000	1,250	750
Capital improvements and equipment	487,000	491,034	(4,034)
Insurance and bonds	9,900	8,759	1,141
Other operating expenses	363,100	363,529	(429)
Reimbursement of administrative costs for Water Fund	(95,000)	(103,298)	8,298
Total Vehicle Services	1,070,198	1,067,327	2,871
Total General Government	3,616,909	3,613,421	3,488
Public Safety:			
Police:			
Salaries and wages	2,667,919	2,585,963	81,956
Personnel benefits	1,023,044	1,007,602	15,442
Professional services	4,000	2,038	1,962
Telephone and postage	64,630	54,416	10,214
Utilities	28,000	27,968	32
Travel and training	30,560	39,389	(8,829)
Maintenance - building and equipment	240,300	292,063	(51,763)
Supplies	53,800	76,367	(22,567)
Uniforms	31,090	50,623	(19,533)
Contracted services	142,770	149,393	(6,623)
Insurance and bonds	147,000	134,358	12,642
Substance Control	11,000	13,325	(2,325)
Police benefit	10,000	8,540	1,460
Capital improvements and equipment		2,335	(2,335)
D.A.R.E.	6,000	3,577	2,423
Explorer Post 246	2,000	1,912	88
Adopt-A-Cop	5,000	-	5,000
Other operating expenses	15,850	29,475	(13,625)
Total Police	4,482,963	4,479,344	3,619
Fire:			
Salaries and wages	1,881,017	1,948,105	(67,088)
Personnel benefits	785,837	753,871	31,966

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, 2014

(Schedule 2, Page 5)

	2014		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
EXPENDITURES (Continued)			
Public Safety (Continued)			
Fire (Continued)			
Professional services	\$ 1,000	\$ -	\$ 1,000
Telephone and postage	17,590	11,335	6,255
Utilities	36,782	41,932	(5,150)
Travel and training	16,000	14,886	1,114
Maintenance - building and equipment	163,000	152,059	10,941
Supplies	33,180	21,872	11,308
Uniforms	29,800	19,216	10,584
Contracted services	34,500	35,442	(942)
Dues and subscriptions	5,000	3,982	1,018
Insurance and bonds	91,650	83,426	8,224
Other operating expenses	15,000	12,313	2,687
Total Fire	<u>3,110,356</u>	<u>3,098,439</u>	<u>11,917</u>
Total Public Safety	<u>7,593,319</u>	<u>7,577,783</u>	<u>15,536</u>
Transportation:			
Streets:			
Salaries and wages	401,763	375,478	26,285
Personnel benefits	165,894	152,745	13,149
Professional services	10,000	4,294	5,706
Telephone and postage	3,000	1,615	1,385
Utilities	350,000	359,278	(9,278)
Travel and training	1,500	97	1,403
Maintenance - building and equipment	140,000	165,488	(25,488)
Street repairs and maintenance	501,000	470,001	30,999
Supplies	8,000	17,193	(9,193)
Street signs and pavement marking	65,000	42,797	22,203
Uniforms	6,650	5,932	718
Capital improvements and equipment		36,653	(36,653)
Insurance and bonds	34,559	31,981	2,578
Reimbursement of administrative costs for Water Fund	(45,000)	(30,720)	(14,280)
Other operating expenses	6,000	1,989	4,011
Total Transportation	<u>1,648,366</u>	<u>1,634,821</u>	<u>13,545</u>
Environmental Protection:			
Sanitation:			
Salaries and wages	294,316	285,811	8,505
Personnel benefits	136,272	125,762	10,510
Telephone and postage	10,000	9,692	308
Travel and training	1,500	574	926
Maintenance - building and equipment	147,000	163,572	(16,572)
Supplies	2,500	2,511	(11)
Advertising and printing	1,000	3,124	(2,124)
Insurance and bonds	28,000	30,558	(2,558)
Uniforms	5,000	5,849	(849)

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, 2014

(Schedule 2, Page 6)

	2014		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
EXPENDITURES (Continued)			
Environmental Protection (Continued)			
Sanitation (Continued)			
Purchases for resale	\$ 6,200		\$ 6,200
Tipping fees	63,000	65,291	(2,291)
Recycling services	25,000	35,507	(10,507)
Other operating expenses	2,700	3,599	(899)
Total Environmental Protection	<u>722,488</u>	<u>731,850</u>	<u>(9,362)</u>
Economic and Physical Development:			
Downtown District:			
Salaries and wages	69,410	58,601	10,809
Personnel benefits	25,412	18,936	6,476
Professional services	2,000	1,210	790
Telephone and postage	2,400	2,726	(326)
Travel and training	2,000	2,548	(548)
Maintenance - equipment and streetscape	4,000	3,465	535
Advertising and printing	6,000	4,411	1,589
Departmental supplies	2,809	1,624	1,185
Contracted services	13,000	18,272	(5,272)
Events and promotions	5,000	3,092	1,908
Façade incentive grants	15,000	7,571	7,429
Dues and subscriptions	2,500	1,143	1,357
Other operating expenses	204,800	180,378	24,422
Total Downtown District	<u>354,331</u>	<u>303,977</u>	<u>50,354</u>
Planning:			
Salaries and wages	173,607	177,794	(4,187)
Personnel benefits	76,037	62,319	13,718
Professional services	5,000	7,071	(2,071)
Contracted services	5,500	9,506	(4,006)
Telephone and postage	5,000	3,370	1,630
Travel and training	4,500	3,149	1,351
Maintenance - equipment	5,300	1,963	3,337
Advertising and printing	4,000	1,355	2,645
Supplies	6,605	9,600	(2,995)
Dues and subscriptions	2,500	2,223	277
Insurance and bonds	13,700	12,121	1,579
Capital improvements and equipment	-	3,164	(3,164)
Building demolition	-	4,200	(4,200)
Other operating expenses	1,500	4,134	(2,634)
Reimbursement for administrative costs for Water Fund	(47,800)	(55,913)	8,113
Total Planning	<u>255,449</u>	<u>246,056</u>	<u>9,393</u>
Total Economic and Physical Development	<u>609,780</u>	<u>550,033</u>	<u>59,747</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, 2014.

(Schedule 2, Page 7)

	2014		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
EXPENDITURES (Continued)			
Culture and Recreation:			
Recreation Centers and Parks:			
Salaries and wages	\$ 410,782	\$ 414,075	\$ (3,293)
Personnel benefits	150,259	143,640	6,619
Professional services	1,000	-	1,000
Basketball league	9,500	7,052	2,448
Softball & baseball leagues	10,000	4,054	5,946
Miscellaneous leagues and programs	52,826	60,460	(7,634)
Harambeo Festival	9,500	11,843	(2,343)
Telephone and postage	13,982	8,320	5,662
Utilities	91,000	95,088	(4,088)
Travel and training	7,800	6,618	1,182
Insurance and bonds	33,300	33,431	(131)
Maintenance - building and equipment	103,000	106,815	(3,815)
Supplies	47,420	39,119	8,301
Dues and subscriptions	250	-	250
Advertising and printing	5,500	7,122	(1,622)
Uniforms	1,812	-	1,812
Contracted services	24,085	25,125	(1,040)
Concessions and purchases for resale	10,000	3,022	6,978
Other operating expenses	7,965	4,250	3,715
Total Recreation Centers and Parks	989,981	970,034	19,947
Aquatic and Fitness Center:			
Salaries and wages	261,641	262,171	(530)
Personnel benefits	82,187	81,554	633
Miscellaneous leagues and programs	500	-	500
Telephone and postage	4,050	1,814	2,236
Utilities	80,000	74,879	5,121
Travel and training	3,076	4,893	(1,817)
Maintenance - building and equipment	20,500	25,248	(4,748)
Supplies	41,026	41,584	(558)
Uniforms	1,238	1,152	86
Advertising and printing	6,342	1,216	5,126
Contracted services	12,825	10,086	2,739
Dues and Subscriptions	500	(243)	743
Concessions and purchases for resale	6,500	5,091	1,409
Insurance and bonds	7,800	6,901	899
Other operating expenses	2,012	11,214	(9,202)
Total Aquatic and Fitness Center	530,197	527,560	2,637
Landscaping:			
Salaries and wages	154,341	147,854	6,487
Personnel benefits	55,148	62,092	(6,944)
Telephone and postage	2,000	1,851	149
Utilities	4,000	1,923	2,077
Travel and training	2,000	112	1,888
Maintenance - building and equipment	36,000	35,699	301
Supplies	30,000	25,257	4,743

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, 2014

(Schedule 2, Page 8)

	2014		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
EXPENDITURES (Continued)			
Culture and Recreation (Continued)			
Landscaping (Continued)			
Uniforms	\$ 3,000	\$ 2,505	\$ 495
Contracted services	-	1,050	(1,050)
Capital improvements and equipment		10,000	(10,000)
Insurance and bonds	2,792	2,470	322
Other operating expenses	3,000	631	2,369
Total Landscaping	<u>292,281</u>	<u>291,444</u>	<u>837</u>
Total Culture and Recreation	<u>1,812,459</u>	<u>1,789,038</u>	<u>23,421</u>
Debt Service:			
Principal	426,133	391,910	34,223
Interest	38,895	33,791	5,104
Total Debt Service	<u>465,028</u>	<u>425,701</u>	<u>39,327</u>
Total Expenditures	<u>16,468,349</u>	<u>16,322,647</u>	<u>145,702</u>
REVENUES OVER/(UNDER) EXPENDITURES	<u>(529,000)</u>	<u>(79,732)</u>	<u>449,268</u>
OTHER FINANCING SOURCES (USES):			
Appropriated fund balance	212,000		(212,000)
Proceeds from sale of capital assets	25,000	22,159	(2,841)
Installment purchase issuance	487,000	487,000	-
Transfers out:			
To Special Revenue Fund	(75,000)	(75,000)	-
To Capital Projects Fund	(120,000)	(120,000)	-
Total other financing sources (uses)	<u>529,000</u>	<u>314,159</u>	<u>(214,841)</u>
REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>234,427</u>	<u>\$ 234,427</u>
FUND BALANCE:			
Beginning of year		<u>5,514,342</u>	
End of year		<u>\$ 5,748,769</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; CDBG Entitlement Programs, and Unifour HOME Consortium Programs.

