

**Comprehensive
Annual Financial Report
For the Fiscal Year Ended
June 30, 2011**

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
DAVID W. BARLOW

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

September 12, 2011

Honorable Mayor David Barlow
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, 2011.

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 is reported as a discretely presented component unit.

City of Lenoir Profile

Located in the foothills of the Blue Ridge Mountains, the City of Lenoir is the county seat of Caldwell County. Incorporated in 1851 and named in honor of Revolutionary War hero, General William Lenoir, the City has become an industrial center of northwestern North Carolina, as well as being the hub of commercial and government activity in the county. Lenoir is the largest incorporated area in the County and serves a population of 18,261. 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 and Mulberry Street bridges, downtown streetscape, the greenway, the Watershed project, 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 2010-2011. 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 2010-2011. 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. The redevelopment of the former Wal-Mart shopping center resulted in new retail investment in the highway 321 north corridor. Private investment in the downtown revitalization area was less than the previous year. Vacant and underutilized industrial and manufacturing space continues to be a challenge for Lenoir.

To continue the city's on-going efforts in the revitalization of downtown, the streetscape project continued during this fiscal year. The re-working of overhead utilities to underground, the improvement of traffic flow, plantings, the updating of the veterans memorial, 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, 2011, 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, 2011 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, 2010. This was the thirteenth consecutive year that the City of Lenoir has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

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

Sincerely,

CITY OF LENOIR

A handwritten signature in black ink, appearing to read 'W. Lane Bailey', with a stylized flourish at the end.

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, 2011**

Elected Officials

**Mayor
Mayor Pro Tempore
City Council**

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

Appointed Official

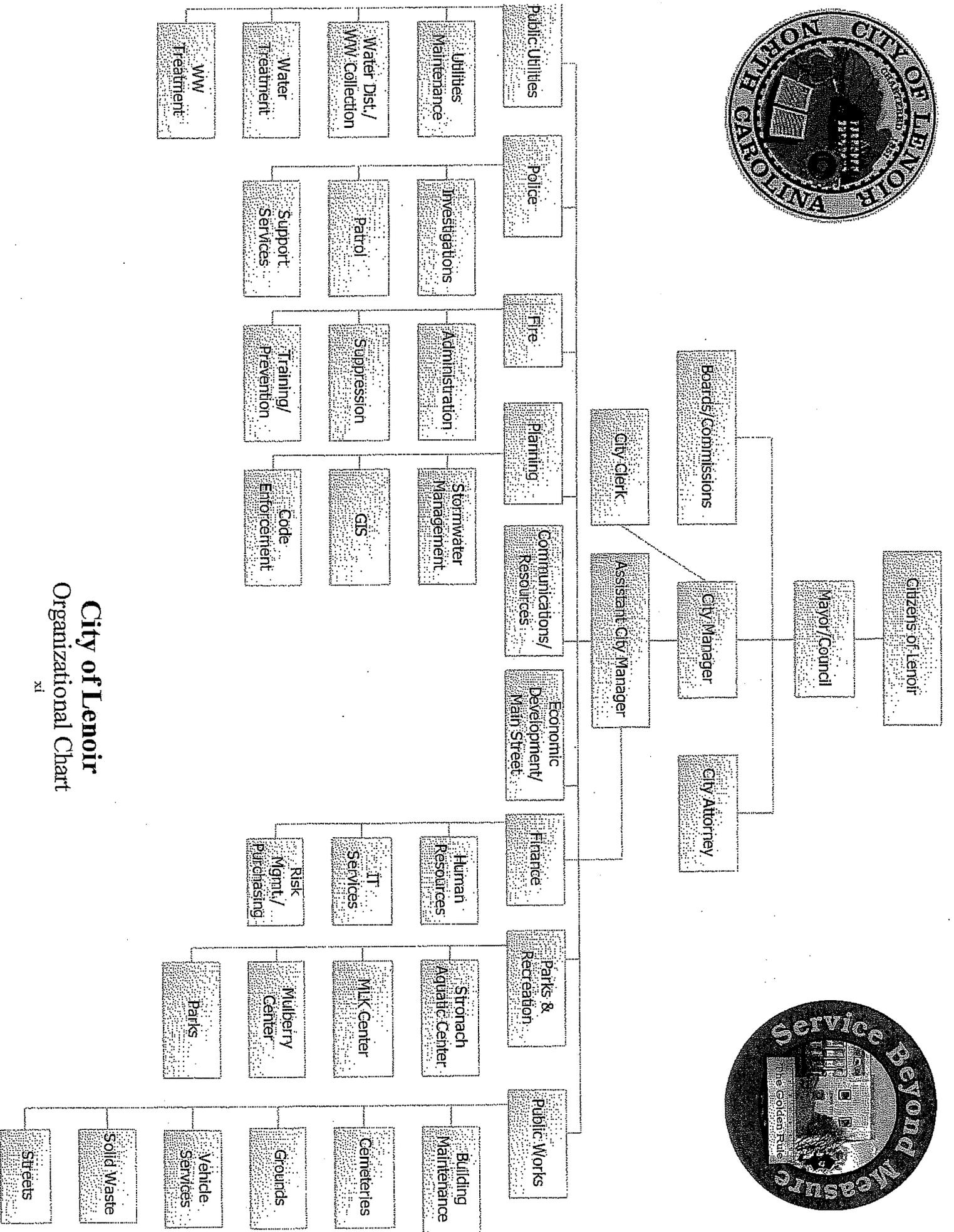
City Manager

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**

Charles A. Beatty
Charles K. Beck
Edward H. Blair, Jr.
Kenneth M. Briscoe
Mack W. Edmisten
Joseph M. Reynolds
Nick Dula
Robert S. Winkler
Danny A. Gilbert
P. Kaye Reynolds



City of Lenoir
Organizational Chart

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, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

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 of the
City of Lenoir, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Lenoir's management. Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the financial statements of the City of Lenoir ABC Board. Those financial statements were audited by other auditors whose reports thereon have 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 reports 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 Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The financial statements of City of Lenoir ABC Board were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lenoir, North Carolina as of June 30, 2011, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 18, 2011 on our consideration of City of Lenoir's internal control over financial reporting and 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 controls over financial reporting and compliance on the results of that testing and not to provide an opinion on internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance and Other Post Employment Benefits (OPEB) Schedule of Funding Progress and Schedule of Employer Contributions 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 consisted 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lenoir's financial statements as a whole. The introductory section, combining and individual fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act, and is also not a required part of the financial statements. The combining and individual fund financial statements and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.


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

City of Lenoir, North Carolina

Management's Discussion and Analysis
For the Year ended June 30, 2011

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, 2011. 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

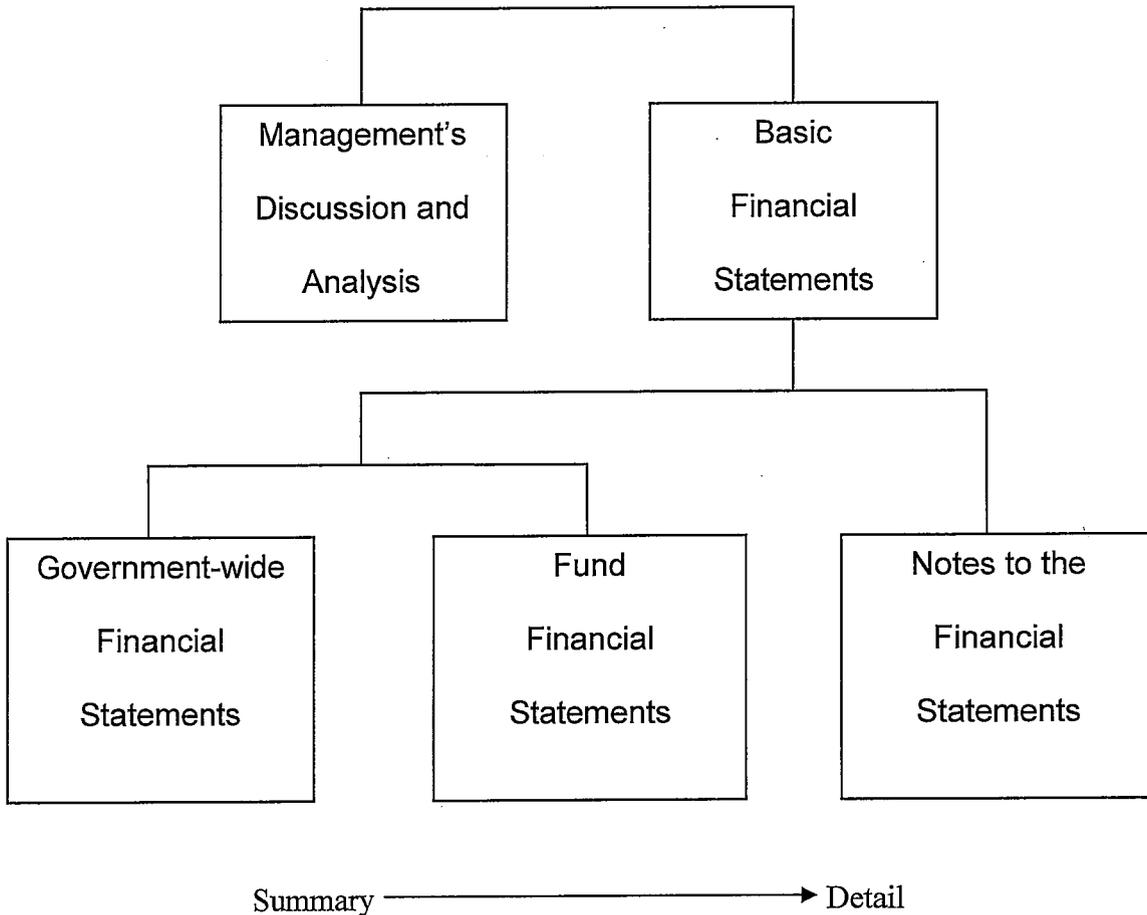
- The assets of the City of Lenoir exceeded its liabilities at the close of the fiscal year by \$63,848,784 (*net assets*).
- The government's total net assets increased by \$1,833,682 with an \$82,843 decrease in governmental activities and a \$1,916,525 increase in business-type activities.
- As of the close of the current fiscal year, the City of Lenoir's governmental funds reported combined ending fund balances of \$5,563,928 a decrease of \$751,280 in comparison with the prior year. Approximately 58.75 percent of this total amount or \$3,268,616 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 \$2,896,417 or 17.72 percent of total general fund expenditures for the fiscal year.
- The City of Lenoir's total debt increased by \$101,414 or .54 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.

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 assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets is one way to gauge the City's financial condition.

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

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

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Lenoir, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of City of Lenoir can be divided into two categories: governmental funds and proprietary funds.

Management's Discussion and Analysis
For the Year ended June 30, 2011

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 Assets 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 Assets 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, 2011

employees. Required supplementary information can be found beginning on page 59 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets 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 by \$63,848,784 as of June 30, 2011 (figure 2).

The City of Lenoir's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and Other Assets	\$ 631,351	\$ 691,743	\$ 4,189,067	\$ 4,373,794	\$ 10,500,418	\$ 11,285,537
Capital Assets	27,940,905	27,648,452	46,327,183	42,946,424	74,268,088	70,594,876
Total Assets	\$ 34,252,256	\$ 34,560,195	\$ 50,516,250	\$ 47,320,218	\$ 84,768,506	\$ 81,880,413
Long-Term Liabilities	3,874,695	4,105,282	16,337,786	14,471,218	20,212,481	18,576,500
Other Liabilities	284,108	257,938	423,134	1,010,194	707,242	1,268,132
Total Liabilities	\$ 4,158,803	\$ 4,363,220	\$ 16,760,920	\$ 15,481,412	\$ 20,919,723	\$ 19,844,632
Net Assets						
Invested in capital assets, net of related debt	24,687,510	23,881,197	30,152,606	28,630,531	54,840,116	52,511,728
Restricted	2,068,699	319,048			2,068,699	319,048
Unrestricted	3,337,244	5,995,460	3,602,725	3,208,275	6,939,969	9,204,735
	\$ 30,093,453	\$ 30,196,705	\$ 33,755,331	\$ 31,838,806	\$ 63,848,784	\$ 62,035,511

Figure 2

The largest portion of the City of Lenoir's net assets (85.9 percent) reflects 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 assets (3.24%) 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 assets (\$6,939,969) may be used to meet the

City of Lenoir, North Carolina

Management's Discussion and Analysis
For the Year ended June 30, 2011

government's ongoing obligations to citizens and creditors. The increase in net assets is due mainly to the construction of the Raw Water Intake at the Rhodhiss Water Plant and completion of the Mulberry Street Bridge.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 94.13
- Adherence to the adopted budget
- Timely collection process from outside agencies

Governmental activities: Governmental activities decreased the City's net assets by \$82,843 (Figure 3) Key elements of this increase are as follows:

- Completion of the Mulberry Street Bridge

City of Lenoir Changes in Net Assets
Figure 3

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues:						
Charges for services	\$ 1,872,686	\$ 1,936,419	\$ 7,241,793	\$ 7,220,490	\$ 9,114,479	\$ 9,156,909
Operating grants & contrib.	2,006,622	2,227,212			2,006,622	2,227,212
Capital grants & contrib.	868,037	752,229	1,374,704		2,242,741	752,229
General revenues:						
Property taxes	7,370,866	7,206,622			7,370,866	7,206,622
Other taxes	3,762,006	3,470,522			3,762,006	3,470,522
Unrestricted intergov.	1,524,091	1,464,036			1,524,091	1,464,036
Other	447,371	863,643	48,677	104,612	496,048	968,255
Total revenues	17,851,679	17,920,683	8,665,174	7,325,102	26,516,853	25,245,785
Expenses						
General government	2,521,169	2,688,903			2,521,169	2,688,903
Public safety	8,609,721	8,474,676			8,609,721	8,474,676
Transportation	2,131,705	2,128,596			2,131,705	2,128,596
Environmental protection	829,299	772,091			829,299	772,091
Economic and physical dev.	1,683,790	1,955,860			1,683,790	1,955,860
Culture and recreational	2,051,873	2,025,347			2,051,873	2,025,347
Interest and fees	106,965	124,370			106,965	124,370
Water and sewer			6,748,649	7,012,770	6,748,649	7,012,770
Total expenses	17,934,522	18,169,843	6,748,649	7,012,770	24,683,171	25,182,613
Increase(decrease) in net asset	(82,843)	(249,160)	1,916,525	312,332	1,833,682	63,172
Net assets, July 1	30,196,705	30,445,865	31,838,806	31,526,474	62,035,511	61,972,339
Prior Period Adjustment	(20,409)				(20,409)	-
Net assets, June 30	\$ 30,093,453	\$ 30,196,705	\$ 33,755,331	\$ 31,838,806	\$ 63,848,784	\$ 62,035,511

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

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

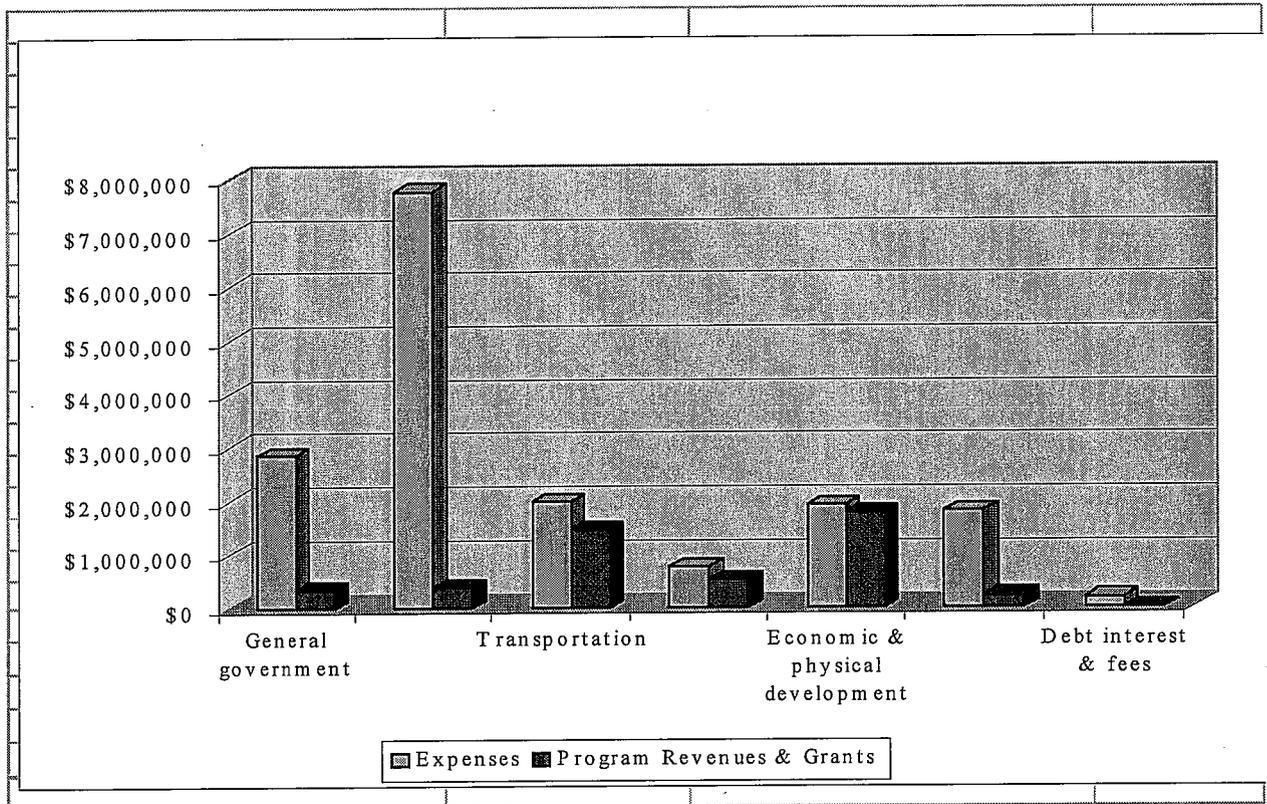
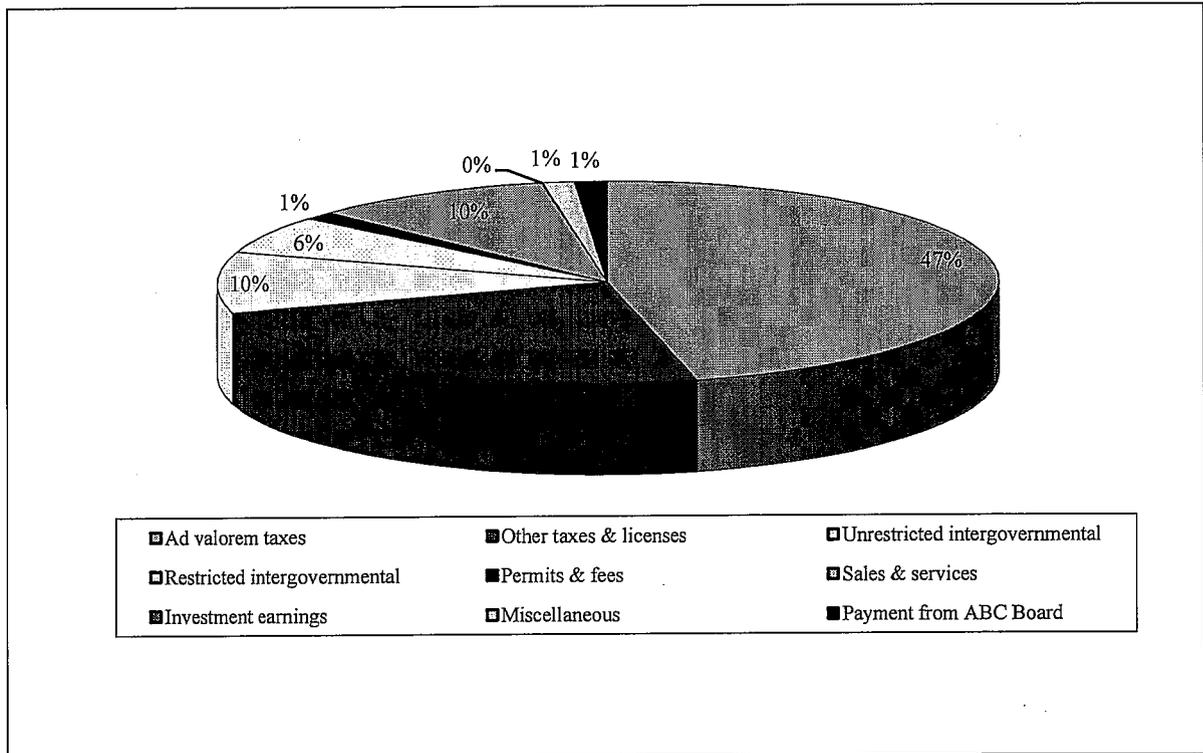


Figure 5 is a graphic presentation of governmental revenues by source.