City of Lenoir, North Carolina

Special Revenue Fund
Supplemental Balance Sheets
June 30, 2014
(Schedule 3)

	<u>2014</u>
Assets	
Cash and cash equivalents	\$ 88,107
Other receivables	\$ 69,500
Total assets	<u>\$ 157,607</u>
Liabilities and fund balances	
Liabilities:	
Accounts payable	<u>2,526</u>
Total liabilities	<u>2,526</u>
Fund balances:	
Unassigned	<u>155,081</u>
Total fund balances	<u>155,081</u>
 Total liabilities and fund balances	 <u>\$ 157,607</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, 2014
(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	24,516	6,741	31,257	21,257
Interest earned on investments	-	1	-	1	1
Total revenues	<u>10,000</u>	<u>24,517</u>	<u>6,741</u>	<u>31,258</u>	<u>21,258</u>
Expenditures:					
Departmental Supplies	3,000	5,636		5,636	(2,636)
Training	3,000	4,985	349	5,334	(2,334)
Capital equipment	4,000	16,030	4,457	20,487	(16,487)
Total expenditures	<u>10,000</u>	<u>26,651</u>	<u>4,806</u>	<u>31,457</u>	<u>(21,457)</u>
Expenditures (over) revenues	-	(2,134)	1,935	(199)	(199)
FIT COMMUNITY GRANT:					
Revenues:					
Intergovernmental	65,000	55,799	-	55,799	(9,201)
Expenditures:					
Dept Supplies	125,000	123,725	2,860	126,585	(1,585)
Total expenditures	<u>125,000</u>	<u>123,725</u>	<u>2,860</u>	<u>126,585</u>	<u>(1,585)</u>
Expenditures (over) revenues	<u>(60,000)</u>	<u>(67,926)</u>	<u>(2,860)</u>	<u>(70,786)</u>	<u>(10,786)</u>
PARTF GRANT					
Revenues:					
Intergovernmental	175,000	88,305	53,449	141,754	(33,246)
Expenditures:					
Dept Supplies	100,000	45,075	64,325	109,400	(9,400)
Contract Services	50,000	-	-	-	50,000
Capital Expenditures	200,000	172,076		172,076	27,924
Total expenditures	<u>350,000</u>	<u>217,151</u>	<u>64,325</u>	<u>281,476</u>	<u>68,524</u>
Expenditures (over) revenues	<u>(175,000)</u>	<u>(128,846)</u>	<u>(10,876)</u>	<u>(139,722)</u>	<u>35,278</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, 2014
 (Schedule 4, Page 2)

	Project Authorization	Actual		Total To Date	Variance Positive (Negative)
		Prior Years	Current Year		
2011 COMMUNITY DEVELOPMENT BLOCK GRANT:					
Revenues:					
Intergovernmental	131,690	110,078	21,612	131,690	-
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	-	(31,827)	21,612	(10,215)	(10,215)
2012 COMMUNITY DEVELOPMENT BLOCK GRANT:					
Revenues:					
Intergovernmental	147,527	29,050	94,241	123,291	(24,236)
Expenditures:					
Debt principal	118,477	96,000	102,000	198,000	(79,523)
Debt interest	-	18,844	13,854	32,698	(32,698)
Administration	29,050	29,050	-	29,050	-
Total expenditures	147,527	143,894	115,854	259,748	(112,221)
Expenditures (over) revenues	-	(114,844)	(21,613)	(136,457)	(136,457)
2013 COMMUNITY DEVELOPMENT BLOCK GRANT:					
Revenues:					
Intergovernmental	155,258	-	31,052	31,052	(124,206)
Expenditures:					
Debt principal	124,206	-	-	-	124,206
Debt interest	-	-	-	-	-
Administration	31,052	-	31,052	31,052	-
Total expenditures	155,258	-	31,052	31,052	124,206
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, 2014
(Schedule 4, Page 3)**

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total To Date	
2011 UNIFOUR HOME CONSORTIUM:					
Revenues:					
Intergovernmental	1,036,727	908,940	127,787	1,036,727	-
Program income	100,000	132,739	-	132,739	32,739
Total revenue	<u>1,136,727</u>	<u>1,041,679</u>	<u>127,787</u>	<u>1,169,466</u>	<u>32,739</u>
Expenditures:					
Downpayment assistance	394,545	360,545	-	360,545	34,000
Program Income	100,000	122,239	-	122,239	(22,239)
CHDO	155,510	27,723	127,787	155,510	-
Administration	103,672	148,172	-	148,172	(44,500)
Multi-family housing	383,000	383,000	-	383,000	-
Total expenditures	<u>1,136,727</u>	<u>1,041,679</u>	<u>127,787</u>	<u>1,169,466</u>	<u>(32,739)</u>
Expenditures (over) revenues	-	-	-	-	-
2012 UNIFOUR HOME CONSORTIUM:					
Revenues:					
Intergovernmental	824,401	168,279	359,047	527,326	(297,075)
Program income	150,000	207,353	-	207,353	57,353
Total revenue	<u>974,401</u>	<u>375,632</u>	<u>359,047</u>	<u>734,679</u>	<u>(239,722)</u>
Expenditures:					
Downpayment assistance	450,300	112,839	287,046	399,885	50,415
Program Income	150,000	151,603	33,280	184,883	(34,883)
CHDO	123,661	-	-	-	123,661
Administration	82,440	105,440	31,000	136,440	(54,000)
Multi-family housing	168,000	-	7,000	7,000	161,000
Total expenditures	<u>974,401</u>	<u>369,882</u>	<u>358,326</u>	<u>728,208</u>	<u>246,193</u>
Expenditures (over) revenues	-	5,750	721	6,471	6,471

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, 2014
 (Schedule 4, Page 4)

	Project Authorization	Actual		Variance Positive (Negative)	
		Prior Years	Current Year		Total To Date
2013 UNIFOUR HOME CONSORTIUM:					
Revenues:					
Intergovernmental	777,392		201,964	201,964	(575,428)
Program income	200,000		227,229	227,229	27,229
Total revenue	977,392		429,193	429,193	(548,199)
Expenditures:					
Downpayment assistance	312,175		124,695	124,695	187,480
Program Income	200,000		11,283	11,283	188,717
CHDO	155,478			-	155,478
Administration	77,739		77,767	77,767	(28)
Multi-family housing	232,000			-	232,000
Total expenditures	977,392		213,745	213,745	763,647
Expenditures (over) revenues	-	-	215,448	215,448	215,448
Expenditures (over) revenues - all grants	\$ (235,000)	\$ (339,827)	\$ 204,367	\$ (135,460)	\$ 99,540
Other financing sources:					
Transfers from General Fund	235,000	163,269	75,000	238,269	3,269
Expenditures (over) revenues - all grants	\$ -	\$ (176,558)	279,367	\$ 102,809	\$ 102,809
FUND BALANCE:					
Beginning of year			(124,286)		
End of year			\$ 155,081		

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, 2014
(Schedule 5)**

	Capital Project Fund	Permanent Fund	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents-restricted	-	255,746	255,746
Other receivables	164,408	805	165,213
Total assets	<u>\$ 164,408</u>	<u>\$ 256,551</u>	<u>\$ 420,959</u>
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 296,767	\$ -	\$ 296,767
Due to other funds	191,871	-	191,871
Total liabilities	<u>488,638</u>	<u>-</u>	<u>488,638</u>
Fund balances:			
Restricted Cementary Care	-	256,551	256,551
Unassigned	(324,230)	-	(324,230)
Total fund balances	<u>(324,230)</u>	<u>256,551</u>	<u>(67,679)</u>
Total liabilities and fund balances	<u>\$ 164,408</u>	<u>\$ 256,551</u>	<u>\$ 420,959</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, 2014
 (Schedule 6)

	Capital Project Fund	Permanent Fund	Total Nonmajor Governmental Funds
Revenues			
Restricted intergovernmental revenues	\$ 164,408	\$ -	\$ 164,408
Investment earnings	-	237	237
Miscellaneous	2,745	-	2,745
Total revenues	<u>167,153</u>	<u>237</u>	<u>167,390</u>
Expenditures			
Current:			
Capital projects	<u>507,125</u>	-	<u>507,125</u>
Total expenditures	<u>507,125</u>	-	<u>507,125</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(339,972)</u>	<u>237</u>	<u>(339,735)</u>
Other financing sources (uses)			
From General Fund	<u>120,000</u>	-	<u>120,000</u>
Total other financing sources (uses)	<u>120,000</u>	-	<u>120,000</u>
Net change in fund balances	(219,972)	237	(219,735)
Fund balance - beginning	<u>(104,258)</u>	<u>256,314</u>	<u>152,056</u>
Fund balance - ending	<u>\$ (324,230)</u>	<u>\$ 256,551</u>	<u>\$ (67,679)</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, 2014

(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	156,562	2,745	159,307	114,607
Total revenue	<u>719,700</u>	<u>853,399</u>	<u>2,745</u>	<u>856,144</u>	<u>136,444</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	446,868	103	446,971	(277,271)
Contingency	45,500	-	-	-	45,500
Total expenditures	<u>2,181,700</u>	<u>2,159,087</u>	<u>103</u>	<u>2,159,190</u>	<u>22,510</u>
Expenditures (over) revenues	<u>(1,462,000)</u>	<u>(1,305,688)</u>	<u>2,642</u>	<u>(1,303,046)</u>	<u>158,954</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	862,218	11,761	873,979	(329,493)
Total expenditures	<u>1,181,178</u>	<u>1,162,889</u>	<u>11,761</u>	<u>1,174,650</u>	<u>6,528</u>
Expenditures (over) revenues	<u>(770,543)</u>	<u>(734,210)</u>	<u>(11,761)</u>	<u>(745,971)</u>	<u>24,572</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, 2014

(Schedule 7, Page 2)

	Project Authorization	Actual		Total To Date	Variance Positive (Negative)
		Prior Years	Current Year		
FAIRVIEW BRIDGE					
Revenues:					
NC Highway Grant	720,000	150,379	164,408	314,787	(405,213)
Expenditures:					
Engineering	200,000	207,215	23,093	230,308	(30,308)
Construction	700,000		472,168	472,168	227,832
Total expenditures	900,000	207,215	495,261	702,476	197,524
Expenditures (over) revenues	(180,000)	(56,836)	(330,853)	(387,689)	(207,689)
Expenditures (over) under revenues - all projects	(2,412,543)	(2,096,734)	(339,972)	(2,436,706)	(24,163)
OTHER FINANCING SOURCES(USES):					
Financing issuances	1,604,500	1,094,550	-	1,094,550	(509,950)
Transfer from General Fund	808,043	596,700	120,000	716,700	(91,343)
Total other financing sources	2,412,543	1,691,250	120,000	1,811,250	(601,293)
Revenues and other financing sources over expenditures	\$ -	(405,484)	(219,972)	\$ (625,456)	\$ (625,456)
Fund balance beginning of year		301,226	(104,258)		
Fund balance end of year		\$ (104,258)	\$ (324,230)		

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, 2014

(Schedule 8)

	2014		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
Revenues:			
Interest earned on investments	237	237	-
Total revenues	237	237	-
Revenues over expenditures	237	237	-
Revenues and other sources under expenditures and other uses	237	237	-
Fund Balance:			
Beginning of year		256,314	
End of year		\$ 256,551	

Agency Fund

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

City of Lenoir, North Carolina

Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For Fiscal Year Ended June 30, 2014
(Schedule 9)

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2014</u>
<u>CheckFree Pay</u>				
Assets				
Cash and cash equivalents	\$ 11,516	\$ 32,900	\$ 25,735	\$ 18,681
Total assets	<u>\$ 11,516</u>	<u>\$ 32,900</u>	<u>\$ 25,735</u>	<u>\$ 18,681</u>
Liabilities				
Due to other funds	\$ 11,516	\$ 32,900	\$ 25,735	\$ 18,681
Total liabilities	<u>\$ 11,516</u>	<u>\$ 32,900</u>	<u>\$ 25,735</u>	<u>\$ 18,681</u>
<u>Flex Spending</u>				
Assets				
Cash and cash equivalents	\$ 745	\$ 55,426	\$ 49,192	\$ 6,979
Total assets	<u>\$ 745</u>	<u>\$ 55,426</u>	<u>\$ 49,192</u>	<u>\$ 6,979</u>
Liabilities				
Due to other funds	\$ 745	\$ 55,426	\$ 49,192	\$ 6,979
Total liabilities	<u>\$ 745</u>	<u>\$ 55,426</u>	<u>\$ 49,192</u>	<u>\$ 6,979</u>
<u>Total All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 12,261	\$ 88,326	\$ 74,927	\$ 25,660
Total assets	<u>\$ 12,261</u>	<u>\$ 88,326</u>	<u>\$ 74,927</u>	<u>\$ 25,660</u>
Liabilities				
Due to other funds	\$ 12,261	\$ 88,326	\$ 74,927	\$ 25,660
Total liabilities	<u>\$ 12,261</u>	<u>\$ 88,326</u>	<u>\$ 74,927</u>	<u>\$ 25,660</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, 2014
(Schedule 10)

	<u>2014</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 2,973,883
Accounts receivable (net)	574,638
Inventories	61,973
Restricted Cash and cash equivalents	125,535
Total current assets	<u>3,736,029</u>
Noncurrent assets	
Capital assets, net	43,954,377
Total noncurrent assets	<u>43,954,377</u>
Total assets	<u>47,690,406</u>
Liabilities	
Current liabilities	
Accounts payable	207,661
Installment purchase contracts - current	1,511,863
Revolving loan payable - current	331,500
Customer deposits	125,535
Compensated absences payable	72,000
Total current liabilities	<u>2,248,559</u>
Noncurrent liabilities	
Revolving loan payable	5,337,771
Installment purchase contracts payable	3,003,926
OPEB Liability	61,524
Compensated absences payable	51,318
Total noncurrent liabilities	<u>8,454,539</u>
Total liabilities	<u>10,703,098</u>
Net Position	
Net investment in capital assets	33,769,317
Unrestricted Net Position	3,217,991
Total Net Position	<u>\$ 36,987,308</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, 2014

(Schedule 11, Part I)

	2014		VARIANCE
	BUDGET	ACTUAL	POSITIVE (NEGATIVE)
REVENUES:			
Operating revenues:			
Water sales	\$ 5,141,873	\$ 5,077,965	\$ (63,908)
Wastewater treatment charges	2,620,675	2,610,365	(10,310)
Water and sewer taps	22,000	26,200	4,200
Late payment/reconnect fees	230,000	233,345	3,345
Miscellaneous	188,000	419,534	231,534
Total operating revenues	8,202,548	8,367,409	164,861
Nonoperating revenues:			
Interest on investments	2,000	1,410	(590)
TOTAL REVENUES	<u>\$8,204,548</u>	<u>\$8,368,819</u>	<u>\$164,271</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, 2014

(Schedule II, Part II, Page 1)

EXPENDITURES:	2014		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
Rhodhiss Water Treatment Plant:			
Salaries and wages	\$ 278,511	\$ 266,684	\$ 11,827
Personnel benefits	119,011	113,164	5,847
Telephone and postage	2,700	3,606	(906)
Utilities	263,000	360,171	(97,171)
Travel and training	1,900	2,194	(294)
Maintenance:			
Building and grounds	10,000	2,305	7,695
Equipment	180,000	152,941	27,059
Motor equipment operation and mainten:	7,000	7,305	(305)
Departmental supplies	15,000	17,986	(2,986)
Uniforms	3,000	3,094	(94)
Contracted services	85,000	69,376	15,624
State testing	17,000	7,071	9,929
Chemicals	209,667	174,783	34,884
Insurance and bonds	22,842	20,210	2,632
Utility service fees	105,147	112,204	(7,057)
Miscellaneous	8,700	5,886	2,814
Total Rhodhiss Water Treatment Plant	1,328,478	1,318,980	9,498
Water Distribution:			
Salaries and wages	410,769	382,829	27,940
Personnel benefits	165,429	152,286	13,143
Professional services	5,000	1,980	3,020
Telephone and postage	38,000	53,267	(15,267)
Utilities	55,000	30,200	24,800
Travel and training	1,500	1,475	25
Maintenance:			
Equipment	7,000	14,044	(7,044)
Distribution system	49,000	24,938	24,062
Motor equipment operation and mainten.	52,000	99,228	(47,228)
Departmental supplies	95,000	75,992	19,008
Uniforms	4,000	1,902	2,098
Insurance and bonds	68,000	61,243	6,757
Contracted services	80,000	97,323	(17,323)
Service extensions	5,000	-	5,000
Subdivision reimbursement	-	1,440	(1,440)
Miscellaneous	20,500	16,483	4,017
Utility service fees	105,147	112,204	(7,057)
Economic development	13,000	5,152	7,848
Total Water Distribution	1,174,345	1,131,986	42,359
Water Resources			
Salaries and wages	255,801	265,879	(10,078)
Personnel benefits	93,965	97,312	(3,347)
Professional services	123,806	136,407	(12,601)

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, 2014

(Schedule 11, Part II, Page 2)

EXPENDITURES (Continued)	2014		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
Water Resources (Continued)			
Travel and training	\$ 2,500	\$ 4,207	\$ (1,707)
Telephone and postage	3,500	2,989	511
Equipment maintenance	26,000	8,186	17,814
Motor equipment operation and mainten	15,400	22,371	(6,971)
Departmental supplies	5,000	2,579	2,421
Uniforms	1,200	1,803	(603)
Contracted services	30,981	1,281	29,700
Insurance and bonds	950	881	69
Miscellaneous	15,850	2,713	13,137
Total Water Resources	574,953	546,608	28,345
Wastewater Collection			
Salaries and wages	127,072	153,004	(25,932)
Personnel benefits	54,878	55,951	(1,073)
Professional services	15,000	4,179	10,821
Telephone and postage	1,000	942	58
Utilities	19,500	32,043	(12,543)
Travel and training	1,500	962	538
Maintenance:			
Equipment	8,000	1,819	6,181
Sewage collection system	52,724	37,793	14,931
Motor equipment operation and mainten	50,000	64,356	(14,356)
Departmental supplies	15,000	8,444	6,556
Uniforms	2,500	2,500	-
Contracted services	20,000	13,165	6,835
Subdivision reimbursement	5,000	1,440	3,560
Insurance and bonds	53,809	48,043	5,766
Miscellaneous	5,500	3,492	2,008
Service extensions	5,000	-	5,000
Utility service fees	105,147	112,204	(7,057)
Total Wastewater Collection	541,630	540,337	1,293
Lower Creek Wastewater Treatment Plant:			
Salaries and wages	286,250	297,473	(11,223)
Personnel benefits	121,057	119,422	1,635
Professional services	5,000	1,641	3,359
Telephone and postage	4,000	3,069	931
Utilities	420,000	463,857	(43,857)
Travel and training	2,000	1,000	1,000
Maintenance:			
Building and grounds	5,000	1,717	3,283
Equipment	94,000	98,573	(4,573)
Motor equipment operation and mainten	15,000	20,303	(5,303)
Departmental supplies	20,000	36,385	(16,385)
Uniforms	1,500	2,431	(931)
Contracted services	7,500	14,067	(6,567)
Chemicals	180,000	88,845	91,155
Insurance and bonds	23,203	20,738	2,465
Miscellaneous	7,500	2,477	5,023
Utility service fees	105,147	112,204	(7,057)
Total Lower Creek Wastewater Treatment Plant	1,297,157	1,284,202	12,955

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, 2014

(Schedule 11, Part II, Page 3)