Revenue by Source – Governmental Activities
Figure 5



Business-type activities: Business-type activities increased the City of Lenoir's net assets by \$1,916,525. Key elements of this increase are as follows:

- Construction and updating the Rhodiss Water Plant Raw Water Intake
- Strict adherence to adopted budget

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, unreserved 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 \$3,506,974, while total fund balance reached \$5,548,733. 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 21.45 percent of total General Fund expenditures, while total fund balance represents 33.93 percent of that same amount. The decrease in available fund balance is due mainly to the timely collection process from outside services and additional payroll due to a biweekly pay schedule.

At June 30, 2011, the governmental funds of City of Lenoir reported a combined fund balance of \$5,563,928 an 11.90 percent decrease over last year. Included in this change in fund balance are decreases in the General Fund, Special Revenue Fund, and 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:

Each department had an increase from the original budget. The resulting \$574,293 was funded by a combination of increased revenues and appropriated fund balance and \$526,000 from the financing package. The increase in the budget was for an extra payroll due to a biweekly pay schedule, economic development grants, a truck and a roof at fire station #1.

City of Lenoir, North Carolina

Management's Discussion and Analysis
For the Year ended June 30, 2011

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 assets of the Water and Sewer Fund at the end of the fiscal year amounted to \$3,602,725. The fund's net assets increased by \$1,916,525. The factors concerning the finances of this fund have already been addressed in the discussion of the City of Lenoir's business-type activities.

Capital Asset and Debt Administration

Capital assets. The City of Lenoir's investment in capital assets for its governmental and business-type activities as of June 30, 2011, totals \$74,268,088 (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:

- Construction in progress Raw Water Intake at the Rhodhiss Water Plant and other water utility construction
- Major bridge construction

City of Lenoir's Capital Assets

Figure 6

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land	\$ 3,124,711	\$ 3,197,386	\$ 239,714	\$ 239,714	\$ 3,364,425	\$ 3,437,100
Buildings and improvements	7,384,226	7,245,371	-	-	7,384,226	7,245,371
Infrastructure	13,397,418	12,283,423	-	-	13,397,418	12,283,423
Equipment	3,305,885	3,480,396	3,794,352	791,765	7,100,237	4,272,161
Plant and systems			36,648,913	36,920,584	36,648,913	36,920,584
Construction in progress	728,665	1,441,876	5,644,204	4,994,361	6,372,869	6,436,237
Total	\$ 27,940,905	\$ 27,648,452	\$ 46,327,183	\$ 42,946,424	\$ 74,268,088	\$ 70,594,876

Additional information on the City's capital assets can be found in note III. A. 4 and 5, beginning on page 40 of this report.

Management's Discussion and Analysis
For the Year ended June 30, 2011

Long-term Debt. As of June 30, 2011, the City of Lenoir had total debt outstanding of \$3,557,397 in a State and Water Pollution Control Revolving loans, \$512,000 in a Section 108 Loan, a construction loan of \$3,644,914 and installment purchase contracts of \$11,165,543. (Figure 7)

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

Figure 7

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Section 108 Loan	\$ 512,000	\$ 598,000			\$ 512,000	\$ 598,000
Revolving Loans	-	-	3,557,397	3,949,253	3,557,397	3,949,253
Construction Loan			3,644,914		3,644,914	-
Installment Purchase Contracts	2,193,276	2,446,042	8,972,267	11,785,145	11,165,543	14,231,187
Total	\$ 2,705,276	\$ 3,044,042	\$ 16,174,578	\$ 15,734,398	\$ 18,879,854	\$ 18,778,440

The above debt of the City of Lenoir increased by \$101,414 (0.54%) during the past fiscal year. The construction loan was for the raw water intake was started for \$3,664,914.

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 \$96,596,129.

Additional information regarding the City of Lenoir's long-term debt can be found in note III. B. 5 beginning on page 52 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.

Management's Discussion and Analysis
For the Year ended June 30, 2011

During fiscal year 2010-2011, the economic impact of the national recession was mirrored in the economic health of Lenoir. The double-digit unemployment rate for the Hickory-Lenoir-Morganton MSA, coupled with the decline of value in Wachovia and Bank of Granite stocks, led to less disposable income for many Lenoir 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.

To continue the city's on-going efforts in the revitalization of downtown, streetscape project was continued during the fiscal year. The re-working of the central business district to include the addition of a new veteran's memorial and updating the quadrant next to City Hall has brought a new awareness of our pleasant environment for downtown business.

The City continues to construct additional segments to our greenway. We now have approximately 8.0 miles of paved greenway within the corporate limits. The project is a partnership involving the N.C. Department of Transportation, the City of Lenoir, and Caldwell County Pathways Committee.

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

Budget Highlights for the Fiscal Year Ending June 30, 2011

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, 2010. The General Fund budget was based on less than 1.59 percent decrease in total revenues and expenditures from the prior year. No new general governmental fees were added.

Business-Type Activities: Again in light of economic pressures, the City of Lenoir, in the last 2 to 3 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 9.76 percent decrease 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 Assets
June 30, 2011
(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	\$ 4,110,909	\$ 3,498,955	\$ 7,609,864	\$ 126,090	\$ 53,690	\$ 7,789,644
Cash and cash equivalents - restricted	252,747	112,370	365,117			365,117
Taxes receivable (net)	463,315	501,638	1,165,122	141	4,983	463,315
Accounts receivable (net)	663,484	791,288	791,288			1,170,246
Other receivables	791,288	76,104	76,104	251,622		791,288
Inventories			76,104			327,726
Prepaid items	29,608		29,608	2,315		31,923
Capital assets:						
Nondepreciable Capital Assets	3,853,376	5,883,918	9,737,294			9,737,294
Depreciable Capital Assets	24,087,529	40,443,265	64,530,794	550,012		65,080,806
Total assets	<u>34,252,256</u>	<u>50,516,251</u>	<u>84,768,507</u>	<u>930,180</u>	<u>58,673</u>	<u>85,757,360</u>
Liabilities						
Accounts payable	283,188	330,764	613,952	122,001		735,953
Accrued liabilities				65,874		65,874
Customer deposits		112,370	112,370			112,370
Unearned revenues	920		920			920
Long term obligations:						
Due in less than one year	1,099,879	5,539,119	6,638,998			6,638,998
Due in more than one year	2,774,816	10,778,667	13,553,483			13,553,483
Total liabilities	<u>4,158,803</u>	<u>16,760,920</u>	<u>20,919,723</u>	<u>187,875</u>	<u>-</u>	<u>21,107,598</u>
Net assets						
Invested in capital assets, net of related debt	24,687,510	30,152,606	54,840,116	550,012		55,390,128
Restricted for:						
Cemetery (Perpetual Care)	253,553		253,553			253,553
Prepaid Items	29,608		29,608			29,608
Stabilization by State Statute	1,454,772		1,454,772		4,983	1,459,755
Federal Forfeiture	33,328		33,328			33,328
Public Safety	297,438		297,438			297,438
Unrestricted	3,337,244	3,602,725	6,939,969	192,293	53,690	7,185,952
Total net assets	<u>\$ 30,093,453</u>	<u>\$ 33,755,331</u>	<u>\$ 63,848,784</u>	<u>\$ 742,305</u>	<u>\$ 58,673</u>	<u>\$ 64,649,762</u>

City of Lenoir, North Carolina
Statement of Activities
Year Ended June 30, 2011
(Exhibit B)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units		Total Reporting Unit
					Governmental Activities	Business-type Activities	City of Lenoir ABC Board	City of Lenoir LTDA	
Governmental activities:									
General government	\$ 2,521,169	\$ 777,946	\$ 194,681		\$ (1,548,542)	\$ (1,548,542)		\$ (1,548,542)	
Public safety	8,609,721	194,263	203,022		(8,212,436)	(8,212,436)		(8,212,436)	
Transportation	2,131,705	21,151	564,886	750,182	(795,486)	(795,486)		(795,486)	
Environmental protection	829,299	556,164			(273,135)	(273,135)		(273,135)	
Economic and physical development	1,683,790	106,171	1,044,033	23,655	(509,931)	(509,931)		(534,072)	
Culture and recreation	2,051,873	216,991		94,200	(1,740,682)	(1,740,682)		(1,740,682)	
Interest and fees	106,965				(106,965)	(106,965)		(106,965)	
Total governmental activities	17,934,522	1,872,686	2,006,622	868,037	(13,187,177)	(13,187,177)		(13,211,318)	
Business-type activities:									
Water and sewer activity	6,748,649	7,241,793		1,374,704	-	1,867,848		1,867,848	
Total business-type activity	6,748,649	7,241,793	-	1,374,704	-	1,867,848		1,867,848	
Total primary government	\$ 24,683,171	\$ 9,114,479	\$ 2,006,622	\$ 2,242,741	(13,187,177)	(11,319,329)		(11,343,470)	
Alcohol and store activity	\$ 2,612,521	\$ 2,863,645			-	-	251,124	251,124	
Total component units	\$ 2,612,521	\$ 2,863,645			-	-	251,124	(24,141)	251,124
General revenues:									
Ad valorem taxes					7,370,866	7,370,866		7,370,866	
Other taxes and licenses					3,762,006	3,762,006		3,824,411	
Unrestricted intergovernmental					1,524,091	1,524,091		1,524,091	
Miscellaneous					229,488	273,917	49	273,966	
Payment from ABC Board					207,532	207,532		207,532	
Profit distributions					10,351	-	(243,316)	(243,316)	
Interest earned on investments					13,104,334	4,248	543	15,142	
Total general revenues					13,104,334	48,677	(242,724)	12,972,692	
Change in net assets					(82,843)	1,916,525	8,400	38,264	1,880,346
Net assets - beginning					30,196,705	31,838,806	753,905	20,409	62,769,416
Prior Period Adjustment					(20,409)	(20,409)		-	
Net assets - ending					\$ 30,093,453	\$ 33,755,331	\$ 742,305	\$ 58,673	\$ 64,649,762

City of Lenoir, North Carolina

Balance Sheet
Governmental Funds
June 30, 2011
(Exhibit C)

	General	Special Revenue Fund	Non Major Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 4,110,909	\$ -	\$ -	\$ 4,110,909
Cash and cash equivalents-restricted			252,747	252,747
Taxes receivable (net)	463,315			463,315
Accounts receivable (net)	663,484			663,484
Other receivables	484,360	397	306,531	791,288
Prepaid items	29,608			29,608
Due From Other Funds	533,541			533,541
Total assets	<u>\$ 6,285,217</u>	<u>\$ 397</u>	<u>\$ 559,278</u>	<u>\$ 6,844,892</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	272,249	10,902	37	283,188
Due to other funds			533,541	533,541
Deferred revenues	464,235			464,235
Total liabilities	<u>736,484</u>	<u>10,902</u>	<u>533,578</u>	<u>1,280,964</u>
Fund balances:				
Non Spendable				
Prepaid Items	29,608			29,608
Cemetery Care			253,553	253,553
Restricted				
Stabilization by State Statute	1,681,385			1,681,385
Federal Forfeiture	33,328			33,328
Public Safety	297,438			297,438
Assigned				
Land Development	610,557			610,557
Unassigned				
Unassigned	2,896,417	(10,505)	(227,853)	2,658,059
Total fund balances	<u>5,548,733</u>	<u>(10,505)</u>	<u>25,700</u>	<u>5,563,928</u>
Total liabilities and fund balances	<u>\$ 6,285,217</u>	<u>\$ 397</u>	<u>\$ 559,278</u>	<u>\$ 6,844,892</u>

City of Lenoir, North Carolina

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

June 30, 2011

(Exhibit C-1)

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

Ending fund balance - governmental funds	\$	5,563,928
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		27,940,905
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		463,315
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(3,874,695)</u>
Net assets of governmental activities	\$	<u>30,093,453</u>

City of Lenoir, North Carolina

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011
(Exhibit D)

	<u>General</u>	<u>Special Revenue Fund</u>	<u>Non Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Ad valorem taxes	\$ 7,245,878			\$ 7,245,878
Other taxes and licenses	3,762,006			3,762,006
Unrestricted intergovernmental revenues	1,524,091			1,524,091
Restricted intergovernmental revenues	938,984	1,213,195	844,382	2,996,561
Permits and fees	199,682			199,682
Sales and services	1,551,101			1,551,101
Investment earnings	8,798	12	1,541	10,351
Miscellaneous	219,547		9,941	229,488
Payment from ABC Board	207,532			207,532
Total revenues	<u>15,657,619</u>	<u>1,213,207</u>	<u>855,864</u>	<u>17,726,690</u>
Expenditures				
Current:				
General Government	2,890,825			2,890,825
Public safety	7,994,524	44,294		8,038,818
Transportation	1,418,860			1,418,860
Environmental protection	790,238			790,238
Economic and physical development	580,395	1,092,050		1,672,445
Cultural and recreational	1,819,544			1,819,544
Capital projects			1,381,100	1,381,100
Debt service:				
Principal retirement	778,766	86,000		864,766
Interest and fees	78,943	28,022		106,965
Total expenditures	<u>16,352,095</u>	<u>1,250,366</u>	<u>1,381,100</u>	<u>18,983,561</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(694,476)</u>	<u>(37,159)</u>	<u>(525,236)</u>	<u>(1,256,871)</u>
Other financing sources (uses)				
Issuance of installment purchase debt	526,000			526,000
Transfers:	(138,637)	18,637	120,000	
Total other financing sources (uses)	<u>387,363</u>	<u>18,637</u>	<u>120,000</u>	<u>526,000</u>
Net change in fund balances	(307,113)	(18,522)	(405,236)	(730,871)
Fund balance - beginning	5,876,255	8,017	430,936	6,315,208
Prior Period Adjustment	<u>(20,409)</u>			<u>(20,409)</u>
Fund balance - ending	<u>\$ 5,548,733</u>	<u>\$ (10,505)</u>	<u>\$ 25,700</u>	<u>\$ 5,563,928</u>

City of Lenoir, North Carolina

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities**

For the Year Ended June 30, 2011

(Exhibit D-1)

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

Net change in fund balances - total governmental funds	\$	(730,871)
 Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay is more than depreciation.		292,453
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		124,988
 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.		338,766
 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>(108,179)</u>
Change in net assets of governmental activities	\$	<u><u>(82,843)</u></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, 2011
(Exhibit E)

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 7,163,810	\$ 7,163,810	\$ 7,245,878	\$ 82,068
Other taxes and licenses	3,852,364	3,852,364	3,762,006	(90,358)
Unrestricted intergovernmental revenues	1,468,430	1,468,430	1,524,091	55,661
Restricted intergovernmental revenues	897,077	897,077	938,984	41,907
Permits and fees	195,500	195,500	199,682	4,182
Sales and services	1,476,334	1,601,334	1,551,101	(50,233)
Investment earnings	77,000	77,000	8,798	(68,202)
Miscellaneous	112,901	197,900	219,547	21,647
Payment from ABC Board	232,500	232,500	207,532	(24,968)
Total revenues	<u>15,475,916</u>	<u>15,685,915</u>	<u>15,657,619</u>	<u>(28,296)</u>
EXPENDITURES				
Current:				
General Government	2,259,756	2,920,050	2,890,825	29,225
Public safety	7,845,440	8,009,937	7,994,524	15,413
Transportation	1,254,150	1,419,651	1,418,860	791
Environmental protection	706,764	790,264	790,238	26
Economic and physical development	604,550	623,549	580,395	43,154
Cultural and recreational	1,817,417	1,824,919	1,819,544	5,375
Debt service:				
Principal retirement	807,962	807,962	778,766	29,196
Interest and fees	84,877	84,877	78,943	5,934
Total expenditures	<u>15,380,916</u>	<u>16,481,209</u>	<u>16,352,095</u>	<u>129,114</u>
Excess (deficiency) of revenues over (under) expenditures	<u>95,000</u>	<u>(795,294)</u>	<u>(694,476)</u>	<u>100,818</u>
OTHER FINANCING SOURCES (USES)				
Appropriated fund balance		364,294		(364,294)
Proceeds from disposal of capital assets	25,000	25,000		(25,000)
Proceeds from installment purchase		526,000	526,000	-
Transfers out:				
To Special Revenue Fund			(18,637)	(18,637)
To Capital Projects	(120,000)	(120,000)	(120,000)	-
Total other financing sources (uses)	<u>(95,000)</u>	<u>795,294</u>	<u>387,363</u>	<u>(407,931)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(307,113)</u>	<u>\$ (307,113)</u>
FUND BALANCE - BEGINNING			5,876,255	
Prior Period Adjustment			<u>(20,409)</u>	
FUND BALANCE - ENDING			<u>\$ 5,548,733</u>	

City of Lenoir, North Carolina

Statement of Net Assets

Proprietary Funds

June 30, 2011

(Exhibit F)

	<u>Enterprise Fund</u>
	<u>Water and Sewer Fund</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 3,498,955
Accounts receivable (net)	501,638
Inventories	76,104
Restricted Cash and cash equivalents	112,370
Total current assets	<u>4,189,067</u>
Noncurrent assets	
Capital assets, net	46,327,184
Total noncurrent assets	<u>46,327,184</u>
Total assets	<u>50,516,251</u>
Liabilities	
Current liabilities	
Accounts payable	330,764
State Revolving Loan Payable	3,644,914
Installment purchase contracts - current	1,430,349
Revolving loan payable - current	391,856
Customer deposits	112,370
Compensated absences payable	72,000
Total current liabilities	<u>5,982,253</u>
Noncurrent liabilities	
Revolving loan payable	3,165,541
Installment purchase contracts payable	7,541,918
OPEB Liability	25,180
Compensated absences payable	46,028
Total noncurrent liabilities	<u>10,778,667</u>
Total liabilities	<u>16,760,920</u>
Net assets	
Invested in capital assets, net of related debt	30,152,606
Unrestricted net assets	3,602,725
Total net assets	<u>\$ 33,755,331</u>

City of Lenoir, North Carolina

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

Proprietary Funds

Year Ended June 30, 2011

(Exhibit G)

	<u>Enterprise Fund</u>
	<u>Water and Sewer Fund</u>
Operating revenues	
Water sales	\$ 4,674,901
Wastewater treatment charges	2,304,153
Water and sewer taps	29,700
Late payment charges	233,039
Miscellaneous	44,429
Total operating revenues	<u>7,286,222</u>
Operating expenses	
Rhodhiss Water Treatment Plant	1,293,140
Water distribution	1,149,920
Water resources	455,088
Wastewater collection	577,234
Wastewater pretreatment	184,192
Gunpowder Wastewater Treatment Plant	434,010
Lower Creek Wastewater Treatment Plant	1,093,961
Depreciation	1,054,194
Total operating expenses	<u>6,241,739</u>
Operating income (loss)	<u>1,044,483</u>
Nonoperating revenue (expense)	
Interest earned on investments	4,248
Interest paid on long-term debt	(506,910)
Total nonoperating revenue (expense)	<u>(502,662)</u>
Income (loss) before transfers and contributions	541,821
Capital contributions	1,374,704
Change in net assets	<u>1,916,525</u>
Total net assets - beginning, as previously reported	<u>31,838,806</u>
Total net assets - ending	<u>\$ 33,755,331</u>

City of Lenoir, North Carolina

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2011

(Exhibit H)

	<u>Enterprise Fund</u>
	<u>Water and Sewer Fund</u>
Operating activities	
Cash received from customers and users	\$ 7,300,811
Cash paid to suppliers for goods and services	(3,352,467)
Cash paid for employee benefits	(2,431,689)
Customer deposits returned	7,210
Net cash provided by (used in) operating activities	<u>1,523,865</u>
Capital and related financing activities	
Net proceeds from financing	3,644,914
Capital contributions	1,374,704
Acquisition and construction of capital assets	(4,434,410)
Principal paid on debt	(1,786,772)
Interest paid on debt	(506,910)
Net cash provided (used) by capital and related financing activities	<u>(1,708,474)</u>
Investing activities	
Interest on investments	4,248
Net cash provided (used) in investing activities	<u>4,248</u>
Net increase in cash and cash equivalents/investments	<u>(180,361)</u>
Cash and cash equivalents/investments	
Beginning of year	<u>3,791,686</u>
End of year	<u>\$ 3,611,325</u>

City of Lenoir, North Carolina

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2011

(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)	\$ 1,044,483
Adjustments to reconcile operating income (loss)	
to net cash provided by (used in) operating	
activities:	
Depreciation	1,054,194
Change in assets and liabilities	
(Increase) decrease in accounts receivable and accruals	14,589
(Increase) decrease in inventory	(10,767)
Increase (decrease) in accounts payable and	
accrued liabilities	(574,270)
Increase (decrease) in customer deposits	7,210
Increase (decrease) in compensated absence payable	(7,533)
Increase (decrease) in OPEB	(4,041)
Total adjustments	<u>479,382</u>
Net cash provided by (used in) operating activities	<u>\$ 1,523,865</u>

City of Lenoir, North Carolina

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2011

(Exhibit I)

	Agency Fund
<hr/>	
Assets	
Cash and cash equivalents	\$ 20,881
Total assets	<u>\$ 20,881</u>
Liabilities	
Due to agency	\$ 20,881
Total liabilities	<u>\$ 20,881</u>

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS

The accounting policies of the City of Lenoir and its discretely presented component unit 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 unit, a legally-separate entity for which the City is financially accountable. The discretely presented component unit below is 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 assets 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, 2011

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

The statement of activities presents a comparison between direct and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues. City of Lenoir's policy for eliminating internal activity in the government-wide statement of activities indicate that interfund services provided and used are not eliminated in the process of consolidation.

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

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

The City reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and state-shared revenues. The primary expenditures are for public safety, streets and highways, sanitation, parks and recreation, and general government services. The City also maintains a separate sub-fund for the Downtown Service District for accounting purposes. This sub-fund has been consolidated into the General Fund for reporting purposes. Debt service payments for general long-term debt are accounted for in the General Fund.

Special Revenue Fund - The Special Revenue Fund accounts for specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The City has ten Special Revenue Fund projects including the Governor's Highway Safety Grant, E-911; Federal Energy Grant; Fit

Community Grant; 2008, 2009 and 2010 Community Development Entitlement Grants; and 2008, 2009 and 2010 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 six projects within the Capital Project Fund: the Fairview Street Bridge, Mulberry Street Bridge, Broadway St. Bridge; Downtown Streetscape, Greenway and Watershed Project.

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 can not 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, 2011

Government-wide, Proprietary and Fiduciary Fund Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. The City's one fiduciary fund (an agency fund) has no measurement focus and is excluded from the government-wide financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied. *Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Caldwell County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the City of Lenoir and its special downtown district known as Main Street Lenoir. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in Caldwell County from March 2010 through February 2011 apply to the fiscal year ended June 30, 2011. Uncollected taxes, which were billed during this period, are shown as a receivable in these financial statements and are offset by deferred revenues.

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

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

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.

As permitted by generally accepted accounting principles, the City has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its governmental activities, business-type activities and proprietary operations.

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, 2011, 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, 2011. The ordinances increased appropriations by \$1,100,293 in the City's General Fund and \$0 in the City's Water and Sewer Fund.

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

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments - All deposits of the City, LTDA and the ABC Board are made in board-designated official depositories and are collateralized as required by G.S. 159-31. Official depositories may be established with any bank or savings and loan whose principal office is located in North Carolina. Also, the City, LTDA and ABC Board may establish time deposit accounts in the form of NOW accounts, SuperNOW,

money market accounts, and certificates of deposit. State law, G.S. 159-30(c) authorizes the City and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT); a SEC-registered mutual fund.

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

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

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

2a. Restricted Assets - Permanent Fund restricted cash of \$252,747 represents the nonexpendable portion of the cemetery funds. Customer deposits of \$112,370 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, 2010. 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.

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2011

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

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

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

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

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

9. Net Assets/Fund Balance – Net assets in the government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

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

The governmental fund types classify fund balances as follows:

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

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

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

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

Restricted for Stabilization by State Statute - 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 Federal Forfeiture - 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

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2011

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

G. Reconciliation of Government-Wide and Fund Financial Statements

- 1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets** – The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment of \$24,529,525 consists of several elements as follows:

Description	Amount
Capital assets in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement governmental activities column)	\$ 73,060,850
Less accumulated depreciation	(45,119,945)
Net capital assets	27,940,905
Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not government-wide	463,315
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Leases and installment financing	(2,705,276)
Compensated absences	(494,682)
Pension obligation	(674,737)
Total adjustment	\$ 24,529,525

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2011

- 2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities** – The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$648,028 as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 2,055,804
Depreciation expense, the allocation of those assets over their useful lives, is recorded in the statement of activities, but not in the fund statements	(1,763,351)
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	(526,000)
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	864,766
Law Enforcement Separation Allowance expenses reported in the statement of activities do not require the use of current resources to pay and are not recorded as expenditures in the fund statements	9,224
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	(128,354)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	10,951
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 deferred in the fund statements	<u>124,988</u>
Total adjustment	<u>\$ 648,028</u>

II. STEWARDSHIP, COMPLIANCE and ACCOUNTABILITY

A. Excess of Expenditures over Appropriations - For the year ended June 30, 2011, no expenditures exceeded budgeted amounts at the department level.

B. The Special Revenue Fund and Capital Project Fund had fund balance deficits of \$10,505 and \$227,853 respectively. The General Fund will fund the deficit in future years.

III. DETAIL NOTES ON ALL FUNDS

A. Assets

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

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

At year-end, the City's deposits had a carrying amount of \$2,931,778 and a bank balance of \$3,400,337. Of the bank balance, \$1,000,000 was 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 \$121,690 and a bank balance of \$168,241. The bank balance was covered by federal depository insurance.

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2011

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, 2011, the credit rating of the fund was AAAM by Standard and Poor's, with a weighted average maturity of 51 days. Total investments are as follows:

	Carrying Value	Fair Value
North Carolina Capital Management Trust	<u>\$ 5,041,218</u>	<u>\$ 5,041,218</u>

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2011

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	\$ 676,384
Allowance for Miscellaneous General Fund Receivables	<u>27,035</u>
Subtotal	<u>703,419</u>
Water and Sewer Fund:	
Allowance for Uncollectible Water and Sewer Receivables	<u>200,000</u>
Total	<u><u>\$ 903,419</u></u>

4. General Capital Assets

The capital asset activity for the governmental activities as of June 30, 2011 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,124,711			\$ 3,124,711
Construction work in progress	<u>1,441,876</u>	<u>1,381,100</u>	<u>(2,094,311)</u>	<u>728,665</u>
Total capital assets not being depreciated	<u>4,566,587</u>	<u>1,381,100</u>	<u>(2,094,311)</u>	<u>3,853,376</u>
Capital assets being depreciated:				
Buildings and improvements	13,603,299	341,273		13,944,572
Infrastructure	41,369,510	1,753,038		43,122,548
Equipment	<u>11,465,650</u>	<u>674,704</u>		<u>12,140,354</u>
Total capital assets being depreciated	<u>66,438,459</u>	<u>2,769,015</u>	<u>-</u>	<u>69,207,474</u>
Less accumulated depreciation for:				
Buildings and improvements	6,272,081	288,265		6,560,346
Infrastructure	29,112,791	612,339		29,725,130
Equipment	<u>7,971,722</u>	<u>862,747</u>		<u>8,834,469</u>
Total accumulated depreciation	<u>43,356,594</u>	<u>\$ 1,763,351</u>	<u>\$ -</u>	<u>45,119,945</u>
Total capital assets being depreciated, net	<u>23,081,865</u>			<u>24,087,529</u>
Total capital assets - governmental activities	<u><u>\$ 27,648,452</u></u>			<u><u>\$ 27,940,905</u></u>

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2011

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

General Government	\$187,844
Public Safety	568,535
Transportation	705,144
Environmental Protection	74,465
Economic and Physical Development	10,061
Cultural and Recreational	<u>217,302</u>
Total Depreciation Expense	\$1,763,351

5. Business-Type Capital Assets

The capital asset activity for the business-type activities at June 30, 2011, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities (Water and Sewer Fund)				
Capital assets not being depreciated:				
Land	\$ 239,714			\$ 239,714
Construction work in progress	4,994,361	4,434,409	(3,784,566)	5,644,204
Total capital assets not being depreciated	<u>5,234,075</u>	<u>4,434,409</u>	<u>(3,784,566)</u>	<u>5,883,918</u>
Capital assets being depreciated:				
Plant and systems	54,311,833	582,333		54,894,166
Equipment	3,231,191	3,202,233		6,433,424
Total capital assets being depreciated	<u>57,543,024</u>	<u>3,784,566</u>	<u>-</u>	<u>61,327,590</u>
Less accumulated depreciation for:				
Plant and systems	17,390,705	854,548		18,245,253
Equipment	2,439,426	199,646		2,639,072
Total accumulated depreciation	<u>19,830,131</u>	<u>\$ 1,054,194</u>	<u>\$ -</u>	<u>20,884,325</u>
Total capital assets being depreciated, net	<u>37,712,893</u>			<u>40,443,265</u>
Total capital assets - business type activities (Water and Sewer Fund)	<u>\$ 42,946,968</u>			<u>\$ 46,327,183</u>

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2011

6. **Construction Commitments** – The City of Lenoir has active construction projects as of June 30, 2011. At year-end, the City of Lenoir’s commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining</u>
Raw Water Intake	\$4,346,285	\$435,026

7. **Component Unit Capital Assets**

The capital assets of the ABC Board at June 30, 2011, are composed of the following:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 155,849			\$ 155,849
Total capital assets not being depreciated	<u>155,849</u>	<u>-</u>	<u>-</u>	<u>155,849</u>
Capital assets being depreciated:				
Buildings and improvements	561,571			561,571
Store equipment	157,049	2,594		159,643
Office equipment	21,954	27,318		49,272
Total capital assets being depreciated	<u>739,496</u>	<u>29,912</u>	<u>-</u>	<u>770,486</u>
Less accumulated depreciation for:				
Buildings and improvements	248,416	14,855		263,271
Store equipment	76,892	12,240		89,132
Office equipment	21,954	1,966		23,920
Total accumulated depreciation	<u>319,249</u>	<u>\$ 29,061</u>	<u>\$ -</u>	<u>376,323</u>
Total capital assets being depreciated, net	<u>420,247</u>			<u>394,163</u>
Total capital assets	<u>\$ 576,096</u>			<u>\$ 550,012</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 determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 12.89% and 13.05%, 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, 2009, 2009, and 2010 were \$949,861, \$982,338 and \$1,006,031 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, 2010, the Separation Allowance's membership consisted of:

Retirees currently receiving benefits	7
Terminated employees entitled to but not yet receiving benefits	0
Active plan members	<u>58</u>
Total	<u><u>65</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.

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, 2010 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	\$90,295
Interest on net pension obligation	17,066
Adjustment to annual required pension contribution	<u>(18,273)</u>
Annual pension cost	\$89,088
Employer Benefits Paid	<u>98,312</u>
Increase(decrease) in net pension obligation	(\$9,224)
Net pension obligation beginning of fiscal year	<u>341,320,</u>
Net pension obligation end of year	<u><u>\$332,096</u></u>

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2011

The following schedule contains trend information for fiscal years ending June 30, 2009, 2010 and 2011.

	2009	2010	2011
Annual pension cost	\$ 75,394	\$ 79,384	\$ 89,088
Percentage of APC Contributed	148.48%	141.64%	110.35%
Net Pension Obligation	\$ 374,373	\$ 341,320	\$ 332,096

Additional information as of the latest actuarial valuation follows:

Valuation Date	12/31/2010	Actuarial Assumptions:	
Actuarial Cost Method	Projected Unit Credit	Investment Rate of Return	5.00%
Amortization Method	Level % of pay closed	Projected Salary Increase	4.25%-7.85%
Remaining Amortization	20 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, 2011 were \$169,899, which consisted of \$107,011 from the City and \$62,888 from employees.

d. ABC Board - Local Government Employees' Retirement System

1. Plan Description. The City of Lenoir ABC Board contributes to the statewide Local Government Employees' Retirement System (LGERS), a cost sharing,

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

2. Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The ABC Board is required to contribute at an actuarially determined rate. The ABC Board's current rate for employees not engaged in law enforcement is 14.4% 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, 2009, 2010, and 2011 were \$23443, \$26,451 and \$27,687 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 of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2011

City ceasing to subsidize the premium. The City's regular health care benefit provider underwrites the retiree's policies.

As of June 30, 2011, there were twenty employees who had retired with 30 years of service who were receiving the 50 percent-premium-coverage benefit and four employees who had retired with sufficient years of service to receive the 25 percent-premium-coverage benefits. The City finances the plan on a pay-as-you-go basis and for the fiscal year ended June 30, 2011, the City recognized \$85,523 of expenditures for retiree health benefits or 0.90% of annual payroll. The current ARC rate is 2.651% of annual covered payroll.

Membership in the plan included the following at December 31, 2009, the date of the latest actuarial valuation:

	General Employees	Public Safety Officers
Retirees receiving benefits	8	16
Active plan members	<u>148</u>	<u>120</u>
Total	156	136

- 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. For the year June 30, 2011, the alternative measurement method was used to calculate the annual required contribution. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the healthcare benefits:

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2011

Annual Required Contribution	\$45,992
Interest on Net OPEB Obligation	6,302
Adjustment to Annual Required Contribution	157,542
	<hr/>
Annual OPEB Cost	209,836
Contributions Made	<u>(85,523)</u>
Increase in Net OPEB Obligation	124,313
Net OPEB Liability, July 1, 2010	<u>\$243,508</u>
Net OPEB Liability, June 30, 2011	<u>\$367,821</u>

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Liability
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, 2008, 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 \$1,717,145. The covered payroll (annual payroll of active employees covered by the plan) was \$8,514,138. 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

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2011

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, 2008 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 10.5 % to 5%. The UAAL is being amortized as a level dollar percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2008 was 30 years. Assumed inflation rate of 3.75% 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 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)
12/31/2008	\$0	\$1,717,145	\$1,717,145	0%	\$8,514,138	20.25%

Year Ended June 30	Annual Required Contribution	Percentage Contributed
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 2009 was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest valuation follows:

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2011

Valuation Date	12/31/2008
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Pay Closed
Remaining Amortization Period	30 Years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.0%
Includes Inflation at	3.75%
Medical Cost Trend Rate	10.5%– 5.0%
Year of Ultimate Trend Rate	2016

The information presented for the years ending June 30, 2010 & 2011 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, 2011 were as follows at the government-wide level:

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2011

	<u>Vendors</u>	<u>Benefits</u>	<u>Total</u>
Governmental Activities:			
General	<u>\$ 283,189</u>		<u>\$ 283,189</u>
Business-type activities:			
Water & Sewer	<u>\$ 330,764</u>		<u>\$ 330,764</u>

4. Unearned/Deferred Revenues - The balance in deferred revenues in the fund financial statements and unearned revenue in the government-wide financial statements at June 30, 2011 is composed of the following elements:

	<u>Deferred</u>	<u>Unearned</u>
Taxes receivable (General Fund)	\$ 463,315	\$ -
Membership and fees paid in advance (General Fund)	920	920
Total	<u>\$ 464,235</u>	<u>\$ 920</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 \$2,977,285 loan to replace the Whitnel Pump Station. As of June 30, 2011 the loan balance was \$2,828,421 at an interest rate of 2.485% for a term of 20 years.

b. Water Pollution Control Revolving Loan

On September 30, 1998 the City of Lenoir assumed a loan offered from the Water Pollution Control Revolving Loan Fund identified as Federal Project #CS370393-03 and State Project #E-SRF-T-97-0082. The project was for the upgrade and expansion of the Lower Creek Wastewater Treatment Plant from 4.08 MGD to 6.0 MGD. As of June 30, 2011 the total loan balance was \$728,976 with an interest rate of 2.6% for a term of fifteen (15) years.

On July 1, 1999 the City of Lenoir assumed a Water Pollution Control Revolving Loan during the purchase of the Town of Hudson Utility System. The loan originated with the Town of Hudson on April 1, 1996 and is identified as State Project #E-SBF-C-94-0010. As of June 30, 2011 the total loan balance was \$88,077 with an interest rate of 5.85% for an original term of fifteen (15) years.

c. Construction Loan

The City of Lenoir has received approval for a \$3,907,082 loan for raw water intake improvements. To date the city has borrowed \$3,644,914 as a construction loan. No principal payments are due until the completion of the project.

d. Installment Purchase Contracts

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

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2011

DESCRIPTION	COST	DATE	TERM	RATE	FREQUENCY
Water and WW plant residuals management refinancing annexation lines	\$ 8,360,000	Refunded 12/24/2003	17.5 years	3.20%	\$302,907 semi-annual
Water & Sewer lines - Town of Hudson	\$ 1,206,484	Refunded 11/12/2003	15 years	3.97%	\$67,465 semi-annual
Utility Line Extension - Phase I 2001 Annexation	\$ 3,237,053	6-27-02	15 years	4.29%	\$144,608 semi-annual
McLean Drive	\$ 1,276,391	6-27-02	10 years	4.09%	\$63,820 semi-annual level principal payments plus interest
Utility Line Extension - Phase II 2001 Annexation	\$ 2,658,000	12/2/02	15 years	4.09%	\$119,415 semi-annual
Utility Line Extension - Phase III 2001 Annexation	\$ 1,550,000	6/19/03	15 years	3.91%	\$68,780 semi-annual
Water Lines purchased from Caldwell County	\$ 373,490	12/13/2005	9 years	non-interest bearing	\$37,349 annually
Rhodhiss Water Treatment Plant renovations and utility line construction	\$ 2,700,000	6/30/2005	15 years	3.81%	\$92,544 semi-annual
Whitnel Pump Station	\$2,977,285	11/1/2010	20 years	2.485%	\$219,009 semi-annual
Streetscape, Recreation, & Downtown Utility Line Projects	\$1,410,000 \$1,190,000	8/28/2006	15 years	3.810%	\$88,634 semi-annual
Capital Equipment	\$673,897	11/16/2006	7 years	3.70%	\$2,740 quarterly
Capital Equipment	\$305,000	11/15/2007	4 years	3.25%	\$20,414 quarterly
Capital Equipment	\$621,653	1/15/2009	4 years	2.35%	\$40,822 quarterly
Capital Equipment	\$526,000	1/6/2011	4 years	2.16%	\$34,404 quarterly

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2011

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):

	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
<u>Installment Contracts</u>				
2012	709,879	61,040	1,430,349	325,334
2013	560,812	46,534	1,481,823	272,779
2014	219,462	29,366	1,553,749	218,284
2015	187,967	23,185	1,468,622	160,650
2016	85,859	18,810	862,252	111,517
2017-2021	429,297	44,980	2,175,472	156,205
	<hr/>	<hr/>	<hr/>	<hr/>
Total	2,193,276	223,915	8,972,267	1,244,769
<u>Section 108 Loan</u>				
2012	92,000	23,567	-	-
2013	96,000	18,844	-	-
2014	102,000	13,854	-	-
2015	108,000	8,540	-	-
2016	114,000	2,901	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	512,000	67,706	-	-
<u>Revolving Loans</u>				
2012	-	-	391,856	92,257
2013	-	-	391,856	79,089
2014	-	-	391,856	65,920
2015	-	-	148,864	59,069
2016	-	-	148,864	55,378
2017-2021	-	-	744,322	221,510
2022-2026	-	-	744,322	129,214
2027-2031	-	-	595,457	36,918
	<hr/>	<hr/>	<hr/>	<hr/>
Total	-	-	3,557,397	739,355
Total Debt Due	<u>\$ 2,705,276</u>	<u>\$ 291,621</u>	<u>\$ 12,529,664</u>	<u>\$ 1,984,124</u>

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2011

The following is a summary of changes in long-term obligations for the year-ended June 30, 2011:

	Balance July 1, 2010	Additions	Payments	Balance June 30, 2011	Current Portion of Long-term Liabilities
Governmental activities:					
Installment purchase contracts	\$ 2,446,042	\$ 526,000	\$ (778,766)	\$ 2,193,276	\$ 709,879
Compensated absences	505,633		(10,951)	494,682	298,000
Section 108 Loan	598,000		(86,000)	512,000	92,000
Pension obligation	341,320		(9,224)	332,096	-
Post employment benefits	214,287	128,354		342,641	-
Total governmental activities	\$ 4,105,282	\$ 654,354	\$ (884,941)	\$ 3,874,695	\$ 1,099,879

	Balance July 1, 2010	Additions	Payments	Balance June 30, 2011	Current Portion of Long-term Liabilities
Business-type activities:					
Installment purchase contracts	\$ 10,367,183		\$ (1,394,916)	\$ 8,972,267	\$ 1,430,349
Revolving loan	3,949,253		(391,856)	3,557,397	391,856
Construction loan	-	3,644,914		3,644,914	3,644,914
Compensated absences	125,561		(7,533)	118,028	72,000
Post employment benefits	29,221		(4,041)	25,180	
Total business-type activities	\$ 14,471,218	\$ 3,644,914	\$ (1,798,346)	\$ 16,317,786	\$ 5,539,119

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, 2011, the City of Lenoir had a legal debt margin of \$96,596,129.