EXPENDITURES (Continued)	2014		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
Gunpowder Wastewater Treatment Plant:			
Salaries and wages	\$ 48,006	\$ 48,006	\$ -
Personnel benefits	15,906	15,505	401
Professional services	26,092	3,331	22,761
Telephone and postage	3,000	3,894	(894)
Utilities	143,000	180,448	(37,448)
Travel and training	500	-	500
Maintenance:			
Building and grounds	6,500	365	6,135
Equipment	12,000	26,377	(14,377)
Motor equipment operation and mainten:	13,000	15,392	(2,392)
Departmental supplies	10,000	8,482	1,518
Uniforms	1,600	1,750	(150)
Contracted services	41,000	4,094	36,906
Chemicals	60,000	69,028	(9,028)
Insurance and bonds	17,605	15,576	2,029
Miscellaneous	57,630	466	57,164
Utility service fees	105,147	112,204	(7,057)
Total Gunpowder Wastewater Treatment Plant	560,986	504,918	56,068
Wastewater Pretreatment:			
Salaries and wages	100,610	97,970	2,640
Personnel benefits	38,490	36,512	1,978
Travel and training	250	-	250
Equipment maintenance	1,000	-	1,000
Motor equipment operation and mainten	2,000	1,992	8
Uniforms	450	389	61
Supplies	14,000	17,783	(3,783)
Contracted services	30,000	28,218	1,782
Miscellaneous	1,000	214	786
Total Wastewater Pretreatment	187,800	183,078	4,722
Budgetary appropriations:			
Interest paid	364,441	339,813	24,628
Debt principal	2,109,758	2,118,792	(9,034)
Capital outlay:			
Equipment	65,000	107,999	(42,999)
Total budgetary appropriations	2,539,199	2,566,604	(27,405)
TOTAL EXPENDITURES	\$ 8,204,548	\$ 8,076,713	\$ 127,835

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, 2014

(Schedule 11, Part III)

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

	2014 Actual
Total revenues and other financing sources on Schedule 7, Part I, Water and Sewer	\$ 8,368,819
Total expenditures on Schedule 7, Part II, Water and Sewer	<u>8,076,713</u>
Revenues and other sources over (under) expenditures and other uses:	<u>292,106</u>
Reconciling items:	
Debt principal	2,118,792
(Increase) decrease in OPEB Liability	(12,760)
Increase(decrease) in Inventory	(8,609)
Capital outlay	107,999
(Increase) decrease in accrued vacation pay	(10,577)
Depreciation expense	<u>(1,230,635)</u>
Total reconciling items	<u>964,210</u>
Change in Net Position (Exhibit G)	<u>\$ 1,256,316</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, 2014

(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	<u>3,850,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,850,000)</u>
Expenditures:					
Engineering	493,000	1,749	269,163	270,912	(222,088)
Construction	3,052,000			-	(3,052,000)
Contingency	305,000			-	(305,000)
Closing Fee	77,000			-	(77,000)
Total expenditures	<u>3,927,000</u>	<u>1,749</u>	<u>269,163</u>	<u>270,912</u>	<u>(3,656,088)</u>
Expenditures (under) revenues					
Other financing sources (uses):					
Transfers from Water Fund	77,000			-	(77,000)
Total Other financing sources(uses):	<u>77,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(77,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses					
	<u>-</u>	<u>(1,749)</u>	<u>(269,163)</u>	<u>(270,912)</u>	<u>(270,912)</u>
Powell Road Greenway Sewer:					
Revenues:					
Clean Water Trust Fund Grant	\$ 578,500			-	(578,500)
Total revenues	<u>578,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(578,500)</u>
Expenditures:					
Engineering	66,060	13,260	12,000	25,260	(40,800)
Administration	11,570		33,199	33,199	21,629
Construction	488,040			-	(488,040)
Contingency	24,400			-	(24,400)
Total expenditures	<u>590,070</u>	<u>13,260</u>	<u>45,199</u>	<u>58,459</u>	<u>(531,611)</u>
Expenditures (under) revenues					
	<u>(11,570)</u>	<u>(13,260)</u>	<u>(45,199)</u>	<u>(58,459)</u>	<u>(46,889)</u>
Other financing sources (uses):					
Transfer from Water Fund	11,570			-	(11,570)
Revenues and other financing sources over (under) expenditures and other financing uses					
	<u>\$ -</u>	<u>\$ (13,260)</u>	<u>\$ (45,199)</u>	<u>\$ (58,459)</u>	<u>\$ (58,459)</u>
Total Water and Sewer Capital Project Fund					
	<u>\$ -</u>	<u>\$ (15,009)</u>	<u>\$ (314,362)</u>	<u>\$ (329,371)</u>	<u>\$ (329,371)</u>

Additional Financial Data

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

City of Lenoir, North Carolina

Schedule of Cash and Investment Balances

June 30, 2014

(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	759,909	759,909
In certificates of deposit	2,535,288	2,535,288
Total Cash	<u>3,297,182</u>	<u>3,297,182</u>
Investments - North Carolina Capital Management Trust		
Term Trust	1,536,484	1,536,484
	3,007,721	\$ 3,007,721
Total Cash and Investments	<u>\$ 7,841,387</u>	<u>\$ 7,841,387</u>
Distribution by Funds:		
Governmental Fund types	\$ 4,741,969	\$ 4,741,969
Enterprise Fund	3,099,418	3,099,418
Total	<u>\$ 7,841,387</u>	<u>\$ 7,841,387</u>

City of Lenoir, North Carolina

Schedule of Ad Valorem Taxes Receivable
 June 30, 2014
 (Schedule 14)

Fiscal Year	Uncollected Balance 7/1/2013	Additions	Collections and Credits	Uncollected Balance 6/30/2014
2013-2014	\$ -	\$ 7,797,546	\$ 7,367,200	\$ 430,346
2012-2013	385,408		112,529	272,879
2011-2012	265,953		40,523	225,430
2010-2011	291,793		45,379	246,414
2009-2010	60,843		13,476	47,367
2008-2009	147,991		39,299	108,692
2007-2008	101,450		3,933	97,517
2006-2007	76,049		5,309	70,740
2005-2006	69,276		2,379	66,897
2004-2005	34,286		1,788	32,498
2003-2004	40,532		40,532	-
Total	\$ 1,473,581	\$ 7,797,546	\$ 7,672,347	1,598,780

Less allowance for uncollectible ad valorem taxes receivable:

Ad valorem and vehicle	\$ 1,285,241	
Downtown Service District	37,158	1,322,399

Ad valorem taxes receivable - net \$ 276,381

Reconciliation with revenues:

Ad valorem taxes (Schedule 2)	\$ 7,593,573
Discounts allowed	146,470
Prior year releases	9,115
Amounts written off per statute of limitations	39,606
Subtotal	<u>7,788,764</u>
Less penalties and interest collected	<u>116,417</u>

Total collections and credits \$ 7,672,347

City of Lenoir, North Carolina

Analysis of Current Tax Levy
 June 30, 2014
 (Schedule 15)

	Total Property Valuation	Rate	Amount of Levy	Total Levy	
				Property Excluding Vehicles	Motor Vehicles
Original levy:					
Ad Valorem	\$ 1,651,670,893	\$ 0.56	\$ 9,249,357	\$ 9,249,357	
Downtown Service District	11,426,800	0.25	28,567	28,567	
Motor Vehicles:					
General	136,972,321	0.56	767,045		\$ 767,045
Downtown Service District	32,800	0.25	82		\$ 82
Discoveries			285,132	285,132	
Releases			(2,532,637)	(2,503,351)	(29,286)
Total for year	<u>1,800,102,814</u>		7,797,546	7,059,705	737,841
Less uncollected tax at June 30, 2014 (schedule 14)			<u>430,346</u>	<u>384,306</u>	<u>46,040</u>
Current year's taxes collected			<u>\$ 7,367,200</u>	<u>\$ 6,675,399</u>	<u>\$ 691,801</u>
Percent current year collected			94.48%	94.56%	93.76%

*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, 2014

(Schedule 16)

Function and Activity	Land	Buildings and Improvements	Machinery and Equipment	Infrastructure	Construction in Progress	Total
General government:						
Administrative	\$ 842,376	\$ 885,701	\$ 854,841	\$ 759,098	\$ -	\$ 3,342,016
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	1,085,100	1,512,939	1,608,456	759,098	-	4,965,593
Public Safety:						
Police	170,165	1,606,695	3,681,533	-	-	5,458,393
Fire	207,202	692,229	3,015,207	-	-	3,914,638
Total public safety	377,367	2,298,924	6,696,740	-	-	9,373,031
Transportation:						
Streets	55,277	3,182,590	2,143,801	42,085,910	698,718	48,166,296
Environmental protection:						
Sanitation	9,500	19,969	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	6,493,783	610,729	1,069,840	185,399	9,866,956
Landscaping	10	396,104	280,949	-	-	677,053
Total recreation & culture	1,507,216	6,889,887	891,678	1,069,840	185,399	10,544,019
Total governmental funds capital assets	\$ 3,034,460	\$ 13,916,542	\$ 12,844,845	\$ 43,914,848	\$ 884,117	\$ 74,594,813

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				
	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Governmental activities					
Net investment in capital assets	\$ 22,061,411	\$ 22,394,419	\$ 22,797,645	\$ 22,986,647	\$ 24,252,972
Restricted	535,140	793,977	887,159	1,102,646	752,328
Unrestricted	3,202,086	3,820,178	6,041,293	6,416,440	5,440,565
Total governmental activities net position	\$ 25,798,637	\$ 27,008,574	\$ 29,726,097	\$ 30,505,733	\$ 30,445,865
Business-type activities					
Net investment in capital assets	\$ 22,091,119	\$ 22,490,872	\$ 23,447,459	\$ 24,623,994	\$ 26,673,159
Unrestricted	\$ 1,972,867	\$ 4,430,821	\$ 5,984,846	\$ 6,086,897	\$ 4,853,315
Total business-type activities net position	\$ 24,063,986	\$ 26,921,693	\$ 29,432,305	\$ 30,710,891	\$ 31,526,474
Primary government					
Net investment in capital assets	\$ 44,152,530	\$ 44,885,291	\$ 46,245,104	\$ 47,610,641	\$ 50,926,131
Restricted	535,140	793,977	887,159	1,102,646	752,328
Unrestricted	5,174,953	8,250,999	12,026,139	12,503,337	10,293,880
Total primary government net position	\$ 49,862,623	\$ 53,930,267	\$ 59,158,402	\$ 61,216,624	\$ 61,972,339
	Fiscal Year				
	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Governmental activities					
Net investment in capital assets	\$ 23,881,197	\$ 24,687,510	\$ 24,742,318	\$ 23,908,648	\$ 23,908,648
Restricted	319,048	2,068,689	1,628,404	2,090,733	2,090,733
Unrestricted	5,986,460	3,495,229	2,749,865	2,589,418	2,589,418
Total governmental activities net position	\$ 30,186,705	\$ 30,251,438	\$ 29,120,587	\$ 28,588,799	\$ 28,588,799
Business-type activities					
Net investment in capital assets	\$ 28,630,531	\$ 30,152,606	\$ 31,523,163	\$ 32,458,799	\$ 32,458,799
Unrestricted	\$ 3,208,275	\$ 3,602,725	\$ 3,311,422	\$ 3,272,193	\$ 3,272,193
Total business-type activities net position	\$ 31,838,806	\$ 33,755,331	\$ 34,834,585	\$ 35,730,992	\$ 35,730,992
Primary government					
Net investment in capital assets	\$ 52,511,728	\$ 54,840,116	\$ 56,265,481	\$ 56,367,447	\$ 57,281,050
Restricted	319,048	2,068,689	1,628,404	2,090,733	2,033,820
Unrestricted	9,204,735	6,329,412	6,061,287	5,861,611	6,065,019
Total primary government net position	\$ 62,035,511	\$ 63,238,227	\$ 63,955,172	\$ 64,319,791	\$ 65,379,889

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

	Fiscal Year				
	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Expenses					
Governmental activities:					
General government	\$ 2,454,329	\$ 2,287,280	\$ 2,532,093	\$ 2,842,285	\$ 3,147,449
Public safety	7,476,799	7,367,978	7,571,235	7,782,866	8,462,402
Transportation	2,001,950	1,987,133	1,877,492	1,964,505	2,278,315
Environmental protection	734,658	709,224	615,014	745,097	754,872
Economic and physical development	2,161,581	2,232,939	1,580,064	1,920,170	1,463,317
Culture and recreation	1,545,599	1,650,517	1,836,837	1,609,285	2,234,821
Interest and fees	94,776	96,311	203,560	186,902	158,792
Total governmental activities expenses	16,469,592	16,331,382	16,216,285	17,251,110	18,489,968
Business-type activities:					
Water and sewer	5,980,258	6,180,758	6,742,217	6,740,901	6,790,236
Total primary government expenses	\$ 22,449,850	\$ 22,512,140	\$ 22,958,502	\$ 23,992,011	\$ 25,280,204
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 842,158	\$ 919,369	\$ 300,365	\$ 273,237	\$ 498,629
Public safety	79,986	177,690	323,431	339,085	151,214
Transportation	12,316	32,916	355,179	466,496	-
Environmental protection	14,958	452,279	454,131	515,359	525,142
Economic and physical development	7,648	5,625	-	276,584	210,111
Culture and recreation	153,557	152,553	207,022	151,973	225,302
Operating grants and contributions	2,534,568	2,956,330	3,787,830	2,258,081	1,831,041
Capital grants and contributions	1,532,924	391,751	802,339	394,448	800,431
Total governmental activities program revenues	5,178,115	5,088,513	6,230,297	4,675,263	4,241,870
Business-type activities:					
Charges for services:					
Water and sewer	6,799,186	7,011,120	7,803,997	7,474,691	7,472,724
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	365,400	1,580,890	1,153,392	12,979	-
Total business-type activities program revenues	7,164,586	8,592,010	8,957,389	7,487,670	7,472,724
Total primary government program revenues	\$ 12,342,701	\$ 13,680,523	\$ 15,187,686	\$ 12,162,933	\$ 11,714,594
Net (Expense)/Revenue					
Governmental activities	\$ (11,291,477)	\$ (11,242,869)	\$ (9,985,988)	\$ (12,575,847)	\$ (14,248,098)
Business-type activities	1,184,328	2,411,252	2,215,172	746,769	682,488
Total primary government net expense	\$ (10,107,149)	\$ (8,831,617)	\$ (7,770,816)	\$ (11,829,078)	\$ (13,565,610)

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

	Fiscal Year				
	2004-2005	2005-2006	2006-2007	2006-2007	2008-2009
General Revenues and Other Changes in Net Position					
Governmental activities:					
Ad valorem taxes	\$ 6,404,153	\$ 7,051,605	\$ 6,995,180	\$ 6,995,180	\$ 8,076,972
Other taxes and licenses	2,844,646	2,992,602	3,249,329	3,249,329	3,717,692
Unrestricted intergovernmental	1,272,757	1,165,617	1,244,682	1,244,682	1,517,749
Miscellaneous	792,211	837,805	765,656	765,656	435,693
Gain (loss) on sale of fixed assets	112,461	51,084	-	-	25,862
Transfers	(86,371)	-	-	-	-
Payment from ABC Board	218,371	207,863	164,229	164,229	292,227
Interest earned on Investments	53,823	146,230	284,435	284,435	122,035
Total governmental activities	<u>11,612,051</u>	<u>12,452,806</u>	<u>12,703,511</u>	<u>12,703,511</u>	<u>14,188,230</u>
Business-type activities:					
Miscellaneous	151,235	274,373	37,690	37,690	55,100
Gain (loss) on sale of fixed assets	-	-	-	-	-
Transfers	86,371	-	-	-	-
Interest earned on Investments	65,885	172,082	257,750	257,750	77,995
Total business-type activities	<u>303,491</u>	<u>446,455</u>	<u>295,440</u>	<u>295,440</u>	<u>133,095</u>
Total primary government	<u>\$ 11,915,542</u>	<u>\$ 12,899,261</u>	<u>\$ 12,998,951</u>	<u>\$ 12,998,951</u>	<u>\$ 14,321,325</u>
Changes in Net Position					
Governmental activities	\$ 320,574	\$ 1,209,937	\$ 2,717,523	\$ 127,664	\$ (59,868)
Business-type activities	1,487,819	2,857,707	2,510,612	1,042,209	815,583
Total primary government	<u>\$ 1,808,393</u>	<u>\$ 4,067,644</u>	<u>\$ 5,228,135</u>	<u>\$ 1,169,873</u>	<u>\$ 755,715</u>

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

	Fiscal Year				
	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Expenses					
Governmental activities:					
General government	\$ 2,688,903	\$ 2,521,169	\$ 3,195,538	\$ 3,046,921	\$ 3,179,927
Public safety	8,474,676	8,609,721	8,215,430	8,207,917	8,048,078
Transportation	2,128,596	2,131,705	2,097,876	2,347,838	2,261,096
Environmental protection	772,091	829,299	703,246	855,159	842,366
Economic and physical development	1,955,860	1,683,790	2,197,798	1,355,971	1,282,460
Culture and recreation	2,025,347	2,051,873	2,196,855	2,007,287	2,040,197
Interest and fees	124,370	106,965	90,971	65,475	47,645
Total governmental activities expenses	18,169,843	17,934,522	18,697,714	17,886,568	17,701,769
Business-type activities:					
Water and sewer	7,012,770	6,748,649	7,049,311	6,961,985	7,112,339
Total primary government expenses	\$ 25,182,613	\$ 24,683,171	\$ 25,747,025	\$ 24,848,553	\$ 24,814,108
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 664,933	\$ 777,946	\$ 1,059,899	\$ 410,011	\$ 516,150
Public safety	196,711	194,263	180,689	411,362	383,282
Transportation	19,926	21,151	29,707	19,484	9,772
Environmental protection	562,743	556,164	629,383	630,546	626,488
Economic and physical development	238,413	106,171	4,851	2,300	3,100
Culture and recreation	253,693	216,991	212,195	263,552	214,129
Operating grants and contributions	2,227,212	2,006,622	2,871,333	1,685,037	1,702,475
Capital grants and contributions	752,229	868,037	202,102	365,146	225,658
Total governmental activities program revenues	4,915,860	4,747,345	5,190,159	3,787,438	3,681,054
Business-type activities:					
Charges for services:					
Water and sewer	7,220,490	7,241,793	7,575,832	7,777,598	7,947,875
Operating grants and contributions	-	1,374,704	-	-	-
Capital grants and contributions	-	-	500,000	-	-
Total business-type activities program revenues	7,220,490	8,616,497	8,075,832	7,777,598	7,947,875
Total primary government program revenues	\$ 12,136,350	\$ 13,363,842	\$ 13,265,991	\$ 11,565,036	\$ 11,628,929
Net (Expense)/Revenue					
Governmental activities	\$ (13,253,983)	\$ (13,187,177)	\$ (13,507,555)	\$ (14,099,130)	\$ (14,020,715)
Business-type activities	207,720	1,867,848	1,026,521	815,613	835,536
Total primary government net expense	\$ (13,046,263)	\$ (11,319,329)	\$ (12,481,034)	\$ (13,283,517)	\$ (13,185,179)