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2011

e. Interfund Activity

1. Transfers in (out) for the year ended June 30, 2011 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	\$ -	\$ 18,637	\$ 120,000	\$ 138,637
Total transfers out	<u>\$ -</u>	<u>\$ 18,637</u>	<u>\$ 120,000</u>	<u>\$ 138,637</u>

Transfers from the general fund to the nonmajor governmental fund were matching funds used primarily to support the operations of the funds. One time transfer to the Special Revenue Fund was for matching grant funds.

2. Interfund receivables and payables at June 30, 2011 are composed as follows:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$533,541	
Non-Major Governmental Funds		\$533,541

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

f. Fund Balance

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

Total fund balance – General Fund	<u>\$5,548,733</u>
Less:	
Prepaid Items	29,608
Stabilization by State Statute	1,681,385
Federal forfeiture	33,328
Public Safety	<u>297,438</u>
Remaining Fund Balance	\$3,506,974

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 \$42,432 to the Airport Authority during the year ended June 30, 2011.

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, 2011. 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 \$210,007 for membership fees and miscellaneous services to the Council during the year ended June 30, 2011.

VI. RELATED ORGANIZATIONS

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

VII. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES AND COMMITMENTS

- A. Federal and State Assisted Programs** - The City has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying statements for the refund of grant money.

VIII. Subsequent Events

Subsequent events have been evaluated through August 18, 2011, which is the date the financial statements were available to be issued.

IX. Prior Period Adjustment

During the fiscal year ended June 30, 2010, the Lenoir Tourist Development Authority's fund balance was reflected in the City of Lenoir's financial statements. An adjustment to beginning fund balance has been recorded to account for this omission. The net effect is to decrease the City of Lenoir's beginning fund balance by \$20,409.

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, 2011

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)
12/31/2010	\$ -	\$ 805,420	\$ 805,420	0.00%	\$ 2,151,296	37.44%
12/31/2009	\$ -	\$ 884,789	\$ 884,789	0.00%	\$ 1,993,571	44.38%
12/31/2008	\$ -	\$ 769,785	\$ 769,785	0.00%	\$ 1,998,704	38.51%
12/31/2007	\$ -	\$ 708,037	\$ 708,037	0.00%	\$ 1,955,275	36.21%
12/31/2006	\$ -	\$ 687,345	\$ 687,345	0.00%	\$ 1,917,798	35.84%
12/31/2005	\$ -	\$ 675,027	\$ 675,027	0.00%	\$ 1,930,693	34.96%
12/31/2004	\$ -	\$ 674,050	\$ 674,050	0.00%	\$ 1,887,699	35.71%
12/31/2003	\$ -	\$ 560,999	\$ 560,999	0.00%	\$ 1,608,177	34.88%
12/31/2002	\$ -	\$ 481,255	\$ 481,255	0.00%	\$ 1,615,459	29.79%
12/31/2001	\$ -	\$ 515,605	\$ 515,605	0.00%	\$ 1,536,614	33.55%

	Annual Required Contribution	Percentage Contributed
6/30/2011	\$ 90,295	108.88%
6/30/2010	\$ 75,825	148.28%
6/30/2009	\$ 70,725	158.28%
6/30/2008	\$ 68,204	129.58%
6/30/2007	\$ 69,292	105.64%
6/30/2006	\$ 71,731	89.70%
6/30/2005	\$ 64,728	89.02%
6/30/2004	\$ 31,819	50.35%
6/30/2003	\$ 8,025	11.96%
6/30/2002	\$ -	0.00%

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	12/31/2010	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	20 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, 2011

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Accrued Liability (AAL) - Proj. Unit Credit (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Payroll for Year Ending on Val Date (c)</u>	<u>Percentage of Covered Payroll ((b-a)/c)</u>
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, 2011

	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
6/30/2011	\$ 45,992	185.95%
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 2009 was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	12/31/2009	Actuarial Assumptions:	
Actuarial Cost Method	Projected Unit Credit	Investment Rate of Return	4.00%
Amortization Method	Level percent of pay closed	Includes Inflation at	3.75%
Remaining Amortization Period	30 Years	Medical Cost Trend Rate	10.5 - 5.0%
Asset Valuation Method	Market Value	Year of Ultimate Trend Rate	2016

The information presented for the years ended June 30, 2010 and 2011 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, 2011

(Schedule 1)

	<u>2011</u>
Assets	
Cash and cash equivalents	\$ 4,110,909
Taxes receivable (net)	463,315
Accounts receivable (net)	663,484
Other receivables	484,360
Prepaid items	29,608
Due from other funds	533,541
Total assets	<u>\$ 6,285,217</u>
Liabilities and fund balances	
Liabilities:	
Accounts payable	\$ 272,249
Deferred revenues	464,235
Total liabilities	<u>736,484</u>
Fund balances:	
Non Spendable	
Prepaid Items	29,608
Restricted	
Stabilization by State Statute	1,681,385
Federal Forfeiture	33,328
Tourism Development Authority	
Public Safety	297,438
Assigned	
Land Development	610,557
Unassigned	
Unassigned	2,896,417
Total fund balances	<u>5,548,733</u>
Total liabilities and fund balances	<u>\$ 6,285,217</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, 2011

(Schedule 2, Page 1)

	2011		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
REVENUES:			
Ad valorem taxes			
Taxes - Net of discounts	\$ 7,117,710	\$ 7,153,489	\$ 35,779
Penalties and interest	46,100	92,389	46,289
Total	7,163,810	7,245,878	82,068
Other taxes and licenses:			
Local option sales tax	3,630,864	3,493,818	(137,046)
Privilege licenses	140,000	195,632	55,632
Motor vehicle tags	71,500	70,490	(1,010)
Gross receipts on rental vehicles	10,000	2,066	(7,934)
Total	3,852,364	3,762,006	(90,358)
Unrestricted intergovernmental revenues:			
Utilities franchise tax	1,385,000	1,440,038	55,038
Beer and wine tax	83,430	84,053	623
Total	1,468,430	1,524,091	55,661
Restricted intergovernmental revenues:			
State Street - Aid allocation	550,000	564,886	14,886
Contribution from Caldwell County	194,681	194,681	-
Public safety grants	109,396	160,347	50,951
Federal forfeitures	43,000	18,670	(24,330)
Wireless 911 revenues	-	400	400
Total	897,077	938,984	41,907
Permits and fees:			
Public safety fees and charges	175,000	175,192	192
Public works fees	13,000	21,151	8,151
Planning department fees and charges	7,500	3,339	(4,161)
Total	195,500	199,682	4,182
Sales and services:			
Bulk container service and sales	13,000	2,298	(10,702)
Solid waste fees	525,000	553,866	28,866
Cemetery lots and marker sales	105,000	78,055	(26,945)
Recreation department fees- centers and parks	89,884	78,771	(11,113)
Recreation department fees- aquatic/fitness center	119,750	130,835	11,085
Concessions	7,000	7,385	385
Telephone collection fees	19,000	10,833	(8,167)
Fire line charges	230,000	211,918	(18,082)

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, 2011

(Schedule 2, Page 2)

	2011		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
REVENUES (Continued)			
Sales and services (Continued)			
Rentals	\$ 27,700	\$ 11,786	(15,914)
Vehicle maintenance contracts	465,000	465,354	354
Total	1,601,334	1,551,101	(50,233)
Interest on investments	77,000	8,798	(68,202)
Miscellaneous:			
Other	197,900	219,547	21,647
Total	197,900	219,547	21,647
Payment from Component Unit:			
City of Lenoir ABC Board			
Law enforcement	7,500	3,862	(3,638)
Profit distribution	225,000	203,670	(21,330)
Total	232,500	207,532	(24,968)
Total revenues	15,685,915	15,657,619	(28,296)
EXPENDITURES			
General Government:			
Administrative:			
Salaries and wages	642,041	673,824	(31,783)
Personnel benefits	193,652	196,809	(3,157)
Professional services	50,500	49,992	508
Telephone and postage	28,500	19,579	8,921
Utilities	16,000	14,262	1,738
Travel and training	37,000	31,338	5,662
Maintenance - building and equipment	16,000	6,140	9,860
Advertising and printing	5,000	5,053	(53)
Tax collection fees	15,000	19,171	(4,171)
Supplies	66,500	48,621	17,879
Contracted services	130,500	138,346	(7,846)
Dues and subscriptions	45,000	45,313	(313)
Insurance and bonds	31,508	47,842	(16,334)
Contribution to Foothills Regional			
Airport	67,320	42,320	25,000
Economic development	70,794	75,794	(5,000)
Capital improvements and equipment	23,000	48,612	(25,612)
Other operating expenses	83,395	43,799	39,596
Reimbursement of administrative costs for Water Fund	(294,776)	(307,286)	12,510
Total Administrative	1,226,934	1,199,529	27,405
Building Maintenance:			
Salaries and wages	153,012	180,287	(27,275)
Personnel benefits	68,317	68,265	52
Telephone and postage	2,000	1,565	435
Travel and training	500	-	500
Maintenance - building and equipment	34,000	15,171	18,829
Supplies	5,000	4,481	519

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, 2011

(Schedule 2, Page 3)

	2011		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
EXPENDITURES (Continued)			
General Government (Continued)			
Building Maintenance (Continued)			
Uniforms	\$ 2,600	\$ 2,410	\$ 190
Contracted services	1,000	45	955
Insurance and bonds	8,500	7,768	732
Other operating expenses	2,500	1,168	1,332
Reimbursement of administrative costs for Water Fund	(9,411)	(13,450)	4,039
Total Building Maintenance	<u>268,018</u>	<u>267,710</u>	<u>308</u>
Engineering:			
Salaries and wages	108,562	112,730	(4,168)
Personnel benefits	36,152	36,572	(420)
Telephone and postage	5,000	4,880	120
Utilities	19,200	32,599	(13,399)
Maintenance - building and equipment	9,500	14,025	(4,525)
Travel and training	1,500	1,052	448
Supplies	31,300	3,859	27,441
Uniforms	650	791	(141)
Contracted services	8,000	3,374	4,626
Dues and subscriptions	1,100	705	395
Insurance and bonds	16,000	17,023	(1,023)
Other operating expenses	3,800	2,340	1,460
Reimbursement of administrative costs for Water Fund	(51,000)	(40,520)	(10,480)
Total Engineering	<u>189,764</u>	<u>189,430</u>	<u>334</u>
Cemetery:			
Salaries and wages	41,943	28,149	13,794
Personnel benefits	13,942	10,674	3,268
Telephone and postage	1,000	2,797	(1,797)
Utilities	12,000	3,366	8,634
Maintenance - building and equipment	1,000	10,864	(9,864)
Supplies	8,000	6,450	1,550
Uniforms	400		400
Contracted services	-	3,156	(3,156)
Purchase for resale	30,000	44,685	(14,685)
Insurance and bonds	7,000	6,397	603
Other operating expenses	2,000	325	1,675
Total Cemetery	<u>117,285</u>	<u>116,863</u>	<u>422</u>
Vehicle Services:			
Salaries and wages	115,864	122,430	(6,566)
Personnel benefits	49,905	48,881	1,024

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, 2011

(Schedule 2, Page 4)

	2011		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
EXPENDITURES (Continued)			
General Government (Continued)			
Vehicle Services (Continued)			
Telephone and postage	\$ 2,030	\$ 2,968	\$ (938)
Utilities	16,650	13,596	3,054
Maintenance - building and equipment	17,000	20,964	(3,964)
Travel and training	4,000	3,625	375
Departmental supplies	58,000	38,089	19,911
Uniforms	3,000	5,041	(2,041)
Contracted services	2,000	1,810	190
Capital improvements and equipment	526,000	538,786	(12,786)
Insurance and bonds	10,500	9,596	904
Other operating expenses	403,100	399,292	3,808
Reimbursement of administrative costs for Water Fund	(90,000)	(87,785)	(2,215)
Total Vehicle Services	1,118,049	1,117,293	756
Total General Government	2,920,050	2,890,825	29,225
Public Safety:			
Police:			
Salaries and wages	2,748,834	2,754,101	(5,267)
Personnel benefits	1,043,798	1,033,070	10,728
Professional services	5,000	380	4,620
Telephone and postage	58,630	58,028	602
Utilities	28,000	30,048	(2,048)
Travel and training	27,510	33,457	(5,947)
Maintenance - building and equipment	191,298	239,474	(48,176)
Supplies	145,075	53,946	91,129
Uniforms	31,090	63,762	(32,672)
Contracted services	92,770	102,315	(9,545)
Insurance and bonds	164,120	153,522	10,598
Federal forfeitures	22,000	21,526	474
Police benefit	10,000	6,525	3,475
Capital improvements and equipment	-	12,945	(12,945)
D.A.R.E.	6,000	4,235	1,765
Explorer Post 246	2,000	2,054	(54)
Adopt-A-Cop	5,000	-	5,000
Other operating expenses	15,850	15,771	79
Total Police	4,596,975	4,585,159	11,816
Fire:			
Salaries and wages	2,151,783	2,241,325	(89,542)
Personnel benefits	821,051	846,555	(25,504)

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, 2011

(Schedule 2, Page 5)

	2011		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
EXPENDITURES (Continued)			
Public Safety (Continued)			
Fire (Continued)			
Professional services	\$ 1,000	\$ 750	\$ 250
Telephone and postage	17,190	15,116	2,074
Utilities	36,782	37,822	(1,040)
Travel and training	19,500	12,852	6,648
Maintenance - building and equipment	81,000	95,427	(14,427)
Supplies	101,180	17,732	83,448
Uniforms	30,400	13,032	17,368
Contracted services	34,500	22,554	11,946
Dues and subscriptions	5,000	4,089	911
Insurance and bonds	101,873	93,102	8,771
Other operating expenses	11,703	9,009	2,694
Total Fire	<u>3,412,962</u>	<u>3,409,365</u>	<u>3,597</u>
Total Public Safety	<u>8,009,937</u>	<u>7,994,524</u>	<u>15,413</u>
Transportation:			
Streets:			
Salaries and wages	404,863	415,056	(10,193)
Personnel benefits	164,029	154,923	9,106
Professional services	17,000	12,184	4,816
Telephone and postage	2,000	1,535	465
Utilities	275,000	297,316	(22,316)
Travel and training	1,500	720	780
Maintenance - building and equipment	132,000	190,922	(58,922)
Street repairs and maintenance	274,000	236,253	37,747
Supplies	18,500	16,203	2,297
Street signs and pavement marking	118,000	90,925	27,075
Uniforms	6,950	5,375	1,575
Insurance and bonds	36,559	33,412	3,147
Reimbursement of administrative costs for Water Fund	(36,750)	(39,890)	3,140
Other operating expenses	6,000	3,926	2,074
Total Transportation	<u>1,419,651</u>	<u>1,418,860</u>	<u>791</u>
Environmental Protection:			
Sanitation:			
Salaries and wages	320,039	337,845	(17,806)
Personnel benefits	134,825	127,738	7,087
Telephone and postage	500	1,681	(1,181)
Travel and training	2,000	848	1,152
Maintenance - building and equipment	117,000	130,430	(13,430)
Supplies	86,000	1,290	84,710
Advertising and printing	1,000	3,020	(2,020)
Insurance and bonds	30,000	28,586	1,414
Uniforms	5,000	3,648	1,352

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, 2011

(Schedule 2, Page 6)

	2011		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
EXPENDITURES (Continued)			
Environmental Protection (Continued)			
Sanitation (Continued)			
Purchases for resale	\$ 6,200	\$ 5,375	\$ 825
Tipping fees	63,000	46,900	16,100
Recycling services	22,000	24,146	(2,146)
Capital Improvements	-	41,821	(41,821)
Other operating expenses	2,700	36,910	(34,210)
Total Environmental Protection	790,264	790,238	26
Economic and Physical Development:			
Downtown District:			
Salaries and wages	98,368	101,126	(2,758)
Personnel benefits	29,831	30,556	(725)
Professional services	2,000	911	1,089
Telephone and postage	3,700	2,115	1,585
Travel and training	3,500	1,668	1,832
Maintenance - equipment and streetscape	4,000	3,144	856
Advertising and printing	5,000	5,929	(929)
Departmental supplies	2,500	1,244	1,256
Contracted services	15,000	3,886	11,114
Events and promotions	4,500	2,319	2,181
Façade incentive grants	25,000	12,939	12,061
Dues and subscriptions	2,500	730	1,770
Other operating expenses	23,800	10,196	13,604
Total Downtown District	219,699	176,763	42,936
Planning:			
Salaries and wages	198,461	236,366	(37,905)
Personnel benefits	79,630	78,400	1,230
Professional services	4,208	5,811	(1,603)
Contracted services	14,960	18,412	(3,452)
Telephone and postage	5,500	4,153	1,347
Travel and training	7,000	6,669	331
Maintenance - equipment	7,000	4,505	2,495
Advertising and printing	4,000	1,843	2,157
Supplies	9,672	7,156	2,516
Dues and subscriptions	1,500	1,524	(24)
Insurance and bonds	14,500	13,252	1,248
Annexation costs	1,000	-	1,000
Building demolition	97,000	71,065	25,935
Other operating expenses	1,500	571	929
Reimbursement for administrative costs for Water Fund	(42,081)	(46,095)	4,014
Total Planning	403,850	403,632	218
Total Economic and Physical Development	623,549	580,395	43,154

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, 2011

(Schedule 2, Page 7)

	2011		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
EXPENDITURES (Continued)			
Culture and Recreation:			
Recreation Centers and Parks:			
Salaries and wages	\$ 465,368	\$ 470,663	\$ (5,295)
Personnel benefits	153,377	154,393	(1,016)
Professional services	1,000	550	450
Basketball league	9,500	7,786	1,714
Softball & baseball leagues	10,000	6,574	3,426
Miscellaneous leagues and programs	53,826	52,286	1,540
Harambee Festival	9,500	9,396	104
Telephone and postage	14,032	9,241	4,791
Utilities	63,000	100,360	(37,360)
Travel and training	7,800	7,043	757
Insurance and bonds	34,700	35,426	(726)
Capital improvements and equipment		14,495	(14,495)
Maintenance - building and equipment	72,500	63,342	9,158
Supplies	67,220	32,248	34,972
Dues and subscriptions	250	228	22
Advertising and printing	5,500	5,595	(95)
Uniforms	1,812	556	1,256
Contracted services	24,085	23,839	246
Concessions and purchases for resale	9,000	6,661	2,339
Other operating expenses	7,965	5,741	2,224
Total Recreation Centers and Parks	1,010,435	1,006,423	4,012
Aquatic and Fitness Center:			
Salaries and wages	259,174	256,819	2,355
Personnel benefits	78,016	73,158	4,858
Miscellaneous leagues and programs	500	-	500
Telephone and postage	4,050	2,710	1,340
Utilities	63,500	85,886	(22,386)
Travel and training	3,076	2,983	93
Maintenance - building and equipment	20,500	10,669	9,831
Supplies	41,226	43,522	(2,296)
Uniforms	1,238	1,648	(410)
Advertising and printing	6,342	2,838	3,504
Contracted services	12,825	13,326	(501)
Dues and Subscriptions	500	190	310
Concessions and purchases for resale	6,500	4,014	2,486
Insurance and bonds	7,800	7,128	672
Other operating expenses	2,012	1,409	603
Total Aquatic and Fitness Center	507,259	506,300	959
Landscaping:			
Salaries and wages	135,474	175,086	(39,612)
Personnel benefits	54,459	57,409	(2,950)
Telephone and postage	2,000	1,173	827
Utilities	4,000	13,324	(9,324)
Travel and training	3,000	-	3,000
Maintenance - building and equipment	31,000	32,605	(1,605)
Supplies	68,500	21,642	46,858

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, 2011

(Schedule 2, Page 8)

	2011		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
EXPENDITURES (Continued)			
Culture and Recreation (Continued)			
Landscaping (Continued)			
Uniforms	\$ 3,000	\$ 1,971	\$ 1,029
Insurance and bonds	2,792	2,741	51
Other operating expenses	3,000	870	2,130
Total Landscaping	<u>307,225</u>	<u>306,821</u>	<u>404</u>
Total Culture and Recreation	<u>1,824,919</u>	<u>1,819,544</u>	<u>5,375</u>
Debt Service:			
Principal	807,962	778,766	29,196
Interest	84,877	78,943	5,934
Total Debt Service	<u>892,839</u>	<u>857,709</u>	<u>35,130</u>
Total Expenditures	<u>16,481,209</u>	<u>16,352,095</u>	<u>129,114</u>
REVENUES OVER/(UNDER) EXPENDITURES	<u>(795,294)</u>	<u>(694,476)</u>	<u>100,818</u>
OTHER FINANCING SOURCES (USES):			
Appropriated fund balance	364,294		(364,294)
Proceeds from sale of capital assets	25,000		(25,000)
Installment purchase issuance	526,000	526,000	-
Transfers out:			
To Special Revenue Fund		(18,637)	(18,637)
To Capital Projects Fund	(120,000)	(120,000)	-
Total other financing sources (uses)	<u>795,294</u>	<u>387,363</u>	<u>(407,931)</u>
REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>(307,113)</u>	<u>\$ (307,113)</u>
FUND BALANCE:			
Beginning of year		5,876,255	
Prior Period Adjustment		<u>(20,409)</u>	
End of year		<u>\$ 5,548,733</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; Federal Energy Grant; E-911; 2008, 2009 and 2010 CDBG Entitlement Programs, and 2008, 2009, and 2010 Unifour HOME Consortium Programs.

City of Lenoir, North Carolina

**Special Revenue Fund
Supplemental Balance Sheets
June 30, 2011
(Schedule 3)**

	<u>2011</u>
Assets	
Cash and cash equivalents	
Other receivables	\$ 397
Total assets	<u>\$ 397</u>
Liabilities and fund balances	
Liabilities:	
Accounts payable	10,902
Due to other funds	
Total liabilities	<u>10,902</u>
Fund balances:	
Restricted - Public Safety	
Unassigned	(10,505)
Total fund balances	<u>(10,505)</u>
Total liabilities and fund balances	<u>\$ 397</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, 2011
(Schedule 4, Page 1)

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
GOVERNOR'S HIGHWAY SAFETY GRANT:					
Revenues:					
Intergovernmental	137,076	109,947	26,625	136,572	(504)
Interest earned on investments			1	1	1
Total revenues	137,076	109,947	26,626	136,573	(503)
Expenditures:					
Departmental Supplies	28,310	23,794	39,253	63,047	(34,737)
Training	7,500	7,290	475	7,765	(265)
Capital equipment	153,266	112,016	4,032	116,048	37,218
Total expenditures	189,076	143,100	43,760	186,860	2,216
Expenditures (over) revenues	(52,000)	(33,153)	(17,134)	(50,287)	1,713
E-911					
Revenues:					
E-911 charges	-	150,561		150,561	150,561
Interest earned on investments	130,680	10,990	11	11,001	(119,679)
Total revenues	130,680	161,551	11	161,562	30,882
Expenditures:					
Departmental supplies	5,500	18,396		18,396	(12,896)
Maintenance - equipment	1,688	111,708	534	112,242	(110,554)
Contracted services	123,492	74,347		74,347	49,145
Total expenditures	130,680	204,451	534	204,985	(74,305)
Expenditures (over) revenues	-	(42,900)	(523)	(43,423)	(43,423)
FEDERAL ENERGY GRANT:					
Revenues:					
Intergovernmental	216,000		16,742	16,742	(199,258)
Expenditures:					
Dept Supplies	66,000		16,742	16,742	49,258
Contract Services	150,000			-	150,000
Total expenditures	216,000	-	16,742	16,742	199,258
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, 2011
(Schedule 4, Page 2)

	Project Authorization	Actual		Total To Date	Variance Positive (Negative)
		Prior Years	Current Year		
FIT COMMUNITY GRANT:					
Revenues:					
Intergovernmental	60,000		25,799	25,799	(34,201)
Expenditures:					
Dept Supplies	120,000		61,560	61,560	58,440
Contract Services				-	-
Total expenditures	120,000	-	61,560	61,560	58,440
Expenditures (over) revenues	(60,000)	-	(35,761)	(35,761)	24,239
2008 COMMUNITY DEVELOPMENT BLOCK GRANT:					
Revenues:					
Intergovernmental	145,539	128,746	16,784	145,530	(9)
Expenditures:					
Debt principal	116,432	\$ 82,000	\$ 1,700	\$ 83,700	32,732
Debt interest		\$ 21,640	\$ 15,084	\$ 36,724	(36,724)
Administration	29,107	\$ 29,106		\$ 29,106	1
Total expenditures	145,539	132,746	16,784	149,530	(3,991)
Expenditures (over) revenues	-	(4,000)	-	(4,000)	(4,000)
2009 COMMUNITY DEVELOPMENT BLOCK GRANT:					
Revenues:					
Intergovernmental	186,143	46,386	97,238	143,624	(42,519)
Expenditures:					
Debt principal	117,297		84,300	84,300	32,997
Debt interest			12,938	12,938	(12,938)
Sidewalk Project	39,522	17,062		17,062	22,460
Administration	29,324	29,324		29,324	-
Total expenditures	186,143	46,386	97,238	143,624	42,519
Expenditures (over) revenues	-	-	-	-	-
2010 COMMUNITY DEVELOPMENT BLOCK GRANT:					
Revenues:					
Intergovernmental	131,687		54,113	54,113	(77,574)
Expenditures:					
Debt principal	105,350			-	105,350
Debt interest				-	-
Sidewalk Project			22,460	22,460	(22,460)
Administration	26,337		31,653	31,653	(5,316)
Total expenditures	131,687	-	54,113	54,113	77,574
Expenditures (over) revenues	-	-	-	-	-

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, 2011
(Schedule 4, Page 3)

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total To Date	
2008 UNIFOUR HOME CONSORTIUM:					
Revenues:					
Intergovernmental	1,065,471	1,004,731	72,000	1,076,731	11,260
From ADDI	8,859			-	(8,859)
Program income	295,000	205,898		205,898	(89,102)
Total revenue	<u>1,369,330</u>	<u>1,210,629</u>	<u>72,000</u>	<u>1,282,629</u>	<u>(86,701)</u>
Expenditures:					
Downpayment assistance	512,962	498,350		498,350	14,612
Program Income	295,000	231,868		231,868	63,132
CHDO	159,821	159,829		159,829	(8)
Administration	106,547	97,582		97,582	8,965
Multi-family housing	295,000	223,000	72,000	295,000	-
Total expenditures	<u>1,369,330</u>	<u>1,210,629</u>	<u>72,000</u>	<u>1,282,629</u>	<u>86,701</u>
Expenditures (over) revenues	-	-	-	-	-
2009 UNIFOUR HOME CONSORTIUM:					
Revenues:					
Intergovernmental	1,184,021	594,746	237,274	832,020	(352,001)
Program income	220,000	176,165	270	176,435	(43,565)
Total revenue	<u>1,404,021</u>	<u>770,911</u>	<u>237,544</u>	<u>1,008,455</u>	<u>(395,566)</u>
Expenditures:					
Downpayment assistance	488,015	446,220	1,795	448,015	40,000
Program Income	220,000	216,165	270	216,435	3,565
CHDO	177,604		177,603	177,603	1
Administration	118,402	108,526	9,876	118,402	-
Multi-family housing	400,000	-	48,000	48,000	352,000
Total expenditures	<u>1,404,021</u>	<u>770,911</u>	<u>237,544</u>	<u>1,008,455</u>	<u>395,566</u>
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, 2011

(Schedule 4, Page 4)

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
2010 UNIFOUR HOME CONSORTIUM:					
Revenues:					
Intergovernmental	1,177,272		566,625	566,625	(610,647)
Program income	150,000		99,725	99,725	(50,275)
Total revenue	1,327,272	-	666,350	666,350	(660,922)
Expenditures:					
Downpayment assistance	478,004		476,641	476,641	1,363
Program Income	150,000		54,393	54,393	95,607
CHDO	176,591			-	176,591
Administration	117,727		119,057	119,057	(1,330)
Multi-family housing	404,950	-		-	404,950
Total expenditures	1,327,272	-	650,091	650,091	677,181
Expenditures (over) revenues	-	-	16,259	16,259	16,259
Expenditures (over) revenues - all grants	\$ (112,000)	\$ (80,053)	\$ (37,159)	\$ (117,212)	\$ (5,212)
Other financing sources:					
Transfers to General Fund	112,000	35,798	18,637	54,435	(57,565)
Expenditures (over) revenues - all grants	\$ -	\$ (44,255)	(18,522)	\$ (62,777)	\$ (62,777)
FUND BALANCE:					
Beginning of year			8,017		
End of year			\$ (10,505)		

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, 2011
(Schedule 5)**

	Capital Project Fund	Permanent Fund	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents-restricted		252,747	252,747
Other receivables	305,725	806	306,531
Total assets	<u>\$ 305,725</u>	<u>\$ 253,553</u>	<u>\$ 559,278</u>
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 37	\$ -	\$ 37
Due to other funds	533,541		\$ 533,541
Total liabilities	<u>533,578</u>	<u>-</u>	<u>533,578</u>
Fund balances:			
Restricted Cementary Care		253,553	253,553
Unassigned	(227,853)		(227,853)
Total fund balances	<u>(227,853)</u>	<u>253,553</u>	<u>25,700</u>
Total liabilities and fund balances	<u>\$ 305,725</u>	<u>\$ 253,553</u>	<u>\$ 559,278</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, 2011

(Schedule 6)

	Capital Project Fund	Permanent Fund	Total Nonmajor Governmental Funds
Revenues			
Restricted intergovernmental revenues	\$ 844,382	\$ -	\$ 844,382
Investment earnings	56	1,485	1,541
Miscellaneous	9,314	627	9,941
Total revenues	<u>853,752</u>	<u>2,112</u>	<u>855,864</u>
Expenditures			
Current:			
Capital projects	1,381,100	-	1,381,100
Total expenditures	<u>1,381,100</u>	<u>-</u>	<u>1,381,100</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(527,348)</u>	<u>2,112</u>	<u>(525,236)</u>
Other financing sources (uses)			
From General Fund	120,000		120,000
Total other financing sources (uses)	<u>120,000</u>	<u>-</u>	<u>120,000</u>
Net change in fund balances	(407,348)	2,112	(405,236)
Fund balance - beginning	<u>179,495</u>	<u>251,441</u>	<u>430,936</u>
Fund balance - ending	<u>\$ (227,853)</u>	<u>\$ 253,553</u>	<u>\$ 25,700</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, Mulberry Street Bridge, Downtown Streetscape, Greenway and Water Shed Project..

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, 2011

(Schedule 7, Page 1)

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
BROADWAY ST BRIDGE PROJECT:					
Revenues:					
NC highway grant	720,000	482,886	94,671	577,557	(142,443)
	<u>720,000</u>	<u>482,886</u>	<u>94,671</u>	<u>577,557</u>	<u>(142,443)</u>
Expenditures:					
Engineering	200,000	301,966		301,966	(101,966)
Construction	700,000	395,221		395,221	304,779
Total expenditures	<u>900,000</u>	<u>697,187</u>	<u>-</u>	<u>697,187</u>	<u>202,813</u>
Expenditures (over) revenues	<u>(180,000)</u>	<u>(214,301)</u>	<u>94,671</u>	<u>(119,630)</u>	<u>60,370</u>
MULBERRY STREET BRIDGE					
Revenues:					
NC highway grant	720,000	173,658	655,511	829,169	109,169
Expenditures:					
Engineering	200,000	217,584	104,876	322,460	(122,460)
Construction	700,000	18,879	714,513	733,392	(33,392)
Total expenditures	<u>900,000</u>	<u>236,463</u>	<u>819,389</u>	<u>1,055,852</u>	<u>(155,852)</u>
Expenditures (over) revenues	<u>(180,000)</u>	<u>(62,805)</u>	<u>(163,878)</u>	<u>(226,683)</u>	<u>(46,683)</u>
STREETSCAPE PROJECT:					
Revenues:					
NC municipal agreement	650,000	599,215		599,215	(50,785)
Contributions from Outside Agency	25,000	25,000		25,000	-
Interest earned on investments		71,766	56	71,822	71,822
Paver revenue	44,700	139,173	9,314	148,487	103,787
Total revenue	<u>719,700</u>	<u>835,154</u>	<u>9,370</u>	<u>844,524</u>	<u>124,824</u>
Expenditures:					
Engineering	81,850	134,556		134,556	(52,706)
Paving Harper Ave	400,000	350,210		350,210	49,790
Construction	634,650	794,925	218,996	1,013,921	(379,271)
Public Square	169,700	435,309	308	435,617	(265,917)
Contingency	45,500			-	45,500
Total expenditures	<u>1,331,700</u>	<u>1,715,000</u>	<u>219,304</u>	<u>1,934,304</u>	<u>(602,604)</u>
Expenditures (over) revenues	<u>(612,000)</u>	<u>(879,846)</u>	<u>(209,934)</u>	<u>(1,089,780)</u>	<u>(477,780)</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, 2011

(Schedule 7, Page 2)

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
GREENWAY PROJECT:					
Revenues:					
NC DOT grant	181,235	88,835	94,200	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>334,479</u>	<u>94,200</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	294,486	676,229	180,118	856,347	(561,861)
Total expenditures	<u>931,178</u>	<u>976,900</u>	<u>180,118</u>	<u>1,157,018</u>	<u>(225,840)</u>
Expenditures (over) revenues	<u>(520,543)</u>	<u>(642,421)</u>	<u>(85,918)</u>	<u>(728,339)</u>	<u>(207,796)</u>
WATERSHED PROJECT					
Revenues:					
NC DENR Grant	250,000	284,749		284,749	34,749
Expenditures:					
Engineering/Construction	250,000	336,871	79	336,950	(86,950)
Expenditures (over) revenues		<u>(52,122)</u>	<u>(79)</u>	<u>(52,201)</u>	<u>(52,201)</u>
FAIRVIEW BRIDGE					
Revenues:					
NC Highway Grant	720,000			-	(720,000)
Expenditures:					
Engineering	200,000		162,210	162,210	37,790
Construction	700,000			-	700,000
Total expenditures	900,000	-	162,210	162,210	737,790
Expenditures (over) revenues	<u>(180,000)</u>	<u>-</u>	<u>(162,210)</u>	<u>(162,210)</u>	<u>17,790</u>
Expenditures (over) under revenues - all projects	<u>(1,672,543)</u>	<u>(1,851,495)</u>	<u>(527,348)</u>	<u>(2,378,843)</u>	<u>(706,300)</u>
OTHER FINANCING SOURCES(USES):					
Financing issuances	504,500	1,094,550		1,094,550	590,050
Transfer from General Fund	1,168,043	635,214	120,000	755,214	(412,829)
Total other financing sources	<u>1,672,543</u>	<u>1,729,764</u>	<u>120,000</u>	<u>1,849,764</u>	<u>177,221</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>(121,731)</u>	<u>(407,348)</u>	<u>\$ (529,079)</u>	<u>\$ (529,079)</u>
Fund balance beginning of year		301,226	179,495		
Fund balance end of year		<u>\$ 179,495</u>	<u>\$ (227,853)</u>		

Permanent Fund

The Permanent Fund accounts for Perpetual Cemetery Care.