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

	Fiscal Year				
	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
General Revenues and Other Changes In Net Position					
Governmental activities:					
Ad valorem taxes	\$ 7,208,622	\$ 7,370,866	\$ 6,824,494	\$ 7,514,078	\$ 7,544,703
Other taxes and licenses	3,470,522	3,762,006	3,840,310	3,902,194	3,516,230
Unrestricted intergovernmental	1,464,036	1,524,091	1,539,309	1,743,940	2,046,411
Miscellaneous	598,576	229,488	86,751	260,959	469,942
Gain (loss) on sale of fixed assets	29,815		16,794	(74,023)	20,993
Payment from ABC Board	216,980	207,532	219,868	213,630	223,333
Interest earned on investments	18,273	10,351	7,163	6,564	2,885
Total governmental activities	<u>13,004,823</u>	<u>13,104,334</u>	<u>12,534,689</u>	<u>13,567,342</u>	<u>13,824,497</u>
Business-type activities:					
Miscellaneous	94,948	44,429	49,674	78,318	419,534
Interest earned on investments	9,666	4,248	3,059	2,476	1,246
Total business-type activities	<u>104,612</u>	<u>48,677</u>	<u>52,733</u>	<u>80,794</u>	<u>420,780</u>
Total primary government	<u>\$ 13,109,435</u>	<u>\$ 13,153,011</u>	<u>\$ 12,587,422</u>	<u>\$ 13,648,136</u>	<u>\$ 14,245,277</u>
Changes In Net Position					
Governmental activities					
Governmental activities	\$ (249,160)	\$ (82,843)	\$ (972,866)	\$ (531,788)	\$ (196,218)
Business-type activities					
Business-type activities	312,332	1,916,525	1,079,254	896,407	1,256,316
Total primary government	<u>\$ 63,172</u>	<u>\$ 1,833,682</u>	<u>\$ 106,388</u>	<u>\$ 364,619</u>	<u>\$ 1,060,098</u>

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

	Fiscal Year				
	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
General Fund					
NonSpendable					
Restricted	\$ 1,769,710	\$ 2,120,509	\$ 3,414,011	3,525,760	2,498,565
Assigned					
Unassigned	2,024,965	2,285,977	3,188,151	3,319,100	3,653,831
Total general fund	\$ 3,794,675	\$ 4,406,486	\$ 6,602,162	\$ 6,844,860	\$ 6,152,396
All Other Governmental Funds					
NonSpendable	\$ 276,356	\$ 779,053	\$ 230,543	\$ 240,783	\$ 248,177
Restricted	152,025	491,232	695,086	952,521	520,420
Unassigned					
Total all other governmental funds	\$ 428,381	\$ 1,270,285	\$ 925,629	\$ 1,193,304	\$ 768,597

	Fiscal Year				
	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
General Fund					
NonSpendable		\$ 29,608	\$ 34,643	\$ 6,827	
Restricted	2,116,002	2,012,151	1,762,940	1,827,592	1,777,269
Assigned		610,557	555,964	488,178	396,760
Unassigned	3,760,253	2,896,417	3,028,662	3,211,745	3,574,740
Total general fund	\$ 5,876,255	\$ 5,548,733	\$ 5,382,209	\$ 5,514,342	\$ 5,748,789
All Other Governmental Funds					
NonSpendable	\$ 251,441	\$ 253,553	\$ 255,181	\$ 256,314	\$ 256,551
Restricted	187,512				
Unassigned		(238,358)	(318,786)	(228,544)	(169,149)
Total all other governmental funds	\$ 438,953	\$ 15,195	\$ (61,605)	\$ 27,770	\$ 87,402

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				
	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Revenues					
Ad valorem taxes	\$ 6,352,008	\$ 7,054,808	\$ 7,021,088	\$ 7,058,908	\$ 8,127,462
Other taxes and licenses	2,844,046	2,992,602	3,249,329	3,994,985	3,717,692
Unrestricted intergovernmental revenues	1,272,757	1,165,617	1,244,682	1,424,792	1,617,749
Restricted intergovernmental revenues	2,737,488	3,253,485	3,090,169	2,974,919	2,877,185
Permits and fees	168,753	136,040	138,612	142,832	183,048
Sales and services	941,870	1,509,588	1,501,516	1,603,518	1,422,771
Investment earnings	53,823	146,230	284,435	288,351	122,034
Miscellaneous	2,122,215	1,027,205	2,265,656	339,070	194,659
Payment from ABC Board	218,371	207,863	164,229	152,732	292,227
Total revenues	16,711,929	17,493,436	18,959,716	17,949,905	18,454,728
Expenditures					
General government	2,321,369	2,171,212	3,048,958	2,957,706	3,884,092
Public safety	7,163,269	7,080,079	7,288,312	7,448,694	7,845,639
Transportation	1,188,640	1,176,854	1,062,932	1,232,217	1,479,813
Environmental protection	675,569	653,224	568,268	702,819	925,713
Economic and physical development	2,162,690	2,355,938	1,590,722	2,038,158	1,505,639
Cultural and recreation	1,411,359	1,507,834	1,676,889	1,660,371	2,138,932
Capital outlay	2,462,304	3,276,177	930,585	529,984	1,164,897
Debt service:					
Interest	94,775	98,281	203,560	148,795	158,793
Principal	601,831	717,440	837,537	1,068,530	931,228
Total expenditures	18,071,626	19,036,039	17,806,761	17,781,072	20,224,745
Excess of revenues over (under) expenditures	(1,359,697)	(1,542,601)	1,152,955	168,833	(1,770,017)
Other Financing Sources (Uses)					
Proceeds from installment purchase	1,199,300	2,454,000	1,189,297	305,000	621,653
Proceeds from disposal of capital assets	112,461	51,084		38,540	31,193
Transfers in	265,635	173,725	285,946	300,000	
Transfers out	(352,006)	(173,725)	(285,946)	(300,000)	
Total other financing sources (uses)	1,225,390	2,505,084	1,189,297	341,540	652,846
Net change in fund balances	\$ (134,307)	\$ 962,483	\$ 2,342,252	\$ 510,373	\$ (1,117,171)
Debt service as a percentage of noncapital expenditures	4.46%	5.18%	6.17%	7.03%	5.72%

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				
	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Revenues					
Ad valorem taxes	\$ 7,274,284	\$ 7,245,878	\$ 7,020,833	\$ 7,455,803	\$ 7,693,573
Other taxes and licenses	3,470,522	3,762,006	3,840,310	3,902,194	3,516,230
Unrestricted intergovernmental revenues	1,484,038	1,524,091	1,539,309	1,743,940	2,046,411
Restricted intergovernmental revenues	1,110,953	938,984	3,224,873	2,050,183	2,079,522
Permits and fees	117,900	199,682	196,548	200,737	191,572
Sales and services	1,481,369	1,551,101	1,669,626	1,536,518	1,561,348
Investment earnings	14,578	8,788	7,163	6,564	2,885
Miscellaneous	542,745	219,547	88,751	260,959	318,553
Payment from ABC Board	216,950	207,532	219,888	213,630	223,333
Total revenues	15,693,367	15,657,619	17,605,281	17,370,628	17,533,427
Expenditures					
General government	2,485,008	2,303,427	3,001,812	2,950,137	3,613,421
Public safety	7,823,997	7,981,579	7,502,219	7,859,864	7,582,589
Transportation	1,359,189	1,418,860	1,384,885	1,733,257	1,634,821
Environmental protection	679,803	748,417	775,384	785,039	731,850
Economic and physical development	526,443	580,395	2,187,637	1,365,763	1,280,943
Cultural and recreation	1,794,162	1,805,049	2,023,630	1,887,295	1,856,223
Capital Projects	315,225	658,659	265,098	10,561	507,125
Debt service:					
Interest	106,730	78,943	90,971	65,475	47,645
Principal	851,467	778,766	908,763	625,924	493,910
Total expenditures	15,942,024	16,352,095	18,420,399	17,283,315	17,748,527
Excess of revenues over (under) expenditures	(248,657)	(694,476)	(615,118)	87,213	(215,100)
Other Financing Sources (Uses)					
Proceeds from installment purchase		528,000	355,000		487,000
Proceeds from disposal of capital assets	32,516		16,794	134,295	22,159
Transfers in					
Transfers out	(60,000)	(138,637)			
Total other financing sources (uses)	(27,484)	387,363	371,794	134,295	509,159
Net change in fund balances	\$ (276,141)	\$ (307,113)	\$ (243,324)	\$ 221,508	\$ 294,059
Debt service as a percentage of noncapital expenditures	6.13%	5.46%	5.51%	4.00%	3.14%

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
2013-2014	\$ 1,130,125,353	\$ 498,978,974	\$ 50,029,243	\$ 27,462,677	\$ 1,651,670,893	0.560
2012-2013	\$ 1,292,901,589	\$ 327,303,390	\$ 53,176,053	\$ 199,850,139	\$ 1,473,530,893	0.560
2011-2012	\$ 1,255,742,776	\$ 264,497,419	\$ 46,472,323	\$ 182,117,594	\$ 1,384,594,924	0.540
2010-2011	\$ 1,278,228,976	\$ 241,451,644	\$ 47,030,270	\$ 182,808,563	\$ 1,383,902,327	0.540
2009-2010	\$ 1,295,925,277	\$ 178,707,495	\$ 47,677,991	\$ 179,894,259	\$ 1,294,738,526	0.540
2008-2009	\$ 1,278,292,193	\$ 342,060,097	\$ 52,755,382	\$ 180,616,306	\$ 1,439,735,997	0.540
2007-2008	\$ 1,035,914,424	\$ 240,938,577	\$ 48,887,415	\$ 16,267,165	\$ 1,260,585,849	0.540
2006-2007	\$ 1,018,965,821	\$ 230,768,919	\$ 45,431,078	\$ 16,267,165	\$ 1,233,467,588	0.540
2005-2006	\$ 995,405,224	\$ 259,007,632	\$ 40,670,706	\$ 15,925,498	\$ 1,238,487,371	0.540
2004-2005	\$ 862,613,830	\$ 248,782,003	\$ 41,022,024	\$ 12,274,563	\$ 1,099,121,283	0.540

Notes: Real and personal property assessed by Caldwell County.

* Quadrennial reappraisal of real and personal property.

Public service companies values certified by State of North Carolina.

Property assessed at 100% of value.