City of Lenoir, North Carolina

Permanent Fund

Supplemental Schedule of Revenues, Expenditures and Changes in
Fund Balance -Budget and Actual
For the Year Ended June 30, 2011

(Schedule 8)

	2011		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
Revenues:			
Cemetery fees	\$ 627	\$ 627	
Interest earned on investments	1,485	1,485	-
Total revenues	<u>2,112</u>	<u>2,112</u>	<u>-</u>
Revenues over expenditures	<u>2,112</u>	<u>2,112</u>	<u>-</u>
Fund Balance:			
Beginning of year		<u>251,441</u>	
End of year		<u>\$ 253,553</u>	

Agency Fund

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

Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For Fiscal Year Ended June 30, 2011
(Schedule 9)

	July 1, 2010	Additions	Deductions	June 30, 2011
CheckFree Pay				
Assets				
Cash and cash equivalents	\$ 3,746	\$ 8,679	\$ 10,838	\$ 1,587
Total assets	<u>\$ 3,746</u>	<u>\$ 8,679</u>	<u>\$ 10,838</u>	<u>\$ 1,587</u>
Liabilities				
Due to other funds	\$ 3,746	\$ 8,679	\$ 10,838	\$ 1,587
Total liabilities	<u>\$ 3,746</u>	<u>\$ 8,679</u>	<u>\$ 10,838</u>	<u>\$ 1,587</u>
Flex Spending				
Assets				
Cash and cash equivalents	\$ 2,607	\$ 90,128	\$ 73,441	\$ 19,294
Total assets	<u>\$ 2,607</u>	<u>\$ 90,128</u>	<u>\$ 73,441</u>	<u>\$ 19,294</u>
Liabilities				
Due to other funds	\$ 2,607	\$ 90,128	\$ 73,441	\$ 19,294
Total liabilities	<u>\$ 2,607</u>	<u>\$ 90,128</u>	<u>\$ 73,441</u>	<u>\$ 19,294</u>
Total All Agency Funds				
Assets				
Cash and cash equivalents	\$ 6,353	\$ 98,807	\$ 84,279	\$ 20,881
Total assets	<u>\$ 6,353</u>	<u>\$ 98,807</u>	<u>\$ 84,279</u>	<u>\$ 20,881</u>
Liabilities				
Due to other funds	\$ 6,353	\$ 98,807	\$ 84,279	\$ 20,881
Total liabilities	<u>\$ 6,353</u>	<u>\$ 98,807</u>	<u>\$ 84,279</u>	<u>\$ 20,881</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, 2011

(Schedule 10)

	<u>2011</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 3,498,955
Accounts receivable (net)	501,638
Inventories	76,104
Restricted Cash and cash equivalents	112,370
Total current assets	<u>4,189,067</u>
Noncurrent assets	
Capital assets, net	46,327,184
Total noncurrent assets	<u>46,327,184</u>
Total assets	<u>50,516,251</u>
Liabilities	
Current liabilities	
Accounts payable	330,764
Construction Loan Payable	3,644,914
Installment purchase contracts - current	1,430,349
Revolving loan payable - current	391,856
Customer deposits	112,370
Compensated absences payable	72,000
Total current liabilities	<u>5,982,253</u>
Noncurrent liabilities	
Revolving loan payable	3,165,541
Installment purchase contracts payable	7,541,918
OPEB Liability	25,180
Compensated absences payable	46,028
Total noncurrent liabilities	<u>10,778,667</u>
Total liabilities	<u>16,760,920</u>
Net assets	
Invested in capital assets, net of related debt	30,152,606
Unrestricted net assets	3,602,725
Total net assets	<u>\$ 33,755,331</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, 2011

(Schedule 11, Part I)

	2011		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
REVENUES:			
Operating revenues:			
Water sales	\$ 4,876,638	\$ 4,674,901	\$ (201,737)
Wastewater treatment charges	2,497,095	2,304,153	(192,942)
Water and sewer taps	45,000	29,700	(15,300)
Late payment/reconnect fees	217,000	233,039	16,039
Miscellaneous	48,000	44,429	(3,571)
Total operating revenues	<u>7,683,733</u>	<u>7,286,222</u>	<u>(397,511)</u>
Nonoperating revenues:			
Interest on investments	35,000	3,765	(31,235)
TOTAL REVENUES	<u>\$7,718,733</u>	<u>\$7,289,987</u>	<u>(\$428,746)</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, 2011

(Schedule 11, Part II, Page 1)

EXPENDITURES:	2011		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
Rhodhiss Water Treatment Plant:			
Salaries and wages	\$ 274,609	\$ 291,385	\$ (16,776)
Personnel benefits	107,543	111,949	(4,406)
Telephone and postage	2,700	3,042	(342)
Utilities	263,000	296,327	(33,327)
Travel and training	1,900	700	1,200
Maintenance:			
Building and grounds	10,000	696	9,304
Equipment	40,000	61,957	(21,957)
Motor equipment operation and mainten:	6,000	6,785	(785)
Departmental supplies	93,000	11,001	81,999
Uniforms	3,000	2,375	625
Contracted services	126,000	133,861	(7,861)
State testing	17,000	8,412	8,588
Chemicals	215,000	234,382	(19,382)
Insurance and bonds	22,842	20,876	1,966
Utility service fees	104,805	107,005	(2,200)
Miscellaneous	8,700	6,428	2,272
Total Rhodhiss Water Treatment Plant	1,296,099	1,297,181	(1,082)
Water Distribution:			
Salaries and wages	408,650	422,022	(13,372)
Personnel benefits	156,864	161,069	(4,205)
Professional services	55,000	15,319	39,681
Telephone and postage	38,000	46,844	(8,844)
Utilities	55,000	34,676	20,324
Travel and training	1,500	386	1,114
Maintenance:			
Equipment	7,000	3,942	3,058
Distribution system	23,000	22,186	814
Motor equipment operation and mainten:	52,000	56,578	(4,578)
Departmental supplies	94,000	54,271	39,729
Uniforms	4,000	4,020	(20)
Insurance and bonds	71,000	78,776	(7,776)
Contracted services	75,000	74,336	664
Service extensions	5,000		5,000
Subdivision reimbursement	-	16,308	(16,308)
Miscellaneous	5,500	4,715	785
Utility service fees	104,805	107,005	(2,200)
Economic development	7,000	5,000	2,000
Total Water Distribution	1,163,319	1,107,453	55,866
Water Resources			
Salaries and wages	263,151	267,402	(4,251)
Personnel benefits	91,028	91,379	(351)
Professional services	59,000	53,955	5,045

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, 2011

(Schedule 11, Part II, Page 2)

EXPENDITURES (Continued)	2011		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
Water Resources (Continued)			
Travel and training	\$ 2,500	\$ 2,362	\$ 138
Telephone and postage	3,500	3,437	63
Equipment maintenance	6,000	10,163	(4,163)
Motor equipment operation and mainten:	14,000	17,642	(3,642)
Departmental supplies	6,000	1,516	4,484
Uniforms	1,200	3,036	(1,836)
Contracted services	5,000	1,003	3,997
Insurance and bonds	950	868	82
Miscellaneous	3,850	2,325	1,525
Total Water Resources	456,179	455,088	1,091
Wastewater Collection			
Salaries and wages	171,146	140,695	30,451
Personnel benefits	66,496	54,365	12,131
Professional services	25,000	7,578	17,422
Telephone and postage	1,000	768	232
Utilities	19,500	9,750	9,750
Travel and training	1,500	784	716
Maintenance:			
Equipment	8,000	5,043	2,957
Sewage collection system	94,000	32,005	61,995
Motor equipment operation and mainten:	30,000	71,517	(41,517)
Departmental supplies	18,000	13,520	4,480
Uniforms	2,500	2,719	(219)
Contracted services	90,000	63,409	26,591
Subdivision reimbursement	40,000	16,308	23,692
Insurance and bonds	53,809	49,936	3,873
Miscellaneous	25,500	1,832	23,668
Service extensions	5,000	-	5,000
Utility service fees	104,805	107,005	(2,200)
Total Wastewater Collection	756,256	577,234	179,022
Lower Creek Wastewater Treatment Plant:			
Salaries and wages	286,333	304,532	(18,199)
Personnel benefits	115,276	118,456	(3,180)
Professional services	5,000	1,828	3,172
Telephone and postage	3,500	2,127	1,373
Utilities	295,000	261,980	33,020
Travel and training	2,000	1,187	813
Maintenance:			
Building and grounds	5,000	6,432	(1,432)
Equipment	55,000	64,513	(9,513)
Motor equipment operation and mainten:	11,000	14,063	(3,063)
Departmental supplies	20,000	15,976	4,024
Uniforms	1,500	2,627	(1,127)
Contracted services	7,500	45,017	(37,517)
Chemicals	180,000	124,098	55,902
Insurance and bonds	23,203	21,205	1,998
Miscellaneous	8,000	2,915	5,085
Utility service fees	104,805	107,005	(2,200)
Total Lower Creek Wastewater Treatment Plant	1,123,117	1,093,961	29,156

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, 2011

(Schedule 11, Part II, Page 3)

EXPENDITURES (Continued)	2011		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
Gunpowder Wastewater Treatment Plant:			
Salaries and wages	\$ 47,068	\$ 48,881	\$ (1,813)
Personnel benefits	14,994	14,865	129
Professional services	5,000	500	4,500
Telephone and postage	3,000	3,483	(483)
Utilities	143,000	139,735	3,265
Travel and training	500	872	(372)
Maintenance:			
Building and grounds	6,500	19	6,481
Equipment	12,000	23,865	(11,865)
Motor equipment operation and mainten:	8,000	15,176	(7,176)
Departmental supplies	10,000	7,349	2,651
Uniforms	1,600	1,481	119
Contracted services	8,000	7,352	648
Chemicals	60,000	45,562	14,438
Insurance and bonds	17,605	16,089	1,516
Miscellaneous	3,200	1,776	1,424
Utility service fees	104,805	107,005	(2,200)
Total Gunpowder Wastewater Treatment Plant	445,272	434,010	11,262
Wastewater Pretreatment:			
Salaries and wages	98,598	102,414	(3,816)
Personnel benefits	36,231	36,372	(141)
Travel and training	250	417	(167)
Equipment maintenance	1,000	91	909
Motor equipment operation and mainten:	1,800	1,430	370
Uniforms	450	410	40
Supplies	15,000	17,565	(2,565)
Contracted services	30,000	24,815	5,185
Miscellaneous	1,000	678	322
Total Wastewater Pretreatment	184,329	184,192	137
Budgetary appropriations:			
Interest paid	612,174	506,910	105,264
Debt principal	1,681,988	1,786,772	(104,784)
Total budgetary appropriations	2,294,162	2,293,682	480
TOTAL EXPENDITURES	\$ 7,718,733	\$ 7,442,801	\$ 275,932

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, 2011

(Schedule 11, Part III)

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

	2011 Actual
Total revenues and other financing sources on Schedule 7, Part I, Water and Sewer	\$ 7,289,987
Total expenditures on Schedule 7, Part II, Water and Sewer	<u>7,442,801</u>
Revenues and other sources over (under) expenditures and other uses:	<u>(152,814)</u>
Reconciling items:	
Debt principal	1,786,772
Bad Debt Expense	(50,000)
(Increase) decrease in OPEB Liability	4,041
Capital contributions- Capital Projects	1,374,704
Interest earned Capital Projects	483
(Increase) decrease in accrued vacation pay	7,533
Depreciation expense	<u>(1,054,194)</u>
Total reconciling items	<u>2,069,339</u>
Change in Net Assets (Exhibit G)	<u>\$ 1,916,525</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 Bernhardt Water Treatment Plant Renovation, Realty Street Sewer, Raw Water Intake and Virginia Street Water Line.

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, 2011

(Schedule 12, Page 1)

	Project Authorization	Prior Years	Current Year	Total To Date	Variance Positive (Negative)
REALTY STREET SEWER					
Expenditures:					
Engineering	31,450			-	31,450
Construction	239,550	177,168	58,274	235,442	4,108
Total expenditures	271,000	177,168	58,274	235,442	35,558
Expenditures (under) revenues	(271,000)	(177,168)	(58,274)	(235,442)	(35,558)
Other financing sources (uses):					
Transfer in Capital Reserve Fund	271,000			-	271,000
Revenues and other financing sources over (under) expenditures and other financing uses	-	(177,168)	(58,274)	(235,442)	(235,442)
BERNHARDT PLANT RENOVATIONS:					
Revenues:					
Clean Water Trust Fund Grant	\$ 350,000	\$ 350,000		\$ 350,000	\$ -
Interest on investments	-	117,300		117,300	117,300
Total revenues	350,000	467,300	-	467,300	117,300
Expenditures:					
Engineering	362,000	228,658		228,658	133,342
Professional services	6,500	1,825		1,825	4,675
Construction	870,380	528,854		528,854	341,526
Cedar Rock line construction	153,350	123,000		123,000	30,350
Armory line construction	56,270	57,130		57,130	(860)
Contingency	101,500			-	101,500
Mechanical Bar Screen		470,206		470,206	(470,206)
Blue Ridge Forest	188,000	7,415	489,325	496,740	(308,740)
Purchase of land	900,000	906,458		906,458	(6,458)
Total expenditures	2,638,000	2,323,546	489,325	2,812,871	(174,871)
Expenditures (under) revenues	(2,288,000)	(1,856,246)	(489,325)	(2,345,571)	(57,571)
Other financing sources (uses):					
Transfers from Water Fund	188,000				(188,000)
Installment purchase issuance	2,100,000	2,100,000		2,100,000	-
Total Other financing sources(uses):	2,288,000	2,100,000	-	2,100,000	(188,000)
Revenues and other financing sources over (under) expenditures and other financing uses	-	243,754	(489,325)	(245,571)	(245,571)

**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, 2011

(Schedule 12, Page 2)

	Project Authorization	Prior Years	Current Year	Total To Date	Variance Positive (Negative)
RAW WATER INTAKE					
Revenues:					
Contributions from Outside Sources	1,000,000	550,000	1,000,000	1,550,000	550,000
Grants	500,000			-	(500,000)
Interest on investments		68,194	483	68,677	68,677
Total revenues	1,500,000	618,194	1,000,483	1,618,677	118,677
Expenditures:					
Engineering/surveying	780,000	155,803	355,922	511,725	268,275
Construction	5,020,000	1,141,661	3,183,997	4,325,658	694,342
Contingency	750,000				750,000
Total expenditures	6,550,000	1,297,464	3,539,919	4,837,383	1,712,617
Expenditures (under) revenues	(5,050,000)	(679,270)	(2,539,436)	(3,218,706)	1,831,294
Other financing sources (uses):					
State Revolving Loan issuance	5,050,000		3,644,914	3,644,914	(1,405,086)
Revenues and other financing sources over (under) expenditures and other financing uses	5,050,000	(679,270)	1,105,478	426,208	426,208
Virginia St. Water Line					
Revenues:					
Grants	400,000		374,704	374,704	(25,296)
Total revenues	400,000	-	374,704	374,704	(25,296)
Expenditures:					
Engineering/surveying	40,000		34,232	34,232	5,768
Construction	350,000		312,659	312,659	37,341
Contingency	10,000			-	10,000
Total expenditures	400,000	-	346,891	346,891	53,109
Expenditures (under) revenues	-	-	27,813	27,813	27,813
Total Water and Sewer Capital Project Fund	\$ 5,050,000	\$ (612,684)	\$ 585,692	\$ (26,992)	\$ (26,992)

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, 2011

(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	278,632	278,632
In escrow accounts	125,899	125,899
In certificates of deposit	2,527,247	2,527,247
Total Cash	<u>2,933,763</u>	<u>2,933,763</u>
Investments - North Carolina Capital Management Trust	5,041,218	5,041,218
Total Cash and Investments	<u>\$ 7,974,981</u>	<u>\$ 7,974,981</u>
Distribution by Funds:		
Governmental Fund types	\$ 4,363,656	\$ 4,363,656
Enterprise Fund	3,611,325	3,611,325
Total	<u>\$ 7,974,981</u>	<u>\$ 7,974,981</u>

City of Lenoir, North Carolina

Schedule of Ad Valorem Taxes Receivable

June 30, 2011

(Schedule 14)

Fiscal Year	Uncollected Balance 7/1/2010	Additions	Collections and Credits	Uncollected Balance 6/30/2011
2010-2011	\$ -	\$ 7,274,696	\$ 6,782,376	\$ 492,320
2009-2010	432,842		332,827	100,015
2008-2009	197,099		54,014	143,085
2007-2008	153,272		39,359	113,913
2006-2007	104,146		21,876	82,270
2005-2006	80,834		9,107	71,727
2004-2005	39,566		4,612	34,954
2003-2004	44,581		3,648	40,933
2002-2003	35,863		1,388	34,475
2001-2002	27,413		1,406	26,007
2000-2001	33,426		33,426	-
Total	\$ 1,149,042	\$ 7,274,696	\$ 7,284,039	1,139,699
Less allowance for uncollectible ad valorem taxes receivable:				
Ad valorem and vehicle			\$ 657,406	
Downtown Service District			18,978	676,384
Ad valorem taxes receivable - net				<u>\$ 463,315</u>
Reconciliation with revenues:				
Ad valorem taxes				\$ 7,245,878
Discounts allowed				96,016
Prior year releases				1,423
Amounts written off per statute of limitations				33,111
Subtotal				<u>7,376,428</u>
Less penalties and interest collected				<u>92,389</u>
Total collections and credits				<u>\$ 7,284,039</u>

City of Lenoir, North Carolina

Analysis of Current Tax Levy

June 30, 2011

(Schedule 15)

	Total Property Valuation	Rate	Amount of Levy	Total Levy	
				Property Excluding Vehicles	Motor Vehicles
Original levy:					
Ad Valorem	\$ 1,336,097,407	\$ 0.54	\$ 7,214,926	\$ 7,214,926	
Downtown Service District	14,746,800	0.25	36,867	36,867	
Motor Vehicles:					
General	92,575,185	0.54	499,906		\$ 499,906
Downtown Service District	30,400	0.25	76		\$ 76
Discoveries			258,146	258,146	
Releases			(735,225)	(725,394)	(9,831)
Total for year	<u>1,443,449,792</u>		7,274,696	6,784,545	490,151
Less uncollected tax at June 30, 2011 (schedule 14)			492,320	398,043	94,277
Current year's taxes collected			<u>\$ 6,782,376</u>	<u>\$ 6,386,502</u>	<u>\$ 395,874</u>
Percent current year collected			93.23%	94.13%	80.77%

***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, 2011
 (Schedule 16)

Function and Activity	Land	Buildings and Improvements	Machinery and Equipment	Infrastructure	Construction in Progress	Total
General government:						
Administrative	\$ 1,005,302	\$ 882,537	\$ 704,748	\$ 759,098	\$ -	\$ 3,351,685
Vehicle services	-	-	275,447	-	-	275,447
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	1,248,026	1,509,775	1,439,986	759,098	-	4,956,885
Public Safety:						
Police	170,165	1,606,695	3,776,844	-	-	5,553,704
Fire	207,202	692,229	3,014,621	-	-	3,914,052
Total public safety	377,367	2,298,924	6,791,465	-	-	9,467,756
Transportation:						
Streets	55,277	3,145,937	1,800,955	41,627,538	396,339	47,026,046
Environmental protection:						
Sanitation	9,500	19,969	1,241,946	-	-	1,271,415
Economic & physical development:						
Planning & Main Street	-	12,233	60,377	-	-	72,610
Recreation and culture:						
Recreation	1,507,206	6,475,783	557,847	732,912	332,327	9,606,074
Landscaping	10	396,104	263,949	-	-	660,063
Total recreation & culture	1,507,216	6,871,887	821,796	732,912	332,327	10,266,137
Total governmental funds capital assets	\$ 3,197,386	\$ 13,858,725	\$ 12,156,524	\$ 43,119,548	\$ 728,666	\$ 73,060,850

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 Assets by Component,
Last Nine Fiscal Years
(accrual basis of accounting)
(unaudited)

	Fiscal Year				
	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Governmental activities					
Invested in capital assets, net of related debt	\$ 20,780,909	\$ 21,624,643	\$ 22,061,411	\$ 22,394,419	\$ 22,797,645
Restricted	657,823	555,638	535,140	793,977	887,159
Unrestricted	3,321,546	3,297,785	3,202,086	3,820,178	6,041,293
Total governmental activities net assets	\$ 24,760,278	\$ 25,478,066	\$ 25,798,637	\$ 27,008,574	\$ 29,726,097
Business-type activities					
Invested in capital assets, net of related debt	\$ 15,028,018	\$ 20,769,721	\$ 22,091,119	\$ 22,490,872	\$ 23,447,459
Restricted					
Unrestricted	\$ 7,534,897	\$ 1,806,445	\$ 1,972,867	\$ 4,430,821	\$ 5,984,846
Total business-type activities net assets	\$ 22,562,915	\$ 22,576,166	\$ 24,063,986	\$ 26,921,693	\$ 29,432,305
Primary government					
Invested in capital assets, net of related debt	\$ 35,808,927	\$ 42,394,364	\$ 44,152,530	\$ 44,885,291	\$ 46,245,104
Restricted	657,823	555,638	535,140	793,977	887,159
Unrestricted	10,856,443	5,104,230	5,174,953	8,250,999	12,026,139
Total primary government net assets	\$ 47,323,193	\$ 48,054,232	\$ 49,862,623	\$ 53,930,267	\$ 59,158,402
	Fiscal Year				
	2007-2008	2008-2009	2009-2010	2010-2011	
Governmental activities					
Invested in capital assets, net of related debt	\$ 22,986,647	\$ 24,252,972	\$ 23,881,197	\$ 24,687,510	
NonSpendable				283,161	
Restricted	1,102,646	752,328	319,048	1,785,538	
Assigned				610,557	
Unassigned	6,416,440	5,440,565	5,996,460	2,884,672	
Total governmental activities net assets	\$ 30,505,733	\$ 30,445,865	\$ 30,196,705	\$ 30,251,438	
Business-type activities					
Invested in capital assets, net of related debt	\$ 24,623,994	\$ 26,673,159	\$ 28,630,531	\$ 30,152,606	
Restricted					
Unassigned	\$ 6,086,897	\$ 4,853,315	\$ 3,208,275	\$ 3,602,725	
Total business-type activities net assets	\$ 30,710,891	\$ 31,526,474	\$ 31,838,806	\$ 33,755,331	
Primary government					
Invested in capital assets, net of related debt	\$ 47,610,641	\$ 50,926,131	\$ 52,511,728	\$ 54,840,116	
NonSpendable				283,161	
Restricted	1,102,646	752,328	319,048	1,785,538	
Assigned				610,557	
Unassigned	12,503,337	10,293,880	9,204,735	6,329,412	
Total primary government net assets	\$ 61,216,624	\$ 61,972,339	\$ 62,035,511	\$ 63,848,784	

Note: The City of Lenoir began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002-2003.