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

Fiscal Year	City Direct Rates			Overlapping Rates		
	City of Lenoir Basic Rate	Downtown Service District	Caldwell County Basic Rate	Rescue Squad		
2013-2014	\$ 0.5600	\$ 0.2500	\$ 0.6000	\$ 0.0085		
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		

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	2003					2013				
	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	
				Value	Value				Value	Value
Broyhill Furniture Industries, Inc.	\$ 79,848,973	1	\$ 1,248,641,753	6.39%	\$	4	\$ 1,473,530,893	1.46%		
Bemhardt Furniture Company	37,009,796	2		2.96%	21,446,261	2		1.72%		
Kincaid Furniture Company, Inc.	19,557,375	3		1.57%	25,272,870	8		1.03%		
Yale/Nacco Materials Handling Corp.	18,307,020	4		1.56%	15,234,048					
Duke Energies	13,879,409	5			23,850,245	3		1.62%		
BellSouth	12,673,302	6		1.01%						
Thomasville Furniture Industries	11,634,019	7		0.93%						
Nepco, Inc.	11,143,526	8		0.89%						
Meridian Automotive	10,939,651	9		0.88%	15,589,959	6		1.06%		
Lowes' Home Improvement	9,233,651	10		0.74%						
Googler/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	\$ 224,286,722		\$ 1,248,641,753	16.94%	\$ 446,540,893		\$ 1,473,530,893	29.39%		

Source: Caldwell County Tax Assessor

Table 3
City of Lenoir, North Carolina
Property Tax Levies and Collections
Last Ten Fiscal Years
(unaudited)

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2014	\$ 7,797,546	\$ 7,367,200	94.48%		\$ 7,367,200	94.48%
2013	\$ 7,614,484	\$ 7,176,790	94.25%		\$ 7,176,790	94.25%
2012	\$ 7,249,166	\$ 6,764,851	93.32%	\$ 258,885	\$ 7,023,736	96.89%
2011	\$ 7,274,696	\$ 6,782,376	93.23%	\$ 245,906	\$ 7,028,282	96.61%
2010	\$ 7,414,997	\$ 6,982,155	94.16%	\$ 385,475	\$ 7,367,630	99.36%
2009	\$ 8,360,977	\$ 7,938,577	94.95%	\$ 313,708	\$ 8,252,285	98.70%
2008	\$ 7,286,869	\$ 6,833,707	94.17%	\$ 325,645	\$ 7,159,352	98.66%
2007	\$ 7,142,878	\$ 6,823,643	95.53%	\$ 248,495	\$ 7,072,138	99.01%
2006	\$ 7,112,171	\$ 6,819,748	95.89%	\$ 225,526	\$ 7,045,274	99.06%
2005	\$ 6,379,392	\$ 6,087,777	95.43%	\$ 259,117	\$ 6,346,894	99.49%

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	Section 108 Loan	Revolving Loan			
2014	\$ -	\$ 1,296,679	\$ 222,000	\$ 5,669,271	\$ 4,515,789	\$ -	\$ -	\$ 11,703,739	\$ -	\$ 653	
2013	\$ -	\$ 1,201,586	\$ 324,000	\$ 6,243,763	\$ 6,050,089	\$ -	\$ -	\$ 13,628,438	\$ 0.20%	\$ 763	
2012	\$ -	\$ 1,731,513	\$ 420,000	\$ 6,818,254	\$ 7,541,918	\$ -	\$ -	\$ 16,511,685	\$ 0.17%	\$ 911	
2011	\$ -	\$ 2,193,276	\$ 512,000	\$ 3,657,397	\$ 8,972,267	\$ -	\$ -	\$ 15,234,940	\$ 0.18%	\$ 834	
2010	\$ -	\$ 2,446,042	\$ 598,000	\$ 3,949,253	\$ 10,367,183	\$ -	\$ -	\$ 17,360,478	\$ 0.16%	\$ 911	
2009	\$ -	\$ 3,297,509	\$ 680,000	\$ 1,214,859	\$ 11,785,145	\$ -	\$ -	\$ 16,977,613	\$ 0.17%	\$ 896	
2008	\$ -	\$ 3,530,084	\$ 757,000	\$ 1,457,951	\$ 13,196,821	\$ -	\$ -	\$ 18,941,856	\$ 0.14%	\$ 999	
2007	\$ -	\$ 4,291,585	\$ 831,000	\$ 1,700,943	\$ 14,544,131	\$ -	\$ -	\$ 21,367,609	\$ 0.13%	\$ 1,150	
2006	\$ -	\$ 3,870,775	\$ 900,000	\$ 1,943,935	\$ 15,888,695	\$ -	\$ -	\$ 22,603,405	\$ 0.12%	\$ 1,223	
2005	\$ -	\$ 3,034,215	\$ -	\$ 2,186,927	\$ 13,824,187	\$ -	\$ -	\$ 19,045,329	\$ 0.14%	\$ 1,032	

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
2014	\$ -	0.00%	\$ -
2013	\$ -	0.00%	\$ -
2012	\$ -	0.00%	\$ -
2011	\$ -	0.00%	\$ -
2010	\$ -	0.00%	\$ -
2009	\$ -	0.00%	\$ -
2008	\$ -	0.00%	\$ -
2007	\$ -	0.00%	\$ -
2006	\$ -	0.00%	\$ -
2005	\$ -	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, 2014
(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	\$ 1,385,000	27.63%	\$ 382,676
Other debt			
Caldwell County equity purchase contracts	45,205,720	27.63%	<u>12,490,340</u>
Subtotal, overlapping debt			12,873,016
Lenoir direct debt			1,518,679
Total direct and overlapping debt			<u>\$ 14,391,695</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, 2014:

Assessed valuation - January 1, 2013	\$ 1,800,102,814	
Debt Limit - 8% of assessed value		\$ 144,008,225
Gross long-term debt	\$ 11,703,739	
Less statutory deductions		
Bonds applicable to water system	<u> -</u>	<u>11,703,739</u>
Legal debt margin		<u>\$ 132,304,486</u>

	Fiscal Year				
	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Debt limit	\$ 91,178,633	\$ 102,141,498	\$ 102,277,255	\$ 104,757,860	\$ 119,399,309
Total net debt applicable to limit	<u>19,045,329</u>	<u>22,603,405</u>	<u>21,387,609</u>	<u>18,968,321</u>	<u>19,543,813</u>
Legal debt margin	<u>\$ 72,133,304</u>	<u>\$ 79,538,091</u>	<u>\$ 80,889,646</u>	<u>\$ 85,791,539</u>	<u>\$ 99,855,698</u>
Total net debt applicable to the limit as a percentage of debt limit	20.89%	22.13%	20.91%	18.10%	16.37%

	Fiscal Year				
	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Debt limit	\$ 114,986,842	\$ 115,475,883	\$ 118,214,283	\$ 126,641,794	\$ 144,008,225
Total net debt applicable to limit	<u>17,360,478</u>	<u>18,879,854</u>	<u>16,502,686</u>	<u>13,829,441</u>	<u>11,703,739</u>
Legal debt margin	<u>\$ 97,626,364</u>	<u>\$ 96,596,129</u>	<u>\$ 101,711,597</u>	<u>\$ 112,812,353</u>	<u>\$ 132,304,486</u>
Total net debt applicable to the limit as a percentage of debt limit	15.10%	16.35%	13.96%	10.92%	8.13%

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
2013	17,912	*	*	7.5%
2012	18,123	\$ 2,304	\$ 28,121	12.9%
2011	18,123	\$ 2,240	\$ 27,261	13.5%
2010	18,261	\$ 2,238	\$ 26,958	12.4%
2009	19,064	\$ 2,235	\$ 27,969	13.4%
2008	18,952	\$ 2,246	\$ 28,127	10.7%
2007	18,954	\$ 2,162	\$ 27,240	7.4%
2006	18,588	\$ 2,177	\$ 27,520	7.8%
2005	18,479	\$ 2,086	\$ 26,480	7.8%
2004	18,458	\$ 2,039	\$ 26,005	7.3%

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				
	2005	2006	2007	2008	2009
General Government					
Administrative	12.0	10.0	12.5	10.5	14.0
Building Maintenance	4.0	5.0	5.0	5.0	6.0
Engineering	3.0	3.0	3.0	3.0	3.0
Cemeteries	3.0		1.0	1.0	1.0
Vehicle Services	4.0	4.0	4.0	4.0	4.0
Public Safety					
Police	75.0	70.5	73.0	78.0	76.0
Fire	63.0	60.0	60.0	63.0	65.0
Transportation					
Streets	13.0	15.0	12.0	13.0	14.5
Environmental Protection					
Sanitation	11.0	12.0	13.0	11.5	12.5
Economic and Physical Development					
Downtown District	2.0	2.0	2.0	2.0	2.0
Planning	3.0	3.0	4.0	4.0	5.0
Culture and Recreation					
Centers and Parks	10.0	9.0	14.0	31.0	29.0
Aquatic and Fitness Center	15.0	17.0	18.5	22.0	22.5
Landscaping	7.0	6.5	6.0	8.0	6.5
Water and Sewer Utility					
Bernhardt Water Treatment Plant	9.0	8.0	9.0	9.0	9.0
Water Distribution	18.0	17.0	15.0	17.0	13.0
Water Resources					6.0
Wastewater Collection	6.0	6.0	6.0	6.0	6.0
Wastewater Pretreatment	3.0	3.0	3.0	3.0	3.0
Gunpowder and Lower Creek Wastewater Treatment Plants	10.0	11.0	11.0	11.0	11.0
Total	271.0	262.0	272.0	302.0	309.0