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

	Fiscal Year				
	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Expenses					
Governmental activities:					
General government	\$ 2,067,383	\$ 2,431,126	\$ 2,454,329	\$ 2,287,280	\$ 2,532,093
Public safety	6,339,563	7,025,752	7,476,799	7,367,978	7,571,235
Transportation	1,771,298	1,929,235	2,001,950	1,987,133	1,877,492
Environmental protection	1,025,396	692,424	734,558	709,224	615,014
Economic and physical development	1,672,187	2,159,820	2,161,581	2,232,939	1,580,054
Culture and recreation	1,266,873	1,610,944	1,545,599	1,650,517	1,836,837
Interest and fees	145,307	67,979	94,776	96,311	203,560
Total governmental activities expenses	<u>14,288,007</u>	<u>15,917,280</u>	<u>16,469,592</u>	<u>16,331,382</u>	<u>16,216,285</u>
Business-type activities:					
Water and sewer	6,489,489	6,085,390	5,980,258	6,180,758	6,742,217
Total primary government expenses	<u>\$ 20,777,496</u>	<u>\$ 22,002,670</u>	<u>\$ 22,449,850</u>	<u>\$ 22,512,140</u>	<u>\$ 22,958,502</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 807,755	\$ 719,012	\$ 842,158	\$ 919,369	\$ 300,365
Public safety	48,425	66,927	79,986	177,690	323,431
Transportation	25,932	25,274	12,316	32,916	355,179
Environmental protection	637,931	86,438	14,958	452,279	454,131
Economic and physical development	6,575	7,412	7,648	5,625	
Culture and recreation	168,804	164,448	153,557	152,553	207,022
Operating grants and contributions	2,271,344	2,737,525	2,534,568	2,956,330	3,787,830
Capital grants and contributions		1,306,050	1,532,924	391,751	802,339
Total governmental activities program revenues	<u>3,966,766</u>	<u>5,113,086</u>	<u>5,178,115</u>	<u>5,088,513</u>	<u>6,230,297</u>
Business-type activities:					
Charges for services:					
Water and sewer	5,561,166	5,860,885	6,799,186	7,011,120	7,803,997
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	25,000		365,400	1,580,890	1,153,392
Total business-type activities program revenues	<u>5,586,166</u>	<u>5,860,885</u>	<u>7,164,586</u>	<u>8,592,010</u>	<u>8,957,389</u>
Total primary government program revenues	<u>\$ 9,552,932</u>	<u>\$ 10,973,971</u>	<u>\$ 12,342,701</u>	<u>\$ 13,680,523</u>	<u>\$ 15,187,686</u>
Net (Expense)/Revenue					
Governmental activities	\$ (10,321,241)	\$ (10,804,194)	\$ (11,291,477)	\$ (11,242,869)	\$ (9,985,988)
Business-type activities	(903,323)	(224,505)	1,184,328	2,411,252	2,215,172
Total primary government net expense	<u>\$ (11,224,564)</u>	<u>\$ (11,028,699)</u>	<u>\$ (10,107,149)</u>	<u>\$ (8,831,617)</u>	<u>\$ (7,770,816)</u>

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

	Fiscal Year				
	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Ad valorem taxes	\$ 5,877,862	\$ 5,941,565	\$ 6,404,153	\$ 7,051,605	\$ 6,995,180
Other taxes and licenses	2,381,079	2,648,948	2,844,646	2,992,602	3,249,329
Unrestricted intergovernmental	1,255,464	1,239,037	1,272,757	1,165,617	1,244,682
Miscellaneous	82,511	836,368	792,211	837,805	765,656
Gain (loss) on sale of fixed assets	36,990		112,461	51,084	
Transfers	482,737	582,020	(86,371)	-	-
Payment from ABC Board	219,711	228,609	218,371	207,863	164,229
Interest earned on investments	57,725	45,437	53,823	146,230	284,435
Total governmental activities	10,394,079	11,521,984	11,612,051	12,452,806	12,703,511
Business-type activities:					
Miscellaneous	159,747	150,274	151,235	274,373	37,690
Gain (loss) on sale of fixed assets	(91,479)	-	-	-	-
Transfers	(482,737)	(582,020)	86,371	-	-
Interest earned on investments	89,079	49,165	65,885	172,082	257,750
Total business-type activities	(325,390)	(382,581)	303,491	446,455	295,440
Total primary government	\$ 10,068,689	\$ 11,139,403	\$ 11,915,542	\$ 12,899,261	\$ 12,998,951
Changes in Net Assets					
Governmental activities	\$ 72,838	\$ 717,790	\$ 320,574	\$ 1,209,937	\$ 2,717,523
Business-type activities	(1,228,713)	(607,086)	1,487,819	2,857,707	2,510,612
Total primary government	\$ (1,155,875)	\$ 110,704	\$ 1,808,393	\$ 4,067,644	\$ 5,228,135

Note: The City of Lenoir began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002-2003.

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

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

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

	Fiscal Year			
	2007-2008	2008-2009	2009-2010	2010-2011
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Ad valorem taxes	\$ 7,127,521	\$ 8,076,972	\$ 7,206,622	\$ 7,370,866
Other taxes and licenses	3,964,985	3,717,692	3,470,522	3,762,006
Unrestricted intergovernmental	1,424,792	1,517,749	1,464,036	1,524,091
Miscellaneous	384,877	435,693	598,575	229,488
Gain (loss) on sale of fixed assets	12,225	25,862	29,815	
Payment from ABC Board	152,732	292,227	216,980	207,532
Interest earned on investments	288,351	122,035	18,273	10,351
Total governmental activities	<u>13,355,483</u>	<u>14,188,230</u>	<u>13,004,823</u>	<u>13,104,334</u>
Business-type activities:				
Miscellaneous	295,403	55,100	94,946	44,429
Interest earned on investments	236,414	77,995	9,666	4,248
Total business-type activities	<u>531,817</u>	<u>133,095</u>	<u>104,612</u>	<u>48,677</u>
Total primary government	<u>\$ 13,887,300</u>	<u>\$ 14,321,325</u>	<u>\$ 13,109,435</u>	<u>\$ 13,153,011</u>
Changes in Net Assets				
Governmental activities	\$ 779,636	\$ (59,868)	\$ (249,160)	\$ (82,843)
Business-type activities	1,278,586	815,583	312,332	1,916,525
Total primary government	<u>\$ 2,058,222</u>	<u>\$ 755,715</u>	<u>\$ 63,172</u>	<u>\$ 1,833,682</u>

Note: The City of Lenoir began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002-2003.

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

	Fiscal Year				
	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
General Fund					
Reserved	\$ 1,380,124	\$ 1,478,239	\$ 1,573,129	\$ 1,769,710	\$ 2,120,509
Unreserved	1,530,534	2,163,738	1,797,042	2,024,965	2,285,977
Designated for subsequent year's expenditures	331,800	419,765	470,000	-	-
Total general fund	\$ 3,242,458	\$ 4,061,742	\$ 3,840,171	\$ 3,794,675	\$ 4,406,486
All Other Governmental Funds					
Reserved					
Unreserved, reported in:					
Special revenue funds	\$ -	\$ -	\$ 37,003	\$ 3	\$ 90,007
Capital project funds	1,374,587	181,626	217,020	152,022	401,225
Permanent fund	-	274,126	263,170	276,356	287,821
Total all other governmental funds	\$ 1,374,587	\$ 455,752	\$ 517,193	\$ 428,381	\$ 779,053

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

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				
	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Revenues					
Ad valorem taxes	\$ 5,389,966	\$ 5,918,019	\$ 5,885,658	\$ 6,352,006	\$ 7,054,808
Other taxes and licenses	1,993,631	2,381,079	2,648,948	2,844,646	2,992,602
Unrestricted intergovernmental revenues	1,240,304	1,255,464	1,239,037	1,272,757	1,165,617
Restricted intergovernmental revenues	2,549,954	2,271,344	2,737,525	2,737,488	3,253,485
Permits and fees	99,163	83,900	1,434,444	168,753	136,040
Sales and services	1,436,406	1,611,522	941,117	941,870	1,509,588
Investment earnings	94,223	57,725	45,437	53,823	146,230
Miscellaneous	131,744	82,511	836,368	2,122,215	1,027,205
Payment from ABC Board	250,969	219,711	228,609	218,371	207,863
Total revenues	13,186,360	13,881,275	15,997,143	16,711,929	17,493,438
Expenditures					
General government	2,064,277	1,824,162	2,363,329	2,321,369	2,171,212
Public safety	6,166,215	5,931,083	6,673,594	7,153,289	7,080,079
Transportation	1,344,519	1,032,493	1,226,625	1,198,540	1,176,854
Environmental protection	1,028,149	937,413	628,934	675,569	653,224
Economic and physical development	1,674,858	1,663,931	2,153,791	2,152,590	2,355,938
Cultural and recreation	1,352,582	1,135,762	1,483,969	1,411,359	1,507,834
Capital outlay	822,460	1,331,185	2,335,600	2,462,304	3,275,177
Debt service:					
Interest	19,800	124,942	67,980	94,775	98,281
Principal	100,000	782,404	697,971	601,831	717,440
Total expenditures	14,572,860	14,763,375	17,631,793	18,071,626	19,036,039
Excess of revenues over (under) expenditures	(1,386,500)	(882,100)	(1,634,650)	(1,359,697)	(1,542,601)
Other Financing Sources (Uses)					
Proceeds from installment purchase	1,765,456	-	892,500	1,199,300	2,454,000
Proceeds from disposal of capital assets	-	36,990	-	112,461	51,084
Transfers in	263,765	572,361	712,881	265,635	173,725
Transfers out	(64,275)	(89,624)	(130,861)	(352,006)	(173,725)
Total other financing sources (uses)	1,964,946	519,727	1,474,520	1,225,390	2,505,084
Net change in fund balances	\$ 578,446	\$ (362,373)	\$ (160,130)	\$ (134,307)	\$ 962,483
Debt service as a percentage of noncapital expenditures	0.87%	6.76%	5.01%	4.46%	5.18%

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				
	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Revenues					
Ad valorem taxes	\$ 7,021,088	\$ 7,058,906	\$ 8,127,462	\$ 7,274,284	\$ 7,245,878
Other taxes and licenses	3,249,329	3,964,985	3,717,692	3,470,522	3,762,006
Unrestricted intergovernmental revenues	1,244,682	1,424,792	1,517,749	1,464,036	1,524,091
Restricted intergovernmental revenues	3,090,169	2,974,919	2,877,185	1,110,953	938,984
Permits and fees	138,612	142,632	183,048	117,900	199,682
Sales and services	1,501,516	1,603,518	1,422,771	1,481,369	1,551,101
Investment earnings	284,435	288,351	122,034	14,578	8,798
Miscellaneous	2,265,656	339,070	194,559	542,745	219,547
Payment from ABC Board	164,229	152,732	292,227	216,980	207,532
Total revenues	18,959,716	17,949,905	18,454,728	15,693,367	15,657,619
Expenditures					
General government	3,648,956	2,957,706	3,984,092	2,485,008	2,303,427
Public safety	7,288,312	7,446,694	7,945,639	7,823,997	7,981,579
Transportation	1,062,932	1,232,217	1,479,813	1,359,189	1,418,860
Environmental protection	588,288	702,619	925,713	679,803	748,417
Economic and physical development	1,590,722	2,038,156	1,505,639	526,443	580,395
Cultural and recreation	1,675,889	1,660,371	2,138,932	1,794,162	1,805,049
Capital outlay	930,585	529,984	1,154,897	315,225	656,659
Debt service:					
Interest	203,560	146,795	158,793	106,730	78,943
Principal	837,537	1,066,530	931,228	851,467	778,766
Total expenditures	17,806,761	17,781,072	20,224,745	15,942,024	16,352,095
Excess of revenues over (under) expenditures	1,152,955	168,833	(1,770,017)	(248,657)	(694,476)
Other Financing Sources (Uses)					
Proceeds from installment purchase	1,189,297	305,000	621,653		526,000
Proceeds from disposal of capital assets		36,540	31,193	32,516	
Transfers in	285,946	300,000			
Transfers out	(285,946)	(300,000)		(60,000)	(138,637)
Total other financing sources (uses)	1,189,297	341,540	652,846	(27,484)	387,363
Net change in fund balances	\$ 2,342,252	\$ 510,373	\$ (1,117,171)	\$ (276,141)	\$ (307,113)
Debt service as a percentage of noncapital expenditures	6.17%	7.03%	5.72%	6.13%	5.46%

Note: Prior to fiscal 2002-2003 principal and interest on installment purchases was not recorded as separate items.

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
2010-2011	\$ 1,278,228,976	\$ 241,451,644	\$ 47,030,270	\$ 182,808,563	\$ 1,383,902,327	\$ 0.540
2009-2010	\$ 1,295,925,277	\$ 178,707,495	\$ 47,677,991	\$ 179,894,259	\$ 1,294,738,526	\$ 0.540
2008-2009	\$ 1,278,292,193	\$ 342,060,097	\$ 52,755,382	\$ 180,616,306	\$ 1,439,735,997	\$ 0.540
2007-2008	\$ 1,035,914,424	\$ 240,938,577	\$ 48,887,415	\$ 16,267,165	\$ 1,260,585,849	\$ 0.540
2006-2007	\$ 1,018,965,821	\$ 230,768,919	\$ 45,431,078	\$ 16,267,165	\$ 1,233,467,588	\$ 0.540
2005-2006	\$ 995,405,224	\$ 259,007,632	\$ 40,670,706	\$ 15,925,498	\$ 1,238,487,371	\$ 0.540
2004-2005	\$ 862,613,830	\$ 248,782,003	\$ 41,022,024	\$ 12,274,563	\$ 1,099,121,283	\$ 0.540
2003-2004	\$ 850,939,400	\$ 223,809,339	\$ 42,614,115	\$ 11,716,920	\$ 1,063,031,832	\$ 0.500
2002-2003	\$ 891,189,200	\$ 282,644,578	\$ 43,193,844	\$ 11,579,713	\$ 1,162,254,078	\$ 0.500
2001-2002	\$ 772,679,416	\$ 275,196,484	\$ 43,324,613	\$ 7,637,773	\$ 1,040,238,140	\$ 0.470

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	
2010-2011	\$ 0.5400	\$ 0.2500	\$ 0.6599	\$ 0.0085	
2009-2010	\$ 0.5400	\$ 0.2500	\$ 0.6599	\$ 0.0085	
2008-2009	\$ 0.5400	\$ 0.2500	\$ 0.6599	\$ 0.0085	
2007-2008	\$ 0.5400	\$ 0.2500	\$ 0.6599	\$ 0.0085	
2006-2007	\$ 0.5400	\$ 0.2500	\$ 0.5399	\$ 0.0085	
2005-2006	\$ 0.5400	\$ 0.2500	\$ 0.5399	\$ 0.0085	
2004-2005	\$ 0.5400	\$ 0.2500	\$ 0.5839	\$ 0.0071	
2003-2004	\$ 0.5000	\$ 0.2500	\$ 0.5839	\$ 0.0071	
2002-2003	\$ 0.5000	\$ 0.2500	\$ 0.5561	\$ 0.0071	
2001-2002	\$ 0.4700	\$ 0.2500	\$ 0.5561	\$ 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 Nine Years Ago
 (unaudited)

Taxpayers	2001				2010			
	Taxable Assessed Value	Rank	Total City Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Total City Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Broyhill Furniture Industries, Inc.	\$ 79,859,898	1	\$ 1,126,887,353	7.09%	\$ 26,987,008	3	\$ 1,437,335,519	1.88%
Bernhardt Furniture Company	35,770,021	2		3.17%	29,812,159	2		2.07%
Kincaid Furniture Company, Inc.	22,176,405	3		1.97%	18,630,259	5		1.30%
Yale/Nacoco Materials Handling Corp.	18,101,651	4		1.56%				0.00%
Meridian Automotive	14,048,673	5		1.25%				0.00%
Bellsouth	13,851,440	6		1.23%				0.00%
Duke Energies	13,466,581	7		1.20%	19,389,370	4		1.35%
American & Effrd Thread Mills, Inc./Paxal	11,314,415	8		1.00%	12,585,818	7		0.88%
Thomasville Furniture Industries	10,340,990	9		0.92%	15,487,004	6		1.08%
Bemis Manufacturing	9,314,994	10		0.83%				0.77%
Google/Tapaha					127,097,761	1		8.84%
Nepico					12,197,513	8		0.85%
Meridian Automotive					11,459,815	9		0.80%
Greer Labs					11,082,720	10		0.77%
Total	\$ 228,255,068		\$ 1,126,887,353	20.21%	\$ 284,769,427		\$ 1,437,335,519	19.81%

Source: Caldwell County Tax Assessor

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

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2011	\$ 7,274,696	\$ 6,782,376	93.23%	\$	93.23%	
2010	\$ 7,414,997	\$ 6,982,155	94.16%	\$ 332,827	\$ 7,314,982	98.65%
2009	\$ 8,360,977	\$ 7,938,577	94.95%	\$ 279,315	\$ 8,217,892	98.29%
2008	\$ 7,256,869	\$ 6,833,707	94.17%	\$ 309,249	\$ 7,142,956	98.43%
2007	\$ 7,142,878	\$ 6,823,643	95.53%	\$ 236,965	\$ 7,060,608	98.85%
2006	\$ 7,112,171	\$ 6,819,748	95.89%	\$ 220,696	\$ 7,040,444	98.99%
2005	\$ 6,379,392	\$ 6,087,777	95.43%	\$ 256,661	\$ 6,344,438	99.45%
2004	\$ 5,977,735	\$ 5,700,813	95.37%	\$ 235,989	\$ 5,936,802	99.32%
2003	\$ 6,144,931	\$ 5,827,731	94.84%	\$ 282,725	\$ 6,110,456	99.44%
2002	\$ 5,340,571	\$ 5,136,066	96.17%	\$ 178,498	\$ 5,314,564	99.51%