	Full-time-Equivalent Employees as of June 30				
	2010	2011	2012	2013	2014
General Government					
Administrative	13.0	14.5	15.5	12.5	14.0
Building Maintenance	6.0	6.0	6.0	6.0	6.0
Engineering	2.0	2.0	2.0	2.0	2.0
Cemeteries	1.0	1.0	1.0	1.0	1.0
Vehicle Services	4.0	4.0	4.0	4.0	4.0
Public Safety					
Police	76.0	77.5	77.0	70.0	69.0
Fire	65.0	66.0	66.0	59.0	59.0
Transportation					
Streets	14.5	14.5	14.5	14.0	14.5
Environmental Protection					
Sanitation	12.5	13.5	12.5	11.5	12.5
Economic and Physical Development					
Downtown District	2.0	2.0	2.0	2.0	2.0
Planning	6.0	5.0	5.0	4.0	5.0
Culture and Recreation					
Centers and Parks	28.0	27.5	25.0	20.5	25.0
Aquatic and Fitness Center	21.0	22.0	22.0	22.5	21.0
Landscaping	6.5	7.5	9.5	8.0	8.0
Water and Sewer Utility					
Bernhardt Water Treatment Plant	9.0	9.0	9.0	9.0	9.0
Water Distribution	14.0	14.0	14.0	13.0	12.5
Water Resources	5.0	7.0	7.0	7.0	7.0
Wastewater Collection	6.0	5.0	4.5	4.5	5.5
Wastewater Pretreatment	3.0	3.0	3.0	3.0	3.0
Gunpowder and Lower Creek Wastewater Treatment Plants	11.0	11.0	11.0	11.0	11.0
Total	305.5	312.0	310.5	284.5	291.0

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				
	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Police					
Physical arrests	3,492	1,878	2,099	1,842	1,861
Incident reports	1,471	2,242	2,087	2,168	2,138
Parking violations	2,169	1,768	1,484	1,442	1,029
Citations Issued	4,057	4,432	3,850	2,837	2,062
Fire					
Calls answered	1,927	2,406	2,699	2,417	2,414
Inspections	509	422	490	379	311
Sanitation					
Refuse collected (tons per day)	*	48.88	45.71	34.77	27.68
Streets					
Street resurfacing (miles)	2.76	2.75	1.00	1.50	1.36
Parks and Recreation					
Aquatic/Fitness memberships	*	540	1,085	506	743
Aquatic/Fitness admissions	*	*		7,369	7,440
Youth sports participants	558	356	612	1,008	1,040
Adult sports participants	245	203	320	395	658
Water system					
New connections	99	78	56	39	35
Water main breaks	34	52	43	43	38
Number of utility customers	8,478	9,544	9,647	9,702	9,743
Daily avg consumption in million gallons	6.2	6.3	6.4	6.2	5.8
Wastewater system					
Number of utility customers	7,819	7,851	8,324	8,403	8,463
Daily avg treatment in million gallons	3.28	2.92	3.41	3.41	3.82

Program/Function	Fiscal Year				
	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Police					
Physical arrests	1,918	1,935	2,179	2,121	2,357
Incident reports	2,221	2,051	1,948	2,007	2,068
Parking violations	858	863	349	575	690
Citations Issued	2,548	2,571	2,846	2,683	3,344
Fire					
Calls answered	2,566	2,663	2,431	2,610	2,610
Inspections	405	311	297	355	337
Sanitation					
Refuse collected (tons per day)	22.92	27.26	25.93	23.54	23.98
Streets					
Street resurfacing (miles)	0.76	0.75	0.00	1.49	2.20
Parks and Recreation					
Aquatic/Fitness memberships	1,353	1,053	1,908	2,078	2,379
Aquatic/Fitness admissions	9,046	11,552	11,640	11,509	19,919
Youth sports participants	1,034	1,045	1,070	1,115	1,155
Adult sports participants	324	288	265	235	125
Water system					
New connections	25	30	25	21	22
Water main breaks	17	28	35	29	30
Number of utility customers	9,670	9,673	9,583	9,684	9,657
Daily avg consumption in million gallons	5.6	6.2	7.2	5.6	6.1
Wastewater system					
Number of utility customers	8,320	8,209	8,110	8,002	7,862
Daily avg treatment in million gallons	4.25	3.43	3.14	3.99	3.41

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				
	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Police					
Stations	1	1	1	1	1
Substations	5	5	5	5	5
Patrol units	38	59	52	52	52
Fire					
Stations	2	2	2	2	2
Sanitation					
Collection trucks	6	6	6	6	6
Streets					
Miles of paved streets	110.62	119.66	119.79	120.52	121.55
Miles of unpaved streets	3.02	3.02	2.69	2.64	2.64
Street lights	2,496	2,461	2,545	2,550	2,567
Parks and Recreation					
Community centers	3	3	4	4	4
Parks	2	2	4	4	4
Swimming pools	2	2	2	2	2
Tennis courts	8	8	8	8	8
Baseball/softball diamonds	6	8	10	10	10
Soccer fields	11	11	11	12	12
Miles of greenway	2	4.38	7.20	7.80	8.00
Water system					
Miles of water lines	207.8	207.8	207.8	208.0	219.4
Fire hydrants	991	991	992	992	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	175.79	196.07	205.07	205.07	215.11
Miles of storm sewers	25	20	20	20	20
Maximum daily capacity (millions of gallons)	8	8	8	8	8
Treatment Plants	2	2	2	2	2
Program/Function	Fiscal Year				
	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Police					
Stations	1	1	1	1	1
Substations	5	5	5	2	2
Patrol units	52	52	62	47	47
Fire					
Stations	2	2	2	2	2
Sanitation					
Collection trucks	7	7	7	7	7
Streets					
Miles of paved streets	121.55	121.55	121.55	121.55	121.55
Miles of unpaved streets	2.64	2.64	2.64	2.39	2.39
Street lights	2,575	2,577	2,576	2,633	2,633
Parks and Recreation					
Community centers	4	4	4	4	4
Parks	4	4	4	4	4
Swimming pools	2	2	2	2	2
Tennis courts	8	8	8	8	8
Baseball/softball diamonds	10	10	10	10	10
Soccer fields	12	12	12	12	12
Miles of greenway	8.00	10.00	10.00	10.00	10.00
Water system					
Miles of water lines	219.4	219.4	219.4	219.4	219.4
Fire hydrants	1,070	1,070	1,070	1,070	1,070
Storage capacity (millions of gallons)	13.4	13.4	13.4	13.4	13.4
Maximum daily capacity (millions of gallons)	12	12	12	12	12
Treatment Plants	1	1	1	1	1
Wastewater system					
Miles of sewage lines	215.11	215.11	215.11	215.11	215.11
Miles of storm sewers	20	20	20	20	20
Maximum daily capacity (millions of gallons)	8	8	8	8	8
Treatment Plants	2	2	2	2	2

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, 2014 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 10, 2014. 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 2014-1 and 2014-2 that we consider to be significant deficiencies.

Compliance and Other Matters

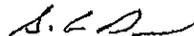
As part of obtaining reasonable assurance about whether the City of Lenoir's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material 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 10, 2014

S. Eric Bowman, P.A.

CERTIFIED PUBLIC ACCOUNTANT

403 South Green Street
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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

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, 2014. 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, 2014.

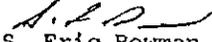
Report on Internal Control Over Compliance

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 10, 2014

S. Eric Bowman, P.A.

CERTIFIED PUBLIC ACCOUNTANT

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

Independent Auditor's Report

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

Report on Compliance for Its Major State Program

We have audited the City of Lenoir, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on the City of Lenoir's major state program for the year ended June 30, 2014. The City of Lenoir's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Its Major State Program

In our opinion, the City of Lenoir complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended June 30, 2014.

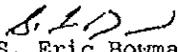
Report on Internal Control Over Compliance

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 10, 2014

CITY OF LENOIR, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- * Material weakness(es) identified? ___yes X no
- * Significant deficiencies identified
that are not considered to be
material weaknesses X yes ___none reported

Noncompliance material to financial
statements noted ___yes X no

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

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

CITY OF LENOIR, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

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?

yes no

State Awards

Internal control over major State programs:

* Material weakness(es) identified?

yes no

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

yes none reported

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

Any audit findings disclosed that are required
to be reported in accordance with the State
Single Audit Implementation Act

yes no

Identification of major State programs:

Program Name

Powell Bill Program

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

Internal Controls Over Financial Reporting

2014-1

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.

2014-2

Condition: The City overexpended several departments in the General Fund and Enterprise Fund totaling \$27 536 and \$52 033 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, 2014

- Finding: 2014-1
- 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: 2014-2
- 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, 2013

Finding 2013-1

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

Finding 2013-2

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

City of Lenoir, North Carolina

Schedule of Federal and State Awards
For the Year Ended June 30, 2014
(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		\$ 146,905	\$	\$	\$ 146,905
Passed Through the N. C. Department of Commerce: HOME Investments Partnership Program:						
Unifour HOME Consortium	14.239	M-11-DC-37-0208	127,787			127,787
Unifour HOME Consortium	14.239	M-12-DC-37-0208	359,047			359,047
Unifour HOME Consortium	14.239	M-13-DC-37-0208	201,963			201,963
Subtotal Unifour HOME Consortium			688,797			688,797
Total U.S. Department of Housing and Urban Development			835,702			835,702
U.S. Department of Transportation Passed Through the N. C. Department of Transportation:						
Governor's Highway Safety Program	20.600	PT 2013-03	6,741			6,741
Street Improvements-Fairview	20.205	B-5011	164,408		41,102	205,510
Pedestrian Planning	20.205	M-0371	31,500		13,500	45,000
Total U.S. Department of Transportation			202,649		54,602	257,251
U.S. Department of Justice Direct Program:						
Federal Forfeiture	16.922		7,747			7,747
Total Federal Cash Awards			\$ 1,046,058	\$	\$ 54,602	\$ 1,100,700

City of Lenoir, North Carolina

Schedule of Federal and State Awards
For the Year Ended June 30, 2014
(Schedule 18, Page 2)

Grantor Pass-Through Grantor Program Title	Federal CFDA Number	State Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
State Awards:						
Cash Programs						
<u>N.C. Department of Transportation Powell Bill</u>			\$	\$ 571,645	\$	\$ 571,645
<u>N.C. Department of Public Instruction Intervention/Prevention Program</u>				80,881		80,881
<u>N.C. Department of Commerce Main Street Solutions Fund</u>				175,000		175,000
<u>N.C. Department of Parks and Recreation Park Garden Grant</u>				53,450	53,450	106,900
Total N.C. Department of Parks and Recreation				1,059	1,059	1,059
Total State Cash Awards				54,509	53,450	107,959
Total Federal and State Awards			\$ 1,046,098	\$ 882,035	\$ 108,052	\$ 2,036,185

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.