Source: Caldwell County Tax Supervisor

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

Fiscal Year Ended June 30	Governmental Activities				Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Installment Purchase Contracts	Section 108 Loan	Revolving Loan	Installment Purchase Contracts						
2011	\$ -	\$ 2,193,276	\$ 512,000	\$ 3,557,397	\$ 8,972,267	\$ 15,234,940	*	\$ 834			
2010	\$ -	\$ 2,446,042	\$ 588,000	\$ 3,949,253	\$ 10,367,183	\$ 17,360,478		\$ 911			
2009	\$ -	\$ 3,297,509	\$ 680,000	\$ 1,214,959	\$ 11,785,145	\$ 16,977,613		\$ 896			
2008	\$ -	\$ 3,530,084	\$ 757,000	\$ 1,457,951	\$ 13,196,821	\$ 18,941,856		\$ 999			
2007	\$ -	\$ 4,291,535	\$ 831,000	\$ 1,700,943	\$ 14,544,131	\$ 21,367,609		\$ 1,150			
2006	\$ -	\$ 3,870,775	\$ 900,000	\$ 1,943,935	\$ 15,888,695	\$ 22,603,405		\$ 1,223			
2005	\$ -	\$ 3,034,215	\$ -	\$ 2,186,927	\$ 13,824,187	\$ 19,045,329		\$ 1,032			
2004	\$ -	\$ 2,436,745	\$ -	\$ 2,429,919	\$ 14,337,723	\$ 19,204,387		\$ 1,039			
2003	\$ 100,000	\$ 2,142,218	\$ -	\$ 2,672,910	\$ 15,383,242	\$ 20,298,370		\$ 1,098			
2002	\$ 350,000	\$ 2,824,621	\$ -	\$ 2,915,902	\$ 11,994,689	\$ 18,085,212		\$ 1,077			

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
2011	\$ -	0.00%	\$ -
2010	\$ -	0.00%	\$ -
2009	\$ -	0.00%	\$ -
2008	\$ -	0.00%	\$ -
2007	\$ -	0.00%	\$ -
2006	\$ -	0.00%	\$ -
2005	\$ -	0.00%	\$ -
2004	\$ -	0.00%	\$ -
2003	\$ 100,000	0.01%	\$ 5.41
2002	\$ 350,000	0.03%	\$ 20.84

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, 2011
(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	\$ 38,756,815	26.74%	\$ 10,363,572
Other debt			
Caldwell County equity purchase contracts	5,485,000	26.74%	1,466,689
Subtotal, overlapping debt			11,830,261
Lenoir direct debt			3,716,710
Total direct and overlapping debt			<u>\$ 15,546,971</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, 2011:

Assessed valuation - January 1, 2010		\$ 1,443,449,792
Debt Limit - 8% of assessed value		\$ 115,475,983
Gross long-term debt	\$ 18,879,854	
Less statutory deductions		
Bonds applicable to water system	<u>-</u>	<u>18,879,854</u>
Legal debt margin		<u>\$ 96,596,129</u>

	Fiscal Year				
	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Debt limit	\$ 90,150,988	\$ 99,891,340	\$ 91,860,804	\$ 91,178,633	\$ 102,141,496
Total net debt applicable to limit	<u>18,085,212</u>	<u>20,298,372</u>	<u>19,204,389</u>	<u>19,045,329</u>	<u>22,603,405</u>
Legal debt margin	<u>\$ 72,065,776</u>	<u>\$ 79,592,968</u>	<u>\$ 72,656,415</u>	<u>\$ 72,133,304</u>	<u>\$ 79,538,091</u>
Total net debt applicable to the limit as a percentage of debt limit	20.06%	20.32%	20.91%	20.89%	22.13%

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

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
2010	18,261	*	*	12.4%
2009	19,064	\$ 2,235	\$ 27,969	13.4%
2008	18,952	\$ 2,246	\$ 28,127	10.7%
2007	18,954	\$ 2,162	\$ 27,240	7.4%
2006	18,588	\$ 2,177	\$ 27,520	7.8%
2005	18,479	\$ 2,086	\$ 26,480	7.8%
2004	18,458	\$ 2,039	\$ 26,005	7.3%
2003	18,492	\$ 1,984	\$ 25,148	7.9%
2002	18,492	\$ 1,945	\$ 25,235	8.1%
2001	16,793	\$ 1,965	\$ 24,224	8.3%

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	2011		2001	
	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		
Caldwell County	500-999	6	500-999	5
Wal-Mart Associates, Inc.	500-999	7		
Broyhill Furniture Industries, Inc.	500-999	8	1,000+	1
Universal Mental Health Services	250-499	9		
Caldwell Freight Lines, Inc.	250-499	10		
Thomasville Furniture Industries, Inc.	250-499	11		
Onin Staffing LLC	250-499	12		
Fairfield Chair Co.	250-499	13	250-499	10
City of Lenoir	250-499	14		
Kincaid Furniture Co., Inc.	250-499	15	1,000+	3
Avery Dennison	250-499	16		
Rpm Wood Finishes Group	250-499	17		
Lowe's Home Centers	250-499	18		
Greer Laboratories	100-249	19		
Skill Creations Inc.	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 2001 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				
	2002	2003	2004	2005	2006
General Government					
Administrative	12.0	12.0	11.0	12.0	10.0
Building Maintenance	5.0	5.0	4.0	4.0	5.0
Engineering	2.0	2.0	3.0	3.0	3.0
Cemeteries	3.0	3.0	3.0	3.0	
Vehicle Services	6.0	6.0	5.5	4.0	4.0
Public Safety					
Police	73.0	74.5	77.0	75.0	70.5
Fire	64.0	62.0	62.0	63.0	60.0
Transportation					
Streets	17.0	15.0	16.0	13.0	15.0
Environmental Protection					
Sanitation	12.0	15.0	13.0	11.0	12.0
Economic and Physical Development					
Downtown District			1.5	2.0	2.0
Planning	3.0	3.0	3.0	3.0	3.0
Culture and Recreation					
Centers and Parks	12.5	7.5	10.5	10.0	9.0
Aquatic and Fitness Center	17.5	13.0	14.5	15.0	17.0
Landscaping	8.0	6.0	9.0	7.0	6.5
Water and Sewer Utility					
Bernhardt Water Treatment Plant	9.0	9.0	8.5	9.0	8.0
Water Distribution	19.0	13.0	19.5	18.0	17.0
Water Resources					
Wastewater Collection	6.0	5.0	7.0	6.0	6.0
Wastewater Pretreatment	3.0	3.0	3.0	3.0	3.0
Gunpowder and Lower Creek Wastewater Treatment Plants	11.0	11.0	11.0	10.0	11.0
Total	283.0	265.0	282.0	271.0	262.0

	Full-time-Equivalent Employees as of June 30				
	2007	2008	2009	2010	2011
General Government					
Administrative	12.5	10.5	14.0	13.0	14.5
Building Maintenance	5.0	5.0	6.0	6.0	6.0
Engineering	3.0	3.0	3.0	2.0	2.0
Cemeteries	1.0	1.0	1.0	1.0	1.0
Vehicle Services	4.0	4.0	4.0	4.0	4.0
Public Safety					
Police	73.0	78.0	76.0	76.0	77.5
Fire	60.0	63.0	65.0	65.0	66.0
Transportation					
Streets	12.0	13.0	14.5	14.5	14.5
Environmental Protection					
Sanitation	13.0	11.5	12.5	12.5	13.5
Economic and Physical Development					
Downtown District	2.0	2.0	2.0	2.0	2.0
Planning	4.0	4.0	5.0	6.0	5.0
Culture and Recreation					
Centers and Parks	14.0	31.0	29.0	28.0	27.5
Aquatic and Fitness Center	18.5	22.0	22.5	21.0	22.0
Landscaping	6.0	8.0	6.5	6.5	7.5
Water and Sewer Utility					
Bernhardt Water Treatment Plant	9.0	9.0	9.0	9.0	9.0
Water Distribution	15.0	17.0	13.0	14.0	14.0
Water Resources			6.0	5.0	7.0
Wastewater Collection	6.0	6.0	6.0	6.0	5.0
Wastewater Pretreatment	3.0	3.0	3.0	3.0	3.0
Gunpowder and Lower Creek Wastewater Treatment Plants	11.0	11.0	11.0	11.0	11.0
Total	272.0	302.0	309.0	305.5	312.0

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				
	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Police					
Physical arrests	2,456	2,524	1,546	3,492	1,878
Incident reports	2,556	2,616	2,220	1,471	2,242
Parking violations	1,647	1,815	2,577	2,169	1,768
Citations issued	3,531	2,955	3,269	4,057	4,432
Fire					
Calls answered	1,960	1,854	1,879	1,927	2,406
Inspections	454	454	413	509	422
Sanitation					
Refuse collected (tons per day)	28.44	28.40	*	*	48.68
Streets					
Street resurfacing (miles)	3.25	3.00	0.00	2.75	2.75
Parks and Recreation					
Aquatic/Fitness memberships	*	*	*	*	540
Aquatic/Fitness admissions	*	*	*	*	*
Youth sports participants	584	582	588	556	366
Adult sports participants	354	328	417	245	203
Water system					
New connections	103	97	39	99	78
Water main breaks	42	30	81	34	52
Number of utility customers	7,207	8,884	9,138	9,478	9,544
Daily avg consumption in million gallons	6.5	6.2	6.2	6.2	6.3
Wastewater system					
Number of utility customers	8,835	7,237	7,489	7,819	7,851
Daily avg treatment in million gallons	2.9	3.576	3.28	3.28	2.92

Program/Function	Fiscal Year				
	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Police					
Physical arrests	2,099	1,842	1,861	1,918	1,935
Incident reports	2,087	2,168	2,136	2,221	2,051
Parking violations	1,484	1,442	1,029	858	863
Citations issued	3,850	2,837	2,062	2,548	2,571
Fire					
Calls answered	2,599	2,417	2,414	2,566	2,563
Inspections	490	379	311	405	311
Sanitation					
Refuse collected (tons per day)	45.71	34.77	27.58	22.92	27.26
Streets					
Street resurfacing (miles)	1.00	1.50	1.36	0.75	0.75
Parks and Recreation					
Aquatic/Fitness memberships	1,085	506	743	1,353	1,053
Aquatic/Fitness admissions		7,369	7,440	9,046	11,552
Youth sports participants	612	1008	1040	1034	1045
Adult sports participants	320	395	558	324	288
Water system					
New connections	56	39	35	25	30
Water main breaks	43	43	38	17	28
Number of utility customers	9,647	9,702	9,743	9,670	9,673
Daily avg consumption in million gallons	6.4	6.2	5.8	5.6	6.2
Wastewater system					
Number of utility customers	8,324	8,403	8,463	8,320	8,209
Daily avg treatment in million gallons	3.41	3.41	3.82	4.25	3.43

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				
	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Police					
Stations	1	1	1	1	1
Substations	5	5	5	5	5
Patrol units	72	72	68	38	59
Fire					
Stations	2	2	2	2	2
Sanitation					
Collection trucks	6	6	6	6	6
Streets					
Miles of paved streets	107.41	107.41	110.66	110.52	119.66
Miles of unpaved streets	3.11	3.11	3.06	3.02	3.02
Street lights	2,336	2,384	2,556	2,496	2,461
Parks and Recreation					
Community centers	3	3	3	3	3
Parks	2	2	2	2	2
Swimming pools	2	2	2	2	2
Tennis courts	12	12	12	8	8
Baseball/softball diamonds	6	6	6	6	8
Soccer fields	11	11	11	11	11
Miles of greenway	0	0	0	2	4.38
Water system					
Miles of water lines	198.75	198.82	199.25	207.8	207.8
Fire hydrants	987	987	991	991	991
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	175.715	175.72	175.72	175.79	196.07
Miles of storm sewers	20	20	21	25	20
Maximum daily capacity (millions of gallons)	8	8	8	8	8
Treatment Plants	2	2	2	2	2
Program/Function	Fiscal Year				
	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Police					
Stations	1	1	1	1	1
Substations	5	5	5	5	5
Patrol units	52	52	52	52	52
Fire					
Stations	2	2	2	2	2
Sanitation					
Collection trucks	6	6	6	7	7
Streets					
Miles of paved streets	119.79	120.52	121.55	121.55	121.55
Miles of unpaved streets	2.69	2.64	2.64	2.64	2.64
Street lights	2,545	2,556	2,567	2,575	2,577
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	11	12	12	12	12
Miles of greenway	7.20	7.80	8.00	8.00	10.00
Water system					
Miles of water lines	207.8	208.0	219.4	219.4	219.4
Fire hydrants	992	992	1,070	1,070	1,070
Storage capacity (millions of gallons)	13.4	13.4	13.4	13.4	13.4
Maximum daily capacity (millions of gallons)	12	12	12	12	12
Treatment Plants	1	1	1	1	1
Wastewater system					
Miles of sewage lines	205.07	205.07	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

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

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

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

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 aggregated remaining fund information of the City of Lenoir, North Carolina, as of and for the year ended June 30, 2011, which collectively comprises the City of Lenoir's basic financial statements dated August 18, 2011. We did not audit the financial statements of the City of Lenoir ABC Board. Those financial statements were audited by other auditors whose reports thereon have 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 reports 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 Government Auditing Standards issued by the Comptroller General of the United States. 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, we considered the City of Lenoir's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Lenoir's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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

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.

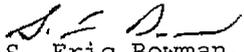
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses as defined above. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as 2011-1 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency or a 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.

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 did not express such an opinion. The results of our tests disclosed no instances of noncompliance and other matters that are required to be reported under Government Auditing Standards.

The City of Lenoir's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Lenoir's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of the City Council, and Federal and State awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specific parties.


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

Morganton, North Carolina
August 18, 2011

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

Report On Compliance With Requirements Applicable
To Each of Its Major Federal Programs And Internal Control
Over Compliance In Accordance With OMB Circular A-133
and the State Single Audit Implementation Act

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

Compliance

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 are applicable to each of its major federal programs for the year ended June 30, 2011. The City of Lenoir's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs are the responsibility of the City of Lenoir's management. Our responsibility is to express an opinion on the City of Lenoir's compliance based on our audit.

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; 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. Our audit does not provide a legal determination on the City of Lenoir's compliance with those requirements.

In our opinion, the City of Lenoir complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

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

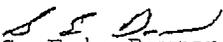
Internal Control Over Compliance

The management of the City of Lenoir is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Lenoir's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 but not for expressing 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control 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, as defined above.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of the City Council, and federal awarding agencies and pass-through entities.


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

Morganton, North Carolina
August 18, 2011

S. Eric Bowman, P.A.

CERTIFIED PUBLIC ACCOUNTANT

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Report On Compliance With Requirements Applicable To
Each of Its Major State Programs And Internal Control
Over Compliance In Accordance With Applicable Sections of
OMB Circular A-133 and the State Single Audit Implementation Act

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

Compliance

We have audited the compliance of the City of Lenoir, North Carolina, with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2011. The City of Lenoir's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs are the responsibility of the City of Lenoir's management. Our responsibility is to express an opinion on the City of Lenoir's compliance based on our audit.

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, applicable sections of OMB Circular A-133 as described in the Audit Manual for Governmental Auditors in North Carolina, and the State Single Audit Implementation Act. Those standards, applicable sections of 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. Our audit does not provide a legal determination on the City of Lenoir's compliance with those requirements.

In our opinion, the City of Lenoir complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2011.

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

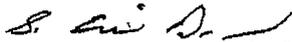
Internal Control Over Compliance

The management of the City of Lenoir is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the City of Lenoir's internal control over compliance with requirements that could have a direct and material effect on a major State program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, but not for expressing 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 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control 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, as defined above.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of the City Council, and Federal and State awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specific parties.


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

Morganton, North Carolina
August 18, 2011

CITY OF LENOIR, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

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
- * Reportable condition(s) 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 Numbers</u>	<u>Names of Federal Program or Cluster</u>
14.253	<u>U.S. Department of Housing and Urban Development</u>
14.218	Community Development Block Grant Community Development Block Grant - ARRA
20.205	<u>U.S. Department of Transportation</u> Street Improvements
66.468	<u>U.S. Environmental Protection Agency</u> Drinking Water Loan Assistance

CITY OF LENOIR, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

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

* Reportable condition(s) 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

Department of Commerce

Section II.

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

Internal Controls Over Financial Reporting

2011-1

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.

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

Schedule of Federal and State Awards
For the Year Ended June 30, 2011
(Schedule 18, Page 1)

Grantor Pass-Through Grantor Program Title	Federal CFDA Number	State Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
Federal Grants:						
Cash Programs:						
<u>U.S. Department of Housing and Urban Development</u>						
Direct Program:						
Community Development Block Grant	14.218		\$ 145 675	\$	\$	\$ 145 675
Community Development Block Grant - ARRA	14.253		22 460			22 460
Subtotal Community Development Block Grant			168 135			168 135
Passed Through the N.C. Department of Commerce:						
HOME Investments Partnership Program:						
Unifour HOME Consortium	14.239	M-08-DC-37-0208	72 000			72 000
Unifour HOME Consortium	14.239	M-09-DC-37-0208	237 274			237 274
Unifour HOME Consortium	14.239	M-10-DC-37-0208	566 625			566 625
Subtotal Unifour HOME Consortium			875 899			875 899
Total U.S. Department of Housing and Urban Development			1 044 034			1 044 034
<u>U.S. Department of Justice</u>						
Passed through NC Department of Crime Control and Public Safety:						
Edward Byrne Memorial (ARRA)	16.804	B9-3066	29 329			29 329
<u>Department of Homeland Security</u>						
Passed Through N.C. Department of Crime Control and Public Safety:						
Emergency Assistance	97.036	2008-FF-366	104 911			104 911
Emergency Assistance	97.036	2009-FEMA	26 109			26 109
Total Department of Homeland Security			131 020			131 020

City of Lenoir, North Carolina

Schedule of Federal and State Awards
For the Year Ended June 30, 2011
(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
U.S. Department of Energy Passed Through the N.C. Department of Commerce: Energy Efficiency Community Block Grant (ARRA)	81.128		16,742			16,742
U.S. Department of Transportation Passed Through the N. C. Department of Transportation:						
Governor's Highway Safety Program	20.600	PT-10-07	3,392			3,392
Governor's Highway Safety Program	20.600	PT-11-03	4,597			4,597
Governor's Highway Safety Program	20.610	PT-11-04	18,636			18,636
Subtotal Governor's Highway Safety Program			26,625			26,625
Street Improvements-Greenway	20.205		94,200		23,550	117,750
Street Improvements-Broadway Street	20.205	B-3932	94,671		23,668	118,339
Street Improvements-Mulberry Street	20.205	B-3933	655,511		163,878	819,389
Subtotal Street Improvements			844,382		211,096	1,055,478
Total U.S. Department of Transportation			871,007		211,096	1,082,103
U.S. Environmental Protection Agency Passed Through the N.C. Department of Environment and Natural Resources:						
Drinking Water Revolving Loan Assistance	66.468	DEH 1065	3,644,914			3,644,914
Total Federal Cash Awards			\$ 5,737,046	\$	\$ 211,096	\$ 5,948,142

Schedule of Federal and State Awards
 For the Year Ended June 30, 2011
 (Schedule 18, Page 3)

Grantor Pass-Through Grantor Program Title	Federal CFDA Number	State Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
State Awards: Cash Programs						
<u>N.C. Department of Transportation</u> Powell Bill			\$	\$ 564,927	\$	\$ 564,927
<u>N.C. Department of Public Instruction</u> Intervention/Prevention Program				89,702		89,702
<u>N.C. Department of Health and Wellness Trust</u> Fund Commission Fit Community				25,792		25,792
<u>N.C. Department of Commerce</u> Economic Infrastructure				374,704	16,097	390,801
Total State Cash Awards				1,055,132	16,097	1,071,229
Total Federal and State Awards			\$ 5,737,046	\$ 1,055,132	\$ 227,193	\$ 7,019,371

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.

Note 2 -- Loans Outstanding:

The City of Lenoir had the following loan balances outstanding at June 30, 2011.

Program Title	Federal CFDA	Amount Outstanding
Section 108 HUD Loan	14.218	\$ 512,000
Drinking Water Revolving Loan DEH 1056	66.468	2,828,421
Drinking Water Revolving Loan DEH 1365	66.458	3,664,914
Total		\$ 7,005,335

CITY OF LENOIR, NORTH CAROLINA

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2011

Finding: 2011-1

- 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

CITY OF LENOIR

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2010

All audit findings for the prior year June 30, 2010 have been corrected with the exception of hiring an internal auditor. This is not deemed practical at the present time.